Startup Shabdkosh

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Foreword

I am happy that my colleagues from NAARM have embarked on this novel exercise of collecting and collating several terms associated with startups and entrepreneurs. Agriculture today is challenged with several issues including sustainable incomes for farmers. Often, technologies offer plausible solutions.

However, if these solutions are to reach wider sector of the society and also enhance economic benefits, entrepreneurship offer a new channel. Since 2016, the Government of India has initiated a new initiative, Startup India with objective to foster and build an entrepreneurial ecosystem.The National Agriculture Research System is also trying to adopt itself in these emerging processes to reach its stakeholders. There is a felt need for the referral point of demystifying the myths on some of the words associated in the startup ecosystem. This book is an effort by my colleagues towards answering these question.

I am sure that all stakeholders associated with this startup journey including young entrepreneurs, students, scientists and others will benefit through this referral book. I congratulate the team a-IDEA, Technology Business Incubator of NAARM for bringing out this compilation.

Dr. Ch. Srinivasa Rao
Director, NAARM
President, a-IDEA

Preface

The compilation of “Startup Shabdhkosh” has emerged out of genuine need to dispel several myths and wrong usage of terms associated with entrepreneurship. The team a-IDEA at ICAR-NAARM has attempted to compile several of emerging words, terms and even ‘jargon’ and present each definition in simple and authenticated manner. It is hoped that this maiden effort by us to demystify the myths around several terms in agriculture entrepreneurship will be useful to all involved in this ecosystem. Agriculture startup ecosystem is an emerging sector and this sector with its growing popularity in India has many jargons or terminologies that are quite new to the many stakeholders including agriculture scientists, agribusiness professionals, students of agriculture and allied disciplines and other skilled manpower of the agriculture sector.

We acknowledge the unstinted support and encouragement from Dr. Ch. Srinivasa Rao, Director, and Dr R. Kalpana Sastry, Joint Director in preparing this compilation. The generous funding under project of establishment of Technology Business Incubator for fostering agri entrepreneurship and technology support from NSTEDB, DST is gratefully acknowledged.

Authors

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Accelerator: accelerators, also known as seed accelerators, are fixed-term, cohort-based programs, that include mentorship and educational components and culminate in a public pitch event or demo day.

Accredited Investor: an investor who meets specific income and net worth criteria, allowing him or her to invest in startups and other high-risk private company securities.

Accrued Interest: The interest due on preferred stock or a bond since the last interest payment was made

Acqui-hire: one company's acquisition of another for the primary purpose of hiring its employees, rather than for the intrinsic value of the business itself.

Acquisition: A process under which a company acquires the controlling interest of another company.

Activation: another word for a product or company launch.

Add-on-services: the services provided by a venture capitalist that are not monetary in nature, such as helping to assemble a management team and helping to prepare the company for an initial public offering (IPO).

Addressable Market: total potential market for a product or service. In other words, the business's addressable market can be calculated by identifying the maximum number of customers who could theoretically buy a category of product or service each year, and multiplying that number with the average selling price per unit.

Adventure Capitalist: is an entrepreneur who helps other entrepreneurs financially and often plays an active role in the company's operations such as occupying a seat on the board of directors, etc.

Advisor : An individual providing business connections, guidance, advice and support to the entrepreneur as they develop and grow their startup.

Advisory Board: group of external advisors to a private equity group or portfolio company. Advice provided varies from overall strategy to portfolio valuation. Less formal than a Board of Directors.

Affiliated Company: if "Company A" owns between 20% and 50% of the voting equity shares of "Company B," then "B" is considered an affiliated company of "A" for accounting and financial reporting purposes.

Age at Financing: the age of the company (in years) at the time of its private equity financing.

Allocation: The amount of securities assigned to an investor, broker, or underwriter in an offering. An allocation can be equal to or less than the amount indicated by the investor during the subscription process, depending on market demand for the securities.

Alpha Test: internal testing of a pre-production product, typically on a controlled basis, with the objective of identifying functional deficiencies and design flaws.

Alternative Investment: a broad term for untraditional assets such as private equity, venture capital, hedge funds and real estate.

Amortization: An accounting procedure that gradually reduces the book value of an intangible asset through periodic charges to income.

Angel Fund: A formal or informal assemblage of active angel investors who cooperate in some part of the investment process. Key characteristics of an angel group are: control by member angels (who manage the entity or have control over the entity's managers), and collaboration by member angels in the investment process.

Angel Financing: Seed capital raised from independently wealthy investors, for startup companies

Angel Investor: individual who provides a small amount of capital to a startup for a stake in the company. Typically precedes a `Seed Round' and usually happens when the startup is in its infancy.

Angel Round: A round of investment into a startup company from angel investors not previously affiliated with the founder. Typically the first money invested in a company after the founders own money, and the founder's friends and family.

Annex Fund: Annex funds are side funds that can provide an extra pool of money to supplement the original VC Funds

Anti-Dilution Provisions: Anti Dilution Provisions are contractual measures that allow investors to keep a constant share of a firm's equity in light of subsequent equity issues. These may give investors preemptive rights to purchase new stock at the offering price.

Anti-dilution (Anti-dilution protection): is a provision used to ensure that investors are not penalized when companies are undergoing additional financing. An anti-dilution provision protects an investor from dilution resulting from later issues of stock at a lower price than the investor originally paid. These may give investors preemptive rights to purchase new stock at the new offering price.

Anti-Dilution Agreement: a legal agreement ensuring that if further investments are made into a company or a sale occurs, the investor's shares are not diluted. This is primarily performed to protect the interests of early investors.

Arbitrage: Arbitrage describes a situation in which a security is bought and sold simultaneously in order to take advantage of a price difference. These price differences and Arbitrage occur because of inefficiencies in markets. Arbitrage can also simply mean when a market participant takes advantage of a market in order to profit.

Asset Acquisition: An Asset Acquisition refers to a company sale transaction wherein the buyer purchases the assets of the startup rather than the stock of the startup.

Asset Allocation: describes the general mix of investments in a portfolio, determined by investing timeframe, risk tolerance and overall goals.

Asset-based Lending: any form of lending to a business that is secured by a balance sheet asset. Pledged assets may include inventory, equipment and accounts receivable, among others, that will be redeemed in the event of default by the debtor.

Authorized Shares: Authorized Shares is the maximum amount of shares of stock a startup can issue. The number and type of authorized shares is set forth in the startup's charter. The amount and type of authorized shares can be changed by the startup, provided the startup obtains the requisite approval of the startup's shareholders.

Automatic Conversion: is a clause found in convertible promissory notes that dictates the automatic conversion of the convertible debt to the type of equity raised at a Qualified Financing*. The conversion is considered "automatic" because it does not require the vote of either the startup or the investor. An automatic conversion can also occur regarding preferred stock of a startup before the startup's IPO, with the automatic conversion clause converting preferred stock to common stock.

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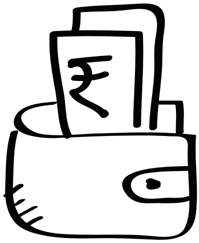

Bootstrapped: A company is bootstrapped when it is funded by an entrepreneur's personal resources or the company's own revenue. Evolved from the phrase "pulling oneself up by one's bootstraps."

B2B (Business to Business): This describes a business that is targeting another business with its product or services. B2B technology is also sometimes referred to as enterprise technology. This is different from B2C which stands for business to consumer, and involves selling products or services directly to individual customers.

B2C (Business to Consumer): This describes a business that is selling products or services directly to individual customers.

Back-up Certificate: is a certificate a startup will issue to its legal counsel whereby the President or CEO of the startup certifies as to various facts that legal counsel will need in order to properly issue an opinion letter as part of a venture capital financing transaction.

Bad Leaver: an employee who leaves a company in circumstances where they are not entitled to retain their shares and to receive any value for their shares (other than potentially their nominal value. Bad leavers are generally responsible for the circumstances of their leaving, for example, a resignation or dismissal for gross misconduct or a criminal offence.

Basket: is the amount of damages that must be suffered by a buyer before it can recover from the seller under the indemnity provisions of an acquisition agreement.

Benchmark: is process by which a startup company measures their current success. An investor measures a company's growth by determining whether or not they have met certain benchmarks.

Best Efforts offering: is a type of offering of a startup's securities in which the underwriter(s) only guarantee their "best effort" to sell the startup's shares. The underwriter does not buy the securities outright from the startup nor guarantee the startup will receive a set amount of investment capital from the offering.

Blind Pool: is a form of limited partnership which doesn't specify what investment opportunities the general partner plans to pursue.

Board-Observer: the investor on the board is allowed to participate and guide the proceedings in the capacity as an observer, however the board observer does not have any voting rights.

Board of Directors: a group of influential individuals, elected by stockholders, chosen to oversee the affairs of a company. A board typically includes investors and mentors. Not all startups have a board, but investors typically require a board seat in exchange for an investment in a company.

Board resolution: a formal, written decision of a company's board of directors. A company's bylaws will stipulate the types of major corporate decisions that require a board resolution, which typically calls for a formal board vote and majority approval to be enacted.

Boilerplate: refers to a legal document or a portion of a legal document that is ‘standard’ or not typically negotiated. Boilerplate can also mean a template legal document.

Book Runner: the main entity responsible for the issuance of new equity, debt, and other securities.

Book Value: is the value of total assets minus the total liabilities. The book value of an asset, as shown on a balance sheet, is typically based on its original cost minus accumulated depreciation. The book value is used for both accounting and tax purposes.

Boot-Strapping (Bootstrapped): is a startup which is using personal cash or cash from friends and family to run its operations. A company is bootstrapped when it is funded by an entrepreneur's personal resources or the company's own revenue. Evolved from the phrase "pulling oneself up by one's bootstraps."

Brainstorming: a group or individual creativity technique by which efforts are made to find a conclusion for a specific problem by gathering a list of ideas spontaneously contributed by its member(s). Though not originally intended at its creation, the term is currently used as a catch-all for group ideation sessions.

Bridge Financing: a bridge financing refers to any short term funding of a startup that will eventually be replaced or followed by a larger capital investment from later stage investors. For a startup, a bridge financing could mean either a convertible note raise with a short term note

Bridge loan (Swing Loan): also known as a swing loan. Short-term loan to bridge the gap between major financing.

Broad-Based Weighted Average: is an anti-dilution method that adjusts the price per share of the preferred stock of a prior investor due to the issuance of new preferred shares. The prior investor's preferred stock is adjusted at a weighted average rate of the previously issued stock and the new preferred shares. This method uses all common stock outstanding on a fully diluted basis in determining the new weighted average price.

Brownfield: an investment in an existing asset, land or structure that typically requires repairs, upgrades and expansion.

Burn Rate (Run Rate): the rate at which a new company uses up its venture capital to finance overhead before generating positive cash flow from operations. In other words, it's a measure of negative cash flow.

Business Model Canvas: is a strategic management template for developing new or documenting existing business models. It is a visual chart with elements describing a firm's value proposition, infrastructure, customers, and finances. It assists firms in aligning their activities by illustrating potential trade-offs. A business model is a dynamic document that describes how your company creates, delivers and captures value.

Business Plan: is a written document that describes a business, its objectives, its strategies, the market it is in and its financial forecasts. It has many functions, from securing external funding to measuring success within your business.

Buyout: a common exit strategy. The purchase of a company's shares that gives the purchaser controlling interest in the company.

Buy-Sell Agreement: a Buy-Sell Agreement, also known as a buyout agreement, sets forth what will happen if one of the co-owners of a company leaves the company for any reason, including death. Usually, the former co-owner must first offer his or her shares for sale to the other co-owner(s) or the company before being allowed to transfer to non-owners of the company (including the estate of a deceased co-owner).

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Call Right: a Call Right gives the holder a right, but not the obligation, to buy an agreed upon number of securities before a certain time and at a certain price.

Cap: a valuation ceiling that exists in a convertible debt deal. Entrepreneurs and investors agree to place a `cap' on the valuation of the company where notes turn to equity. This means that the valuation of the company during the time where the bridge converts to equity will not be higher than the agreed upon valuation, the `cap'.

Capital: monetary assets currently available for use. Entrepreneurs raise capital to start a company and continue raising capital to grow the company.

Capital Call: a capital call is a notice a venture capital fund sends to its investors that they must now contribute a portion of their capital commitment to the fund.

Capital Overhang: the current amount of capital available to private equity investors.

Capital Stock: is different types of common and preferred stock that a startup is authorized to issue according to their Articles of Incorporation (also called the Charter or Certificate of Incorporation).

Capitalization Table: a table depicting the quantity of shares or unit ownership which is held by each investor in a corporation, typically including founders' equity, investor equity, and advisor/employee stock option pools.
Capital Gain: the difference between the purchase price and selling price of a given asset.

Capital Under Management: the amount of capital, or financial assets that a venture capital firm is currently managing and investing.

Capped Notes: refers to a "cap" placed on investor notes in a round of financing. Entrepreneurs and investors agree to place a cap on the valuation of the company where notes turn to equity. This means investors will own a certain percentage of a company relative to that cap when the company raises another round of funding. Uncapped rounds are generally more favorable to an entrepreneur/startup.

Carried Interest (Carry): the portion of investment gains to which fund managers are entitled without contributing their own capital.

Carve out: is a situation which is expected from a negative or affirmative covenant in a contract. A parent company sells all or part of a subsidiary, division or other portion of its operations.

Cashless Exercise: an option that allows the option holder to exercise without actually paying cash for the options. Shareholders generally utilize this method if they plan on selling the shares immediately after exercising the options.

Churn Rate: is the amount of customers or subscribers who cut ties with the service or company during a given time period.

Clawback: is a clause in the limited partnership agreement of a venture capital or private equity fund. The clawback gives the limited partners the right to reclaim a portion of disbursements that were given to a general partner, taken from a profitable return when the fund was only partially called, based on losses from the rest of the fund.

Cliff: is the term used to describe the length of time before either a startup founder or a recipient of stock options first becomes partially vested in their restricted stock or stock options.

Closed Fund: a private equity fund that has finished taking commitments from limited partners and held its `final close'.

Closely Held Company: a company where the equity interests are held by a few shareholders.

Closing: the final stage in the investment process, where legal documents are signed and an investment becomes official.

Club Deal: a private equity transaction involving two or more firms.

Co-Investment: a direct investment from a limited partner into a portfolio company executed in conjunction with the general partner.

Co-Sale Right: is one which allows investors to sell their shares of stock in the same proportions and for the same terms as the founders, managers, or other investors, should any of those parties decide to sell.

Cofounder (Co-founder): an individual who starts a new business jointly with another person or persons.

Common Stock: a class of ownership that has lower claims on earnings and assets than preferred stock. It is riskier to own common stock because, in the event of liquidation, common stock shareholders are the last to claim rights to assets.

Compliance: the adherence by a company with the laws and regulations which are applicable to it and its business

Confidentiality: individuals and companies often promise to keep information they learn secret. They often formalize this promise by signing a Non-Disclosure Agreement (or NDA).

Conflict of Interest: a situation in which an individual might take an action to their advantage that would be to the disadvantage of a person or company that believes this individual is serving them.

Contingent Liability: is a potential liability that is dependent on the outcome or occurrence of a specific event. In other words, it is not certain that a Contingent Liability will come to fruition and become an actual liability, but it is possible. Depending on the likelihood of a Contingent Liability, it may have to be disclosed prior to financing or investment.

Conversion Discount: is the right of convertible note holder to convert the convertible debt into the shares of a subsequent round of equity financing at a discounted price.

Conversion Ratio: the number of shares of stock into which a convertible security may be converted. The conversion ratio equals the par value of the convertible security divided by the conversion price.

Convertible Debt: is when a company borrows money with the intent that the debt accrued will later be converted to equity in the company at a later valuation. This allows companies to delay valuation while raising funding in its early stages. This is typically done in the early stages of a company's life, when a valuation is more difficult to complete and investing carries higher risk.

Convertible Note: a debt instrument that can be converted into another security, such as shares of common or preferred stock.

Convertible Preferred Stock: is the one that may be converted into common stock or another class of preferred stock, either voluntarily or mandatory.

Convertible Security: a bond, debenture or preferred stock that is exchangeable for another type of security (usually common stock) at a pre-stated price. Convertibles are appropriate for investors who want higher income, or liquidation-preference protection, than is available from common stock, together with greater appreciation potential than regular bonds offer.

Corporate Acquisition: the purchase of a portfolio company by a corporation for strategic purposes.

Corporate Social Responsibility (CSR): is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders.

Corporate Venture Capitalists: are specialized subsidiaries within corporations with a mission to spread their cash around. Some investments are strategic or purely financial, or a blend. Startups can also profit from the corporation's experience and other resources.

Corporate Venture Capital: is a subsidiary of a large corporation which makes venture capital investments.

Covenant: a formal written promise stating that certain activities will or will not be carried out. For example, founders are often asked to give post-termination Restrictive Covenants preventing them from, amongst other things, competing with their former employer in the event that they leave the company.

Cram Down Round: is a financing round in which previous investors, the founders and management suffer significant dilution and loss of certain preferential rights.

Creative intelligence: is the ability to frame problems in new ways and to make original solutions. It is about more than thinking; it is about learning by doing and learning how to do the new in an uncertain, ambiguous, complex space--our lives today.

Critical Mass: the moment that the startup reaches a tipping point where it has reached a number of users that is driving company a lot of revenue or a lot of investors. For a new tech startup this could mean reaching 10 million users in just one year or less.

Critical Success Factor: a factor that must be addressed by a business in order to succeed. Startup businesses that clearly identify and address all their critical success factors have a much higher likelihood of surviving and prospering in the long run.

Crossover Investors: an investor who invests before, during, and after a company's initial public offering.

Crowd funding: the process of funding a venture by raising small amounts of capital from a large number of people (the crowd), usually through an online platform.

Cumulative Preferred Stock: A stock having a provision that if one or more dividend payments are omitted, the omitted dividends (arrearage) must be paid before dividends may be paid on the company's common stock.

Cumulative Voting Rights: are the rights of the shareholders to pool their votes to concentrate them on an election of one or more directors rather than apply their votes to the election of all directors. For example, if the company has 12 openings to the Board of Directors, in statutory voting, a shareholder with 10 shares casts 10 votes for each opening (10x12 = 120 votes). Under the cumulative voting method however, the shareholder may opt to cast all 120 votes for one nominee (or any other distribution he might choose)

Current Liabilities: include liabilities such as debts that are expected to repay within one year in the ordinary course of business. Accounts payable are a type of current liability.

Customer Acquisition Costs (CAC): the cost associated with convincing a customer to buy a product/ service. This cost is incurred by the organization to convince a potential customer. This cost is inclusive of the product cost as well as the cost involved in research, marketing, and accessibility costs.

Customer Development Model: the ‘traditional’ way to approaching business is the Product Development Model. It starts with a product idea followed by months of building to deliver it to the public

Customer Lifetime Value: a forecast or prediction of the total net profit related to the entire lifetime, (present and future) of a specific customer relationship.

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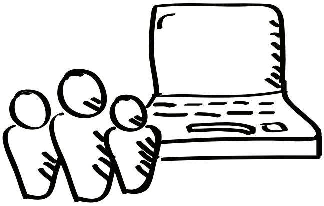

Daily Active Users (DAU): are distinct website users who engage with a site's offerings or services in a given day.

Data Room: a secure, digital location where potential investors can review confidential information on a target company, including financial statements, compensation agreements, intellectual property and client contracts.

Deal Flow: is the rate at which investment offers are presented to funding institutions.

Deal Lead: an investor or investment organization taking primary responsibility for organizing an investment round in a company. The deal lead typically finds the company, negotiates the terms of the investment, invests the largest amount, and serves as the primary liaison between the company and the other investors.

Deal Room: a central location where investment pitches and negotiations take place.

Deal Structure: the framework of a deal between investors and a startup company which is typically outlined in a term sheet and defined in detail in Purchase Agreements and related documentation, providing the rights and obligations of the parties.

Deal Value: is the transaction value of the deal.

Debenture: a debt instrument; basically the same as a promissory note. This designation is a legal document detailing the terms of repayment and interest that a borrower is responsible for. It also details the principal amount owed and the maturity date. For example, financial institutions can approve qualified applicants for loans. They send out debenture or promissory statements to borrowers as a reminder of their legal contract.

Debt: any obligation by one person to pay another. May be a primary (direct) obligation as in a Note, or a secondary (contingent) obligation as in a guaranty.

Debt Financing: when a company raises money by selling bond, bills, or notes to an investor with the promise that the debt will be repaid with interest. It is typically performed by late-stage companies.

Debt Instrument: any instrument evidencing the obligation of the maker to pay the holder of the debt instrument. Includes Bonds, Debentures and Notes of all kinds.

Deck (Pitch Deck): a short power point presentation that covers all aspects of a startup. The pitch deck in nature should be compact & concise, but it should create a maximum impact.

Deferred Shares: shares in a company which have no rights to dividends, voting, and only nominal rights to capital. They often come into existence following an automatic conversion of shares where an employee becomes a bad leaver.

Demo Day: where the graduating class of startups of an Incubator or Accelerators is given a chance to pitch to investors.

Depreciation: an expense recorded to reduce the value of a long-term tangible asset. Since it is a non-cash expense, it increases free cash flow while decreasing the amount of a company's reported earnings.

Design Thinking: a creative problem-solving methodology and a collection of behaviors at the heart of creativity. Some of the behaviors of design thinking include being attuned to the people and culture you are immersed in
and having the experience, wisdom, and knowledge to frame the real problem and the ability to create and enact solutions.

Digital Nomad: someone who works online, and therefore often works from home, in co-working space, or is based abroad.

Dilution: issuing more shares of a company dilutes the value of holdings of existing shareholders. A reduction in the percentage ownership of a given shareholder in a company caused by the issuance of new shares.

Direct Financing: is a financing without the use of underwriting. Direct financing is often done by investment bankers.

Disbursement: investments made by private equity funds into their portfolio companies.

Discontinuous innovation: technological, product or service innovation in an industry or market that requires end-users to change behavior, and thereby tends to suddenly and dramatically change the dynamics of the industry, including possibly changes in competitive dynamics, industry revenue size and growth rate and pricing.

Disruption (Disruptive innovation): an innovation or technology is disruptive when it "disrupts" an existing market by doing things such as: challenging the prices in the market, displacing an old technology, or changing the market audience.

Distressed Investment: a debt or equity investment into a company experiencing liquidity, capitalization, and/or underperformance issues.

Distributed to Paid-In (DPI): money returned (distributions) to limited partners divided by money paid in to the partnership. Also called cash-on-cash multiple.

Distribution channel: the mechanism or method by which a business brings its products to market, or distributes its products to its target customers and generates sales. A given business may have multiple distribution channels.

Dividend: the payments designated by the Board of Directors to be distributed pro-rata among the shares outstanding. On preferred shares, it is generally a fixed amount. On common shares, the dividend varies with the fortune of the company and the amount of cash on hand and may be omitted if business is poor or if the directors determine to withhold earnings to invest in capital expenditures or research and development.

Dividend Recapitalization: a specialized type of recapitalization in which a portfolio company takes on new debt in order to issue distributions to the owners.

Down Round: a fundraising round in which the company is valued at a lower value per share than previous rounds.

Drag Along Right: Majority shareholders can force minority shareholders to join in the sale of a company. Minority shareholders will receive same price, terms, and conditions.

Dragon: a single investment that returns the entire value of the fund.

Drawdown Rate: the speed with which a general partner calls down the capital previously committed by its limited partners.

Drive-By Deal: is a deal in which a venture capitalist invests in a startup with the goal of a quick exit strategy. The venture capital firm takes little to no role in the management and monitoring of the startup.

Drive-By VC: is a venture capitalist that invests in a startup but takes little to no role in managing it.

Dry Power: is the availability of capital at the disposal of an investor, typically a venture capital fund. It can also referred to the availability of cash/capital at the disposal of a startup.

Due Diligence: a process undertaken by potential investors individuals or institutions — to analyze and assess the desirability, value, and potential of an investment opportunity. Due diligence is the process of investigation and evaluation, performed by investors, into the details of a potential investment,
such as an examination of operations and management and the verification of material facts.

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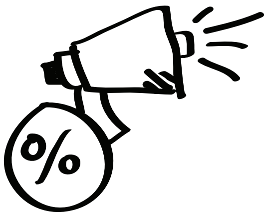

Early Stage: the key characteristic is market development. The business is focused on sales and marketing and proving business viability.

Earn out (Earn out Provisions): is a contractual provision used in the sale of startup in which the seller can potentially receive additional future payments, usually based on financial performance metrics such as revenue or net income.

Economic Buyer: is the individual, decision-maker or group within the customer organization who controls the budget and writes the checks for new product purchases.

Effective Date: the date that the transaction was completed and took effect.

Elevator Pitch: during an elevator pitch, the entrepreneur concisely outlines their business proposal, marketing strategy, and competitive tactic to potential investors. Prospective business owners are strongly encouraged to polish this pitch, since it can mean the difference between raising desired capital and completely leaving their business ideas behind.

Emerging Growth Company: stage of a company life cycle in which the company is rapidly, often exponentially, acquiring new customers or users. Emphasis on growth over revenue or cash flows in an effort to gain market share.

Employee Option Pool: the available stock that founders can award to employees in the form of options (i.e. the ability to buy shares at a pre-set price).

Employee Stock Ownership Plan (ESOP): a plan established by a company whereby a certain number of shares are reserved for purchase and issuance to key employees.

End User (End-User): the ultimate customer; the individual or entity that actually uses a product or service.

Engaging Question: a question that prompts more than a "Yes" or "No" question. Engaging questions give entrepreneurs more information they can use to help them frame their differentiating offering and launch their business.

Enterprise: an enterprise tech startup is a company that is building technology or businesses.

Enterprise Value: a measure of a company’s value calculated as market capitalization, including all debt and equity interests, minus excess cash.

Entrepreneur: an entrepreneur is an individual who accepts financial risks and undertakes new financial ventures. The word derives from the French “entre” (to enter) and “prendre” (to take), and in a general sense applies to any person starting a new project or trying a new opportunity.”

Entrepreneur In Residence (EIR): a seasoned entrepreneur who is employed by a venture capital firm to help the firm vet potential investments and mentor the firm's portfolio companies.

Equity: assets minus liabilities. it is commonly used to describe a business giving up a percentage of ownership in exchange for cash. An equity investor is then entitled to share in any future profits and/or sale of business assets (after debts are paid off).

Equity financing: raising capital by selling of shares of a company. All venture capital rounds are equity financing. Also, an Initial Public Offering is technically a form of equity financing.

Equity Offerings: is raising funds by offering ownership in a corporation through the issuing of shares of a corporation's common or preferred stock.

Evergreen Fund: a private equity fund that continually fundraises and never holds a final close in order to ensure consistent cash flows.

Executive Summary: refers to a synopsis of the key points of a business plan.

Exit (Exit Route): is the method by which an investor and/or entrepreneur intends to "exit" their investment in a company.

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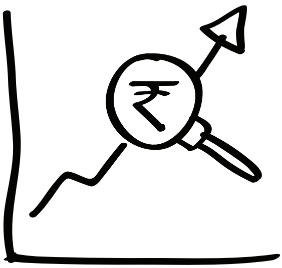


Face Value: is the initial value or price paid for a security. For stock, it is the original price of the stock, also known as the par value. For a bond, it is the amount to be paid upon maturity. The Face Value will generally not be the actual value, or market value, of the security.

Fair Market Value: the value of a company based on what investors are willing to pay for it.

Family Office: a firm that manages assets, investments and trusts for a wealthy family.

Final Close: the end of a general partner's fundraising efforts for a particular fund.

First Mover Advantage (FMA): a startups first-mover advantage is the advantage gained by the initial ("first-moving") significant occupant of a market segment. It may be also referred to as technological leadership.

First Refusal: a clause that requires investors and founders to offer their shares to an existing early investor before selling to a third party.

Flat Round: an investment round in which the pre-money valuation of a startup's round is the same as its post-money valuation from the previous round.

Flipping: the act of buying shares in an initial public offfering and selling them immediately for a profit.
Follow-on (Follow-on Investments): is a subsequent investment made by an investor who has made a previous investment in the company, generally a later stage investment in comparison to the initial investment.

Founderitis: difficulty faced by a startup where one or more founders maintain disproportionate power and influence following the effective initial establishment of the project, leading to a wide range of problems for both the organization and those involved in it.

Freemium: the basic product is given away for free and then try to up-sell features to their customers. This marketing ploy is often used in directory businesses.

Friends and Family Round: is a round in which the capital is provided by only the friends and family of founders of a startup.

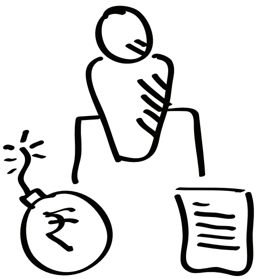
Full Ratchet: is an investor protection provision intended to protect investors, preventing extreme dilution of equity/ shares.

Full Stack Developer: a developer with specialized knowledge in all areas of software development.

Fully Diluted Share Capital (Fully Diluted Basis): the total number of shares that would be in issue following the exercise of all rights to subscribe for shares, for example, Convertible Loan Notes, Share Options and Warrants.

Fund of Funds: a mutual fund that invests in other mutual funds.

G



General Partner (GP): the entity in a limited partnership that maintains responsibility for all debts and obligations. The GP manages all aspects of the fund, including investment decisions, and earns a management fee and percentage of the carried interest.

Go/No Go: the decision point at which an entrepreneur makes the final decision on whether or not to launch a new enterprise or abort the effort due to unfavorable market research or pro forma projections.

Going Public: the process where a startup transfers the ownership to public by selling shares.

Golden Handcuffs: benefits or delayed payments offered by a company in order to prevent an employee's departure.

Golden Parachute: a large compensation or lump payment for the dismissal of an executive, often occurring in the aftermath of a takeover.

Good Leaver: an employee that leaves a company in circumstances where they are not at fault.

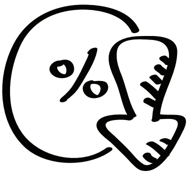
Grant: a type of funding typically provided by government agencies or non-profit foundations. If any startup wins a grant, this is “free money” i.e., the grant does not purchase an ownership stake in the startup , nor the startup does not have to pay it back.

Greenfield: an investment involving an asset or structure that does not yet exist. In a Greenfield investment, investors fund all stages of development, including design, construction, infrastructure, and operations.

Ground floor: reference to the beginning of a venture, or the earliest point of a startup. It is generally considered an advantage to invest at this level.

Group think: a phenomenon marked by the consensus of opinion without critical reasoning or evaluation of consequences or alternatives.

H



Haircut: the percentage by which an asset’s market value or a payment obligation is reduced.

Harvest Period: the period in which the fund begins to see eturns from its investments through mergers and acquisitions, initial public offerings, technology licensing agreements, and other means.

Hedge Fund: a fund that can use one or more alternative investment strategies, including hedging against market downturns, investing in asset classes such as currencies or distressed securities, and utilizing return-enhancing tools such as leverage, derivatives, and arbitrage.

Hockey Stick: the shape of the growth curve venture capitalists want to see and believe! This means that the startup will have to double sales every year.

Holdback Escrow (Holdback): is the amount of the purchase price set aside and escrowed in an acquisition in order to facilitate recourse for the buyer due to potential breaches of the seller in the deal agreement.

Hostile Takeover: is the acquisition of a corporation that the current management (Officers and Directors) do not wish to go through.

Hurdle Rate: a pre-established minimum rate of return that general partners must achieve before they are allowed to claim carried interest.

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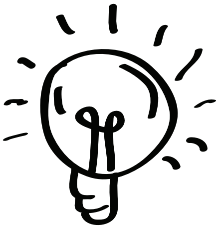
I



Ideation: creative process of generating, developing, and communicating new ideas. Ideation is all stages of a thought cycle, from innovation, to development, to actualization

Illiquid: a security or asset is Illiquid if it cannot be readily or easily sold. For example, securities that are not publicly traded (such as a startup's securities) are said to be Illiquid because they are not easily sold on the open market.

Incubator: an organization that helps develop early stage companies, usually in exchange for equity in the company. Companies in incubators get help for things like building their management teams, strategizing their growth, etc.

Indemnification: refers to the compensation of one party to a contract by another party to the contract for a loss or damage incurred from a third-party. Indemnification provisions have become common place in contracts of all kinds.

Indemnification Cap: is the maximum amount that a buyer may recoup from a seller for damages due to deviations and warranties in the purchase/acquisition agreement. There can be multiple indemnification caps for certain types of reps and warranties.

Information Rights: force a company to give financial records and other information to shareholders under certain conditions, usually an investor must have a certain number of shares in order to get Information Rights.

In-Kind Distribution: is a distribution, usually a dividend, made in the form of securities instead of cash. For example, if a company gives additional shares of stock as a dividend for their stock, the in kind distribution occurs.the company through a previous financing round. It is entirely composed of existing investors.

Insolvency: the inability of a company to meet its debts as they fall due or where the liabilities of a company exceed its assets. Legal and accounting advice should always be sought where a company is or may become insolvent.

Initial Public Offering (IPO): the first time shares of stock in a company are offered on a securities exchange or to the general public. At this point, a private company turns into a public company (and is no longer a startup).

Internal Rate of Return (IRR): is often used in capital budgeting. It's the interest rate that makes net present value of all cash flow equal zero. Essentially, IRR is the return that a company would earn if they expanded or invested in themselves, rather than investing that money abroad.

Intellectual Property (IP): an intangible asset of a company that consists of human ideas. Legally, patents, copyrights and trade secrets are all forms of intellectual property. In the startup world, a company's IP is a key part of its "secret sauce" – its key differentiation that sets it apart from its present and future competition.

Interim Close: funds that currently raise capital may have a series of interim closes as limited partners make commitments. Investing can begin as soon as the fund holds its first interim close.

Institutional Investor: is a professional entity that pools and then invests capital on behalf of other companies or individuals.

Intrapreneur: is an inside entrepreneur, or an entrepreneur within a large firm who uses entrepreneurial skills without incurring the risks associated with those activities. Intrapreneurs are usually employees within a company who are assigned a special idea or project, and are instructed to develop the project like an entrepreneur would.
Intrastate Offering: is a security offering limited to investors residing in the state in which the issuer is doing a significant portion of its business.

Investment Agreement: an agreement between a company and an investor regarding the subscription for shares in the company by the investor. The founders and management team of the company may also be party to the investment agreement.

Investor Consent: the consent of one or more investors to certain actions of the company which are deemed sufficiently significant that an investor requires an effective veto over the action, usually required under the terms of a Shareholders' Agreement.

Investment Bank: is a financial intermediary that performs a variety of services which includes underwriting, acting as an intermediary between an issuer of securities and the investing public, facilitating mergers and other corporate reorganizations, and also acting as a broker for institutional clients.

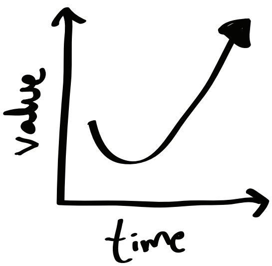
Invisible Venture Capital: is a venture capital from angel investors.

Issue Price: is the price at which a startup issues its stock, either at a financing or issuances to employees, consultants, advisors, etc.

Issued Share Capital: the total of a company's shares in issue held by shareholders from time-to-time.

Issuer: the legal entity that develops, registers, and sells securities (shares, bonds, notes, etc.) to finance its operations.

J



J Curve: describes the concept that during the first few years of a fund, the value of the fund will decline but then the value will begin to increase and continue to do so for the remaining life of the fund. A graph of the value versus time resembles the letter "J".

Joinder Page: is a signature page to a document (such as an Investor Rights Agreement) which is signed by an individual or entity who is closing their investment or otherwise joining the document after the transaction has closed.

Joint Venture: a Joint Venture, usually structured as a general partnership, is an arrangement among a group of individuals or entities for a limited time for the purpose of accomplishing a specific business goal.

Junior Debt: refers to debt with lower priority than other debt, senior debt, in the case of a liquidation. In other words, a creditor with Junior Debt will not be paid first and thus, the likelihood of even getting paid is lower than a creditor with senior debt.

Junk Bond: are bonds that are rated below investment grade, this lower rating is indicative of a higher risk of default, and therefore the debt carries a higher coupon or yield than investment grade bonds.

K

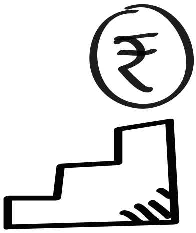
Key Man Provisions: part of a limited partnership agreement that prohibits investments by the general partner if certain key executives are no longer involved in the fund barring approval from limited partners.

Key Person Clause: a clause that seeks to prevent the departure of someone (such as a key employee) integral to a business or partnership. Many times, investors will want to see a Key Person Clause in financing documents in order to ensure that the co-founders and other important individuals stay with the startup in order to protect their investment.

Key Performance Indicators (KPIs): a set of measures that can be used to gauge the performance and state of a given business or sector. KPIs can include revenue growth measures, monthly active user growth rates for certain technology firms or leverage ratios, among many others. Depending on a given business's strategic and operational initiatives, KPIs hold different priorities.

Key Person Insurance: is an insurance policy taken out by a business on the life, or capacity, of an essential employee (including a co-founder). The aim is to compensate the business for potential losses that could occur if this employee were to die or become incapacitated and facilitate business continuity.

L



Late Stage: the final stage of venture capital investing involving companies that have achieved strong revenue growth and are near exit. As late stage investments are less risky, the rate of return is typically lower.

Last In, First out (LIFO): describes the normal situation in liquidations where those who were the last to invest get paid before those who invested earlier. The new investors usually have leverage to require this situation.

Launch Plan: a complete package that supports a "Go" decision by an entrepreneur to launch a new business. A launch plan would include an Elevator Speech, supporting Market Research conclusions, Organizational Plan etc.

Lead investor (Leading the Round): a venture capital firm or individual investor that organizes a specific round of funding for a company. The lead investor usually invests the most capital in that round. Also known as "leading the round."

Lean: to maximize customer value while minimizing waste. Simply, lean means creating more value for customers with fewer resources.

Lean Startup: is more or less similar to `Growth Hacking'. The ideology behind starting lean is to prove your business concept as you go. It's about understanding what is working best for your consumers in the cheapest and effective way via constant feedback.

Leaver Provisions: provisions contained in the Articles of Association either requiring an employee shareholder to transfer their shares back to the company, to the other shareholders or a third party designated by the board or providing for the automatic conversion of their shares into Deferred Shares if the employee shareholder ceases to be employed by the company. The number of shares to be transferred and the price payable to the departing shareholder will depend on whether they are a Bad Leaver or Good Leaver.

Intrastate Offering: is a security offering limited to investors residing in the state in which the issuer is doing a significant portion of its business.

Leveraged Buyout: when a company is purchased with a strategic combination of equity and borrowed money. The target company's assets or revenue is used as "leverage" to pay back the borrowed capital.

Liability: an economic obligation of an organization to another organization or individual, or claims against the assets of an organization by outsiders, the quality of being liable.

Limited Partner (LP): an investor with little control over the management of a partnership or a portfolio company, in exchange for less restriction on liquidation.

Liquidation: the process of dissolving a company by selling off all of its assets.

Liquidation preference: it determines the payout order in case of a corporate liquidation. More specifically, liquidation preferences are frequently used in venture capital contracts to specify which investors get paid first and how much they get paid in the event of a liquidation event, such as the sale of the company.

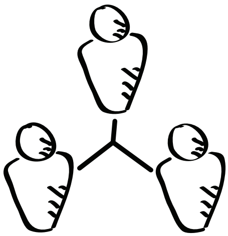
Lock-up: a condition whereby a shareholder is prohibited from selling or transferring their shares to another party, usually for a specified period of time.

Lock-up Period: is the period of time for which when investors, management and/or employees agree not to sell their shares of stock after an initial public offering, usually 6 to 12 months.

Loss Leader Pricing: selling something at a loss as a form of marketing expense to bring in customers you expect repeat business from.

Low Hanging Fruit: the easiest thing your company can do to bring cash in the door. Often hard to identify, but crucial for start-up success.

M



Management Buy-in (MBI): purchase of a business by an outside team of managers who have found financial backers and plan to manage the business actively themselves.

Management Buy-out (MBO): funds provided to enable operating Management Fees: the annual fee the venture fund charges for its management services, typically 2% of assets under management, but there is some variation.

Management risk: one of the four categories of venture risk; the likelihood that a new venture will fail to meet its business and financial targets due to inadequate and/or inappropriate management, or due to poor teamwork.

Margin: profit, typically expressed as a percentage of gross sales or revenue; the difference between what something costs, and what it is sold for.

Market Penetration: is the percentage of the potential market you are hoping or have captured. The venture capitalists would also want to know how fast you can capture it.

Market Rate: a generic term referring to the ambient price, rate and/or terms available in the market for investments, goods or services; "what the market will bear" at a given point in time.

Narket Segment: a portion of a business's total potential market for its product or service, comprised of customers with similar interests, needs and buying patterns with respect to the product.management to acquire a product line or business, which may be at any stage of development, from either a public or private company.

Marketing Collateral: promotional literature and printed or electronic information designed to inform customers about a product or service; can include brochures, data sheets, flyers, point-of-sale displays, promotional CDs or DVDs, websites, and promotional gifts.

Loss Leader Pricing: selling something at a loss as a form of marketing expense to bring in customers you expect repeat business from.

Low Hanging Fruit: the easiest thing your company can do to bring cash in the door. Often hard to identify, but crucial for start-up success.

Materiality Scrape: is a provision usually found in an acquisition agreement which provides that when determining whether a rep or warranty of the seller is inaccurate for indemnification purposes and/or determining the amount of damages arising from any such inaccuracy, any materiality qualification contained in the reps and warranties is to be disregarded.

Mature Market: stage of market development in which products have reached mainstream customers; annual industry revenue growth slows, eventually hitting a zero-growth plateau; consolidation and shakeout is underway, reducing the industry to a few strong competitors; strong price competition and margin compression become common; annual revenue for the industry flattens.

Merger: a combination of two or more companies, often similar in size. This differs from an acquisition in important ways: Mergers are usually friendly, mutual decisions, whereas acquisitions can often be hostile and unsolicited. Additionally, mergers are often paid for or arranged using stock or other securities, as opposed to cash transactions that characterize most acquisition offers.

Mergers and Acquisitions (M&A): the field or activity concerned with companies buying (merging with or acquiring) other companies; also refers to the M&A-related advisory services provided to corporations by investment banking firms.

Minimum Viable Product (MVP): is the version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort. It is similar to a pilot experiment.

Monthly Active Users (MAU): distinct website users who engage with a site's offerings or services in a given month.

Monthly Recurring Revenue (MRR): income that a company can reliably anticipate every month.

Mezzanine Debt: is the debt that incorporates equity-based options, such as warrants, with a lower-priority debt. Mezzanine debt is often used to finance acquisitions and buyouts, where it can be used to prioritize new owners ahead of existing owners in the event that a bankruptcy occurs.

Mezzanine financing: a form of hybrid capital typically used to fund adolescent and mature cash flow positive companies. It is a form of debt financing, but it also includes embedded equity instruments or options. Companies at this level, which are no longer considered startups but have yet to go public, are typically referred to as "mezzanine level" companies.

Mezzanine Level: is the stage in the life of a startup that occurs right before an initial public offering and is one of the final stages. Venture capital committed at mezzanine level usually has less risk but less potential appreciation than at the startup level, and more risk but more potential appreciation than in an initial public offering.

Micro VC: is a venture fund that is larger than typical angel investor groups but smaller than a traditional venture capital fund.

Micro VCs - micro-VCs are smaller venture firms that primarily invest in seed stage emerging growth companies.

Milestones: a set of goals which could be financial or business that the company targets for a given period of time. Sometimes venture capitalists will use milestones to determine whether they will keep financing the company.

Mind Map: a diagram used to visually outline information. A mind map is often created around a single central word or text to which associated ideas, words and concepts are added. Major categories radiate from a central node, and lesser categories are sub-branches of larger branches. Categories can represent words, ideas, tasks, or other items related to a central key word or idea.

Minimum Success Criteria (MSC): the level of a business metric (generally revenue) that is to be achieved within a given time-frame for the Startup project to be considered a success by founders or other stakeholders.

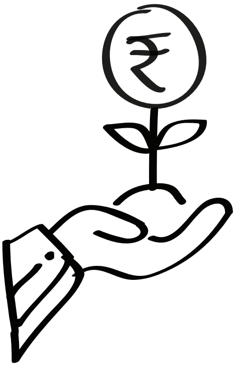
Mission-Driven: when an entrepreneur's actions and decisions are guided by a set of beliefs about how they want the business to succeed.

Mission Statement: a brief statement that concisely conveys a company's mission to its key stakeholders, including employees, shareholders, customers, suppliers, and partners.

Monetize: how you are making money — or more often, how you plan to make money.

Multiple Arbitrage: investment gains achieved by increasing the sales multiple relative to the original investment multiple.

N



Nascent Market: a very new, formative market; the market development stage in which vendors sell their products or services to innovator and early adopter customers. In typical nascent markets, rapid innovation occurs, many new competitors (including startups) enter, and competition tends to revolve around innovation and product features rather than around brand, service or price.

Net Revenue: it accounts for certain price reductions, price adjustments and refunds. Gross total minus any returns and any other negative revenue is net revenue.

Nominal Value: is the stated value of an issued security. Nominal value also known as face value or par value in reference to securities disregards an item's market value.

Non-Disclosure Agreement (NDA): an agreement between two parties to protect sensitive or confidential information, such as trade secrets, from being shared with outside parties.

Non-Participating Preferred Stock: in a liquidity event, venture capitalists get to choose either their liquidation preference amount (1x, 2x, etc. whatever they already agreed upon).

Non-Statutory Stock Options: options that can be granted to anyone, including contractors or consultants. Generally taxed as ordinary income at the time of exercise based on the difference between the exercise price and the price paid for the option

O

Open Source: a software program is open source, when the program's source code is freely available to the public. Unlike commercial software, open source programs can be modified and distributed by anyone and are often developed as a community rather than by a single organization.

Operating Expenses: expenses related to the operations of the business.

Operating Partner: an executive dedicated to working with portfolio companies to increase their value. They often have a specific expertise, for example an industry focus, such as Agriculture.

Option Pool: is an amount of a startup's common stock reserved for future issuances to employees, directors, advisors, and consultants. This issuance typically takes the form of stock options.

Ordinary Income Rate: the rate at which ordinary income (mainly composed of salaries, commissions, wages, and interest income) is taxed based on the individual's tax bracket.

Ordinary Share: a basic share with voting rights and rights to capital and income. Ordinary shares rank behind Preferred Shares in a Liquidation Reference and are not redeemable.

Other People's Money (OPM): is an incredibly addictive substance to entrepreneurs that's rarely respected or missed until it dries up.

Oversubscription: occurs when demand for shares exceeds the supply or number of shares offered for sale. This occurs when a deal is in great demand because of the company's growth prospects.

Owner-Employee: is a sole proprietor or any individual who has ownership of at least one-fifth of the capital and/or profits associated with a given venture.

P

P2P Lending: the practice of lending money to individuals or businesses through online services that match lenders with borrowers.

Paid-in capital: is the amount of capital possessed by the company hat can be attributed to the issuance or sale of stock, both common and preferred. The value assigned to the stock for the purposes of Paid-In Capital is the par value and the premium paid over the par value is accounted for in Additional Paid-In Capital.

Par value: is the minimum price that a startup corporation can issue its shares of stock.

Pari Passu (Latin phrase): is the equal treatment of multiple parties in an agreement.

Party Round: a trend beginning several years ago in early financing rounds where, instead of raising large amounts of money from a few large investors, companies are raising small amounts of money from many small investors.

Pass-through Entity: a legal form of organization that does not pay income taxes at the organization level. Instead, the owners of the organization pay taxes based on their pro rata ownership share of the organization. Examples of pass-through entities include partnerships, LLCs etc.

Pay-to-Play: provisions designed to provide a strong incentive for investors to participate in future financings. In their simplest form, such provisions require existing investors to invest on a pro rata basis in subsequent financing rounds or they will lose some or all of their preferential rights (such as anti-dilution protection, liquidation preferences, or certain voting rights).

Payment in Kind (PIK) Securities: are financial instruments that pay interest or dividends with additional debt or equity instead of cash.

Permitted Transfers: transfer of shares which is not subject to Pre-emption rights and can be made without Investor Consent. Permitted Transfers often include transfers to family members and family trusts for estate planning purposes and are defined in the Articles of Association.

Piggy Round: when a larger early-stage or multistage fund offers to do 80-100% of a company's seed round.

Pipeline: is the flow of upcoming underwriting deals.

Pivot: the act of a startup quickly changing direction with its business strategy. They may be using the established tech for an entirely new purpose. Changing directions of the company entirely or it can also mean doing business in a different market segment.

Placement Agent: a third-party firm that identifies potential investors for private equity funds or other securities.

Platform as a Service (PaaS): a cloud computing service category which provides a foundation upon which customers can develop, operate, and manage multiple app functionalities without the need to develop the underlying infrastructure.

Platform Company: a private equity-backed company that completes an add-on acquisition.

Pledge: a contract that requires one party to transfer the cash proceeds from a liquidation of equity to another party in exchange for cash received prior to the liquidation event.

Portfolio Company: a company that a specific Venture Capital firm has invested in is considered a "portfolio company" of that firm.

Post money valuation: refers to the pre-money valuation plus the cash added to the company during that specific investment round.

Pre-Accelerator: program that offers advice for companies that have not yet entered an accelerator.

Pre-Emptive Right: a clause in an investment agreement that grants investors the right to maintain the same percentage of equity after estructuring.

Preferred Directors: board members hand-picked by the VC. What makes them special is that, in the case of a board vote, even if there is a majority board vote on an action, if a preferred director doesn’t vote for it, then it doesn’t get passed.

Preferred stock: a stock that carries a fixed dividend that is to be paid out before dividends carried by common stock. It has a higher claim on its assets and earnings than common stock. Preferred shares generally have a dividend that must be paid out before dividends to common shareholders, and the shares usually do not carry voting rights. Preferred stock combines features of debt and equity, in that it both pays fixed dividends and has the potential to appreciate in price.

Pre money Valuation: the valuation of a company prior to a round of investment.

Pre-Sales: a product for which customers have dedicated money and made purchases before the product has actually been shipped. Sometimes, pre-sales take place before products have been produced or finalized.

Primary Investment Opportunity: an investment opportunity that allows investors to acquire equity in an issuer through a primary transaction.

Private IPO: raising high volumes of money in the hundreds of millions of dollars (amounts that formerly would have been brought in through an IPO) while remaining private. Sometimes, early investors will sell shares into late-stage "private IPO" rounds. Not technically a "public offering," but referred to as an IPO because of how much money they bring into a company.

Private Placement: an offering that is exempt from the requirements of registration and is limited in distribution.

Problem / Solution Fit: the phase after customer discovery, you can have it tested via customer interview and minimum viable product.

Product Line: a range of related products marketed by the same company, typically under a common brand name.

Product Marketing: the element of the marketing function within a business that entails identifying and analyzing target markets, researching and defining customer requirements, and developing product specifications for the engineering or product development function of the business.

Product Risk: one of the four categories of venture risk, sometimes referred to as technology risk; the likelihood that a new venture will fail to produce the envisioned product in the planned timeframe due to unanticipated technology and/or product development challenges,

Productize: a new service, product or product feature – that the company has provided to a single customer or a few customers on a custom basis, and turn it into a standard, fully tested, packaged, supported and -marketed product offering of the company.

Promissory Note: a legal document detailing the amount of debt owed along with an obligatory repayment plan.

Proof of concept: a demonstration of the feasibility of a concept or idea that a startup is based on. Many VCs require proof of concept if you wish to pitch to them.

Pro Rata Rights: pro rata in Latin means 'in proportion.' A venture capitalist with supra pro rata rights gives them the option of increasing their ownership of a company in subsequent rounds of funding.

Proxy: the written authorization given by one individual to another to cast a vote. Shareholders may sign a corporate proxy giving authorization to another person to vote for them in a shareholder vote. Proxy is also a general term describing one who has the authority to represent or replace someone else, or anything that is a suitable replacement for another thing.

Psychographic Profile: combination of psychology and demographics that make the marketing responses of those groups different from those of other groups. Understanding a group's psychographic profile and its relationship to its neighbors is a critical component of high tech marketing.

Q

Qualified Financing: an equity financing by the startup, for the purpose of raising capital, in which the aggregate amount is purchased by investors. A Qualified Financing provision is used in convertible notes to determine the investment threshold required to trigger the Automatic Conversion of the convertible note into equity.

Quartile Ranking: a system of ranking funds based on performance. The top one-quarter of performers are in the upper quartile, and so on.

Quorum: is the minimum acceptable level of stockholders or directors of a startup needed to hold a corporate meeting or vote.

R

Ratchet: is a mechanism to prevent dilution in order to protect an investor from a reduction in percentage ownership in a company due to the future issuance by the company of additional shares to other people or entities.

Raising Capital: is obtaining capital from investors or venture capital sources.

Ramen Profitable: is being profitable enough to cover costs and basic living expenses for everyone working at a startup

Rapid-growth Market: stage of market development where competitors are scaling rapidly to meet growth in customer demand (often in excess of 50%/year); Vendors have crossed the chasm and are selling to early majority, customers; competition around customer references, emerging industry standards, and services, initial public offerings occur.

Recapitalization: a corporate reorganization of a company's capital structure, changing the mix of equity and debt. A company will usually recapitalize to prepare for an exit, lower taxes, or defend against a takeover.

Redemption Rights: the right of an investor to force the company to buy back shares issues as a result of an investment. The investor has a right to take back their investment and may negotiate a right to receive an additional sum in excess of the original investment.

Redline: is a document that has been marked up or otherwise shows the changes made by one party, tracked from the document's prior version.

Refine stage: the fourth stage of the venture value chain. In the Refine stage, companies should focus on creating consistently cash-flow positive, self-funding operations.

Reincorporation Merger: is a merger conducted by a startup solely to change the startup's state of incorporation. A reincorporation merger is consummated usually when applicable state statutes do not permit a conversion.

Remaining Value to Paid-In (RVPI): the value of a fund's unrealized investments divided by money paid-in to the partnership.

Repurchase Option: is the right of a startup to repurchase the unvested portion of a departing co-founder's stock, typically at the originally issuance price.

Reserved Shares: the amount of shares a startup has set aside for a particular administrative reason. Reserved shares are typically common stock. One such reason could be to reserve an amount of common stock into which issued preferred stock could later convert.

Restricted Stock: is a type of stock that cannot be traded in the public markets and can only be transferred if certain regulations are met. Most startups issue Restricted Stock during financings, and to founders and employees.

Restricted Stock Purchase Agreement (RSPA): is an agreement between a company and a co-founder by which restricted stock is issued. Generally, the RSPA states the material terms and gives certain rights to each party.

Restrictive Covenants: a set of restrictions imposed on employee shareholders (and sometimes other shareholders) for a specified period following termination of their employment prohibiting them from being interested in competing businesses or poaching customers, suppliers, and staff from the company.

Restructuring: the significant makeover of an existing company typically involving the closing of plants, firing of employees, reworking the company capital structure, bringing in new management and relocating operations.

Return on Equity (ROE): is an indicator of profitability of a company. Net income less preferred dividends over common equity, expressed as a percentage.

Return on Investment (ROI): is the money an investor gets back as a percentage of the money he or she has invested in a venture.

Revenue Multiple (TEV/TTM Revenue): is usually used for valuing a company when it's not profitable yet.

Revenue Run Rate: it refers to the financial performance of a company based on using current financial information as a predictor of future performance.

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Reverse Break-up Fee: is an amount paid to a startup when the potential acquirer backs out of acquiring the startup. The reverse break-up fee is triggered if the acquirer fails to close the acquisition of the target because the potential acquirer can't obtain financing, or otherwise doesn't complete the transaction.

Reverse Dilution: is a situation when restricted stock is returned to the startup (due to the repurchase of unvested shares), the percentage of equity that the rest of the stockholders hold is increased. The denominator of fully-diluted shares is reduced in this situation.

Reverse Stock Split: is a corporate action in which the corporation reduces the number of shares by dividing both the number of shares and the price per share by a certain number. Generally, a Reverse Stock Split does not dilute the value of the equity that a shareholder has in the company but may make its shares more appealing to investors.

Reverse Vesting: is when co-founders receive their shares up front (along with all1 economic and voting rights), but are subject to vesting. Vesting in this context measures how many shares the company can repurchase from a departing co-founder.

Revlon Duties: the fiduciary duties imposed on the Board of Directors of a corporation due to legal precedence that states that the Board must act in the best interest of the shareholders when the corporation has been designated to be for sale. The scope and application of Revlon Duties are revised and clarified frequently.

Right of First Offer: is a contractual right held by an investor to purchase (at least), it is pro rata ownership of any new securities issued by a startup.

Right of First Refusal: is a contractual right to be offered a chance to participate in a future transaction.

Right of Rescission: gives a stockholder the right to force a company to purchase back stock at the price at which the company sold it to the stockholder. This right is usually given to stockholders when a company did not comply with securities laws and registration in issuing or selling the stock.

Rights offering: gives rights to a company's existing shareholders to buy a proportional number of additional securities at a given price (usually at a discount) within a fixed period of time.

Risk: the likelihood of seeing a lower return than expected, including the possibility of losing some or all of the original investment.

Risk Tolerance: is the amount of risk that an investor is willing to accept. If an investor is willing to accept higher risk, then they will usually expect a better return in order to compensate them for the increased risk.

Road Show: is a string of presentations often made in several different cities to potential investors and other interested parties.

Rollup: is the acquisition and merger of relatively smaller companies in a market by a larger company in order to create economies of scale and increase efficiency and value.

Round: raising capital from VC firms in individual rounds, depending on the stage of the company. The first round is usually a Seed round followed by Series A, B, and C rounds if necessary. In rare cases rounds can go as far as Series F.

Round of Funding: is the stage of financing a start-up company is in. The usual progression is from startup to first round to mezzanine to pre-initial public offering

Royalty: is a payment to an owner for the use of property, especially patents, copyrighted works, franchises or natural resources. A royalty payment is made to the legal owner of the property, patent, copyrighted work or franchise by those who wish to make use of it for the purposes of generating revenue.

S

Software as a service (SaaS): A software product that is hosted remotely, usually over the internet.

SAFE (Simple Agreement for Future Equity): a financial instrument that closely resembles a convertible note, except they are not a debt instrument.

Safe Harbor: is a “guarantee” that no liability will stem from an action if certain precautions, steps and/or limitations are adhered to as prescribed by law (usually a statute).

Search Fund: is an investment vehicle in which investors join together with entrepreneurs in order to find and then acquire a target company.

Secondary Public Offering: when a company offers up new stock for sale to the public after an initial public offering. Often occurs when founders step down or desire to move into a lesser role within the company.

Sector: is the market that a startup company's product or service fits into. Examples include: consumer technology, agriculture, cleantech, biotech, and enterprise technology. Venture Capitalists tend to have experience investing in specific related sectors and thus tend not to invest outside of their area of expertise.

Seed (Seed Round): is the first official round of financing for a startup. At this point a company is usually raising funds for proof of concept and/or to build out a prototype and is referred to as a "seed stage" company..

Seed Preferred (Light Preferred): is a financing that is watered-down or not up to the level of a full-fledged financing.

Senior Debt: debt that takes priority over other securities in the event of liquidation.

Separate Account: a customized private equity fund created for a single entity. Currently rising in popularity, separate accounts are utilized by the largest limited partners to mitigate fees and gain deeper involvement with the investing process.

Series: refers to the specific round of financing a company is raising. For example, company raising their Series A round

Series A – D+: venture rounds that typically occur around certain milestones: a Series A round is raised after a seed investment has taken a company as far as it can go; a Series B may be when the company is reaching close to profitability but needs capital for hiring/development needs; Series C and D+ rounds are commonly known as late-stage rounds, and generally fall into the time when a company has a defined business model that has taken hold, is making significant revenues and is looking to expand at a large scale.

Share Consent: a legal clause requiring an investor's consent in order for a business to sell shares at a later date.

Shareholder Vote: major company actions are often put to a vote and everyone who has preferred stock gets to vote for or against it. The more shares one has, the more votes they get.

Shares Outstanding: these shares are in play; they've been authorized, issued, and purchased. They're out in the world, people own them, and they can make stuff happen.

Sharing economy: an economic model in which individuals borrow or rent assets owned by other individuals, rather than businesses. This model is normally employed when assets are underutilized (e.g. cars, apartments, parking spaces).

Signaling Risk: if a previous investor chooses not to invest in the next round (follow-on), it is a bad signal to other investors because someone with more intimate knowledge of the company than most has opted not to deepen their investment.

Silent Partner (Sleeping Partner): is an investor who does not have any management responsibilities but provides capital and shares liability for any losses experienced by the entity. Their liability is limited to the amount of their investment.

Sole Proprietorship: is a type of business legal organization with a single owner. Sole proprietorships are pass-through entities.

Sophisticated Investor: an investor who does not meet the qualifications of an accredited investor but who holds sufficient investing experience and knowledge to weigh the risks and merits of an investment opportunity

Spinoff: is the creation of an independent company through the sale or distribution of shares of an existing business/division of a parent company. A Spinoff is a type of divestiture and it is done in the hope that the newly created independent company will be more valuable by itself than as part of the parent company.

Staggered Board: is set up so that only a fraction, usually 1/3, of the directors or board seats is up for a vote each year. In other words, the term of the directors are staggered. A Staggered Board makes it difficult for a hostile takeover to succeed because it will take years to gain full control of the Board.

Stage: the stage of development a startup company is in. There is no explicit rule for what defines each stage of a company, but startups tend to be categorized as seed stage, early stage, mid-stage, and late stage.

Stakeholder: is an owner of an organization. The term is also used generally to describe people who have an interest of any kind in a business, transaction or deal.

Stalking Horse: is one who makes the initial bid on a bankrupt company's assets and is chosen by the bankrupt company. After the company chooses the Stalking Horse, other companies may also bid. The purpose of the Stalking Horse is to set the bar at a reasonable level so that the bankrupt company's assets are not sold at a huge discount due to low-ball bids.

Staple financing: a pre-arranged financing package offered to potential acquirers that includes all the details of a lending package. This name derives from the simple fact that the financing details are stapled to the back of the acquisition term sheet.

Startup: means an entity, incorporated or registered in India, Not prior to seven years, however for Biotechnology Startups not prior to ten years, With annual turnover not exceeding INR 25 crore in any preceding financial year, and working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation

Step-up multiple: is the difference in the post-valuation of a company's previous venture capital round and the pre-money valuation of its new round.

Statutory Voting: is a voting method for a board of directors in which a board member receives 1 vote for each share they own.

Stealth Mode: when a startup keeps its products or services under wraps, so it doesn't alert potential competition.

Stock Split: is the process by which the startup's outstanding stock is split into multiple shares. Current stockholders receive additional shares in proportion to each stockholder's current holdings.

Strategic Investment: is an investment made in a startup by a larger, established company so that the larger company can get access to the startup's technology or business. This investment can take the form of cash or distribution of technology.

Strike (Strike Price): is the price at which a stock option is exercised, usually in term of per share exercise.
Subordinated Debt: is debt that has a lower priority than another particular debt of a startup in the event of a liquidation of the startup.

Subscription Agreement: the legal agreement between a company and an investor governing the purchase and sale of stock. For a given financing round or preferred stock series, the subscription agreement will typically be identical for all investors in that round.

Super Angel: is an investor who is very active in terms of investments and has a lot of knowledge.

Super Pro Rata Rights: allow investors to not only purchase sufficient shares in future financings to maintain their percentage ownership of a startup, but to purchase an amount of shares that would increase their current equity stake on a percentage basis.

Supermajority Voting: is the voting decision requiring more than a simple majority of shareholders to approve certain corporate actions.

Supplier Financing: arrangements with a business's suppliers to provide funding either through extended or generous credit terms, or through partnered product development; one way for small or early-stage companies to reduce the need for outside financing.

Sweat Equity: shares of a company given in exchange for work done. This is a good recruiting tool to help you attract passionate talent you can't afford to pay at market rates.

T

Tag Along Rights: allow a shareholder to receive the same benefits of a stock sale as other shareholders. If a shareholder desires to sell his or her stock to a third party, then the shareholder with tag along rights has the

Takedown: is the investment banker's pro rata share of securities to be distributed in a new or secondary offering.

Takeover: occurs when one corporation takes control of another. This usually occurs through the acquirer procuring a majority of the stock of the acquiree. Takeovers can be both friendly and hostile depending on whether or not the acquiree wishes it to occur.

Target Market: a market, or market segment, specifically targeted by a company or the product managers of a specific product. Your target market represents the group of customers that you want to buy your product or service.

Teaser: is a short document is generally one to three pages in length and summarizes the non-confidential attributes of Startup Company for investors.

Technology Adoption Lifecycle (Technology Adoption Curve): the staged pattern by which virtually all new technologies or technology-related products are adopted by the market.

Ten Bagger: is an investment that returns 10 times the initial capital invested.

Term Sheet: is a non-binding agreement that outlines the major aspects of an investment to be made in a company. A term sheet sets the groundwork for building out detailed legal documents.

Third Stage Capital: is the capital provided to an enterprise that has established commercial production and basic marketing set-up, typically for market expansion, acquisitions, product development, etc.

Time Value of Money: is the terminology used to describe the idea that an amount of money in the present is worth more than that same amount of money in the future. This happens due to the availability of interest.

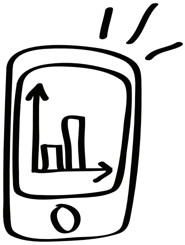
Tranche: is an investment made by a venture capital fund or other investor where certain amounts of the total investment are released when the startup hits certain milestones. Tranches are used to mitigate an investor’s risk.

Transfer Restrictions: contractually defined limitations on an individual's ability to sell or transfer their shares in the company.

Transparency: the practice of operating openly and communicating fully, providing stakeholders with a clear understanding of how your enterprise operates.

Trust Economy (Social Trust Economy): a confluence of social and technological trends uniting to form the foundation of a new value system.

U



Uberize: to change the market for a service by introducing a different way of buying or using it, especially using mobile technology.

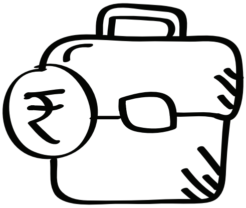
Underwriter: an investment bank with a contractual obligation to take any securities into their own books if the company in which they are vested has failed.

Underwriting: the issuance of debt and equity securities by investment bankers on the behalf corporations and governments in order to generate investment capital.

Unicorns: startups that have been valued at more than $1 billion such as Instagram, Evernote etc. Although in reality, unicorns are beyond startup stage.

Use of Proceeds: sometimes there are limits placed on what companies can use their newly-acquired VC funds for; it behooves founders to keep these terms as vague as possible so that they can do whatever they need to with that.

V



Valuation: the process by which a company's worth or value is determined. An analyst will look at capital structure, management team, and revenue or potential revenue, among other things.

Valuation Analysis: the process of determining the value of an asset or company.

Value Driver: an important factor that determines or causes an increase in value of a business, as viewed by investors.

Value Prop: is the most unique or attractive feature of a product or service.

Vanity Metrics: are pieces of data that make you feel good, such as new users gained per day or number of downloads.

Vaporware: a product you are selling but have not actually made (and may never make). It is a way to test market demand.

Venture Capital (VC): money provided by venture capital firms to small, high-risk, startup companies with major growth potential.

Venture capitalist: an individual investor, working for a venture capital firm that chooses to invest in specific companies. Venture capitaliststypically have a focused market or sector that they know well and invest in.

Vertically integrated: describing a company or a company's operations that are performed in house throughout the value chain.
Vesting: is the process by which an employee accrues non-forfeitable rights over employer-provided stock incentives or employer contributions made to the employee's qualified retirement plan account or pension plan.

Vesting Schedule: is the mechanism that measures the amount of vested equity that a co-founder or startup employee has at any given time.

Vintage Year: indicates the year that a fund held its final close and/or began making investments.

Voting Right: a stockholder's right to vote on matters of corporate management.

W

Wantrepreneur: aspiring entrepreneurs who want all the glory but don't have the guts to see their ideas and companies through.

War room: the central location, generally a dedicated room or office, for due diligence documents for potential investors, acquirers or investment bankers to use.

Warrant: the right to buy or sell a given security at a certain price during a specific period

Warranties: a contractual assurance about a matter or circumstance. In an Investment Agreement, the company and management often give warranties to the investors about the company and its business.

Washout Round: is a financing round in which previous investors, the founders and management suffer significant dilution. Usually as a result of a Washout Round, a new investor gains a majority of the equity and control of the company

Waste: any human activity which absorbs resources but creates no value.

Waterfall Chart: a chart that shows in what order all private equity investors get paid.

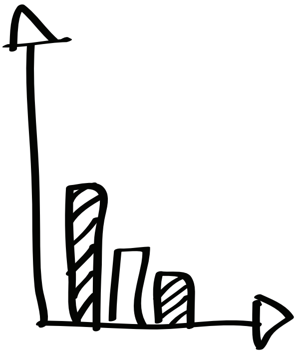
Wicked Problem: is difficult or impossible to solve because of incomplete, contradictory, and changing requirements that are often difficult to recognize. The term ‘wicked’ is used, not in the sense of evil but rather its resistance to
resolution. Moreover, because of complex interdependencies, the effort to solve one aspect of a wicked problem may reveal or create other problems.

Win-win Strategies: progressive thinking to make partnerships, negotiations, and alliances greater than the sum of the parts. Thinking creatively is the key to win-win strategies.

Working Capital: an indicator of a company’s liquidity, it is measured by subtracting current liabilities from current assets.

Write off: a decrease in the reported value of an asset or company.

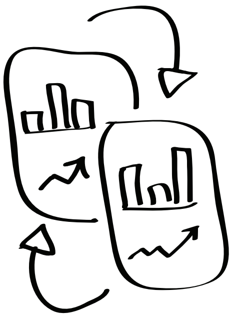
X



X-Efficiency: is the degree of efficiency maintained by individuals and firms under conditions of imperfect competition. According to the neoclassical theory of economics, under perfect competition individuals and firms must maximize efficiency in order to succeed and make a profit; those who do not will fail and be forced to exit the market. However, x-efficiency theory asserts that under

Xenocurrency: A currency that trades in markets outside of its domestic borders. The term is derived from the prefix "xeno," which literally means foreign or strange

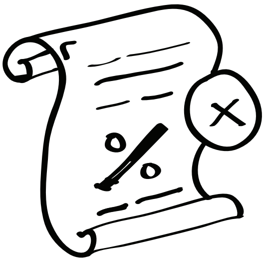
Y



Year over Year: a financial comparison which examines a specified performance factor for a specified year with the same performance factor for the previous year. Year over Year comparisons can can be direct comparing the actual performance factors, or differences between the factors in either absolute or percentage terms. It has the advantage over shorter term comparisons of eliminating seasonality and potentially revealing longer term trends.

Yield: the income return on an investment, including the interest or dividends received from a security.

Z



Zero coupon: a debt instrument (a bond or note) that pays no cash interest during its life or for a portion of its life.

Zombie Fund: a fund that has invested all of its committed capital and continues to collect management fees despite little or no hope of achieving higher returns for investors. Many so-called zombie funds hold portfolio investments for several years past their predetermined investing period to continue garnering their management fee.

Zombie Startup: a company which claims to have continuing operations but which demonstrates little or no growth in website visitations or use in recent quarters.

Zone of Insolvency: a startup has entered the Zone of Insolvency when it is very close to being insolvent and no longer has enough money or assets to pay off all of its liabilities. This can impose certain duties on the startup’s board and/or officers.

Annexure- I

Few useful links

Name of the Government Schemes	Website
National Science and Technology Entrepreneurship Development Board.	www.nstedb.com
Technology Development Board (TDB).	www.tdb.gov.in
Biotechnology Industry Research Assistance Council (BIRAC).	www.birac.nic.in
The National Institution for Transforming India, (NITI Aayog)	http://niti.gov.in/
Startup India initiative	www.startupindia.gov.in

List of Potential Funding Agencies

Ankur Capital Fund
APIDC Venture Fund
Blume Venture Fund IA
Blume Ventures India Fund II
BYST Growth Fund
Carpediem Capital Partners Fund I
Caspian SME Impact Fund IV
Chiratae Trust
Contrarian Vriddhi Fund Canbank Venture Capital Fund III
Canbank Venture Capital Fund IV / Bharat Nirman Fund
Canbank Venture Capital Fund V / Emerging India Growth Fund
Endiya Seed Co-creation Fund
Exfinity Technologies Fund - Series II
Fulcrum Fund III
Fulcrum Venture Capital India Fund-II
Golden Gujarat Growth Fund
Grand Anicut Fund-I
GVCF - 1995
GVCF - IT Fund
GVCF SSI Fund 1997
GVFL Startup Fund
HIVE Fund
IAN Fund I
Idea Spring Capital- Future Now!
India Advantage Fund - I
India Advantage Fund - II

India Advantage Fund - VII (Mezzanine Fund)
India Advantage Fund Series 3 [Fund I]
India Advantage Fund Series 4 Fund I
India Alternatives Private Equity Fund
India Build Out Fund I
India Development Fund
India Growth Fund
India Innovation Fund
India Opportunity Fund
India Venture Trust Fund I
India Venture Trust Fund II
IndiaNivesh Growth and Special Situations Fund
IndiaQuotient 1
IndiaQuotient 2
INFUSE Capital Fund
Iron Pillar India Fund - I
IvyCap Ventures Trust Fund I
Ivycap Ventures Trust Fund II
Kae Capital Fund II
Karnataka Semiconductor Venture Capital Fund
Kerala VC Fund
KITVEN
KITVEN - 2
KITVEN Fund-3 (Biotech)
Leverage India Fund
Maharashtra State Social Venture Fund
Micro Venture Investment Fund

Multiples Private Equity Fund Series I
National Fund for Software & IT
Omnivore Capital 1 Fund
Omnivore Partners India Fund II
Orios Venture Partners Fund I
Orios Venture Partners Fund II
Paragon Partners Growth Fund
Parampara Early Stage Opportunities Fund I
Pi Ventures Fund I
Punjab Infotech Venture Fund
Rajasthan Venture Capital Fund-I
Rajasthan Venture Capital Fund-II
Rajasthan Venture Capital Fund-III
Sabre Partners Fund-IV
Samriddhi Fund
SCP India Fund I
SEAF India Agribusiness Fund
SEAF India Agribusiness Fund II
SICOM VC Fund
Sixth Sense India Opportunities-1
Small is Beautiful Fund (Power Equity)
SME Growth Fund
SME Technology Fund
South Asian Regional Apex (SARA) Fund
Spring Healthcare India Fund
Stellaris Venture Partners Fund I

Tamilnadu IT Fund
TARA India Fund IV
TATA Capital Innovations Fund
Tex Fund
Trifecta Venture Debt Fund-I
Unicorn India Ventures Fund I
VenturEast Life Fund III
Ventureast Proactive Fund II
Ventureast Tenet II Fund
West Bengal MSME VC Fund
West Bengal VC Fund
Yournest Angel Fund

Sources:

Funding Sage website
Crowd funding Professional Association website
37 Angels website
Angel Capital Association website
Go4Funding website
Funding Post website
Funding Sage, LLC
Angel Investing, by David S. Rose
Institutional Limited Partners Association website
Venture Choice website
Tech Republic website
Wikipedia
Investopedia

Other website sources:

http://bestvalencia.org

http://www.geektime.co.il

http://startuplawyer.com

https://www.theguardian.com

About a-IDEA

a-IDEA is an agriculture-focused incubator of National Academy of Agricultural Research Management, Hyderabad (ICAR-NAARM) & supported by Department of Science & Technology, Govt. of India (DST, GOI). It was established in ICAR-NAARM at Hyderabad in 2014. a-IDEA aims to help entrepreneurs ideate, incubate and accelerate their innovative early stage startups that are scalable to become competitive food and agri-business ventures through capacity building, mentoring, networking and advisory support. a-IDEA supported 20 plus innovative startups and funded 4 startups in agriculture through incubation-acceleration programs. The following are our focus sectors in agriculture.

About ICAR - NAARM

The National Academy of Agricultural Research Management (NAARM) is the only institution of its kind in the world focusing on capacity building in agricultural research and education management, it was established by Indian council of Agricultural Research (ICAR) in 1976 at Hyderabad. The primary objective of NAARM is to enhance individual and institutional capacities in National Agricultural Research Systems (NARS) for innovation and sustainable agricultural development.