

WAIMI COMPENSATION PACKAGE OVERVIEW

Comprehensive Guide to Equity & Compensation Structure

EXECUTIVE SUMMARY

WAIMI's compensation philosophy is designed to align team members' interests with long-term company success through equity ownership. During the pre-break even phase, all team members receive equity as their primary compensation. Once the company reaches break-even, cash compensation begins while equity vesting continues.

Key Principles: - **Equity-First Approach:** Build ownership culture and align incentives - **Long-Term Focus:** 4-year vesting for founders - **Performance-Based:** Bonuses tied to role-specific KPIs post-break even - **Fair & Transparent:** Clear equity allocation and vesting schedules - **Competitive:** Market-rate cash compensation post-break even

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1. FOUNDER EQUITY STRUCTURE

1.1 Total Founder Equity: 100%

WAIMI's founding team holds 100% of the company's equity, distributed as follows:

Equity %

Founder	Role		Status
Tony Wolf	Founder & CEO	70%	Founder
Craig Gaghich	Co-Founder & Catalyst Collective Lead	10%	Protected
Holly Rivera	President & COO	10%	Protected
Brian Wolf	Co-Founder & CQO	10%	Protected
TOTAL		100%	

1.2 Founder Equity Details

Tony Wolf - 70% (Founding Member & CEO) - Role: Chief Executive Officer, overall company leadership - **Vesting:** 4 years with 1-year cliff (25% at month 12, then monthly) - **Time Commitment:** 20-30 hours/week minimum - **Key Responsibilities:** - Strategic vision and direction - Executive team leadership - Fundraising and investor relations - Major business decisions - Company culture and values - **Special Rights:** Right to allocate portions of 70% to other team members as needed

Craig Gaghich - 10% (Co-Founder & Catalyst Collective Lead) - Role: Leader of Catalyst Collective business unit - **Vesting:** 4 years with 1-year cliff - **Time Commitment:** 20-30 hours/week minimum - **Status:** PROTECTED - Cannot be diluted - **Key Responsibilities:** - Catalyst Launchpad cohort program (8-week intensive) - Community platform and member engagement - Coaching programs and masterminds - Revenue targets: \$700K Year 1, \$2.1M Year 2 - Member growth: 1,000+ by Month 24

Holly Rivera - 10% (President & COO) - Role: Chief Operating Officer, operational excellence - **Vesting:** 4 years with 1-year cliff - **Time Commitment:** 20-30 hours/week minimum - **Status:** PROTECTED - Cannot be diluted - **Key Responsibilities:** - Day-to-day operations management - Client operations and satisfaction - Systems, processes, and procedures - Administrative and team operations - Financial operations and vendor management

Brian Wolf - 10% (Co-Founder & Chief Quality Officer) - Role: Chief Quality Officer, quality and compliance leadership - **Vesting:** 4 years with 1-year cliff - **Time Commitment:** 20-30 hours/week

minimum - **Status:** PROTECTED - Cannot be diluted - **Key Responsibilities:** - Quality assurance and control - Process optimization and SCRUM methodology - Compliance and risk management - Client deliverable quality - Team quality standards

2. VESTING SCHEDULES

2.1 Founder Vesting (4 Years)

Standard Founder Vesting Schedule: - **Total Duration:** 4 years (48 months) - **Cliff Period:** 1 year (12 months) - **Cliff Vesting:** 25% vests at 12-month anniversary - **Monthly Vesting:** Remaining 75% vests monthly over 36 months (2.083% per month) - **Full Vesting:** 100% vested after 48 months of continuous service

Vesting Timeline Example: - **Month 0-11:** 0% vested (cliff period) - **Month 12:** 25% vests (cliff reached) - **Month 13-48:** 2.083% vests per month - **Month 48:** 100% fully vested

Vesting Calculation:

Month 12: 25.00% vested
Month 24: 50.00% vested (25% + 12 months × 2.083%)
Month 36: 75.00% vested (25% + 24 months × 2.083%)
Month 48: 100.00% vested (25% + 36 months × 2.083%)

2.2 Vesting Mechanics

How Vesting Works: 1. Shares are granted at company formation/hire date 2. Shares are held in escrow until vested 3. Vesting occurs automatically on schedule (no action required) 4. Vested shares become fully owned by founder 5. Unvested shares subject to repurchase if founder leaves

Termination Impact: - **Voluntary Resignation:** Unvested shares forfeited, vested shares retained - **Termination for Cause:** All unvested shares forfeited, vested shares may be subject to repurchase - **Termination without Cause:** Unvested shares forfeited, vested shares retained - **Death or Disability:** Acceleration provisions may apply (see Section 7)

3. BREAK-EVEN DEFINITION

3.1 What is Break-Even?

Break-even is defined as the point when WAIMI's monthly recurring revenue (MRR) equals or exceeds monthly operating expenses for 3 consecutive months.

Break-Even Criteria:

Monthly Revenue \geq Monthly Expenses
For 3 consecutive months

Example: - Month 1: Revenue \$50K, Expenses \$45K ✓ - Month 2: Revenue \$52K, Expenses \$48K ✓ - Month 3: Revenue \$55K, Expenses \$50K ✓ - **Break-Even Achieved:** Month 3

3.2 Break-Even Projections

WAIMI Target Timeline: - **Target Date:** Month 24 (2 years from launch) - **Target MRR:** \$300K+ - **Target Monthly Expenses:** \$250K-\$280K - **Target Profit Margin:** 10-20%

Revenue Milestones: - **Month 6:** \$50K MRR (20% of break-even) - **Month 12:** \$150K MRR (60% of break-even) - **Month 18:** \$225K MRR (90% of break-even) - **Month 24:** \$300K+ MRR (break-even achieved)

3.3 What Happens at Break-Even?

Cash Compensation Begins: - All founders begin receiving monthly salaries - Equity vesting continues unchanged - Performance bonuses become available - Benefits packages activated

Compensation Transition: - **Pre-Break Even:** Equity only - **Post-Break Even:** Equity + Cash salary + Bonuses + Benefits

4. CASH COMPENSATION (POST-BREAK EVEN)

4.1 Founder Salaries (Post-Break Even)

Once break-even is achieved, founders receive competitive market-rate salaries:

Role	Annual Salary	Monthly Salary	Market Range
Tony Wolf (CEO)	\$180,000	\$15,000	\$150K-\$250K
Craig Gaghich (Co-			\$120K-

Founder)	\$150,000	\$12,500	\$180K
Holly Rivera (President/COO)	\$150,000	\$12,500	\$120K- \$180K
Brian Wolf (CQO)	\$150,000	\$12,500	\$120K- \$180K
TOTAL	\$630,000	\$52,500	

Salary Notes: - Salaries are competitive with market rates for similar roles - Annual reviews with potential increases based on performance - Salaries may be adjusted based on company performance and market conditions - All salaries subject to standard payroll taxes and withholdings

4.2 Benefits Package (Post-Break Even)

Standard Benefits: - Health insurance (medical, dental, vision) - 401(k) retirement plan with company match - Paid time off (PTO): 20 days/year - Sick leave: 10 days/year - Paid holidays: 10 federal holidays - Professional development budget: \$5,000/year - Home office stipend: \$1,000/year (remote work) - Technology allowance: \$2,000/year

Estimated Benefits Value: \$20K-\$30K per person annually

4.3 Salary Progression

Year 1 (Post-Break Even): - Base salaries as listed above - Focus on company stabilization - Performance bonus eligibility begins

Year 2: - 5-10% salary increases based on performance - Enhanced benefits package - Increased bonus potential

Year 3+: - Market-rate adjustments - Performance-based increases - Executive compensation packages

5. PERFORMANCE BONUSES

5.1 Bonus Structure (Post-Break Even)

Annual Bonus Potential: 20-40% of base salary

Bonus Calculation:

Target Bonus = Base Salary × Bonus %

Actual Bonus = Target Bonus × Performance Multiplier (0-200%)

Example (Tony Wolf): - Base Salary: \$180,000 - Target Bonus: 30% = \$54,000 - Performance Multiplier: 150% (exceeded targets) - Actual Bonus: $\$54,000 \times 1.5 = \$81,000$

5.2 Performance Metrics by Role

Tony Wolf (CEO) - 30% Target Bonus: - Revenue growth: 40% weight - Profitability: 30% weight - Strategic milestones: 20% weight - Team satisfaction: 10% weight

Craig Gaghich (Catalyst Collective) - 25% Target Bonus: - Catalyst revenue: 40% weight - Member growth: 30% weight - Cohort completion rates: 20% weight - Member satisfaction: 10% weight

Holly Rivera (President/COO) - 25% Target Bonus: - Operational efficiency: 40% weight - Client satisfaction: 30% weight - Process improvements: 20% weight - Team productivity: 10% weight

Brian Wolf (CQO) - 25% Target Bonus: - Quality metrics: 40% weight - Process optimization: 30% weight - Compliance standards: 20% weight - Client deliverable quality: 10% weight

5.3 Bonus Payment Schedule

Quarterly Reviews: - Performance assessed quarterly - Bonuses paid quarterly (25% of annual target) - Adjustments made based on actual performance

Annual True-Up: - Full year performance review - Final bonus calculation and payment - Adjustments for over/under-performance

6. EQUITY DILUTION & FUTURE ROUNDS

6.1 Protected Equity

The following equity allocations are PROTECTED and cannot be diluted: - Craig Gaghich: 10% - Holly Rivera: 10% - Brian Wolf: 10%

Protection Mechanism: - Anti-dilution provisions in founder agreements - Guaranteed percentage regardless of future funding - Cannot be reduced under any circumstances

6.2 Dilution Scenarios

Tony Wolf's 70% is subject to dilution from: - Future fundraising rounds - Employee stock option pools - Strategic partner equity - Any other equity events

Example Dilution Scenario:

Pre-Funding: - Tony: 70% - Craig: 10% (protected) - Holly: 10% (protected) - Brian: 10% (protected)

Post-Seed Round (\$2M at \$10M valuation = 20% dilution): - Tony: 56% ($70\% \times 0.8$) - Craig: 10% (protected) - Holly: 10% (protected) - Brian: 10% (protected) - Investors: 20%

Post-Series A (\$10M at \$40M valuation = 25% dilution): - Tony: 42% ($56\% \times 0.75$) - Craig: 10% (protected) - Holly: 10% (protected) - Brian: 10% (protected) - Seed Investors: 15% ($20\% \times 0.75$) - Series A Investors: 25%

6.3 Future Equity Needs

Typical Equity Allocations: - **Employee Option Pool:** 10-20% (comes from Tony's allocation) - **Seed Round:** 10-20% dilution - **Series A:** 20-30% dilution - **Series B+:** 15-25% dilution per round

Total Dilution Example (through Series B): - Tony: ~25-35% (from 70%) - Craig: 10% (protected) - Holly: 10% (protected) - Brian: 10% (protected) - Investors: 35-45%

7. ACCELERATION PROVISIONS

7.1 Single-Trigger Acceleration

Change of Control Event: - Company acquisition - Merger with another company - Sale of substantially all assets

Acceleration: 100% of unvested shares vest immediately

Example: - Founder has 40% vested, 60% unvested - Company is acquired - 100% of shares vest immediately - Founder owns 100% of their equity

7.2 Double-Trigger Acceleration

Not applicable - WAIMI uses single-trigger acceleration only

7.3 Death or Disability

Death: - 100% immediate vesting - Shares transfer to estate/beneficiaries - No repurchase rights

Permanent Disability: - 100% immediate vesting - Shares retained by founder - No repurchase rights

Definition of Permanent Disability: - Unable to perform essential job functions for 6+ consecutive months - Certified by licensed physician - Reasonable accommodations considered

8. TAX IMPLICATIONS

8.1 83(b) Election (CRITICAL)

What is an 83(b) Election? - IRS form filed within 30 days of equity grant - Allows taxation at grant date (typically \$0 value) - Avoids ordinary income tax on vesting events

Why File 83(b)?

Without 83(b): - Taxed as ordinary income on each vesting event - Tax rate: 22-37% federal + state - Example: \$100K vests → \$37K tax bill

With 83(b): - Taxed once at grant (typically \$0) - No tax on vesting events - Capital gains tax only on sale (15-20%)

83(b) Filing Requirements: - File within 30 days of grant (STRICT DEADLINE) - File with IRS via certified mail - Provide copy to company - Keep proof of filing

Failure to File: - Ordinary income tax on each vesting event - Potentially \$100K+ in additional taxes - Cannot be corrected after 30-day deadline

8.2 Tax on Equity Grant

At Grant (with 83(b)): - Fair market value (FMV) at grant: \$0.01/share (typical startup) - Tax owed: $FMV \times \text{shares} \times \text{tax rate}$ - Example: $100,000 \text{ shares} \times \$0.01 \times 37\% = \$370$

At Vesting (with 83(b)): - No tax owed (already paid at grant)

At Sale (with 83(b)): - Capital gains tax on appreciation - Long-term rate (15-20%) if held >1 year - Example: Sell at \$10/share → \$1M gain → \$200K tax (20%)

8.3 Tax on Cash Compensation

Salary: - Ordinary income tax (22-37% federal) - State income tax (varies by state) - FICA taxes (7.65%) - Total effective rate: 30-45%

Bonuses: - Taxed as ordinary income - May be subject to supplemental withholding (22%) - Same rates as salary

8.4 Qualified Small Business Stock (QSBS)

Potential Tax Benefits: - Up to \$10M or 10× basis tax-free on sale -
Must hold shares for 5+ years - Company must qualify as QSBS -
Consult tax advisor for eligibility

9. FREQUENTLY ASKED QUESTIONS

9.1 Equity Questions

Q: When do I receive my equity? A: Equity is granted at company formation or hire date. Shares are held in escrow and vest according to schedule.

Q: What happens if I leave before fully vested? A: You keep all vested shares. Unvested shares are forfeited and returned to the company.

Q: Can I sell my shares? A: Shares are subject to transfer restrictions. Company has right of first refusal. Board approval required for transfers.

Q: What if the company raises funding? A: Craig, Holly, and Brian's 10% is protected. Tony's 70% may be diluted. Investors receive new shares.

Q: How do I know my shares are worth? A: Company valuation determined by board or independent valuation. Updated annually or during funding rounds.

9.2 Vesting Questions

Q: When does my vesting start? A: Vesting starts on your grant date (company formation or hire date).

Q: What is the cliff? A: 1-year cliff means 0% vests until month 12, then 25% vests all at once.

Q: Can vesting be accelerated? A: Yes, 100% vests on change of control (acquisition/merger) or death/disability.

Q: What if I'm terminated? A: Vesting stops immediately. You keep vested shares, forfeit unvested shares.

Q: Can I buy my unvested shares? A: No, unvested shares cannot be purchased. They vest according to schedule only.

9.3 Compensation Questions

Q: When do I start getting paid? A: Cash salary begins when company reaches break-even (projected Month 24).

Q: What if break-even takes longer? A: Equity vesting continues. Cash compensation delayed until break-even achieved.

Q: Can I negotiate my salary? A: Salaries are set at market rates. Annual reviews allow for increases based on performance.

Q: How are bonuses calculated? A: Based on role-specific KPIs and company performance. Paid quarterly with annual true-up.

Q: What benefits do I receive? A: Full benefits package (health, 401k, PTO, etc.) begins at break-even.

9.4 Tax Questions

Q: Do I need to file an 83(b) election? A: YES - CRITICAL. File within 30 days of grant to avoid massive tax bills on vesting.

Q: What happens if I don't file 83(b)? A: You'll owe ordinary income tax on each vesting event. Could be \$100K+ in taxes.

Q: How do I file 83(b)? A: Complete IRS Form 83(b), mail via certified mail within 30 days, provide copy to company.

Q: When do I pay taxes on my equity? A: With 83(b): At grant (minimal). Without 83(b): On each vesting event (substantial).

Q: What about capital gains tax? A: Applies when you sell shares. 15-20% if held >1 year (vs. 22-37% ordinary income).

9.5 General Questions

Q: What is my time commitment? A: Founders: 20-30 hours/week minimum. Full-time commitment expected post-break even.

Q: Can I work on other projects? A: Discuss with Tony. Generally allowed if no conflict of interest and time commitment met.

Q: What if I have a dispute? A: Escalate to Tony Wolf (CEO). Mediation/arbitration provisions in founder agreements.

Q: How is company performance measured? A: Monthly financial reviews, quarterly board meetings, annual strategic planning.

Q: When can I expect an exit? A: Typical startup timeline: 5-10 years. No guarantees. Focus on building value.

10. DOCUMENT CONTROL

Version: 2.0 **Last Updated:** November 6, 2024 **Updated By:** SuperNinja AI **Reason for Update:** Removed advisory board compensation sections

Previous Version: 1.0 (November 2, 2024) - Included advisory board equity pool (19%) - Included 5 advisory board member details

Change Summary: - Advisory board program discontinued - All advisory board sections removed - Tony Wolf equity increased from 51% to 70% - Craig, Holly, Brian remain protected at 10% each - Total equity: 100% (founders only)

APPROVAL

This compensation package has been reviewed and approved by:

Tony Wolf, Founder & CEO Signature: _____

Date: _____

Craig Gaghigh, Co-Founder Signature: _____

Date: _____

Holly Rivera, President & COO Signature: _____

Date: _____

Brian Wolf, Co-Founder & CQO Signature: _____

Date: _____

END OF DOCUMENT