# **Equity and ESOP Planning Template**

An equity and ESOP (Employee Stock Ownership Plan) strategy is critical for aligning employee incentives with long-term business goals. A well-structured equity plan rewards early contributors, attracts top talent, and reassures investors of a thoughtful dilution strategy. This template helps founders plan equity distribution, determine ESOP pool size, and establish vesting, granting, and communication frameworks to manage ownership professionally.

## **Cap Table Planning: Founders and Investors**

| **Stakeholder** | **% Ownership (Pre-ESOP)** | **% Ownership (Post-ESOP Allocation)** | **Comments** |
| --- | --- | --- | --- |
| Founder 1 | 60% | 54% | CEO & Vision Holder |
| Founder 2 | 30% | 27% | CTO – Product Builder |
| Angel Investor(s) | 10% | 9% | Pre-seed Investment |
| **ESOP Pool (Reserved)** | 0% | 10% | For employees, advisors, etc. |
| **Total** | 100% | 100% |  |

## **Recommended ESOP Pool Sizing by Stage**

| **Funding Stage** | **Typical ESOP Pool (%)** | **Purpose** |
| --- | --- | --- |
| Bootstrapped | 5–7% | Key hires, advisors |
| Seed | 10–15% | Early engineers, product, growth teams |
| Series A | 12–15% | CXOs, senior hires |
| Series B+ | 8–12% | Retention and expansion of talent |

## **ESOP Design Elements**

| **Element** | **Recommended Structure** |
| --- | --- |
| **Vesting Schedule** | 4 years with 1-year cliff (25% after 12 months, then monthly/quarterly thereafter) |
| **Grant Type** | Options with fair market value exercise price |
| **Exercise Window** | 10 years (or shorter if employee exits) |
| **Accelerated Vesting** | Consider single/double trigger only in acquisition or termination with cause scenarios |
| **Termination Clause** | Unvested options are forfeited; vested options exercisable for X days post-exit |

## **Sample ESOP Allocation Table**

| **Role** | **% of Total Equity** | **Type** | **Notes** |
| --- | --- | --- | --- |
| Early Engineer (Core) | 0.5% – 1.0% | Stock Options | High impact, early team member |
| Growth Lead | 0.3% – 0.7% | Stock Options | Revenue-driving position |
| Senior Developer | 0.2% – 0.5% | Stock Options | Depends on seniority and contribution |
| Advisor | 0.25% – 0.75% | Equity Grant | Often subject to 2-year vesting, quarterly |
| CXO (Non-founder) | 1.5% – 3.0% | Stock Options | Depending on the title, stage, and role responsibility |

## **ESOP Grant Communication Checklist**

| **Item to Communicate** | **Included in the Offer Letter?** | **Explained in a 1:1 Discussion?** |
| --- | --- | --- |
| Total options granted | ☐ | ☐ |
| Exercise price and fair market value | ☐ | ☐ |
| Vesting schedule | ☐ | ☐ |
| Tax implications and timing of exercise | ☐ | ☐ |
| Exit liquidity assumptions (if any) | ☐ | ☐ |

## **Equity Communication for Founders and Investors**

* Clearly define **pre- and post-ESOP ownership** in your pitch decks and cap table.
* Highlight how the ESOP pool **enables retention** and **long-term commitment**.
* Ensure investors **agree to refresh** or **top up ESOP** post-funding, if needed.
* Always seek legal and financial guidance when structuring your **ESOP agreement or trust**.

## **Final Setup Checklist**

| **Step** | **Status** |
| --- | --- |
| Drafted or updated cap table | ☐ |
| Created ESOP policy document | ☐ |
| Legal approval from the board/founders | ☐ |
| ESOP pool reserved and included in the cap table | ☐ |
| The ESOP plan was communicated to the current team | ☐ |
| Offer letters include equity grant language | ☐ |

**References:**

<https://www.greythr.com/downloadable-resource/ESOP-scheme/>