



# A Guide to Stock Options Design

*The VVC Ownership Model*

*Values · Vision · Culture*

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*& The 6D Stock Options Design Framework*

Open Standard · v1.0 · 2026

For founders, company owners, consultants, investors,  
HR professionals, and employees worldwide.

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PREAMBLE

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# Preamble

This document establishes the Just Esops VVC Ownership Model and the Just Esops 6D Stock Options Design Framework as an open global standard for the design, communication, and implementation of employee stock option plans. It is intended to serve founders, investors, HR professionals, legal counsel, and governance bodies worldwide.

Stock options, when used without understanding and conviction, are dead instruments. They are pieces of paper that neither inspire nor retain. When infused with genuine Values, a clear Non-Financial Vision (NFV), and a rigorous strategic framework, they become among the most powerful tools a founder possesses. This standard provides the intellectual and practical architecture to achieve exactly that.

This standard is released open source. It may be freely used, adapted, translated, and shared by any individual or organisation, provided attribution is given to Just Esops. No commercial restriction is placed on its use for the purpose of designing or advising on stock option strategies.

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INTRODUCTION

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# The Problem Worth Solving

*Before the framework, the question.*

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## INTRODUCTION

# Inside Every Employee

*What they are really asking themselves.*

Before we talk about what you can offer your employees, it may help to understand what they are privately asking themselves — perhaps every single day.

- 1 *Does this work feel meaningful to me — or is it just a job I show up to?*
- 2 *Does what I do here bring me genuine fulfilment — or mostly money and stress?*
- 3 *Does the culture here feel healthy and human — or does it quietly drain me?*
- 4 *Do I actually believe in where this organisation is going?*
- 5 *Does the leadership here inspire me — or do I simply not want to disappoint them?*
- 6 *And yes — does it pay me well enough to make all of the above worth it?*

These are not the questions in the annual engagement survey. They are the ones your employees answer silently, in their own minds, before deciding how much of themselves to give today.

## THE UNCOMFORTABLE TRUTH

You have seen it happen. Someone good leaves. They had options — significant, unvested options — worth real money if they had simply stayed a little longer. And yet they left. From the outside, it looked irrational. From the inside, it made complete sense.

Because the options were never really the reason they stayed. And once whatever did keep them — the belief, the respect, the sense of purpose — quietly disappeared, no amount of unvested equity was enough to hold them.

***When someone leaves options on the table, they are not being irrational. They are telling you, in the most honest way possible, that the non-financial cost of staying had become greater than the financial cost of leaving.***

And the ones who stay? Some stay for the right reasons — because they believe in the work, the people, the direction. Their energy is different. But some stay because leaving is simply too painful financially. They show up. They perform adequately. But you know — and they know — that something essential is missing.

Stays because they believe.	Stays because leaving hurts.
<p>They are energised. They refer good people. They go beyond what is asked. They defend the organisation when someone speaks ill of it. Their ownership is felt, not just documented.</p>	<p>They are present but distant. They stop volunteering ideas. They do exactly what is asked and nothing more. And the moment their options vest — or a better offer arrives — they are gone.</p>

The question worth sitting with: which kind of employee are you designing your scheme for? And what are you doing — beyond the scheme — to be worthy of the first kind?

#### THE FOUNDATION · Not Just Esops

### The Question Behind the Question

Before you design your stock options strategy, ask yourself honestly: why are you really granting stock options? You might say: to attract good people, to retain good people. But think deeper. Will stock options alone really solve that problem? What if a really good employee is not focused or committed enough at work? What if they are physically present but mentally elsewhere?

So what you are actually looking for is an employee who is not just good — but committed, focused, and owner-minded. Someone who works with the same intensity as a motivated founder. Someone whose mind is aligned to your vision and who works towards it without getting distracted.

When you are honest with yourself, the real problem you want to solve is this: you want to get your employees' minds aligned to your vision — and keep them focused, energised, and

intrinsically motivated, every single day.

THE SURFACE GOAL	WHAT YOU ACTUALLY WANT	THE REAL PROBLEM
<i>Attract and retain good employees.</i>	<i>Committed, focused, owner-minded employees who believe in your vision.</i>	<i>Get employees' minds aligned to — and focused on — your vision, daily.</i>

That level of engagement is not manufactured by compensation. It comes from within — from personal belief in the mission. Understanding this distinction is the foundation of everything we do.

THE MOTIVATION GAP

Two very different kinds of motivation.

There are two types of motivation that drive human performance at work. Stock options only address one of them. Understanding the difference is critical to understanding why VVC matters.

SHORT-TERM / DAILY	LONG-TERM / FINANCIAL
<b>The Inner Drive</b>	<b>The Outer Incentive</b>
<i>The daily will to focus, innovate, build, and improve — moment to moment, day to day.</i>	<i>The reward for wealth created together — payable at IPO, buyback, or secondary sale.</i>
SOURCE: Internal — comes from within TRIGGER: Personal belief in the work, the vision, the culture.	SOURCE: External — designed by management TRIGGER: Financial stake in the company's outcome.
NOT SOLVED BY ESOPS	SOLVED BY ESOPS

Stock options solve the long-term financial motivation problem. But the daily inner drive to focus and build — that is a different problem entirely.

Here is the other uncomfortable truth: stock options are typically granted to a select few employees. What about the motivation of everyone else? The salesperson, the support engineer, the operations manager — who may never receive a single option? They too need daily intrinsic

motivation. And that cannot come from a compensation instrument they do not even hold.

**THE SOLUTION**

**Enter VVC — Values. Vision. Culture.**

VVC is the solution to the intrinsic motivation problem. When employees deeply believe in your values, are inspired by your non-financial vision, and feel at home in your culture — they become intrinsically motivated. Daily. Naturally. Without being asked.

<b>Values</b>	<b>Vision</b>	<b>Culture</b>
The non-negotiable principles that guide every decision. When employees see you live your values under pressure they trust you. Trust is the seed of true co-ownership.	A compelling, non-financial vision of the future you are building. Money can excite. Vision inspires. People work harder and longer for a future they genuinely believe in.	Culture is behaviour repeated. Not what you believe it should be. Not what the poster on the wall says. It is what your people do and say every single day.

When employees believe in your non-financial vision, stock options become rocket fuel — not just compensation.

**ESOP vs VVC — Understanding the Difference**

<b>ATTRIBUTE</b>	<b>ESOP</b>	<b>VVC</b>
<b>Reaches</b>	Select few employees	Your entire workforce
<b>Motivation</b>	External, financial	Internal, intrinsic
<b>Works daily?</b>	No — future-oriented	Yes — every single day
<b>Retention</b>	Financial lock-in	Voluntary belief
<b>Designed?</b>	Yes — by management	Must be lived & embodied

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***"While ESOPs might be for a select few, VVC will motivate your entire workforce. And intrinsic motivation automatically makes people want to stay — not because their boss wants them to, but because they believe in it themselves."***

— Tarun Gulati, Founder

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PART I

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# Philosophical Foundation

*The 'why' before the 'what'*

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## CHAPTER 1

# What an Organisation Should Be

Before examining stock options, we must first understand the enterprise to which they belong. A company is not merely a vehicle for financial return. Its existence is justified only by the human beings who create it, work within it, invest in it, and are served by it.

A company has no independent existence. It is conjured into being by a founder who has an idea and commits to pursuing it. Other human beings — employees, investors, customers — choose to invest their time, capital, and trust into this enterprise. Since an organisation is fundamentally a collection of human beings spending their most irreplaceable resource — time — the question must always be: how should those human beings want to spend that time?

## The Dual Purpose of an Organisation

In the context of working life, any reasonable human being wants their time and energy to serve two ends: to maximise their potential, and to maximise their peace of mind. Financial reward, when it comes, should be a by-product of these two. Not the purpose itself.

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***An organisation is a vehicle for the maximisation of human potential and peace of mind for all those who participate in it. Financial success is the natural by-product of that maximisation when pursued with discipline and genuine vision.***

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This is not a rejection of financial ambition. It is a reframing of the sequence. Founders who begin with valuation as their north star create cultures of restlessness and greed. Founders who begin with Values and Vision create cultures of purpose, belonging, and ultimately, far more durable commercial success.

The words Values, Vision, and Contemplation must occur far more frequently in an organisation than the word Valuation. The ratio matters.

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***"Money can seduce.  
Money cannot truly inspire."***

— Just Esops · The VVC Ownership Model

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## CHAPTER 2

# The Nature of Potential

If an organisation exists to maximise human potential, we must be precise about what potential means. Potential is not merely capacity. It is a vector force. It possesses both magnitude and direction.

## Magnitude

Potential with high magnitude means depth of thought. It means the ability to develop genuine insight about your work, your problem, and your domain. Not surface-level familiarity, but the kind of compound understanding that only comes from sustained, focused Contemplation. This is what enables a founder to create their own theory of relativity about their particular challenge.

## Direction

Magnitude alone is insufficient. A brilliant mind directed at the wrong purpose produces harm, not value. The direction of your potential determines whether you are moving toward peace of mind or away from it. If your direction is wrong — if you are building something that creates restlessness in others or that you do not genuinely believe in — no amount of magnitude will bring peace.

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***Potential = Magnitude (depth of thought) × Direction (rightness of purpose). Maximise both, and you maximise your potential and your peace of mind.***

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## CHAPTER 3

# The Contemplate Framework

Contemplate is a mind fitness training framework that trains you to think more clearly using a practice of Contemplation and a set of mind fitness principles. These principles are simple and practical, not religious or spiritual. You use them in your daily life at home and at work to make better decisions as a partner, parent, professional, and in any other role you play.

The focus of the Contemplate system is on achieving long-term peace of mind over short-term happiness. The principles enable you to make the right decisions — the ones that make you more peaceful in the long run versus those that only feel good in the moment.

## Contemplation: The Core Technology

Contemplation is defined as the process of thinking deeply about a matter over an extended period of time, analysing it in detail, and allowing new connections and insights to surface. It is categorically different from ordinary thinking, which is rapid and often reactive.

For every one minute of speaking, listening, or consuming information, a minimum of five minutes should be devoted to Contemplation. For every hour of operational activity, space must be created for reflection on direction and purpose.

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***It is not just intelligence that separates great founders from ordinary ones. Given two people of equal intelligence, the one who contemplates will always uncover insights, hidden patterns, and non-obvious connections that the other misses.***

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## Contemplation and AI

In a world where Artificial Intelligence does most of the execution, Contemplation will become the core human technology and a strategic advantage. If an employee does not have the capability to contemplate, they will not be preferred.

AI without Contemplation will lead to cognitive decline. It will make you faster, but shallower. Cognitive laziness is human nature, because thinking is cognitively expensive. Thinking deeply through Contemplation is even more so.

In a few years, Contemplation will become one of the most valuable skills in the human workforce. Contemplation on your Non-Financial Vision (NFV) increases the magnitude of your potential. Contemplation on your Values ensures you move in the right direction.

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***"The greatest thinkers in human history were not characterised by how connected they were to the outside world. They were characterised by how deeply they went inward."***

— Just Esops · The Contemplate Framework

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## CHAPTER 4

# The VVC Ownership Model

## *Values · Vision · Culture*

The VVC Ownership Model is the philosophical bedrock upon which all stock options strategies must rest. Stock options disconnected from Values, Vision, and Culture are inert. They may occasionally create financial wealth, but they will only create legal ownership — not emotional ownership, and certainly not belonging in the deepest sense.

Before you plan your stock options strategy, you must focus on your Values, Vision, and Culture. This forms the basis of your stock options strategy.

### Values

Values are the personal guiding principles that a founder brings to the enterprise. They precede the business itself. They do not emerge from strategy sessions or board meetings. They emerge from a founder's Contemplation on who they are, what they believe, and how they wish to behave.

The key here is embodiment, not definition. For years, large corporations have put up posters to show what their Values are. But most of them are not trusted, because the leadership team does not embody those Values. They only lecture about them. That does not create trust.

A stock options strategy built on personal Values that the leadership team embodies has tremendous depth. It cannot be replicated by competitors. It provides a natural filter for hiring decisions and a natural compass for resolving difficult trade-offs.

### Non-Financial Vision (NFV)

Vision, as used in this framework, is specifically a Non-Financial Vision (NFV). It is not a valuation target. A Non-Financial Vision is a desire to either improve a process or a system, or to improve someone's quality of wellbeing and peace, or both.

A vision that reads "become a billion-dollar company" is not a vision. It is a financial projection. A vision that reads "empower every teacher in the world to deliver personalised learning" speaks to something human, something that transcends the balance sheet.

***Your Non-Financial Vision is your key to unlocking talent attraction and retention. Stock options are the cherry on that NFV cake. Make your NFV your moat. That is unbeatable.***

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## Culture

Culture is behaviour repeated. It is not a wall plaque or a poster. Culture is what gets repeated daily by each individual in how they speak, think, walk, and breathe. Culture is not intellectual. It is only what your people embody.

Your hiring strategy must flow out of your intended Culture. If you hire only for roles, you will still create a Culture, but it may not be the one you intended.

## Stock Options as Emotional Instruments

Stock options should be understood not merely as financial instruments. Think of your ESOP plan as an Emotional Stock Options Plan. When a person feels like an owner, only then do they start to think like an owner, sacrifice like an owner, and celebrate like an owner.

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***The sequence is always: Values — Vision — Culture — Hiring Strategy — Stock Options Strategy. Stock options do not create Values, Vision, or Culture. They amplify whatever already exists.***

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PART II

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# Stock Options

*Definition, Mechanics, and Types*

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## CHAPTER 5

# What Is an Employee Stock Option?

An employee stock option (ESO) is a right, not an obligation, granted by a company to an employee, enabling that employee to purchase a specified number of the company's equity shares at a price fixed at the time of grant (the exercise price or strike price), subject to defined conditions.

## A Right

The employee is under no compulsion to exercise. If the share price falls below the exercise price, rational employees will simply decline to exercise, losing no invested capital.

## To Purchase

The employee must pay the exercise price to acquire shares. This distinguishes options from gifts of equity.

## Equity Shares

The underlying instrument is an ownership stake in the company — not a debt instrument, not a phantom payment, but real equity.

## At Fixed Price

The exercise price is determined at grant and remains fixed, giving the employee the benefit of any appreciation in value between grant date and exercise date.

## Subject to Conditions

Vesting schedules, performance criteria, tenure requirements, and exercise conditions determine when and how rights can be exercised.

The fundamental economic advantage of a stock option over open-market purchase is the locked-in entry price. An employee who receives options at a \$10 exercise price when the company is worth \$10 per share, and who exercises when the company is worth \$100 per share, pays only \$10 to acquire an asset worth \$100. The gain of \$90 per share is the value created during their tenure that they are invited to share.

## CHAPTER 6

# The Four Stages

## *Grant · Vest · Exercise · Sale*

Every employee stock option passes through four distinct stages. Understanding each stage is essential for both founders designing the plan and employees receiving it.



The employee's wealth is created not at grant but at the intersection of company performance and the passage of time. The magnitude of that wealth is determined by (a) how many options were granted, (b) how much the share value increased, and (c) the difference between that increased value and the exercise price.

## CHAPTER 7

# Types of Options — Growth and Gracias

The Just Esops framework introduces a two-category classification of stock options, corresponding to two distinct strategic objectives. This distinction is both philosophically important and legally practical.

GROWTH OPTIONS	GRACIAS OPTIONS
<i>Future Contribution</i>	<i>Past Contribution</i>
<ul style="list-style-type: none"> <li>· Incentivise future work · Granted at current FMV · Back-ended MYSMYV vesting · 4–5 year vesting period · Recurring as team grows</li> </ul>	<ul style="list-style-type: none"> <li>· Honour past contribution · Discounted or at face value · Short vesting period · 1–2 year vesting · Granted once in company lifetime</li> </ul>

Maintaining these as separate categories with separate legal documentation and separate shareholder approvals is strongly recommended. Gracias options say "we remember what you did for us"; Growth options say "we are counting on what you will do with us". Both messages matter. They should not be conflated.

PART III

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# The 6D Design Framework

*Why · Who · How Many · What Price · What Conditions · How Often*

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## CHAPTER 8

# Overview of the 6D Framework

The Just Esops 6D Stock Options Design Framework provides a structured, comprehensive approach to designing stock option strategies. It organises the full complexity of stock option design into six distinct dimensions, each of which must be considered thoughtfully, in the context of the company's specific Values, Vision, and Culture.

These six dimensions are not independent variables to be optimised separately. They interact. They create tensions. The art of great stock option design lies in finding the right balance across all six dimensions simultaneously.



***"Six questions. One framework. Infinite clarity."***

## CHAPTER 9

# Dimension 1 — Why

## *Define the purpose before designing the instrument*

The Why dimension is the most frequently neglected in practice, but it is foundational. Before designing any element of the stock options plan, the founder must be clear about the purpose the plan is intended to serve.

### The Two Purposes

Purpose 1: Future Contribution (Growth Options). In most cases, stock options are granted to incentivise employees for their contribution over the coming years.

Purpose 2: Past Contribution (Gracias Options). In some circumstances, a founder must reckon with a historical imbalance — early employees who took below-market salaries, who were verbally promised options that were never formalised.

### Diagnostic Questions

- Have I promised options to anyone who has not yet received them formally?
- Are there team members who accepted below-market compensation based on an implicit understanding that equity would be part of their package?
- Have early team members been compensated proportionately to the risk they accepted?
- Am I in a position where the company's current growth phase calls for a new, clearly communicated options framework?

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***If you have a genuine Gracias obligation, do not ignore it. Doing the right thing creates the right Culture. It creates belief. It creates trust. Honour it explicitly. Name it clearly. It will be remembered.***

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## CHAPTER 10

# Dimension 2 — Who

## *Coverage is a cultural statement*

The decision of who receives stock options is not merely a financial allocation decision. It is a cultural statement about who is considered a long-term stakeholder in the enterprise.

### Five Perspectives to Balance

#### Culture alignment

What do the company's Values and Vision suggest about the appropriate coverage?

#### Maturity of recipient

Can the recipient appreciate the significance and responsibility of option ownership?

#### Compensation structure

Are options additive (supplementing a competitive salary) or substitutive (compensating for a below-market salary)?

#### Motivational fit

Some employees are better motivated by immediate cash than by deferred equity.

#### Pool capacity

The total stock options pool is finite. Wide coverage must not make individual grants so small as to be meaningless.

### Differentiating Within a Cohort

Where two employees occupy similar roles but one clearly performs above the level of their designation, differentiation could be achieved through role elevation rather than arbitrarily different option grants without explanation. Transparent criteria enable others to aspire to the same recognition. Opaque differentiation breeds resentment.

## CHAPTER 11

# Dimension 3 — How Many

## *The IBO Method — Intended Benefit through Options*

How many options to grant is the most technically complex dimension of the 6D Framework. The Just Esops standard introduces the Intended Benefit through Options (IBO) Method as the rigorous, intuitive, and defensible approach to this decision.

### The Core Principle: Think in Value, Not in Numbers

A raw number of options carries no meaning without context. What matters is the value those options will deliver to the recipient. The IBO Method works backwards from a target value (the Intended Benefit) to arrive at the appropriate number of options.

$$\begin{array}{|c|} \hline \text{Intended Benefit} \\ \text{(Target Value)} \\ \hline \end{array} \div \begin{array}{|c|} \hline \text{Profit Per Share} \\ \text{(at exit)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Number of Options} \\ \text{(Grant)} \\ \hline \end{array}$$

*Always begin with value. Never start with a percentage. The fundamental error in many stock option designs is starting with a percentage or a number because you heard it from someone else. These mean nothing without understanding the financial value they represent.*

## CHAPTER 12

# Dimension 4 — What Price

*The exercise price is a message about fairness*

The exercise price is the price that an employee pays to acquire shares when they exercise vested options. It is fixed at grant and does not change for the life of those options.

## Pricing Options

At Fair Market Value (FMV): Options are granted at the current independently certified fair market value. This is the most common approach for Growth Options.

At a Discount to FMV: Appropriate for Gracias Options, where recognising past contribution may justify a more favourable price. In many jurisdictions, a discount to FMV triggers a higher accounting charge in the P&L; account.

## The Fairness Question

When new employees join at a higher share price than early employees received their options, the difference in exercise price naturally reflects the difference in risk taken. This differential is appropriate. What is not appropriate is granting later hires options at a discount without clear justification.

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***Always obtain an FMV certificate from a qualified independent valuer before granting options. Do not rely on informal estimates. The FMV certificate is both a legal requirement in most jurisdictions and a critical reference point for the employee's understanding of their grant.***

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CHAPTER 13

# Dimension 5 — What Conditions

*Vesting and exercise terms communicate your philosophy*

## A. Vesting Period

The vesting period is the total duration over which options vest. The industry standard is four years, but this number should not be adopted by default. It should be adopted because it aligns with the company's specific long-term value creation timeline.

## B. Vesting Schedule

Once the period is established, the schedule determines how options vest:

### Equal (Cliff + Linear)

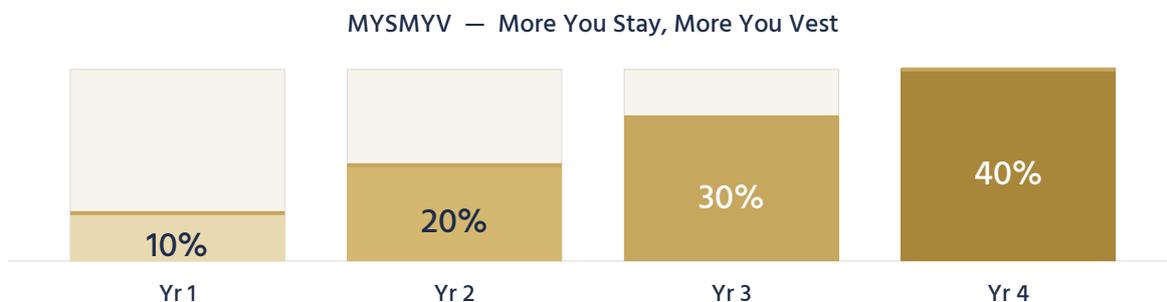
25% per year, with a one-year cliff.

### Back-Ended (MYSMYV)

10% in Year 1, 20% in Year 2, 30% in Year 3, 40% in Year 4. Rewards longevity over short tenure.

### Quarterly or Monthly

Sub-annual vesting provides more granular reward but can dilute the long-term message.



## C. Vesting Conditions

Options can vest on tenure alone, on performance, or on a combination of both. A hybrid approach (e.g. 70% performance, 30% tenure) balances motivation with security.

### **Performance Condition Design Principles**

- Prefer company-level metrics over individual metrics for senior roles.
- Use ranges rather than binary thresholds for performance vesting.
- Keep the matrix simple enough for employees to recall without referencing a document.
- Define conditions with complete objectivity. Subjective conditions create litigation risk.

### **Exercise Conditions**

Exercise on Vesting allows employees to exercise options as soon as they vest, enabling tax planning. Exercise on Liquidity Event restricts exercise to acquisition, IPO, or other defined liquidity event, simplifying administration and avoiding premature share issuance.

## CHAPTER 14

# Dimension 6 — How Often

## *Grant frequency is an operational discipline*

The final dimension addresses the operational cadence of stock option grants. It is about establishing a clear, consistent policy that employees can rely upon and that the company can administer with rigour.

### Recommended Approach: Quarterly Grants

For companies with regular hiring activity, quarterly grants are the most practical approach. All employees who join the company during a given quarter receive their options at the quarterly board meeting that follows. This should be communicated at the time of joining, so there is no confusion or disappointment.

### Legal Requirement

In most jurisdictions, each grant requires a board resolution. Quarterly board meetings provide a natural and administratively clean rhythm.

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***No employee should be left uncertain about when their options will be formally granted. Consider a culture-fit period for new employees so you reserve equity only for those who truly resonate with your Vision.***

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PART IV

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# Advanced Design Considerations

*The nuances that separate good design from great design*

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## CHAPTER 15

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# Financial Projections and the IBO Calculation

## The Goldilocks Projection

Use what may be termed Goldilocks Projections: neither the moonshot scenario that only occurs if everything goes perfectly, nor the conservative scenario that understates the company's genuine potential. A realistic, achievable growth scenario that the management team would be genuinely proud of, and that would justify the capital being deployed.

The test is this: if the company reaches even half the valuation used in your IBO calculation and you consider that to be decent growth, would your employees be rewarded appropriately? If the answer is "they would get almost nothing", your projections are too optimistic for option-sizing purposes.

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***Maintain two sets of projections. "Dream projections" for internal inspiration and investor conversations. "IBO projections" — more conservative — specifically for sizing the option grant so that a reasonable outcome rewards the team reasonably, and an exceptional outcome rewards them exceptionally.***

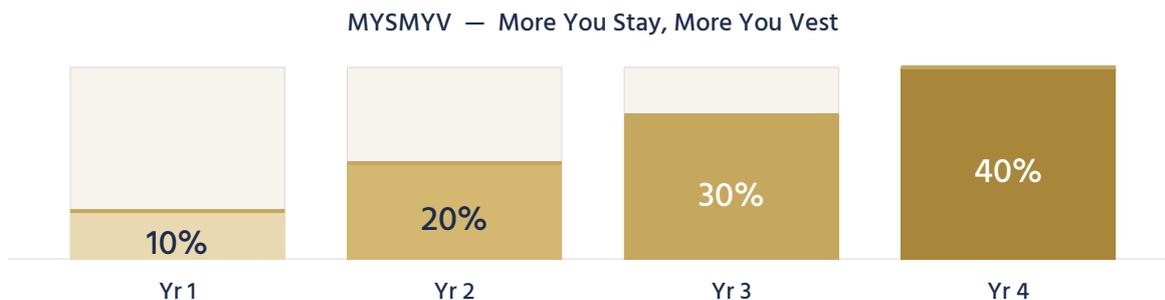
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## CHAPTER 16

# Vesting Schedules and the MYSMYV Principle

## The MYSMYV Schedule

A typical MYSMYV schedule over four years: 10% in Year 1, 20% in Year 2, 30% in Year 3, 40% in Year 4. This creates a natural incentive for employees to stay through the full vesting period, as the majority of the grant's value accrues in the later years.



The philosophical justification is straightforward: value creation in an organisation is rarely linear. An employee who stays through the difficult middle years — the pivots, the cash crunches, the moments of doubt — contributes differently from one who joins in the euphoric early stage and leaves before the real grind begins. Back-ended vesting acknowledges this asymmetry honestly.

Variation for long-term projects: Companies engaged in research or product development cycles longer than four years may use schedules such as 30% at Year 3, 30% at Year 5, 40% at Year 7.

## CHAPTER 17

# Exercise Terms for Continuing and Departing Employees

## For Continuing Employees

Continuing employees should have the ability to exercise vested options either on vesting (with appropriate tax planning) or at a liquidity event, per the exercise conditions defined in the plan.

## For Departing Employees

A common approach of requiring departing employees to exercise within 90 days of departure is deeply problematic. In practice, most departing employees cannot afford to exercise within such a short window. The effect is to forfeit all their vested options — an outcome that is neither fair nor conducive to a positive relationship with alumni.

### The Just Esops Standard recommends:

- Vested options may be exercised at the next qualifying liquidity event, provided that event occurs within a defined period of departure (e.g. three years).
- An alternative is to allow exercise up to ten years from the grant date, provided the employee completed a defined minimum tenure.
- Short-termers should not benefit disproportionately from a liquidity event achieved primarily by those who stayed.

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***The MYSMYV schedule works in harmony with time-bound exercise for departing employees. An employee who leaves after Year 1 has only 10% vested. An employee who completes all four years has 100% vested. The combination rewards loyalty both during and after employment.***

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## CHAPTER 18

# Early vs. Late Employees

Early employees take a greater risk because the company is unproven, compensation is below market, and failure is statistically more probable. Late employees join a more stable enterprise, often at market or above-market compensation, with a clearer path to liquidity.

The exercise price naturally accounts for much of this differential: early employees receive options at a lower price and stand to benefit more from the appreciation built before their late-joining colleagues arrived.

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***Granting late-joining employees options at a discount to FMV without strong justification creates a perception of unfairness among early employees. Extraordinary exceptions should be rare, explicit, and communicated.***

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## CHAPTER 19

# Employees in Different Geographies

Global teams introduce complexity into the IBO calculation, as the same role may command very different compensation in different markets. The Just Esops Standard recommends calculating Intended Benefit in the local currency of each employee's geography, reflecting their local market worth.

Granting the same number of options to employees in high-cost and low-cost markets without adjusting for local market worth will produce wildly different attractiveness levels.

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***The business plan usually justifies higher-cost geographies through higher revenue or productivity outcomes. Options should reflect the same logic.***

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## CHAPTER 20

# Stock Options Pool Design

## Fixed vs. Percentage-Based Pools

A fixed pool becomes progressively inadequate as the company grows. A percentage-based pool (e.g. 10% of outstanding shares) automatically scales with the capital base.

## Pool Design Considerations

- Map the pool requirement using the IBO method for all existing employees and planned hires over the next 18 months.
- Reserve a buffer (10–20%) for unexpected senior hires, recalibration grants, and exceptional performance awards.
- Discuss pool size with investors with confidence and specificity.
- Where possible, ensure all shareholders dilute proportionately for options granted after their investment.

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***A pre-money option pool that reduces founder valuation without all shareholders diluting proportionately is a common and often unfair structuring practice. Founders should insist on proportionate dilution.***

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# Recalibration Grants

## Calculating Recalibration Grants

Method 1 — Rigorous: Recalculate the total options appropriate for the employee at their new role and criticality, using current market worth, current projections, and the IBO method. Subtract options already granted. Grant the difference over a fresh standard vesting period.

Method 2 — Simple: If the employee's salary has increased by X%, grant X% additional options, vesting over the standard vesting period at the current FMV. Simple, transparent, and easily communicated.

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***Do not attempt to shorten the vesting period of recalibration grants to coincide with the end of the previous grant's vesting. Simplicity and consistency in vesting terms is a hallmark of a well-run options programme.***

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## CHAPTER 22

# Tag Along Rights and Accelerated Vesting

## Tag Along Rights

When founders exit or sell a significant stake, employees who have built their careers and taken financial risk based on trust in that founding team deserve the right to exit alongside them on comparable terms. At minimum, employees should have the opportunity to sell vested options proportionately when a qualifying founder sale occurs.

## Accelerated Vesting on Acquisition

When an acquisition occurs before full vesting, employees who are in employment at the time may receive accelerated vesting of all or a portion of their unvested options. The specific terms should be defined in the plan document in advance, not negotiated under the time pressure of an acquisition. These are your people. They helped you build it. It is your responsibility to protect their trust and financial interest.

## CHAPTER 23

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# Equity Dilution and Founder Alignment

Every option granted represents a future claim on the company's equity. Founders must understand and accept the dilution that comes with a well-designed options programme. This dilution is not a cost to be minimised. It is an investment in the human capital that makes the company worth more.

The right posture is this: a smaller percentage of a much larger, more valuable company, built by a deeply motivated and ownership-minded team, is almost always worth more than a larger percentage of a company where talent is retained by salary alone.

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***Dilution from a well-designed options programme should be welcomed, not feared. The team that feels like owners will build something worth owning.***

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***"Dead pieces of paper.  
Or instruments that inspire?"***

— Just Esops · Advanced Design

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PART V

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# Communication, Culture, and Governance

*The instrument only works when understood, communicated, and properly governed*

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## CHAPTER 24

# Communicating the Grant

The grant of stock options is not an administrative event. It is a moment of leadership. The founder who treats it as a document to be emailed, a process to be completed, or a checklist item to be ticked, wastes the single most powerful cultural opportunity the options programme provides.

## The Founder Talk

The Founder Talk is the live, personal, prepared address delivered by the founder at the time of the grant. It is structured around the Values-to-Vision-to-stock-options sequence:

1. Begin with personal Values: why you founded this company, what you are committed to beyond the financial outcome.
2. Articulate the Non-Financial Vision (NFV): the change you are seeking to create.
3. Connect the Vision to the team: how each person in the room contributes to that Vision.
4. Introduce stock options as the financial expression of that partnership.
5. Walk through the key terms clearly and without jargon.
6. Invite questions and create a genuine environment for employees to ask anything.

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***The Founder Talk must come from the heart, not the head. Rehearse it. Not to perform it, but to ensure you say everything that must be said, in the right sequence. Genuine conviction, however imperfectly expressed, will move them.***

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## CHAPTER 25

# Educating Your Team

Options are only motivating when they are understood. An employee who cannot explain what "vesting" means, or who does not know their exercise price, cannot be motivated by their grant.

## What Every Option Holder Should Know

- What an employee stock option is, and how it differs from equity.
- The meaning of their specific grant: number of options, exercise price, vesting schedule, exercise conditions.
- What happens to their options if they leave the company at various stages of vesting.
- What percentage of the fully-diluted capital their options represent today.
- A basic understanding of the company's current valuation and the basis for future projections.
- The tax implications in their specific jurisdiction.

Periodic option town halls — once or twice per year — keep the knowledge current and reinforce the sense of ownership. These should really be VVC retreats where you discuss your Values, NFV, and Culture, and tie stock options to that foundation.

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***Test comprehension actively, not passively. At the end of any education session, ask individuals to explain key concepts back in their own words. This is not a test to be passed. It is a conversation to be had.***

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## CHAPTER 26

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# Corporate Governance and Legal Framework

Stock options are legal instruments. Their creation, grant, vesting, exercise, and taxation are governed by law, and those laws differ significantly across jurisdictions. Founders must seek qualified legal counsel in their specific jurisdiction.

## The Legal Process: Standard Sequence

### 1. Shareholder Approval

Shareholders approve the broad parameters of the stock options scheme: total pool size, pricing formula, maximum and minimum vesting periods, exercise conditions, and categories of eligible employees.

### 2. Board Approval of the Scheme

The board creates a specific stock options scheme with defined terms consistent with the shareholder-approved parameters. The scheme is a legal document and must be prepared by qualified legal counsel.

### 3. Board Approval of Specific Grants

For each grant cycle, the board must pass a resolution approving the specific grant: which employees, how many options, at what exercise price, under which scheme.

### 4. Grant Documentation

Each employee receives a grant letter, an option certificate, and a stock options agreement. The employee must sign the agreement, creating a legally binding contract.

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***Critical: Never proceed on informal approval. A verbal agreement, a message confirming a grant, or an email that has not been countersigned does not constitute a legally valid grant in most jurisdictions. Every step must be documented, minuted, and signed.***

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## Scheme Design Best Practices

- Make the scheme specific. Avoid open-ended clauses such as "as decided by the Board" for key terms.
- Separate Growth and Gracias schemes with separate board and shareholder resolutions.
- Keep a contemporaneous record of the reason for each grant decision.
- Update the scheme and seek fresh approvals when the company enters a new phase of growth.

## CHAPTER 27

# Taxation of Stock Options

Tax treatment of stock options varies substantially by jurisdiction and by the structure of the option plan. The following is a general framework; tax advice specific to your jurisdiction is essential.

Across most jurisdictions, there is generally no tax event at grant or at vesting. Tax typically arises at exercise and at the point of sale.

STAGE	TAX TREATMENT	KEY CONSIDERATION
Grant	No tax in most jurisdictions.	Ensure grant docs reflect agreed terms.
Vesting	Generally no tax event.	Keep it simple and clear.
Exercise	Tax may arise on the spread (FMV less exercise price). Treated as employment income in most jurisdictions.	Employees may face a tax liability before receiving any cash proceeds.
Sale	Capital gains tax on value gained between exercise FMV and sale price.	Holding period may affect the applicable rate.

In many jurisdictions, employees pay tax both at exercise (on the spread) and at sale (on further appreciation). The total tax burden can be significant and employees should be counselled to plan accordingly.

## CHAPTER 28

# Alternatives — SARs and Phantom Stock

In certain circumstances, granting actual equity is impractical due to regulatory constraints, shareholder agreement restrictions, or a deliberate decision to maintain a simpler capital structure. Synthetic instruments may provide the economic effect of equity participation without the legal complexity of actual share ownership.

## Stock Appreciation Rights (SARs)

A SAR entitles the holder to receive a payment equal to the appreciation in the company's share price between grant date and exercise date, without acquiring actual shares.

## Phantom Stock

Phantom stock grants are notional share allocations that track the economic performance of real shares. At settlement, the holder receives cash equal to the phantom shares' appreciation or full value.

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***Caution: Cash-settled synthetic instruments can create substantial liabilities for growing companies. Organisations should generally prefer equity-based options over synthetic instruments. Reserve SARs and phantom stock for specific structural necessity.***

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***"If you don't believe in them,  
no one will."***

— Just Esops · Communication & Culture

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PART VI

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# Implementation Roadmap

*From Contemplation to legally enforceable action*

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## CHAPTER 29

# The Options Rollout Roadmap

The following sequence is the recommended implementation roadmap for a founder designing and executing a stock options strategy for the first time, or overhauling an existing strategy.

PHASE	ST EP	ACTION
I. Foundation	1	Contemplate on your personal Values — not intellectually, but what you actually embody. These precede everything else.
I. Foundation	2	Think about your Non-Financial Vision (NFV). Your NFV should be vivid, human, and emotionally resonant.
I. Foundation	3	Define your Culture: what kind of people do your Values and Vision attract and require? What traits are dealbreakers?
II. Design	4	List all existing employees and planned hires for the next 18 months. Assign criticality ratings and determine options using the IBO method.
II. Design	5	Decide the exercise price, vesting period, vesting schedule, vesting conditions, and exercise conditions.
II. Design	6	Decide the grant frequency policy. Communicate it to all relevant stakeholders.
III. Legal	7	Prepare the explanatory statement for shareholder approval, covering broad scheme parameters.
III. Legal	8	Convene a shareholders' meeting. Pass the resolution approving the broad parameters.
III. Legal	9	Prepare the Growth (and Gracias, if applicable) Scheme documents. Pass board resolutions creating each scheme.

PHASE	STEP	ACTION
III. Legal	<b>10</b>	Finalise the specific grant list: employee name, number of options, exercise price, vesting terms.
III. Legal	<b>11</b>	Convene a board meeting. Pass a resolution approving the specific grant.
III. Legal	<b>12</b>	Create grant letters, option certificates, and agreements for each employee.
IV. Culture	<b>13</b>	Deliver the Founder Talk. Make it personal, prepared, and Vision-first.
III. Legal	<b>14</b>	Distribute grant letters, option certificates, and agreements. Collect signed agreements.
IV. Culture	<b>15</b>	Educate the team on all key terms. Invite questions. Test comprehension interactively.
V. Ongoing	<b>16</b>	Repeat the grant process quarterly for new joiners. Update the policy as the company evolves.
V. Ongoing	<b>17</b>	Revisit the entire strategy when the company enters a new phase of growth. Redesign if needed.

## CHAPTER 30

# The Chief Contemplation Officer

There is a conventional understanding of the founder's role: sign documents, raise capital, hire people, make speeches, appear at events. This is the visible, performative dimension of founding a company. It is not the most important one.

The most important role a founder plays — the role that determines whether the venture creates something truly inspiring or merely something commercially functional — is the role of the Chief Contemplation Officer.

Contemplation is not a luxury. It is not a retreat. It is the sustained, disciplined, silent act of thinking deeply about what truly matters: your Values, your Vision, your people, your product, your family. It is the act that produces the insights that are invisible on the surface.

Stock options, like everything else in the venture, will work only to the extent that the founder understands why they matter and takes the time to make them matter. That understanding comes from Contemplation. Not from conferences. Not from competitor benchmarking. Not from external validation.

If you resolve to be the Chief Contemplation Officer of your organisation — carve out genuine, protected time for deep thinking; engage your team on Values and Vision as the primary language; use stock options as a proxy for your most deeply held convictions — then the instrument will work exceptionally well for you. Your employees will feel: we do not just work here; we belong here.

And if you merely treat stock options as a compliance exercise, a template to be filled in, something your investor wanted you to do — then they will be exactly that. Dead pieces of paper. Nothing more. If you do not believe in them, no one else will.

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***Go build something truly worth building. Something that will improve someone's wellbeing and peace of mind. Do not compromise on your ambition. Aim higher — without compromising***

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***on your peace of mind, and the peace of mind of your team.***

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## APPENDIX A

# Quick Reference — The 6D Framework

DIMENSION	KEY QUESTION	PRIMARY TOOL	COMMON MISTAKES
1. Why	<i>Past, future, or both?</i>	Gracias / Growth categories	Mixing past and future rewards in a single undifferentiated grant
2. Who	<i>Coverage and eligibility</i>	VVC cultural filter; criticality rating	Granting to everyone indiscriminately, or to too few
3. How Many	<i>Intended Benefit per role</i>	IBO Method	Starting with percentage benchmarks without calculating actual employee benefit
4. What Price	<i>FMV, discount, or nominal</i>	Independent FMV certificate	Using stale valuations or failing to obtain proper FMV certification
5. Conditions	<i>Vesting period, schedule, conditions</i>	MYSMYV schedule; performance matrix	Adopting 4-year standard without Contemplating whether it aligns with the company's VVC
6. How Often	<i>Grant cadence</i>	Quarterly board meeting rhythm	Ad hoc grants without clear policy; employees uncertain about timing

## APPENDIX B

# Glossary of Key Terms

## IBO Method

Intended Benefit through Options. The Just Esops methodology for calculating option grant size based on the financial value the employee should receive, not an arbitrary percentage or number.

## MYSMYV

More You Stay, More You Vest. A back-ended vesting schedule that rewards longevity by weighting the majority of the grant to later vesting years.

## Non-Financial Vision (NFV)

A desire to either improve a process or a system, or to improve someone's quality of wellbeing and peace, or both.

## VVC Ownership Model

Values, Vision, Culture. The Just Esops philosophical framework holding that stock options derive their power from the Values and Vision of the founder, not from financial mechanics alone.

## Criticality Rating

A rating (A through E) assigned to a role, not an individual, based on its importance to the company's Vision over the next four to five years.

## Exercise Price

The fixed price at which an employee purchases shares upon exercising vested options. Also called the strike price or grant price.

## Fair Market Value (FMV)

The independently certified value of an equity share at the time of grant. Used as the reference price for Growth Options.

### Gracias Options

Options granted to recognise past contribution. Typically issued at favourable terms and granted once as a defined, one-time recognition.

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### Growth Options

Standard options granted to incentivise future contribution. Granted at or near FMV with a standard vesting schedule.

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### Liquidity Event

An event that enables shareholders to sell their shares. Typically an acquisition, IPO, or structured secondary sale.

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### Option Pool

The total number of shares reserved for granting as stock options. Typically expressed as a percentage of outstanding shares.

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### Vesting

The process by which an employee earns the right to exercise stock options over time or upon meeting conditions.

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### Phantom Stock

Notional share allocations that track the economic performance of real shares. At settlement, the holder receives cash equal to the phantom shares' value.

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### Open Standard Declaration

The Just Esops VVC Ownership Model and the 6D Stock Options Design Framework are released as an open global standard. This document may be freely used, reproduced, translated, and adapted by any individual or organisation for the purpose of designing or advising on employee stock option plans, provided attribution is given to Just Esops.

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**Money seduces.  
Vision inspires.**

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*The colour of money is the same everywhere.*

*The colour of your Non-Financial Vision  
is unique to you.*

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**No one can copy that.**

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