NEWSLETTER

STARTUPSCALE360

FESTIVE EDITION

We are thrilled to bring you a collection of insightful articles. In this issue, our esteemed legal expert, Dhanya Sree, has penned an informative article on "**Safe Note: A Financial Instrument for Startups Raising Capital.**" Additionally, we have an exciting co-authored piece by Swethal Kumar and Tapiwa Senah titled **"Introducing Blockchain and Cryptocurrency: A Revolutionary Evolution in the Digital World."**

Turning our attention to the **Entrepreneurship World Cup**, Zainab Thasneem has joined as an Intern for **the UAE final** and also sharing that Startupscale360 has been officially granted the rights to organize **the Malaysia final.**

Our **Playroom** team conducted a comprehensive two-day workshop in Vienna on the **future of work**. Last month, our Deal team meticulously **evaluated 12 startup deals** across diverse sectors from the UAE, India, Pakistan, and the Netherlands.

STARTUPSCALE360
NEWSLETTER

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Last month, we celebrated Eid Al Adha. It also known as the Feast of Sacrifice, holds great significance in the Islamic calendar. It commemorates the devotion and faith of Prophet Ibrahim (Abraham) and serves as a reminder of the values of sacrifice, compassion, and unity.

EID AL-ADHA

"Forgiveness will not be able to change the past, but by forgiving, a future full of brotherhood will be born. Hopefully on this great day, we can forgive each other and be blessed with all the blessings. Happy Eid Al-Adha."

STARTUPSCALE 360

Entrepreneurship World Cup

United Arab Emirates

THE
LEGAL INSTRUMENTS

IN STARTUP FINANCING

From the legal desk
Series - Part-1 "SAFE NOTE"

SAFE NOTE

FINANCING

Financing is vital for startups to bring their ideas to fruition and maximize their potential. Without sufficient funds, even the most groundbreaking concepts may remain unrealized or fail to gain traction.

Startup funding, often obtained through investors, serves as the fuel for growth and expansion. However, it is equally important to establish proper legal instruments to safeguard the startup's interests.

ABOUT THE AUTHOR
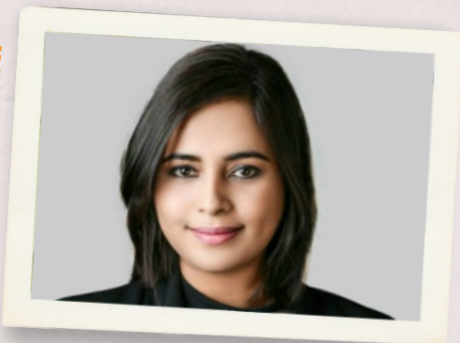
DHANYA SREE

The author is an experienced lawyer in startup ecosystem, Dhanya has border experience in corporate commercial transactional advisory and legal advisory practice, and has considerable experience in regulatory and compliance practice.

INTRODUCTION

This write-up explores the type of financing instruments for startups, emphasizing their role in securing funds and protecting all parties involved. By under-standing these aspects, startups can make informed decisions and navigate the fundraising process with confidence, propelling their entrepreneurial journey towards success.

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We will delve into four common financing instruments used by startups in four series. In this edition we will cover Simple Agreement for Future Equity (SAFE).

SIMPLE AGREEMENT FOR FUTURE EQUITY (SAFE)

The Simple Agreement for Future Equity (SAFE) is a widely used instrument in early-stage fundraising for startups. It involves an investor providing funds to the startup with the expectation of receiving shares at a future date when the startup undergoes a priced round of financing. The negotiation process for a SAFE typically focuses on two key aspects: **the amount of investment and the valuation cap.**

In contrast to a priced round, which involves a multitude of negotiation points, a SAFE streamlines the process with minimal negotiations. This makes it easier to secure funding compared to a priced round. As the startup progresses and secures a lead investor for a priced round, the terms negotiated with the lead investor are often applied to the conversion of SAFEs into shares.

It is important to note that a SAFE is distinct from debt instruments such as Convertible Notes. Debts typically have an interest rate and a maturity date for repayment, while SAFEs lack these characteristics. Although there are similarities in the conversion process during a priced round, it is crucial to recognize the differences between SAFEs and Convertible Notes. SAFE outlines the outcomes in various scenarios.

The most common scenario involves an equity financing event in the future, addressing how the SAFE converts at that point. Other scenarios include a liquidity event where the company is sold before conversion, or the company's decision to close down while the SAFE is still outstanding. Additionally, the liquidation priority is clarified, determining the order of repayment in different situations.

THE SAFE OFFERS TWO FUNDAMENTAL FEATURES THAT ARE HIGHLY BENEFICIAL FOR STARTUPS:

High-resolution fundraising:

Startups can close deals with investors as soon as both parties are ready, without the need to coordinate simultaneous closures with all investors. The increased transparency and certainty between founders and investors facilitate smoother fundraising.

Cost and time efficiency:

The flexible and all-inclusive nature of the SAFE eliminates the need for extensive negotiation and multiple documents. This reduces legal fees and saves time that would otherwise be spent on negotiating terms. With no expiration or maturity date, there is no requirement to extend maturity dates or revise interest rates

Salient Features

The agreement generally outlines the following aspects:

- **Equity Financing:** The SAFE agreement converts into shares of either Standard Preferred Stock or Safe Preferred Stock based on the lowest price per share of the respective stock during an equity financing round.

- **Liquidity Event:** In the event of a liquidity event, the investor is entitled to receive a portion of the proceeds. This can be either the Cash-Out Amount or the Conversion Amount, depending on the terms specified in the agreement.

- **Dissolution Event:** If the startup undergoes a dissolution event, the investor is entitled to receive a portion of the proceeds equal to the Cash-Out Amount.

While the SAFE may not be suitable for every financing situation, its terms aim to strike a balance that considers the interests of both the startup and the investors. Although it may not address every exceptional scenario, the SAFE covers the most relevant and common issues in a comprehensive yet simplified manner.

- The agreement also includes a comprehensive set of definitions for terms used throughout the document, such as Capital Stock, Change of Control, Equity Financing, Liquidity Event, and more.

- Both the company and the investor make representations in the agreement. The company represents its legal existence, authority, compliance with laws, and ownership of intellectual property. The investor represents its legal capacity, accreditation status, understanding of securities regulations, and investment intent.

- The agreement includes provisions for amendment and consent, notice delivery methods, investor rights, transferability restrictions, severability, governing law, and tax treatment. Amendments to the agreement require written consent from the company and either the investor or the majority-in-interest of Safes with the same post-money valuation cap and discount rate.

While the investor does not have voting rights or stockholder rights until shares are issued, they may receive dividend payments. Transferability of the SAFE and its associated rights is generally not allowed without written consent, except in specified cases.

INTRODUCING BLOCKCHAIN AND CRYPTOCURRENCY: A REVOLUTIONARY EVOLUTION IN THE DIGITAL WORLD

"The internet is programmable information. The blockchain is programmable security"
- Balaji Srinivasan (Author of The Network State)

INTRODUCTION

In the realm of digital innovation, few names stand as tall as **David Chaum, the godfather of cryptocurrency**. His groundbreaking work on the first-known proposal for a blockchain protocol, developing eCash, laid the foundation for the transformative technologies that have shaped our digital landscape today. One of these revolutionary concepts is the blockchain, a decentralized and secure ledger system that owes its name to the ingenious **Merkle Tree**, named after Ralph Merkle.

In this article, we embark on a journey to explore the genesis of blockchain and cryptocurrency, tracing their roots back to the visionaries who paved the way for a new era of financial possibilities.

MERKLE TREE

The concept of a blockchain was described in the early 1970s by two prominent researchers, Ralph Merkle and Whitfield Diffie, who introduced the concept of a "Merkle Tree", also known as a hash tree, This data structure, named after Ralph Merkle, became an integral part of the blockchain's underlying architecture.
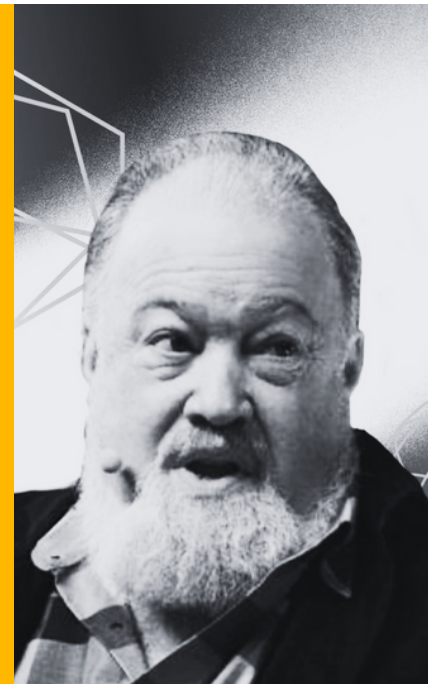
The Merkle Tree, a hierarchical structure of cryptographic hash functions, allowed for efficient verification of data integrity within a larger dataset. By organizing data in a hierarchical tree structure, the Merkle Tree enables the blockchain network to validate the integrity of data blocks efficiently.

This concept would later be incorporated into **Satoshi Nakamoto's** revolutionary Bitcoin white paper.

David Chaum's Pioneering eCash: The Precursor to Cryptocurrency

In the early 1980s, David Chaum, an American cryptographer and computer scientist, introduced the concept of eCash, a digital payment system designed to ensure privacy and security in online transactions. His groundbreaking research centered around the cryptographic principles of blind signatures, enabling users to carry out anonymous digital transactions without revealing their identity or financial details.

Chaum's work on eCash sparked immense interest in the field of digital currencies, paving the way for further advancements and inspiring a new generation of visionaries to explore the potential of digital finance.

David Chaum

Stuart Haber, left, and partner Scott Stornetta discuss their 'time-stamp' for electronic documents, which they developed in the Bellcore Research Laboratory in Morristown

The Emergence of the Blockchain Technology

Fast forward to the 1990s, when the term "blockchain" made its debut in the academic arena. In 1991, Stuart Haber and W. Scott Stornetta, two researchers, conceptualized a crypto-graphically secured chain of blocks to timestamp digital documents, ensuring their immutability and authenticity over time. Although their proposal didn't materialize into a fully-fledged cryptocurrency, it laid the groundwork for what would become one of the most influential technologies of the 21st century.

The Rise of Crypto-currency Ecosystem

Bitcoin's release sparked the proliferation of numerous other cryptocurrencies, each with unique features and use cases. Ethereum, launched in 2015 by Vitalik Buterin and his team, brought programmability to the blockchain through smart contracts. This development enabled developers to build decentralized applications (DApps) on the Ethereum network, leading to a surge in blockchain-based projects.

Vitalik Buterin

Blockchain and Cryptocurrency: A Symbiotic Revolution

The eventual convergence of these visionary ideas, combined with the work of others who built upon them, led to the birth of the first-ever cryptocurrency – Bitcoin. In 2008, an anonymous person or group using the pseudonym Satoshi Nakamoto released the now-famous Bitcoin whitepaper, outlining a decentralized digital currency that operates on a blockchain.

Bitcoin's blockchain, based on the Merkle Tree concept, at its core, is a distributed ledger that stores all transactions ever made with the cryptocurrency. Transactions are grouped into blocks, and each block contains a cryptographic hash of the previous block, forming a continuous chain. This linking ensures the immutability of the data, making it nearly impossible to alter past transactions without altering subsequent blocks as well.

Statue of Satoshi Nakamoto in Budapest.

The Impact and Future of Blockchain and Cryptocurrency

Since its inception, blockchain technology has extended its influence beyond the financial sector. Its potential applications include supply chain management, voting systems, healthcare data management, and more. Governments, enterprises, and individuals worldwide are actively exploring ways to integrate blockchain solutions into their operations, thanks to its transparency, security, and efficiency.

As blockchain technology and cryptocurrency continue to evolve, the need for regulatory frameworks and mainstream adoption becomes more apparent. Ensuring security and protecting users' interests while fostering innovation remains a delicate balancing act.

In conclusion, the genesis of blockchain and cryptocurrency can be traced back to the works of visionaries like David Chaum, the godfather of cryptocurrency, and the conceptual brilliance of Ralph Merkle's Merkle Tree. These transformative technologies have reshaped our financial landscape, opening up new possibilities for a decentralized and interconnected digital world. As we move forward, embracing blockchain's potential with prudence and foresight can unlock a future where trust, security, and empowerment reign supreme.

ABOUT THE AUTHOR

Swethal Kumar is the CEO & founder of Startupscale360 FZE. He is an alumnus of London Business School and an Indian Chartered Accountant. He is very active in MENA, Central Asia, and India start-up ecosystem to foster innovation and creativity among young entrepreneurs.

Swethal Kumar
CEO & Founder, Startupscale360 FZE

Tapiwa is highly experienced in startups, innovation, strategy, management, business development and creative industries, he has been involved in projects, acting as consultant and business innovator in UK, France, and Italy as well as in the capacity of successfully running his first business at the age of 14.

Tapiwa Senah
Managing Partner Koinonos Capital

Entrepreneurship World Cup

EWC THE UAE.

Entrepreneurship World Cup

Zainab Thasneem, our new intern for Entrepreneurship World Cup UAE Final, has joined us with great enthusiasm. Zainab recently completed her 2nd year in BSc. Psychology at the prestigious University of Birmingham Dubai.

Entrepreneurship World Cup

Swethal Kumar, Raffles Chan, Jayren Teo, 张健荣 Zentrix Chiu
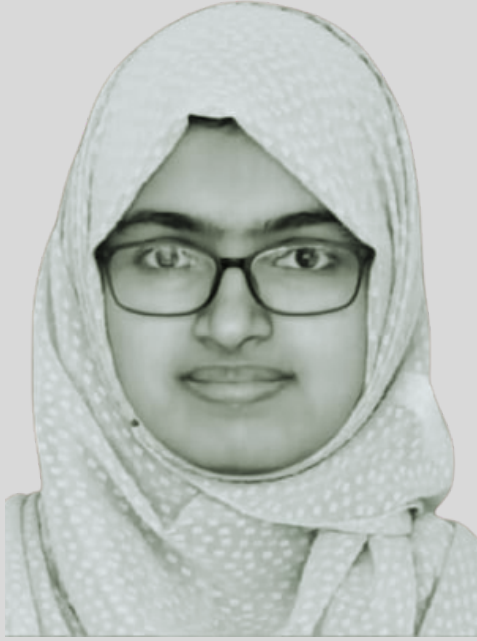
EWC Malaysia

We are delighted to announce that we have obtained official rights to host the Malaysia national final of Entrepreneurship World Cup. As a result, we would like to introduce the management committee responsible for overseeing the successful implementation of the Malaysia national final in November 2023.

FUTURE WORKING ENVIRONMENTS

2 DAYS WORKSHOP

2 intense days of collaborative workshops in Vienna on future working environments with representatives from Lyreco Group

WORK HARD, PLAY HARD

"*Work hard, Play hard*" is deeply embedded in the PLAYROOM DNA, so cycle tours between workshops and sharing great food were part of the workshop in Vienna city, world's most liveable city, according to The Economist latest liveability index

COLLABORATION

FUTURE THINKING

DESIGN THINKING

CYCLING TOUR

Deal360

STARTUPS DEAL ADVISORY PLATFORM

STARTUPSCALE360

Mobiotics

OTT-Infrastructure   Seed Stage

Mobiotics is a leading full-stack OTT tech platform and solutions provider delivering end-to-end OTT solution to Large Enterprise, SMEs and Solopreneurs in Entertainment, E-Learning and Video-commerce verticals. They make the entire platform from content management, subscription management, digital rights management, audio platform as a service etc. Their products include vLive (End-to-end OTT SaaS suite), vLite MOOC (E-learning management), vApps (On demand app store), vDRM (Digital Rights Management), vCMS (Centralised video content management), vSMS (Enhanced OTT Subscriber management). It provides CDN and cloud networking to deliver content worldwide. It also provide media asset management and sound streaming. Customers can also get solutions for broadcasting with Mobiotics IT structure, which provides AR/VR graphics solution along with studio setup. Consultation services and custom development are also possible with Mobiotics.

Watermelon

F&B Marketplace   Seed Stage

Watermelon Market is a food and beverage ecosystem that helps all entities within that value chain manage and advance their business through cloud-based POS system that supports sector operational efficiency. By leveraging proprietary technology, its software integrates management tools, a marketplace, and a POS system to streamline product purchases and manage and track orders. Watermelon Market allows F&B organisations to connect, interact, and conduct business with food and beverage suppliers while accessing products, comparing prices, evaluating new suppliers, and finding deals. The platform facilitates business- specific pricing and volume discounts through vendor catalogue integrations and electronic purchase order functionalities. Additionally, buyers undergo a supplier onboarding process to ensure that purchases are made only with approved sellers. They partner with Logistics company, Fulfillment center, 3rd Party Integrations along with their system to provide the best solutions for restaurants and suppliers.

Tori

Educational AR game   Seed Stage

Tori is an AR educational game designed for kids to enhance their abilities and skills. It helps develop cognitive abilities, Creativity & Problem Solving, Motor Coordination, Social skills etc. Tori games are a combination of hardware and software, there are hardware devices which act as a control medium for the game. AMI Technology, France (Advanced Magnetic Interaction) partnered with Bandai Namco Entertainment to develop Tori in 2017 which was later dropped by the two companies after the former got acquired and the latter moved on to their other products. Tori is now looked after Hyper immersive games

Mosi

Hotel AI chatbot   Pre-Seed Stage

An AI enhanced smart Chatbot Device for hospitality industry, provides full range of services to the guests wherever they are in hotels or resorts, or even they booked an apartment or villa around the globe. It will have access to their Unified Tourism ID which enhanced securely their preferences, their interests and access to information base on their previous or current interest and attractions which results guest satisfaction and more income to industry. Its product is an AI enhanced smart device with special algorithms based on encrypted blockchain cloud network can provide all in one services to the guests, specifically, specially and securely. The device will help customers find solutions, learn their interests, hobbies, habits, mood changing, health measures and etc.

Farm Unboxed

Farm produce-supply chain   Seed Stage

FarmUnboxed uses technology to help farmers find the right price for their produce in the international market. By introducing services such as insurance, trade finance, payment gateway, end-to-end logistics and cargo tracking, digital marketplace and daily market rates. FarmUnboxed facilitates the farmer with all support needed for international trade. FarmUnboxed uses technology to help importers directly buy produce from farmers in developing countries. FarmUnboxed provides the importers with a selection of farm exporters who have a proven track record of consistent supply of quality produce. Every shipment is quality inspected at international standards prior to shipment. FarmUnboxed creates a reliable and transparent ecosystem that helps importers buy with confidence. The farmers receive upfront payment once the cargo is loaded, a thorough quality inspection is carried out leading to higher profits and better margins.

Voltup

Battery-as-a-Service   Seed Stage

VoltUp is a meticulously built eco-system, one-stop battery swapping platform that promises a future where all 2 and 3 wheeler vehicles can run with zero downtime. The platform onboards a customer on the battery as a service platform for 2 & 3 wheelers and provide them lithium-ion batteries which can be swapped in its swapping station within a minute. The customer once onboarded, can drive freely within the city and once the battery is discharged, gets an alert on his mobile app indicating the charge level and an estimated range. The platform is designed on a pay-as-you-go model and the customer pays for every swap he completes.VoltUp also offers a Vehicle-as-a-Service platform where they have partnered with OEM's to provide vehicles on a lease-to-own model allowing customers ownership on a per-swap basis.

Bayfikr

fintech   Pre-Seed Stage

Byafikr is a fintech payments and transaction application for immigrants. The company's platform allows users to pay utility bills for their family, school and university fees for their children, hospital fees for their loved ones, government payments, and more, enabling customers to make home country C2B payments directly and instantly. The application does not require any bank account setup, users can directly choose the bill they want to pay and carry out the transaction. After logging in and selecting the purpose, users can complete the payment using their cards or bank accounts in just three clicks. The app has all electricity, mobile networks & gas companies along with education & government payments. It also enables people to send Zakat/charity payments to leading charities like Shaukat Khanum, Edhi & Shahid Afridi Foundation.

Hekayati

Edtech   Pre-Seed Stage

Hekayati specializes in creating personalized children's books. What distinguishes Hekayati from traditional children's books is its ability to personalize the story to include the child's name, appearance, interests, and more. This feature allows each child to become the hero of their story, taking them on a thrilling adventure that is tailored specifically to them. With this personalized approach, Hekayati books are a fun and engaging way to introduce children to the joy of reading and inspire a lifelong love of books. Hekayati books come in Arabic and English with different themes, including adventure, fairy tales, space, and more. Each book features beautiful illustrations and captivating storytelling that captures the imagination and sparks curiosity and it takes only three minutes to personalize a story.

Paro
Proptech   **Seed Stage**

Paro is a proptech solution that helps homeowner remodel their properties in a more efficient manner. Homeowners can benefit from instant initial estimates with final design in 3 days along with tailored design iterations and material selection to suit homeowners' style and budget. The platform also provides access to vetted contractors. Contractors get ready-to-start access to highly qualified customers with finalised design, budget and material, access to new supply chain to provide more options to homeowners. Paro acts as the contact point between customers and contractors to prevent dispute, communication issues, and payment holdups. Currently their product includes a self service fit-out calculator and curated design options, the product will soon have self service kitchen design options as well.

Settler
Proptech   **Idea Stage**

Settler makes commercial and private renovations hassle-free, allowing construction professionals and interior designers to take part and be more engaged with renovation projects in the UAE. By using the Settler app, which is completely FREE, clients can remotely keep track of the repair status with a 24/7 live camera, control all stages of the repair, ask questions, detect motion by computer vision, and contact the project manager directly while onsite. Settler acts as a point of contact between the contractors and the customers. Once the customer downloads the app and chooses the contractor or designer they get appointment with a measurer who measures the place and once the project and budget are finalised they start the work. They are planning to build a marketplace within the app to attract more suppliers and to become a super app for all project requirements.

True Footprint
Cleantech   **Pre-Seed Stage**

True Footprint help companies improve their sustainability and impact. It unlocks the entrepreneurial energy of people to reduce or sequester carbon emissions. Especially those of global supply chains. It also provide a FieldApp which means that people on the ground can identify and solve problems to improve their lives. The companies' method means that users take ownership of solutions, collecting data in the process. This data provides confidence in activities and climate benefits actually happening and helps to produce reports with rich sustainability data. Companies then benefit from an engaged workforce and supply chain to implement successful solutions from the grassroots. The company believes in utilising carbon insetting instead of carbon offsetting, where the companies are provided ways to implement practices that reduce carbon footprint outside of its direct operations but within its own supply chain.

BitAffix
SaaS   **Seed Stage**

BitAffix is a cloud-based business process management platform that helps organizations streamline their workflows and improve their operational efficiency. With BitAffix, businesses can easily design, automate, and monitor their processes, enabling them to optimize their resources and focus on delivering value to their customers. BitAffix has a fully functional web and mobile app which equips businesses with a comprehensive AI automation platform. The features include Customizable Workflows, Data Capture and Management, Reporting and Analytics, Collaboration Tools, User Permissions and Security, and Integration and Automation.

BOOK COMPLIMENTARY SESSION WITH EXPERTS

SHIRIN PATWA
HR TECH AND GOVERNANCE

Organization: ACWA POWER
Alumnus: London Business School

HAZEM AL SAWAF
MARKETING & BRAND MANAGEMENT

Organization: DEPARTMENT OF CULTURE AND TOURISM
Alumnus: London Business School

RAJAN MOHINDRA
GROWTH HACKER & FUNDING

Organization: DYNASPEDE
Alumnus: London Business School, Harvard Business School

NAUSHAD OOMER
STRATEGY AND GROWTH

Organization: Virgin hyperloop
Alumnus: TEXAS

SONAM SAHAI
TRANSFORMATIONAL LEADER & GROWTH

Organization: RAKBANK
Alumnus:

MUHAMMAD AKBAR
STRATEGY AND GROWTH

Organization: LYXOR ASSET MANAGEMENT
Alumnus: London Business School, LSE

AHMED SHAWKY
CORPORATE GOVERNANCE

Organization: UP GOVERNANCE
Alumnus: London Business School, Durham University Business School

YEVGENY BEBNEV
CAPITAL MARKET, CRYPTOCURRENCY

Organization: BLOCKSTONE CAPITAL
Alumnus: London Business School

AKSHAY SINGH
DIGITAL HEALTH

Organization: IBM
Alumnus: IIM INDORE

ARIZ RIZVI
BUSINESS DEVELOPMENT PROPTECH SPECIALIST

Organization: property
Alumnus: London Business School

ARNAV RATH
FINTECH & FINANCIAL SERVICES

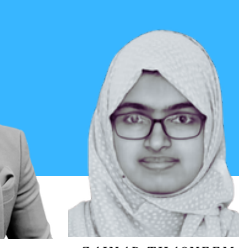Organization: YOU GotaGift
Alumnus: London Business School

A startup can book 30-min complimentary mentoring session with our experts.

CLICK on their picture to book session with them.

Click on [in] to check their Linkedin page.

MEET OUR TEAM

> World Class Team

SWETHAL KUMAR
Founder & CEO
UAE

AKASH KUMAR
Head of Due Diligence
India

RIYA CHATTERJEE
Ecosystem Lead
India

RENE MASSATTI
Head of Playroom
Austria

RADU JITARU
Head of Valuation
Romania

VIKAS MOHANDAS
Head of Venture Studio
UAE

KAVISHA GOEL
CFO360 Lead
UAE

RAMZI QANNATI
Director of Partnership, EWC2023
UAE

TAPIWA SENAH
Director of Operation, EWC2023
UAE

ZAINAB THASNEEM
Intern, EWC2023
UAE

THANK YOU
FOR
READING!

Visit
startupscale360
website

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Swethal Kumar
founder & CEO