PROJECT UNDERDOGS FOUNDER LIBRARY · INSIDE THE PROGRAM · UD-05

THE GRADUATION STANDARD, EXPLAINED

What it takes for your business to graduate, criterion by criterion, for both tech startups and main-street businesses.

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AT A GLANCE

- **Graduation means your business is ready for a bigger check from investors in our network.**
- There are **two tracks**: Track A for tech startups and Track B for main-street businesses. Each has 8 criteria.
- The numbers are **goals we work toward together**, not promises of investment. Each investor makes their own decision.

WATCH OUT

These standards are reviewed regularly with our investor partners and may be updated. Founders in the program will always be told about changes and given fair time to meet them.

Track A: Tech startups

#	Criterion	The bar	Library help
A1	Revenue level	Goal: about $10,000 to $25,000 or more in monthly recurring revenue (MRR: money customers pay you every month on a plan)	G-03 Growth Numbers Investors Watch
A2	Steady, growing revenue	At least 6 months in a row of revenue, growing on average	O-10 Tracking the Numbers That Matter
A3	Customer traction	At least 50 paying customers, or at least 3 business customers on signed contracts; fewer than about 5% of customers leave each month	M-09 Unit Economics: What Each Customer Is Worth
A4	Know your numbers	What it costs to win a customer, and what they pay over time, with the second bigger	M-09 Unit Economics: What Each Customer Is Worth
A5	Clean financial records	6+ months of books in software, matched to the bank monthly; separate account; P&L and balance sheet ready	M-14 Monthly Money Checklist

#	Criterion	The bar	Library help
A6	Legal structure	Registered corporation (in the US, usually a Delaware C corporation); cap table; founder agreements; company owns all code and brand	**B-01 Choosing a Business Structure: Sole Proprietor, LLC or Corporation**, **R-16 Ownership and Dilution: The Cap Table Explained**
A7	A plan for the money	A written 12-to-18-month plan with spending by area and goals	**R-25 Use-of-Funds Plan**
A8	Founder commitment	At least one founder full-time, or a written plan to be within 90 days of investment	**S-07 Building a Business Around a Job or School**

Track B: Main-street businesses

#	Criterion	The bar	Library help
B1	Revenue level	Goal: about $150,000 to $500,000 or more in yearly sales	**M-10 Building a Simple Budget**
B2	Steady revenue	12+ months of sales, with seasonal ups and downs explained	**M-16 12-Month Cash Flow Forecast**
B3	Profit	Positive EBITDA (profit before taxes, interest and accounting adjustments) in at least 6 of the last 12 months, including the most recent 3	**M-04 Reading a Profit and Loss Statement**
B4	Customer traction	Goal: 30%+ of sales from repeat customers or contracts; 4+ star average reviews where reviews apply	**L-11 Customer Service That Brings People Back**
B5	Clean financial records	12+ months of books matched to the bank; separate account; P&L and balance sheet; sales and payroll taxes current; latest tax return filed	**M-13 Sales Tax, Payroll Tax and Staying Current**
B6	Legal structure	Registered LLC or corporation; licenses and permits current; insurance; lease in the business's name	**B-15 Business Setup Checklist**
B7	A plan for the money	A written plan with real quotes and how it will increase sales or profit	**R-26 Sources and Uses Worksheet**
B8	Founder commitment	Full-time founder, or a written plan plus a trusted manager running daily operations	**G-09 Building a Leadership Team**

How graduation works

1. **Meet every criterion on your track.** We'll check each one with you.
2. **Share your records and plan** for a final review by our team.
3. **Get introduced** to investors in our network who fit your business. Each makes their own decision and sets their own terms. Investment is never guaranteed.

> EXAMPLE
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> **Rosa's** cleaning company reached graduation on Track B with $1.2 million in yearly sales, 18 months of reconciled books, positive EBITDA for 11 of 12 months, 70% of sales from recurring contracts, all licenses and taxes current, a general manager running daily operations, and a written plan to expand to two new cities.

Use the library to get there

- Score your readiness with **X-12 Exit Readiness Checklist** and **G-02 Knowing When You're Ready to Grow**
- Organize your documents with **R-21 Setting Up a Data Room** and **R-27 Due Diligence Document Checklist**
- Prepare for investor meetings with **UD-06 Getting Ready to Meet Investors in Our Network**

Where to go next

- **UD-06 Getting Ready to Meet Investors in Our Network**
- **G-10 Raising a Bigger Round**
- **R-20 Getting Ready for Due Diligence**

IMPORTANT
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