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## The RAIN Community of Startups

- collaborating on work and working on collaboration -

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WHITE PAPER  
2.0

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## A THE FOUNDER'S PERSPECTIVE

Every Founder knows in his heart that starting a business and making a success out of it is very hard and risky. The Founder does it because she or he is deeply interested in what the business attempts to do. The Founder sees opportunities to connect a new product or solution to many people who might want or need it, and then goes for it.

This is exhilarating. It is also how market economies rejuvenate, reinvent themselves and stay young. There is no flourishing economy without a flourishing founder culture.

The Founder also knows that going it alone is even harder and riskier. Capital is needed, but this is not sufficient. Introductions, professional advice and services, access to market places, fast feedback from potential customers, visibility or media exposure, finding talent, market intelligence, getting exposed to unexpected left-field ideas, help with managing people, getting frank feedback and not being alone when having to pivot are all critical on a typical startup journey.

This is daunting. It is also at the centre of most startup failures. There is no flourishing founder culture without flourishing founder communities.

A flourishing founder community emerges on the back of a vibrant peer culture. The Founder often gets more out of help or advice received from another Founder than from paper exercises delivered by advisors, consultants or detached investor board members. The Founder knows that one hand washes the other and that bartering real help for real help among Founders is powerful and very valuable.

The Founder also wants to get rich and reap rewards for the risks taken, not ending up as a diluted slave to the agenda of others. There are no flourishing founder communities without some Founders setting an example and getting seriously wealthy, spreading a warm glow over others in the community.

*So here is what is needed for a flourishing founder community: a successful peer culture where collaboration pays financially, where access to funding is helped by community scale and bargaining power, where community success can directly fund further community success even without outside capital sources, where service providers have a common financial incentive with founders, where the financial success of some in the community de-risks others in it, where Founder dilution can be reduced.*

## B THE SERVICE PROVIDER'S PERSPECTIVE

Service Providers, whether individual industry experts, venture scalers or larger professional practices, look at the world of startups and see a sizeable revenue opportunity that appears as attractive as it is hard to crack.

There is the challenge of spotting the winners among startups, with the opportunity to become embedded for profitable longer term service contracts. Shorter contacts often remain loss leaders. There is the cost of client acquisition. Cold calling is far less effective than word of mouth recommendations.

There is also the credibility gap when founders meet advisors with no skin in the game. Founders know full well that they need good advice, but they rightly mistrust advice given without consequences for the advisor.

The world of startup service providers has evolved, away from larger established service firms and towards what looks more like a white-collar gig economy of experts.

Such experts are people with proven industry careers, expertise or business contacts, coming out of big businesses, often being financially secure. They do not look for a flat fee to monetise their expertise, contacts or weathered skills. Instead they want a share of the client company upside. Getting paid with sweat equity, however, remains a costly affair, complex, time consuming and completely illiquid until much later.

Such disadvantages of sweat equity have also deterred larger service provider firms from accepting sweat equity payments from startups. Top quality advice and services from the best firms have remained unaffordable for most in the startup world.

Founders want quality services and advice from providers with skin in the game. Many providers are looking for a stake in the upside of the businesses they serve. Yet the instruments for skin-in-the-game upside have remained structurally unattractive and inefficient due to costs, complexities and illiquidity.

*So here is what is needed for Service Providers: a community of startups and service providers where client acquisition costs are lower and word-of-mouth recommendations more common, where winner spotting is easier and where there is an efficient, more liquid, less concentrated and simpler way of getting paid with skin-in-the-game upside linking to the performance of the startup community as a whole, all leading to longer term engagements with the community across multiple end-clients.*

## C THE CAPITAL PROVIDER'S PERSPECTIVE

Capital providers know that startup companies generally require more than just money to flourish. They are also very aware that investment returns in the startup or venture sector are very skewed, with a few companies making it very big and many failing.

Venture investment models have slowly evolved in response. For example, angels often form groups where investment risk and deal flow costs are shared and where investee mentoring can draw from a wider pool of experience.

Much of the venture capital fund industry has developed on the premiss that thematic or business sector expertise is the right way of balancing the need for portfolio diversification with the need to be good at selecting startup winners in the chosen thematic orbit.

Incubator and accelerator funds have positioned to tap into the startups' need for professional services and offer these centrally and competitively in order to lower service costs for their investees and encourage legal, governance or operational standards at investees.

Yet nearly all investment models in the startup and earlier stage ventures worlds have remained linear, with funders on one side making selections, assessments and awarding capital, favours or services, and founders on the other side doing the work.

These models ignore the rich reality of founders and their businesses acting in an informal but very real and influential peer culture. The views of founders on their peers, the choices that founders make to barter with one another for assistance or collaboration, the transactions between founder businesses, the referrals received from or made to service providers, the sweat equity founders take in one another, the forms of collaboration between peers, all these contain a wealth of information that is highly relevant for investors and has yet remained largely unobservable and therefore untapped by investors.

*So here is what is needed for the capital providers: a way to invest directly at the community level into a flourishing network of founders and service providers, tapping into the value created linearly and non-linearly between founders through assistance barter and peer self-selection, where the incentives of founders, service providers and investors are all aligned around a measurable and tradable financial goal, where follow-on investment decisions are de-risked through wisdom-of-the-community data and information and where investors have flexibility to rebalance their exposures within the community.*

## D THE RAIN COMMUNITY

|                         |                                                                                                                                                                                                                                                                                                                                                                                                                |
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| <b>Community</b>        | <p>The RAIN Community unites founders, service providers and capital providers as members around the common financial goal of increasing the value of a tradable digital instrument called RAIN against USD.</p>                                                                                                                                                                                               |
| <b>Foundation</b>       | <p>The RAIN Community has a proper legal and operational backbone in the form of the RAIN Foundation, a company limited by guarantee in Guernsey, Channel Islands.</p> <p>There are no outside shareholders whose interests may conflict with those of the Community members.</p>                                                                                                                              |
| <b>Community Wallet</b> | <p>Every eligible community member has skin-in-the-game by putting real value into the Community Wallet managed and operated by the Foundation on behalf of the members.</p> <ul style="list-style-type: none"> <li>• The founder contributes a share of equity in his business.</li> <li>• The service provider pledges a share of revenues.</li> <li>• The capital provider contributes USD cash.</li> </ul> |
| <b>Swap</b>             | <p>In return for a member's contribution of real value into the Community Wallet, the Foundation issues to the member an allocation of RAIN.</p> <p>As more members join with their value contributions, the Community Wallet grows and the Foundation issues more RAIN.</p>                                                                                                                                   |

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| <b>RAIN</b>                 | <p>RAIN is digitally represented transferrable and tradable instrument (token) that grants the bearer the right to vote on a proposal by the Foundation to unwind the Community Wallet and distribute the assets in it to RAIN holders. Such votes will be proposed from time to time.</p> <p>RAIN tokens are not a claim on the Community Wallet otherwise.</p>                   |
| <b>Payments</b>             | <p>RAIN may be used within the Community to settle payments or investment commitments between Community members.</p> <p>Service providers commit to accepting RAIN for settlement of a certain minimum fraction of their invoices.</p> <p>Capital providers may use RAIN to procure services from member companies, purchase products from them or make follow-on investments.</p> |
| <b>Incentive Alignment</b>  | <p>Every RAIN token holder in the community has a direct financial incentive to see the value of RAIN grow long term through collaborating or transacting with other members.</p> <p>Service providers have a direct financial incentive to quote fairly for their work to members.</p>                                                                                            |
| <b>Community Management</b> | <p>The Foundation owns and operates a RAIN Community Management company that provides free and bespoke RAIN payable services to members, promoting collaboration, contacts and deal-making between members.</p>                                                                                                                                                                    |

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| <b>Follow-on Investing</b> | <p>The Foundation manages the Community Wallet and makes follow-on investments in member businesses through a combination of USD or RAIN funding with a professional longer term investment profit motive.</p> <p>The Foundation may issue more RAIN tokens to satisfy qualifying demand for funding from new and existing community members, subject to standard investment KPIs at the discretion of the Foundation.</p> <p>The Foundation may invest RAIN or USD in third party fund managers who commit to re-allocate such funds to qualifying Community members.</p> <p>The Foundation may invest USD holdings in RAIN itself and purchase it back.</p> |
| <b>Community Voting</b>    | <p>There are three bearer voting rights for RAIN holders.</p> <ul style="list-style-type: none"> <li>• a vote to close the Community Wallet and distribute its holdings to RAIN holders;</li> <li>• votes relating to appeal decisions against membership revocation ordered by the Foundation;</li> <li>• votes relating to any proposal for extending the scope of community voting powers.</li> </ul>                                                                                                                                                                                                                                                      |
| <b>Regulation</b>          | <p>The Foundation is regulated according to the laws and relevant authorities of Guernsey, Channel Islands.</p> <p>RAIN is not classified as a security in Singapore. The status of RAIN under the US Howey test is under review.</p>                                                                                                                                                                                                                                                                                                                                                                                                                         |

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| <b>Liquidity<br/>Management</b> | <p>The path to RAIN listing has four phases implemented and run by the Foundation, subject to any unforeseeable regulatory developments.</p> <p><b>0 to 6 months:</b> small volume, discretionary liquidity provision on application</p> <p><b>6 to 12 months:</b> quarterly RAIN auctions, with fixing of a clearing price;</p> <p><b>12 to 18 months:</b> more regular RAIN auctions up to daily, with fixing clearing prices;</p> <p><b>18 to 24 months:</b> listing process</p> |
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## E HOW MEMBERS BENEFIT

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|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1</b> | <b>FOUNDERS</b>                                                                                                                                                                                                                                                                                                           |
| 1.1      | <b>Being part of an exclusive founder peer community:</b> Admission to the RAIN Community is competitive and subject to strict assessment criteria. Startups must be able to demonstrate successful product-market-fit.                                                                                                   |
| 1.2      | <b>Collaboration pays:</b> Creating value with fellow members directly translates into a value increase of the Community Wallet.                                                                                                                                                                                          |
| 1.3      | <b>Access to funding through multiple rounds:</b> USD funds provided to the Community Wallet by Capital Providers in exchange for RAIN will be on-invested into qualifying member business. RAIN funding is available as more permanent capital without recourse to outside capital providers.                            |
| 1.4      | <b>Incentive alignment:</b> Service providers may be paid in a combination of RAIN and USD and become more affordable. Service providers are incentivised to quote fair prices because they have skin-in-the-game through their RAIN holdings. Services provided by the Foundation can be paid for in RAIN.               |
| 1.5      | <b>Risk sharing:</b> The success of some Community members is shared by other through the increase of the Community Wallet value. This is a useful hedge for individual founder risk.                                                                                                                                     |
| 1.6      | <b>Talent currency:</b> RAIN is a less concentrated, more liquid, governance-neutral currency to attract and pay talent, reducing the need to employee share schemes.                                                                                                                                                     |
| 1.7      | <b>Access to deals:</b> Members who are revenue producers, product placers, country or industry specialists are incentivised to create real value for the Founder because they have skin-in-the-game through their RAIN holdings. These members are like a virtual flexible work force for founders and their businesses. |

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| <b>2</b> | <b>SERVICE PROVIDERS</b>                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 2.1      | <b>Access to clients:</b> Community startup members have a direct financial incentive to work with member service providers. Client acquisition and retention costs are lower. Community management efforts by the Foundation promote the use of member service providers. A RAIN Community app provides the ability for direct contacting and recommendations.                                                                          |
| 2.2      | <b>Working with winners:</b> The Foundation provides regular valuations of member companies in the Community, which provides a degree of transparency into otherwise hard-to-value client companies. Word-of-mouth among Community members provides an additional source of information on potentially outstanding or underperforming client targets. Direct contact is possible via the RAIN app or through referrals by other members. |
| 2.3      | <b>Upside sharing pay:</b> Accepting RAIN for part or full payment of invoices for services delivered to members gives solid upside participation on the diversified performance of the RAIN Community as a whole, represented by the value of the Community Wallet. RAIN is substantially more liquid with more opportunities of use than conventional single company sweat equity.                                                     |
| 2.4      | <b>Fast settlement:</b> RAIN operates on very secure, private payment system with very fast settlement (low latency), by-passing slow and expensive standard payment and settlement bank or wire channels, especially for cross-border payments.                                                                                                                                                                                         |
| 2.5      | <b>Liquidity:</b> RAIN may be used for the purchase of services or goods from other members. RAIN holdings may also be co-invested in attractive member companies, possibly as part of longer term service contracts. Service providers also have preferred selling access in any RAIN auctions conducted by the Foundation.                                                                                                             |
| 2.6      | <b>Referral rewards:</b> Successful referrals of other service providers or of qualifying founders or startups into the Community earn RAIN rewards, offering an additional channel for monetising a service provider's client book.                                                                                                                                                                                                     |

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| 3   | <b>CAPITAL PROVIDERS</b>                                                                                                                                                                                                                                                                                                                                                                                                       |
| 3.1 | <b>Non-linear investing:</b> Exposure to RAIN taps into the additional value created by the Community members over and above their performance as a passive portfolio of assets, through members collaborating and transacting with one another, or through assistance barter and other cooperative network effects, with all members aligned around the common financial aim of increasing the value of the Community Wallet. |
| 3.2 | <b>De-risked follow-ons:</b> The Foundation may use RAIN funding of members as near-permanent capital and in this way lower the USD funding needs in follow-on funding required by members. Data on a company's networking activity within the RAIN Community provides additional information on the company's investment prospects.                                                                                           |
| 3.3 | <b>Increased liquidity:</b> RAIN holdings acquired by capital providers may later be expended on services and goods available from the network, or may be re-invested in a subset of Community members, or may in due course be tendered back during one of the controlled RAIN auctions conducted by the Foundation.                                                                                                          |
| 3.4 | <b>Wisdom-of-community information:</b> Peer feedback and patterns of peer interactions within the RAIN Community provide additional investment data points on a member company's future prospects.                                                                                                                                                                                                                            |

## F DISCLAIMER

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