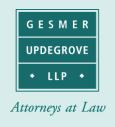


Do's and Don'ts for the Entrepreneur

Vijay Chaddah Gesmer Updegrove LLP November 3, 2010



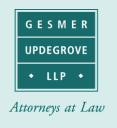
Key Pre-Formation Issues

- Who are the owners?
- What are the founders' responsibilities?
- What work product goes in to the business?
- Choice of entity?



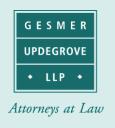
Capitalization

- Equity is forever
 - Need to get this right up front
 - Options vs restricted stock
 - Source of capital
 - Construct a pro-forma capitalization
- Who is investing? How much? Type of investment (cash, services, property)?
- The company is not your piggy bank



Stockholder Agreement

- Goal: Keep shares in the hands of the participants
 - Right of first refusal
 - Drag/Tag
 - Participation rights
 - Restrictions on the transfer of stock to competitors.
 - Voting for specified directors
 - Process for breaking deadlocks
 - Russian Roulette



Contract Basics

- Protect company IP
 - Proper IP protection enhances value
- Get it in writing
 - Have your own forms of agreements
 - Understand key terms and try to stick to them
- The importance of record keeping
- The danger of "exclusives"



Confidentiality Agreements

Why are Confidentiality Agreements necessary?

- Needed to create and protect trade secrets.
- Send the message that you intend to protect your rights

How extensive an agreement is needed?

- Be realistic about the protection that the confidentiality agreement will provide; difficult to police.
- If you don't trust the other side, think twice before divulging any confidential information.