



Top 10 Things Start-Ups Need to Do Prior to Raising \$\$\$!

- 10. Choose the right corporate entity.** Not all formations are created equal. Make sure you've chosen the formation that best suits your business model and fund-raising needs.
- 9. Find an irreplaceable co-founder.** Select someone with aligned expectations on what it takes and means to succeed. Founder conflict can be fatal.
- 8. Define and document founder roles and responsibilities from the outset and allocate equity accordingly.** It can be a difficult conversation to have with a co-founder, but the alternative—not having a clear written deal in place—can crush a start-up later.
- 7. Understand your legal environment.** Make sure you recognize the complexities of both business model issues (e.g., HIPAA, privacy, scraping, online gambling, etc.) and operational issues (e.g., securities law, employment law/minimum wage issues).
- 6. Study up on key negotiated terms of financing.** Understanding how dilution and equity work is critical. Your investors get it; you should, too. Seek advice on the key mechanics behind valuation, dilution, participation, and liquidation.
- 5. Maintain adequate employment documentation.** To avoid problems down the road, start-ups should prepare a core group of employment documents to be signed by all employees, including stock option documents, “at-will” employment offer letters, etc.
- 4. Keep meticulous records of everything.** Documentation, documentation, documentation. Disorganized records of options—whether authorized, issued, or outstanding—or vesting schedules can lead to a messy cap table and exorbitant legal bills to clean everything up.
- 3. Don't forget to file your 83(b).** Founders, you only have one opportunity to do it. Failure to do so has important, irreversible tax ramifications.
- 2. Intellectual property (IP) is often the most valuable component of a start-up. Protect it!** This doesn't just include patents and copyrights. All employees should sign IP assignment agreements, both to protect proprietary information at the start-up and ensure all IP developed by employees belongs to the company.
- 1. Find great partners and advisors.** No one goes it alone. Surround yourself with world-class partners, advisors, lawyers, and accountants that have been there before and understand (and work within) the cash constraints that start-ups face.

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