



FROM IDEA TO EFFORT TO OPERATING ENTITY – AN ENTREPRENEUR’S GUIDE

Our program is designed to take the inventor/entrepreneur from the initial business idea to an operating entity. We will start with the moment of innovation and provide a guide through the phases necessary to develop a successful venture. Along the way, we will focus on the issues that will arise, the alternatives available to address them, and the choices to be made for their resolution.

Throughout the series, we will highlight the necessary steps and the risks, costs, and rewards attendant to the decisions that must be made to address the challenges of each stage of early venture development.

To accomplish our goals, the following elements in the life of a new venture will be addressed:

1. Creating a start-up
2. Shepherding and protecting the value of intellectual property (IP)
3. Raising money
4. Hiring and motivating the team
5. Seeking and dealing with business partners
6. Software Start-Up



A brief description of each session follows.

Session 1: Starting Your Start-Up

Our first session will cover how to get started on your software start-up. We will address the following issues:

- How do you recognize, document, protect, and share your idea?
- How do you identify your initial team and define the participants' respective roles?
- How do you choose, efficiently utilize, and compensate advisors?
- What are your choices of legal entity and what you should consider in making your choice?
- What are your responsibilities and risks in being an officer and director of your company?
- How do you value and allocate stock and other equity among the founders?
- What are the key components for an internally directed business plan?
- What other important considerations should you worry about such as office space, tax returns, and bank accounts?

Session 2: Protecting Your IP

It appears that the innovation has merit. Our second session will address how to make this determination and how to protect your most important asset. Our discussion will cover the following topics:

- What is your idea and who owns it?
- What are the basic, minimal, and inexpensive means of protecting your invention?
- What can you protect by patents, trademarks, copyrights, and trade secrets?
- How do you create a dynamic, phased cost/benefit model for the legal protection of your IP?
- How do you create, maintain, and commercialize an IP portfolio?

Session 3: Finding the Money

You have created a valuable IP asset and a core management team. How do you get funding to carry on? We will explore the mysterious world of fundraising, including:

- What are the possible sources of funds for an early stage company?
- What documentation should you provide to prospective investors as a legal and business matter?
- How do you value your company and justify that value to investors?
- How do you structure the investment?
- Beyond their cash, what "value-added" can you expect from different types of investors?
- What is a realistic cycle for fundraising and what are its principal steps?

Session 4: Hiring and Motivating Your Team



You have now assembled a package of ideas, seed capital, and legal structure. How do you get to the next step of actually creating a business? The answer lies in the creation of assets that walk out the door every night: a committed and qualified employee team. In this session, we will address how to attract and retain such a team, including a discussion about the following issues:

- What are the key hires for an emerging company and when should each hire be made?
- What equity incentives should be put in place for management and the rest of the employees?
- What are the key terms of employment agreements and whether they should be used?
- What other human resources should be recruited at this stage and how should they be properly incentivized and rewarded?

Session 5: Seeking and Dealing With Business Partners

- Should you license, sell, or joint venture your technology with a partner?
- How do you find and negotiate the arrangement if you choose to license?
- What issues arise in seeking a distributor or renting a sales force?
- Can you go it alone?

PROGRAM SYLLABUS

1. Creating Your Start-Up

- The Idea



-
- How to document, protect, and share
 - The Team
 - Initial participants and their roles
 - The Advisors
 - Mentor, industry guru, lawyer, accountant, venture capitalist
 - The Structure
 - Choice of entity
 - Board of Directors
 - Officers
 - Voting rights
 - Tax issues
 - What Does It Mean to Be a Director?
 - Fiduciary Duties
 - Other business ventures
 - Liabilities
 - The Equity
 - Valuation of contributions – idea, time, money
 - Allocation among founders
 - Options and restricted stock
 - The Plan
 - Timing and content
 - Founders' contribution
 - Other Considerations
 - Office Space
 - Accounting
 - Banking

2. Creating and Protecting the Value of IP

- The Idea
 - Who owns it?
- Basic IP Protection
 - Patent
 - Copyrights
 - Trademark
 - Trade secret
 - Non-Disclosure Agreements (who should sign?)
- The Cost/Benefit Continuity of IP
- Basic Contractual Protections
 - Transfer of inventions
 - Non-disclosure
 - Non-compete
 - Non solicitation
 - What's reasonable for employees to sign?
- IP Portfolio
 - How to create and maintain
 - How to commercialize

3. How to Raise Money



-
- Sources of Funds
 - Friends and family
 - Angels
 - Founders
 - Employees
 - Strategic allies/licensing
 - VCs
 - Banks (Debts vs. Equity)
 - Offering Materials
 - Executive Summary
 - Business Plan
 - Full Offering Memorandum
 - Securities and broker-dealer laws
 - Valuation Principles
 - The VC approach
 - Control vs. ownership
 - How to increase valuation
 - IP valuation
 - Structuring the Investment
 - Preferred stock
 - Warrants
 - Special rights (drag-along, first refusal)
 - The “Value-Added” Investor
 - Reputation
 - Contracts
 - Knowledge
 - The Financing Cycle
 - Timing for valuation
 - Phasing the business plan

4. Hiring and Motivating the Team

- Key Hires for Value Creation
 - Timing
 - Qualifications
 - How to find
 - Immigration matters
- The Equity Incentive Plan
 - Type of equity
 - Vesting
 - Transfer restrictions
 - Repurchase price
 - Allocation
 - Depth of distribution
 - Management Incentive Plans
- The Employment Agreement
 - Employment laws
 - Employee benefits
- Other Team Members



-
- Consultants
 - Advisory board members

5. Seeking and Dealing With Business Partners

- Choice of Commercial Arrangement
 - License
 - Sale
 - Joint venture
- Find and Negotiate Strategic Alliance
 - Use of intermediaries
 - Use of investors
 - Key issues
- Third Party Distribution Arrangements
 - Distributor
 - Sales force
- Going It Alone
 - Economic issues
 - Licensing issues
- In-bound Licensing
 - From university
 - From others
 - Key issues