

ROBINSON § **SON**
LAW • MEDIATION • CONSULTING

Getting Started
for
Entrepreneurs

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What kind of business should I start?

Something you
are passionate
about

Start up costs
are
manageable

Potential to
grow in a
reasonable
time

Have some
experience

Something you
enjoy

What are the personal challenges in owning a business?

- ❑ Working more than you expected
- ❑ Not getting discouraged by rejections
- ❑ Managing your time efficiently
- ❑ Maintaining a reasonable work/life balance
- ❑ Maintaining the stamina to keep going even when it's tough
- ❑ Knowing when to pivot your strategy
- ❑ Producing a great and unique product or service
- ❑ Having a strong plan and vision for the business
- ❑ Having sufficient capital and cash flow
- ❑ Finding great employees & Firing bad employees quickly

What are the biggest mistakes made by startup entrepreneurs?

Legal

Ignoring legal and contract matters

Hiring the wrong employees

Sales & Marketing

Thinking that success will come quickly

Not focusing on the quality of the product or service

Underestimating the importance of sales and marketing

Mispricing the product or service

Not understanding the competitive landscape

Not adapting or iterating quickly enough

Financing

Not starting with enough capital

Not carefully budgeting

What are the concerns when starting a business?

Legal

HOW TO PROTECT YOUR ASSETS

Contracts

Intellectual property protection

Liability Protection

Human Resources

Sales & Marketing

Financing

Sales & Marketing

HOW TO MAKE MONEY

Terms & Conditions

Return Policies

Invoices and Agreements

Global Internet Regulations

Sales Taxes

Deceptive Trade Practices

Financing

HOW TO START OR EXPAND

Loan Agreements

Lease Agreements

Ownership Agreements

Shareholder Agreements

Deeds and Titles

Financing Statements

Asset Protection Plans

LEGAL

How do I protect my personal finances by setting up the right entity?

- ❑ Beware of starting a business as a “sole proprietorship,”
 - ❑ Your personal assets are at risk for the debts and liabilities of the business.
- ❑ State Entity Filing
 - ❑ Corporation or Limited Liability Company, depending on future plans and financing
 - ❑ Location: Depends on place of headquarters, manufacturing, and sales along with taxes and complexity
 - ❑ State Identification Number, if necessary (example: California, New York, and Texas)
- ❑ Federal Entity Filing
 - ❑ IRS Employer Identification Number
 - ❑ Corporation Entity, if filed as a state LLC
 - ❑ S Corporation Classification - Favorable flow through tax treatment for small companies
 - ❑ C Corporation - Most venture capital investors expect to see
- ❑ The mere process of incorporating does not completely protect the business owners.

What is one simple way to show creditors the company is separate?

To lessen the likelihood of such personal or shareholder liability, you should make sure to adhere to certain procedures:

- ❑ Always use the corporate name. The name of the corporation should be used in full, including “LLC”, “Inc.,” or “Corp.” on all contracts, invoices, or documents used by the corporation. This clearly indicates the existence of the corporation as a separate entity.
- ❑ Always use proper signature. This means that you will sign on behalf of the corporation, using the name of the corporation and your title. You should typically use the following format when signing contracts on behalf of the corporation:

CORPORATION NAME

By: _____

Your name – authorized signing officer and corporate title

What are the basic actions to not pierce the corporate veil?

- ❑ Follow all corporate formalities. This includes following bylaws, issuing stock properly, holding meetings of the Board of Directors, recording the meeting minutes, and following other corporate formalities.
- ❑ Keep corporate funds separate.
- ❑ Keep taxes separate.
- ❑ All transactions made by the corporation should be clearly separate from any individual transactions.

What agreements between founders?

- ❑ Equity Split
- ❑ Vested percentage of ownership
- ❑ Roles and responsibilities of the founders
- ❑ Buy-back and right of first refusal
- ❑ Time commitment to the business
- ❑ Salaries
- ❑ Removal as employee
- ❑ Contribution of assets or cash
- ❑ Overall goal and vision for the business
- ❑ Key decisions and day-to-day decisions
- ❑ Decision of sale of the business

Which permits, licenses, or registrations are needed for your business?

- ❑ Permits need for regulated businesses (aviation, agriculture, alcohol, etc.)
- ❑ Sales tax license or permit
- ❑ Home-based business permits
- ❑ City and county business permits or licenses
- ❑ Zoning permit
- ❑ Seller's permit
- ❑ Health department permits (such as for a restaurant)
- ❑ Federal and state tax/employer IDs

What types of insurance?

General liability insurance

Product liability insurance

Professional liability insurance

Property insurance

Worker's compensation insurance

D&O (directors & officers) insurance

Health insurance for employees

Business interruption insurance

Commercial auto insurance

Data breach/cybersecurity insurance

What are some key contracts?

- ❑ Sales or service agreement
- ❑ License agreement
- ❑ Offer letter to employees
- ❑ Consulting agreement with any independent contractors (you want to make sure that you will own the intellectual property rights for anything they develop for your business)
- ❑ Confidentiality and Invention Assignment Agreement for employees and independent contractors
- ❑ Non-disclosure agreement

What do you need to with before you hire anyone?

- ❑ Verification of job titles and dates of employment
- ❑ Verification of educational degrees and dates of attendance at schools
- ❑ Verification of starting and ending salary
- ❑ Verification of prior job role and responsibilities
- ❑ Inquiry as to why the applicant left the prior employer
- ❑ Conversations with prior supervisors as to the applicant's strengths and weaknesses
- ❑ Inquiry as to the applicant's ability to get along well with other employees and customers
- ❑ Inquiry as to the applicant's ability to take on the new role
- ❑ Inquiry as to punctuality or absenteeism issues
- ❑ Reference checks with other people not listed by the applicant as a reference

What is in a letter of employment?

- ❑ Job title and role of the employee
- ❑ Full time or part time
- ❑ Start Date
- ❑ Salary, benefits, and any potential bonuses
- ❑ At will or by contract
- ❑ Supervisor to whom the employee will report
- ❑ Reference to Handbook

Depending on the type of product or service the company may want other agreements:

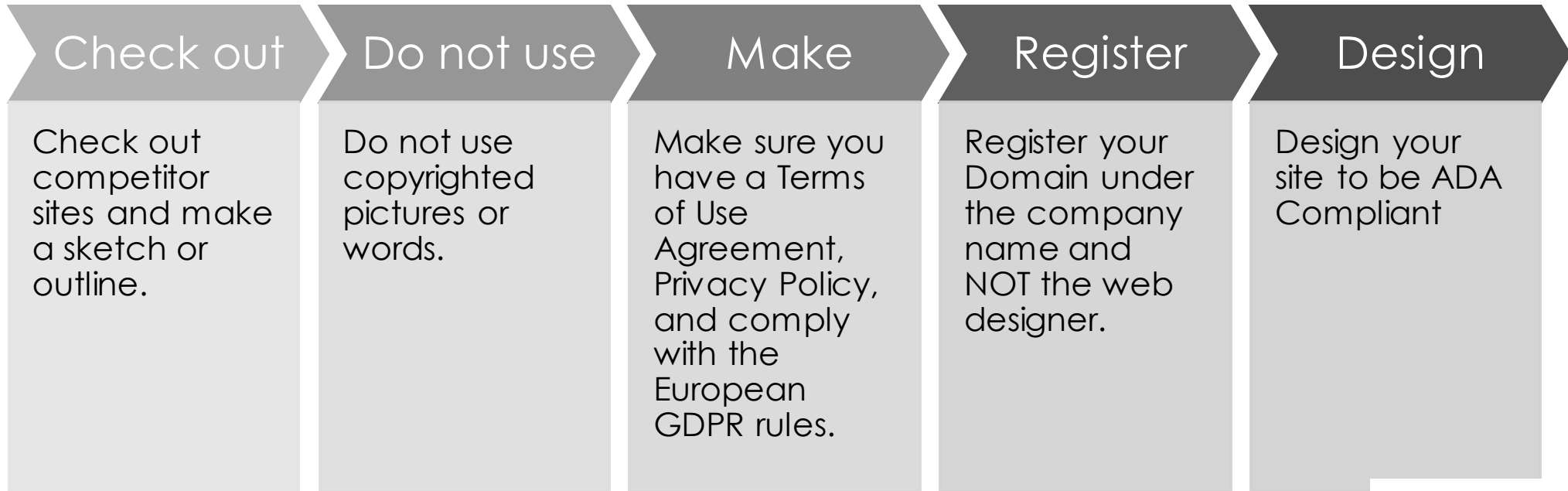
- ❑ Confidentiality and Invention Assignment Agreement
- ❑ Confidential Binding Arbitration Agreement
- ❑ Stock Option Agreement

SALES & MARKETING

How can I acquire a great name for my business?

Avoid	Avoid hard-to-spell names.
Don't pick	Don't pick a name that could be limiting as your business grows.
Conduct	Conduct a thorough Internet search on a proposed name.
Get	Get a ".com" domain name (as opposed to ".net" or another variant).
Conduct	Conduct a thorough trademark search.
Make	Make sure you and your employees will be happy saying the name.
Come up	Come up with five names you like and test market the name with prospective employees, partners, investors, and potential customers.

How to build a great website?



How do you market in today's world?

Learn	Learn the fundamentals of SEO (search engine optimization) so that people searching for your products and services online might find you near the top of search results.
Use	Use social media to promote your business (LinkedIn, Facebook, Twitter, Pinterest, etc.).
Engage in	Engage in content marketing by writing guest articles for relevant websites.
Issue	Issue press releases for any significant events.
Network	Network continually.

What terms are in business contracts?

Describe the parties involved.

List contact information

Describe all obligations they are expected to fulfill.

Describe all obligations they expect the other party (or parties) to fulfill.

Limit any liabilities.

Set parameters, such as a time frame, in which the terms of the contract will be met.

Set terms of a sale, lease, or rental.

Establish payment terms.

Clearly all of the risks and responsibilities of the parties.

How can I protect my business ideas?

Patents are the best protection you can get for a new product.

Copyrights cover original works of authorship, such as art, advertising copy, books, articles, music, movies, software, etc

A trademark right protects the symbolic value of a word, name, symbol, or device.

Service marks resemble trademarks and are used to identify services.

Trade secrets can be a great asset for startups.

Confidentiality Agreements. (aka Non-Disclosure Agreements or NDAs)

Confidentiality Agreement for Employees and Consultants.

Terms of Service.

Internet Privacy Policy

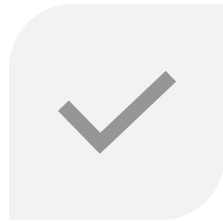
European GDPR rules and state rules based on market area.

FINANCING

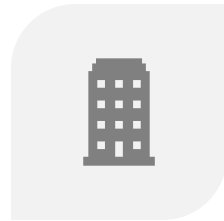
What should be in the lease?



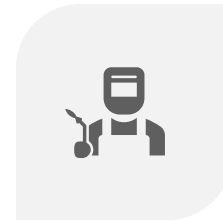
LENGTH OF LEASE TERM:
TRY TO NEGOTIATE A
SHORTER-TERM LEASE.



TENANT IMPROVEMENTS



RENT AND RENT
ESCALATIONS



REPAIRS,
IMPROVEMENTS, AND
REPLACEMENTS.



ASSIGNMENT AND
SUBLETTING

What should be avoided in a lease?

Passing on operating costs such as property taxes, building repairs, or insurance premiums.

Leasing the premises "as is" or tries to disclaim responsibility for compliance with environmental laws (e.g., asbestos issues) or the Americans with Disabilities Act.

Passing on increase of taxes from a sale of the property.

Right to terminate the lease at the landlord's convenience.

Prohibit subletting or assignment.

Personal guarantee of the key shareholders of the company.

How should I capitalize my business?

- ❑ Personal funds
- ❑ Credit cards
- ❑ Friends and family
- ❑ Angel investors
- ❑ Crowdfunding sites such as Indiegogo.com and Kickstarter.com
- ❑ Bank loans/SBA financings/online lenders
- ❑ Venture capitalists
- ❑ Equipment loan financing

One of the biggest mistakes made by startups is not raising sufficient capital.

What is needed in accounting and bookkeeping?

- ❑ Set Up a Good Accounting and Bookkeeping System
 - ❑ You will need to set up a bookkeeping/accounting system to keep track of your finances—
 - ❑ Income (Sales Revenue and Accounts Receivable)
 - ❑ Expenses (Bills and Account Payable)
 - ❑ Capital expenditures, EBITDA, profit and loss, etc.
 - ❑ This is important in order to understand your business's cash flow situation and also for tax-filing purposes.
 - ❑ Online software solutions: QuickBooks, Zoho, FreshBooks, and Xero OR just Excel Spreadsheet
- ❑ Design Checks and Balances from the start especially as you add employees.

What do you need for books and records for your business?

Financial statements (P&L, balance sheet, cash flow)

Employee records

Board and stockholder minutes and consents

Stock and options ledger

Tax filings and records (federal, state & local income, sales and property taxes)

Secretary of State filings (Certificate of Incorporation, annual filings, etc.)

Invoices & contracts

Bank accounts

Creditor records

Financial Statements Quick Review

Balance Sheet

Assets

- Liabilities

Owners Earnings/Equity

Income Statement

Sales

- Expenses

Net Income

Cash Flow Statement

Cash flow from Activities

- Operating
 - Investing
 - Financing
-

Net Increase (decrease)

Cash at beginning of the year

Cash at end of the year

Why do you need financial statements and budgets?

Three-year projections

Key assumptions for projections

Raised Equity and debt and the capitalization structure?

Projected future equity or debt financing

Amount of stock option pool for employees

Projected profitability date

Losses before profitability

Unit economics

Limiting factors for faster growth

Focus of management Team's key metrics



Professionals to Help

What types of professionals?

Experienced
Start-up
Attorney

CPA

Insurance
Agent

Banker

Realtor or
Tenant Leasing
Agent

Marketing with
hopefully web
and social
media

Why hire an experienced start-up attorney?

Incorporate

Draw up contracts with any co-founders

Prepare key agreements for the business

Set up a stock option plan for employees

Guide you through potential HR landmines

Prepare protective offer letters to prospective employees

Help you negotiate terms with prospective investors

Limit your potential legal liabilities

Protect your ideas and inventions (through copyrights, patents, and non-disclosure agreements)

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