

An abstract graphic featuring a grid of small black dots on a light gray background. The dots are arranged to form a large, curved, bowl-like shape that tapers towards the top. The bottom of the image is a solid dark purple band.

# Getting Started for Entrepreneurs

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## Cristal Robinson, JD & MBA

- 25 years of business, accounting, finance, and real estate
- Over twelve years of experience as a litigation attorney in 42 courts with 46 different judges in over 900 cases representing people and businesses in federal and state courts
- Licensed in Texas and North Carolina
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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?

## Check out

Check out competitor sites and make a sketch or outline.

## Do not use

Do not use copyrighted pictures or words.

## Make

Make sure you have a Terms of Use Agreement, Privacy Policy, and comply with the European GDPR rules.

## Register

Register your Domain under the company name and NOT the web designer.

## Design

Design your site to be ADA Compliant

# 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. Patents are the best protection you can get for a new product.
- ▶ Copyrights. Copyrights cover original works of authorship, such as art, advertising copy, books, articles, music, movies, software, etc
- ▶ Trademarks. A trademark right protects the symbolic value of a word, name, symbol, or device.
- ▶ Service Marks. Service marks resemble trademarks and are used to identify services.
- ▶ Trade Secrets. 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
- ▶ Crowdsourcing 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 with responsibilities.

## 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

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Owners Earnings/Equity

## Income Statement

Sales  
- Expenses

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Net Income

## Cash Flow Statement

Cash flow from Activities

- Operating
- Investing
- Financing

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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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