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LAW • MEDIATION • CONSULTING

Start it NOW, Start it RIGHT

DREAMS are Developed Right, Envisioned, and Managed Successfully

About the Author

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Cristal Robinson has a strong background in the financial and accounting sectors. Besides her law degree, she has an MBA with an emphasis in accounting and a finance degree. With over two decades in business, she has helped many businesses and non-profits to start, expand, or get back on track, as well as over a decade of helping people with business, taxation, and bankruptcy law.

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Contents

Introduction

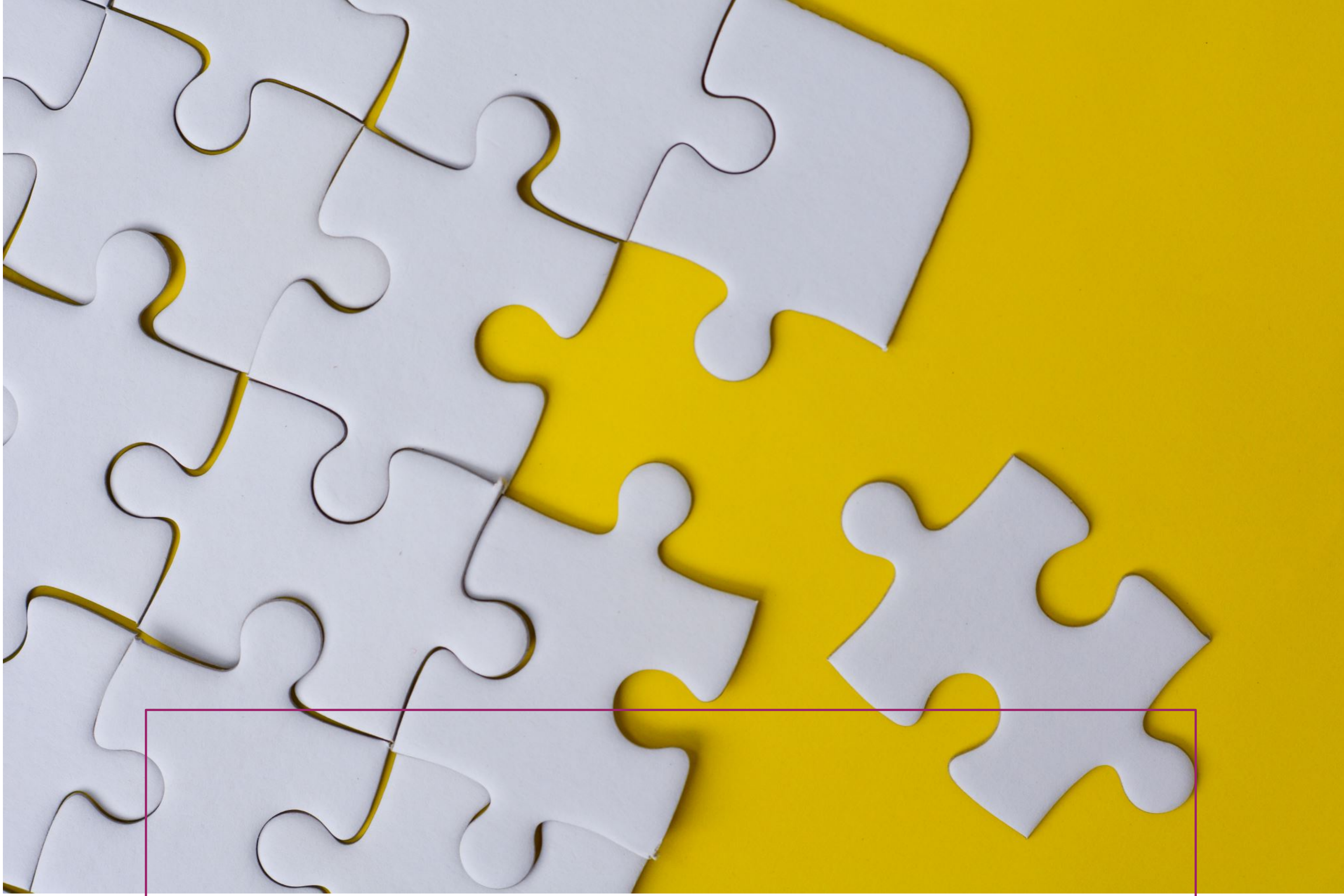
Prospective Entrepreneurs need to realize that they will spend a significant amount of time, resources, and energy to start and grow a business. It is a huge commitment. There are many challenges in starting a business.

Some of the biggest challenges to starting and growing a business:

- Coming up with a great and unique product or service and having a strong plan and vision for the business
- Having sufficient capital and cash flow
- Finding great employees and firing bad employees quickly in a way that doesn't result in legal liability
- Working more than you expected while maintaining a reasonable work/life balance
- Not getting discouraged by rejections from customers and maintaining the stamina to keep going even when it's tough
- Managing your time efficiently
- Knowing when to pivot your strategy

If you are considering launching a startup, there are many different steps to do it right.

- **Define**: You must take the time to define and plan your business.
- **Legalize**: You must complete the proper legal steps in your location to stay out of trouble with the government.
- **Fund**: You need to have capital to actually get the business running and thriving.
- **Protect**: You must be in compliance with taxation and employment law.
- **Brand**: You must market your business in a way that will make it grow and prosper.



CHAPTER 01

Define your Dream

Business Plan – Vision and Concept.

Personal Vision Plan

Before you decide to venture out into the land of business ownership, you must look at yourself to determine your motivation and your personal vision plan:

1. A vision for your future
2. A mission that defines what you are doing
3. Values that shape your actions
4. Strategies that zero in on your key success approaches
5. Goals and action plans that guide your daily, weekly and monthly actions

If you decide to make a plan that does not have your dreams and vision, you will be miserable and fail.

Some Questions to Ask Yourself

1.What are 10 things that you most enjoy doing? These are the 10 things without which your weeks, months, and years would feel incomplete.

2.What three things must you do every single day to feel fulfilled in your work?

3.What are your five to six most important values?

4.Write one important goal for each of the following facets of your life: physical, spiritual, work or career, family, social relationships, financial security, mental improvement and attention, and fun.

5.If you never had to work another day in your life, how would you spend your time instead of working?

6.When your life is ending, what will you regret not doing, seeing, or achieving?

7.What strengths have other people commented on about you and your accomplishments?

8.What strengths do you see in yourself?

9.What weaknesses have other people commented on about you and what do you believe are your weaknesses?

10.What would you most like to be remembered for when you are reminiscing about your life in your old age?

Other questions are found under Resources.

Business Plan

A business plan serves a guide, but you need to adapt it for your specific business. Each industry has specific issues that need to be addressed such as manufacturing would need materials while a law firm would need practice areas. If you plan to use it for bank financing or to get investors, the plan will need to be more in-depth than if you want to use as an internal guide. The plan breaks down several components to make it manageable to read and to use in your business. When you feel comfortable with the content and structure make an appointment to review and discuss it with your lender. The business plan is a flexible document that should change as your business grows.

Cover Page: This should set the tone for the whole Business Plan. If you are creative, this page should have creativity. If your business will be cutting edge, this page should show it. If your business is very traditional, you may want to use older typeset and even paper. This will have the logo, company name, your name, the Title Business Plan, and the date.

Executive Summary: You should complete this last as it is a paragraph summarizing your thought. This should also have the Mission, Vision, and in some cases the Core Values.

Introduction: You should give a detailed description of the business and its goals while listing the ownership of the business and the legal structure, list the skills and experience you bring to the business, and explain the advantages you and your business have over your competitors.

Marketing: You should explain the products/services offered, identify the customer demand for your product/service, identify your market, its size and locations, explain how your product/service will be advertised and marketed, and explain the pricing strategy.

Financial Management: You should explain your source and the amount of initial equity capital, develop a monthly operating budget for the first year, develop an expected return on investment and monthly cash flow for the first year, provide projected income statements and balance sheets for a two-year period, discuss your breakeven point, explain your personal balance sheet and method of compensation, discuss who will maintain your accounting records and how they will be kept, and provide "what if" statements that address alternative approaches to any problem that may develop.

Operations: You should explain how the business will be managed on a day-to-day basis, discuss hiring and personnel procedures, discuss insurance, lease or rent agreements, and issues pertinent to your business, account for the equipment necessary to produce your products or services, account for production and delivery of products and services.

Concluding Statement: You summarize your business goals and objectives and express your commitment to the success of your business.

Research, but Start

Keep it Simple, yet Good

A business plan is very useful to develop the product or service, marketing, financial projections, and more. It allows other people like trusted business and finance advisors to give you input. It does not need to be a very large document, because most new companies will change their plan as the business grows.

Develop a Great Product Quickly

Your product or service does not need to great. It must be good. If you take to long, someone else may take it to market. Also you can improve the product or service by receiving customer feedback. You need a product or service that is differentiated from the competition. To test your "minimum viable product" (MVP), you may want a "beta" test product to work out all the bugs from user reactions.

"Done is better than perfect."
Sheryl Sandberg, COO of Facebook

Research Your Competition

You need to research your competitor's products or services while keeping up on new developments and announcements from your competitors. This can be accomplished by setting up a Google alert to notify you when any new information about those companies shows up online.

Prospective investors will ask questions about your competitors. Do not say that "we don't have competitors." You need to be able to answer how are the company's principal competitors, what gives your company the competitive advantage, how do you compete with respect to price, features, and performance, and what are the barriers to entry in the market.

Verify Patents and Trademarks

You must verify patents and trademarks before you spend money developing a product and marketing it. You can use Google, U.S. Patent and Trademark Office at uspto.gov, or hire an attorney to search patents and trademarks.

CHAPTER 02

Legalize your Dream

Formation Plan – Structure and Regulation.

Get it Right From the Start

Experienced Startup Attorney

A savvy business lawyer who regularly forms and advises many other entrepreneurs and specializes in startups. An experienced startup lawyer can help you:

- 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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Name Your Business

A name for your business is the first impression for most people. If you do not research your name, you could have insurmountable legal and business hurdles. Here are some basic tips on how to name your startup:

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

No Commingling

Formation as a Corporation or LLC

You need to protect your personal assets against the debts and liabilities of the business. Most companies will want to start the business as an S corporation (giving you favorable flow through tax treatment), a C corporation (which is what most venture capital investors expect to see), or a limited liability company (LLC) with the IRS entity as a corporation.

type of entity will depend on number of owners, the type of investment capital, and risk associated in the industry. The state of incorporation will depend on the nature of the company, the location of the company, and the location of the main owners.

You are not protected from personal liability by filing a Certificate of Incorporation. The filing is not what protects the individual. You must follow certain procedures.

Always use the corporate name. The name of the corporation should be used in full on all contracts, invoices, or documents used by the corporation.

Always use proper signature. You should only sign on behalf of the corporation, using the name of the corporation and your title at the corporation.

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 funds separate. Corporate funds and the funds of individual shareholders should not be in the same accounts or combined for any reason.

Keep taxes separate. The company taxes should be paid entirely from corporate accounts and separate tax returns filed for the corporation.

Keep everything separate. You run less risk of any personal liabilities for the debts of the business.

Abide by the Rules

Permits, Licenses, or Registrations

Depending on the nature of the business, you may need the following permits, licenses, or regulations:

- 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

Obtain a Tax ID

You will need to get an "Employer Identification Number" (EIN), from the IRS for your company. It is like a Social Security number for businesses. You will need it to open a company bank account and hire employees. In some states, a state tax ID may be necessary as well (for example, California, New York, and Texas require a state ID, which can be obtained online).

CHAPTER 03

Fund your Dream

Financial Plan – Investors and Capital.

Financial Statements

Financial Statements and Budgets

It's important to keep on top of your expenses and learn how to thoroughly understand financial statements and budgeting. Many startups fail because the entrepreneur isn't able to adjust their spending to avoid running out of cash. Establishing a detailed, month-by-month budget is crucial, and this budget must be reviewed regularly.

Understanding your financial statements will also help you answer questions from prospective investors.

Here are some financial statement questions you can expect to get from investors:

- What are the company's three-year projections?
- What are the key assumptions underlying your projections?
- How much equity and debt has the company raised, and what is the capitalization structure?
- What future equity or debt financing will be necessary?
- How much of a stock option pool is being set aside for employees?
- When will the company get to profitability?
- How much "burn" (losses) will occur until the company gets to profitability?
- What are your unit economics?
- What are the factors that limit faster growth?
- What are the key metrics that the management team focuses on?

Capital Financing

Secure Capital to Finance Your Business

Many small businesses are financed by personal funds, bank loans, and then investors. Here is a summary of the most effective sources of business capital:

- Personal funds
- Credit cards
- Friends and family
- Angel investors
- Crowdsourcing sites
- Bank loans/SBA financings/online lenders
- Venture capitalists
- Equipment loan financing

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

Make a Great Investor Pitch Deck

Startups frequently prepare a “pitch deck” to present their company to prospective angel or venture capital investors. The pitch deck typically consists of 15-20 slides in a PowerPoint presentation and is intended to showcase the company’s products, technology, and team to the investors.

Raising capital from investors is difficult and time consuming. Therefore, it’s crucial that a startup absolutely nails its investor pitch deck and articulates a compelling and interesting story.

Too many startups make a number of avoidable mistakes when creating their investor pitch decks.

Investor Pitch

Pitch Deck Do's

- Do include this wording at the bottom left of the pitch deck cover page: "Confidential and Proprietary. Copyright by [Name of Company]. [Year]. All Rights Reserved."
- Do convince the viewer of why the market opportunity is large.
- Do include visually interesting graphics and images.
- Do send the pitch deck in a PDF format to prospective investors in advance of a meeting. Don't force the investor to get it from Google Docs, Dropbox, or some other online service, as you are just putting up a barrier to the investor actually reading it.
- Do plan to have a demo of your product as part of the in-person presentation.
- Do tell a compelling, memorable, and interesting story that shows your passion for the business.
- Do show that you have more than just an idea, and that you have gotten early traction on developing the product, getting customers, or signing up partners.
- Do have a soundbite for investors to remember you by.
- Do use a consistent font size, color, and header title style throughout the slides.

Pitch Deck Don'ts

- Don't make the pitch deck more than 15-20 slides long (investors have limited attention spans). If you feel you need to add more information, include it as an appendix.
- Don't have too many wordy slides.
- Don't provide excessive financial details, as that can be provided in a follow-up message.
- Don't try to cover everything in the pitch deck slides. Your in-person presentation will give you an opportunity to add and highlight key information.
- Don't use a lot of jargon or acronyms that the investor may not immediately understand.
- Don't underestimate or belittle the competition (and never say "we don't have any competition").
- Don't have your pitch deck look out of date. You don't want a date on the cover page that is several months old (that is why I avoid putting a date on the cover page at all). And you don't want information or metrics in the deck about your business that look stale or outdated.
- Don't have a poor layout, bad graphics, or a low-quality "look and feel." Think about hiring a graphic designer to give your pitch desk a more professional look.

Co-Founders

Make the Deal Clear With Co-Founders

If you start your company with co-founders, you should agree early on about the details of your business relationship. Not doing so can potentially cause significant legal problems down the road (a good example of this is the infamous Zuckerberg/Winklevoss Facebook litigation). In a way, think of the founder agreement as a form of "pre-nuptial agreement." Here are the key deal terms your written founder agreement needs to address:

1. How is the equity split among the founders?
2. Is the percentage of ownership subject to vesting based on continued participation in the business?
3. What are the roles and responsibilities of the founders?
4. If one founder leaves, does the company or the other founder have the right to buy back that founder's shares? At what price?
5. How much time commitment to the business is expected of each founder?
6. What salaries (if any) are the founders entitled to? How can that be changed?
7. How are key decisions and day-to-day decisions of the business to be made? (by majority vote, unanimous vote, or are certain decisions solely in the hands of the CEO?)
8. Under what circumstances can a founder be removed as an employee of the business? (usually, this would be a Board decision)
9. What assets or cash does each founder contribute or invest into the business?
10. How will a sale of the business be decided?

Determine How to Divide Equity Among the Startup's Co-Founders

There is no one right answer to the question of how equity should be divided among a company's co-founders. But everyone involved should discuss this issue and come to an agreement up front to avoid misunderstandings later on. If you are the original founder and brains behind the idea, a good argument can be made for more than 50% ownership. The split should take into account the following:

- The relative value of the contributions of the co-founders
- Vesting dependent upon continued participation in the business (you don't want to give away 25% of the company to someone who leaves after a few months)
- The amount of time to be committed to the business
- The cash compensation to be paid as an employee
- Whether the co-founders will be contributing cash as an investment in the business
- Whether one person wants to maintain control over decision-making

Investors

If You Are Seeking Angel Investing Financing, Know These Important Points

In reviewing a prospective investment, angel investors especially care about:

- The quality, passion, commitment, and experience of the founders
- The market opportunity being addressed and the potential for the company to grow to become very big
- A clearly thought out business plan and early evidence of early business traction
- Interesting intellectual property or technology
- A reasonable valuation for the company
- The likelihood of the company being able to raise additional financing in the future if progress is made.

Angel investors will want to initially see the following from a startup:

- A clearly articulated elevator pitch for the business
- An executive summary or investor pitch deck
- A prototype or working model of the company's product or service
- Early adopters, customers, or partners

There are a variety of ways to find angel investors, including:

- AngelList
- Venture capitalists
- Investment bankers
- Lawyers
- Accountants
- Other entrepreneurs
- Crowdfunding sites

The best way to find an angel investor is through a warm introduction from a colleague or friend of an angel. Using LinkedIn to ascertain mutual connections can be helpful.

Venture Capital Financing

Understand These Key Points About Seeking Venture Capital Financing

Startups seeking financing often turn to venture capital (VC) firms, which can provide capital; strategic assistance; introductions to potential customers, partners, and employees; and much more.

Venture capital financings are not easy to obtain or close. Entrepreneurs will be better prepared to obtain VC financing if they understand the process, the anticipated deal terms, and the potential issues that will arise.

To understand the process of obtaining VC financing, it is important to know that venture capitalists typically focus their investment efforts using one or more of the following criteria:

- Specific industry sectors (software, digital media, semiconductor, mobile, SaaS, biotech, mobile devices, etc.)
- Stage of company (early-stage seed or Series A rounds, or later-stage rounds with companies that have achieved meaningful revenues and traction)
- Company location (e.g., San Francisco/Silicon Valley, New York, etc.)

Before approaching a venture capitalist, try to learn whether his or her focus aligns with your company and its stage of development.

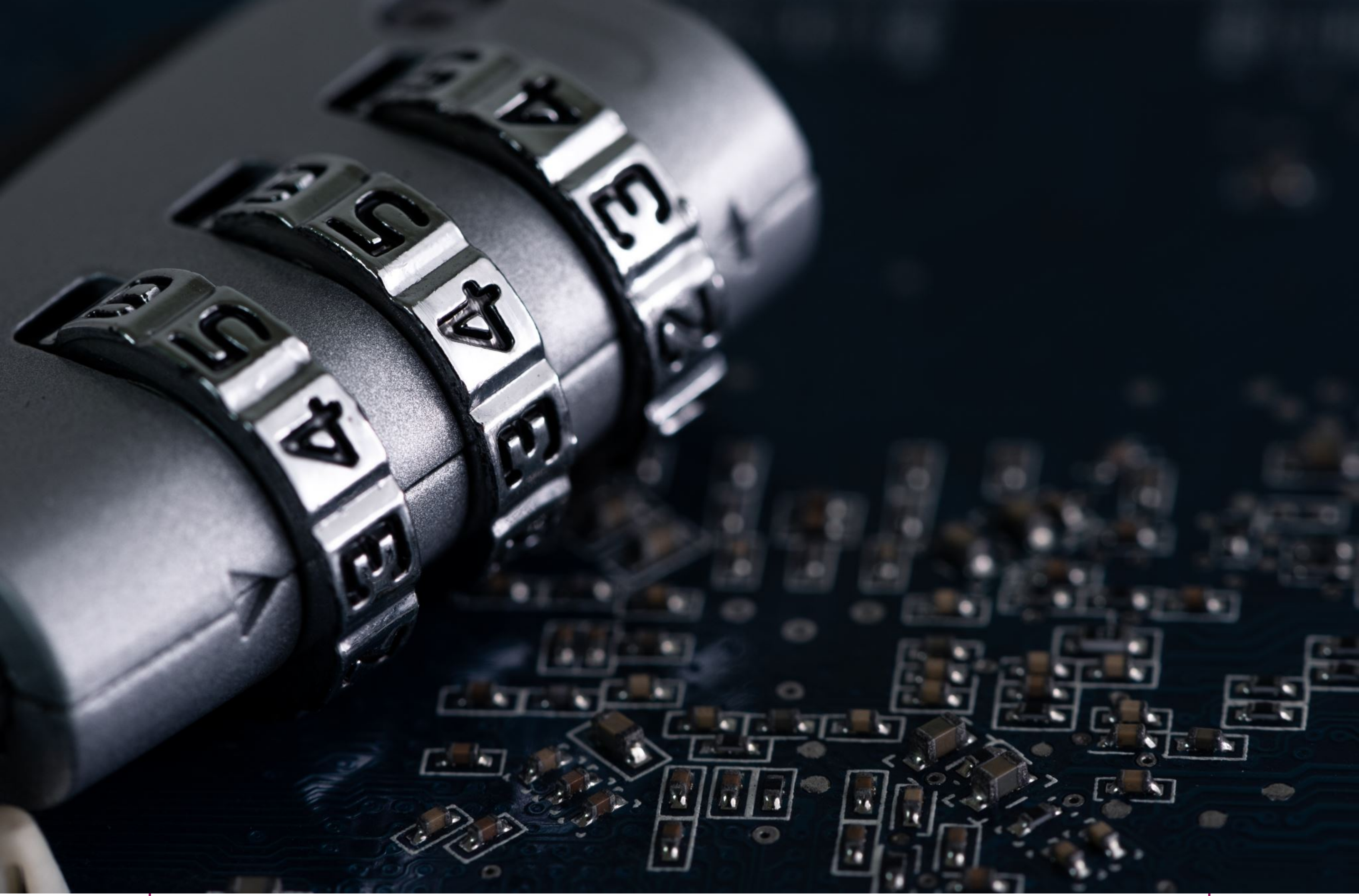
The second key point to understand is that VCs get inundated with investment opportunities, many through unsolicited emails—almost all of those unsolicited emails are ignored. The best way to get the attention of a VC is to have a warm introduction through a trusted colleague, entrepreneur, or lawyer friendly to the VC.

A startup must have a good "elevator pitch" (as discussed in point #6) and a strong investor pitch deck (as discussed in point #18) to attract the interest of a VC.

Startups should also understand that the venture process can be very time consuming—just getting a meeting with a principal of a VC firm can take weeks; followed up with more meetings and conversations; followed by a presentation to all of the partners of the venture capital fund; followed by the issuance and negotiation of a term sheet, with continued due diligence; and finally the drafting and negotiation by lawyers on both sides of numerous legal documents to evidence the investment.

VCs usually want to see that your business has made some progress and gotten some traction in the market; they will typically not fund a very early stage company or just an idea. For that, you are better off seeking angel investors.

Most venture capitalists won't agree to sign an NDA, so don't bother asking.



CHAPTER 04

Protect your Dream

Operations Plan – Accounting and Employment.

Accounting and Books

Accounting and Bookkeeping

You will need to set up a bookkeeping/accounting system to keep track of your finances—income, expenses, 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.

There are a number of online software solutions that can be helpful in this regard, such as QuickBooks, Zoho, FreshBooks, and Xero.

Books and Records

You will need to keep multiple books and records for your business, including:

- 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

Office Space

Leasing office space is one of the largest expenses a startup can incur. Negotiating the best lease possible can save your company enough cash to hire a few more employees or launch a new marketing campaign.

Keep in mind that your ability to negotiate an office lease is dependent on how much leverage you have. Do your homework. Are other companies vying for the same space? Has the space been vacant for a long time? Factors such as these may mean the difference between you calling the shots, or a landlord insisting on onerous terms throughout the lease process.

Because no lease is standard, here are some suggestions to help you become a little more lease-savvy and negotiate a favorable office lease for your startup:

- **Length of lease term.**
- **Tenant improvements.**
- **Rent and rent escalations**.
- **Repairs, improvements, and replacements.**
- **Assignment and subletting.**
- **Try to avoid one-sided lease provisions.**
- **Consider using a tenant broker.**

Insurance

You need to protect our business by purchasing appropriate insurance coverage.

First, determine your specific insurance needs based on the nature of your business.

- What risks must be covered?
- How much coverage will be sufficient?

You need to find and evaluate insurance providers or insurance brokers to determine which companies handle the types of coverage that suits your needs.

Ask many types of key questions:

- What are the deductibles?
- Are the coverage limits high enough?
- What items or occurrences are excluded from coverage?
- Are there any gaps in the coverage?

Types of insurance that may be appropriate for your business:

- 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
- Keyman insurance

Contracts

Business contracts are legally binding written agreements between two or more parties. They are an important part of business and such agreements need to be created and/or negotiated carefully.

While smaller businesses will often conduct business based on informal handshake agreements or unspoken understandings, the more that is at stake, the more essential it is to have a signed contract. A contract serves as the rules that must be followed by both parties.

A "standard contract" is more myth than reality, and too often people simply sign on the dotted line without reading or negotiating the terms of a contract. A startup has to make sure it is comfortable with all of the terms of the contract, and depending on the deal dynamics, almost any term is negotiable.

A contract presents each party with the opportunity to:

- 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 establish all of the risks and responsibilities of the parties.

Types of Contracts

Consideration, compensation, ownership rights, liability, and risk are all areas that need to be worded carefully. You should seek out help from a qualified attorney who is experienced in contracts to make sure you have covered each of these areas in a clear manner.

The contract itself should stipulate how it shall be enforced and what actions can be taken if one party fails to meet their obligations. It is often to the benefit of smaller businesses to have a confidential binding arbitration clause to resolve any disputes.

The key contracts that a startup should have as its own form of "standard contract" (drafted in the startup's favor) include:

- 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

Hiring Employees

Perform a Comprehensive Reference Check Before You Hire an Employee

Many employers conduct a limited and incomplete reference check when interviewing job candidates, which can result in hiring people who are unable to perform their required duties or who don't work well with others

The purpose of these checks is to make sure that the applicant will fit into the company's culture and to ensure that they have been truthful and accurate in their resume and employment application. However, the process is carefully regulated by the federal government (through the Fair Credit Reporting Act) and the laws of many states; failure to follow the highly technical process can lead to class action lawsuits. Consider consulting legal counsel and, for general information.

It is also useful to require all prospective employees to complete an employment application.

A comprehensive reference check includes:

- 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

Employment Agreement

Use a Good Form of Employee Offer Letter or Employment Agreement

Oral agreements often lead to misunderstandings. If you plan to hire a prospective employee, use a carefully drafted offer letter, which the employee should be encouraged to review carefully before signing. For senior executives, a more detailed employment agreement often makes sense.

Companies should ensure that the employee and the company sign the letter, the Confidentiality and Invention Assignment Agreement, any Stock Option Agreement, and any first-day paperwork (such as the IRS W-4 Form for withholding and the I-9 form mandated by law).

A good offer letter or employment agreement will address the following key items:

- The job title and role of the employee
- Whether the job is full time or part time
- When the job will commence
- The salary, benefits, and any potential bonuses
- Whether the position is "at will" employment, meaning either party is free to terminate the relationship at any time without penalty
- Confirmation that the "at will" agreement may not be changed unless signed by an authorized officer of the company
- Confirmation that the employee will need to sign a separate Confidentiality and Invention Assignment Agreement
- If the company chooses, a statement that any disputes between the parties will be resolved solely and exclusively by confidential binding arbitration
- Any stock options to be granted to the employee and the terms of any vesting (details usually laid out in a separate Stock Option Agreement)
- The supervisor to whom the employee will report
- Protective language regarding the agreement

Agreements with Staff

Make Sure All Employees Sign a Confidentiality and Invention Assignment Agreement

Companies pay employees to come up with ideas, work product, and inventions that may be useful to the business. Employees have access to a good deal of their company's confidential information, which can be very valuable, especially in technology companies.

One basic way to protect proprietary company information is through the use of a Confidentiality and Invention Assignment Agreement. This type of agreement deals with confidentiality issues, but can also ensure that the ideas, work product, and inventions the employee creates that are related to company business belong to the company—not the employee.

Venture capitalists and other investors in startups expect to see that all employees of the company have signed these kinds of agreements. In an M&A transaction in which the company is sold, the buyer's due diligence team will also be looking for these agreements signed by all employees.

Similarly, it will be appropriate that all consultants of the company also sign a Confidentiality and Invention Assignment Agreement.

A good Employee Confidentiality and Invention Assignment Agreement will cover the following key points:

- The employee may not use or disclose any of the company's confidential information for their own benefit or use, or for the benefit of others, without authorization.
- The employee must promptly disclose to the company any inventions, ideas, discoveries, and work product related to the company's business that they make during the period of employment.
- The company is the owner of such inventions, ideas, discoveries, and work product, which the employee must assign to the company.
- The employee's employment with the company does not and will not breach any agreement or duty that the employee has with anyone else, nor may the employee disclose to the company or use on its behalf any confidential information belonging to others.
- Upon termination of employment, the employee must return any and all confidential information and company property.
- While employed, the employee will not compete with the company or perform any services for any competitor of the company.
- The employee's confidentiality and invention assignment obligations under the agreement will continue after termination of employment.
- The agreement does not by itself represent any guarantee of continued employment.

Alternative Options

Consider Adopting a Stock Option Plan to Attract and Motivate Employees

Stock Option Plans are an extremely popular method of attracting, motivating, and retaining the best employees, especially when the company is unable to pay high salaries. A Stock Option Plan gives the company the flexibility to award stock options to employees, officers, directors, advisors, and consultants, allowing these people to buy stock in the company when they exercise the option.

Stock Option Plans permit employees to share in the company's success without requiring a startup business to spend precious cash. In fact, Stock Option Plans can actually contribute capital to a company as employees pay the exercise price for their options.

The primary disadvantage of Stock Option Plans for the company is the possible dilution of other shareholders' equity when employees exercise their stock options. For employees, the main disadvantage of stock options in a private company—compared to cash bonuses or greater compensation—is the lack of liquidity. Until the company creates a public market for its stock or is acquired, the options will not be the equivalent of cash benefits. And, if the company does not grow bigger and its stock does not become more valuable, the options may ultimately prove worthless.

Thousands of people have become millionaires through their stock options (Facebook being one famous example), making this form of benefit very appealing to prospective employees. The spectacular success of some Silicon Valley companies and the resulting economic riches of those employees who held stock options have made Stock Option Plans a powerful motivational tool for employees to work toward the company's long-term success.

Consultants

Use Consultants and Freelancers to Supplement Your Team

At the early stages of your startup, you will likely want to have a small employee team to minimize expenses. A good way to fill in for specialized expertise is to use freelancers or consultants. That way, you avoid taking on employee costs and benefits payments. And there are a variety of sites that can help you access freelancers.

CHAPTER 05

Brand your Dream

Marketing Plan – Advertise and Network.

Networking still Works

Perfect Your Elevator Pitch

An "elevator" pitch is intended to be a concise, compelling introduction to your business. You should be able to slightly modify your elevator pitch depending on whether you are pitching to prospective investors, customers, employees, or partners. Here are a few tips for developing and delivering a great elevator pitch:

- Start out strong.
- Be positive and enthusiastic in your delivery.
- Remember that practice makes perfect.
- Keep it to 60 seconds in length.
- Avoid using industry jargon.
- Convey why your business is unique.
- Pitch the problem you are solving.
- Invite participation or interruption by the listener—this shows they are interested and engaged.

Become a Strong Salesperson

If the business is to become successful, you must become a great salesperson. You are going to have to learn how to "sell" your business—not only to customers but also to prospective investors and even to potential employees.

It's important to be positive, trustworthy, and to learn how to listen. You must practice your sales pitch, get feedback from a variety of people, and then refine your pitch. Even if you are not naturally an extrovert, you need to show confidence, follow up, and ask for the sale.

Marketing still Works

Get Comfortable With Public Speaking

The ability to communicate effectively can be critical to landing customers, inspiring employees, and pitching to investors to raise capital. Most people are not very good at public speaking and many are even afraid of it. You must strive to overcome this fear. Consider working with a public speaking or business coach to improve your public speaking skills. Some of the most recognized entrepreneurs, such as Apple founder Steve Jobs, were known for being great public speakers.

Focus on Offering Exceptional Customer Service

Companies such as Zappos and Virgin America became hugely successful because they focused on providing excellent customer service and support. You want your early customers to give referrals and sing your praises to their friends and colleagues. Thank your customers personally by email. Go the extra mile to show your appreciation.

Market Your Business Like Crazy

To succeed in business, you need to continually be attracting, building, and even educating your target market. Make sure your marketing strategy includes the following:

- 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 social media to promote your business (LinkedIn, Facebook, Twitter, Pinterest, etc.).
- Engage in content marketing by writing guest articles for relevant websites.
- Issue press releases for any significant events.
- Network continually.

Website

Build a Great Website for Your Company

You should devote time and effort to building a great website for your business. Prospective investors, customers, and partners are going to check out your site, and you want to impress them with a professional product. Here are some tips for building a great company website:

- Check out competitor sites.
- Start by sketching out a template for your site.
- Come up with five or six sites you can share with your web site developer to convey what you like.
- Be sure the site is search engine optimized (and thus more likely to show up early on Google search results).
- Produce high-quality original content.
- Make sure your site is optimized for mobile devices.
- Make sure the site loads quickly.
- Keep it clean and simple; visual clutter will drive visitors away.
- Make sure you have a Terms of Use Agreement and Privacy Policy (and comply with the European GDPR rules).
- Make the navigation bars prominent.
- Obtain and use a memorable ".com" domain name.
- Make the site visually interesting.
- Make sure it's easy for site visitors to contact you or buy your product.

Traffic to Your Website

While entire books have been written on this topic, the key ways to drive traffic to your website are as follows:

- Pay Google, Bing, Yahoo, or other search engines to send you traffic (such as through the Google Adwords program).
- Build a great site with lots of high-quality, original content that is search engine optimized.
- Have a smart social media plan to drive traffic from Facebook, Twitter, LinkedIn, and other free social media sites.
- Get links to your site from high-quality sites.

Intellectual Property

Consider the Steps You Should Take to Protect Your Intellectual Property

It is important to protect your company's intellectual property (IP). Ever wary of minimizing burn rate, startups may be tempted to defer investment in intellectual property protection. To those who have not tried to protect intellectual property, it feels complex and expensive. Too often, startups end up forfeiting intellectual property rights by neglecting to protect their ideas and inventions.

Some simple and cost-effective techniques can minimize the anxiety yet help protect core assets.

Companies sometimes think that patent protection is the only way to protect themselves. Technology startups frequently ignore the value of non-patent intellectual property. While patents can be incredibly valuable, it does not necessarily ensure that a company's product is a good product or that it will sell well. Trade secrets, cybersecurity policies, trademarks, and copyrights can all be forms of IP that can be protected.

Here is a summary of the types of intellectual property protections available:

- **Patents.** Patents are the best protection you can get for a new product. A patent gives its inventor the right to prevent others from making, using, or selling the patented subject matter described in the patent's claims. The key issues in determining whether you can get a patent are: (1) Only the concrete embodiment of an idea, formula, or product is patentable; (2) the invention must be new or novel; (3) the invention must not have been patented or described in a printed publication previously; and (4) the invention must have some useful purpose. In the United States you obtain a patent from the U.S. Patent and Trademark Office, but this process can take several years and be complicated. You typically need a patent lawyer to draw up the patent application for you. The downside of patents is that they can be expensive to obtain and take several years,

Intellectual Property

- **Copyrights.** Copyrights cover original works of authorship, such as art, advertising copy, books, articles, music, movies, software, etc. A copyright gives the owner the exclusive right to make copies of the work and to prepare derivative works (such as sequels or revisions) based on the work.

- **Trademarks.** A trademark right protects the symbolic value of a word, name, symbol, or device that the trademark owner uses to identify or distinguish its goods from those of others. Some well-known trademarks include the Coca-Cola trademark, American Express trademark, and IBM trademark. You obtain rights to a trademark by actually using the mark in commerce. You don't need to register the mark to get rights to it, but federal registration does offer some advantages. You register a mark with the U.S. Patent and Trademark Office.

- **Service Marks.** Service marks resemble trademarks and are used to identify services.

- **Trade Secrets.** Trade secrets can be a great asset for startups. They are cost effective and last for as long as the trade secret maintains its confidential status and derives value through its secrecy.

- **Confidentiality Agreements.** These are also referred to as Non-Disclosure Agreements or NDAs. The purpose of the agreement is to allow the holder of confidential information (such as a product or business idea) to share it with a third party. But then the third party is obligated to keep the information confidential and not use it whatsoever, unless allowed by the owner of the information. There are usually standard exceptions to the confidentiality obligations (such as if the information is already in the public domain).

- **Confidentiality Agreement for Employees and Consultants.** Every employee and consultant should be required to sign such an agreement, as discussed above.

- **Terms of Service and Privacy Policy.** If you are a company that conducts its business on the internet, it is important to have a terms of service agreement that limits what users can or cannot do on your website and with the information on your site. Closely related is your Privacy Policy, which sets forth what privacy protections are available to your users. The new European GDPR rules may also need to be addressed.

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