



Rev1 Entrepreneur Toolkit: BUSINESS

Startup Milestones that Trigger Associated Legal Needs

This tool presents a checklist of many of the relevant legal needs that a startup encounters when various triggering events occur. It is not intended to be fully comprehensive but is a good starting point.

We are not tax advisors and aren't offering tax advice. We do recommend that entrepreneurs and startup companies always consult their tax advisor about the specifics of the company's situation.

In addition to our CFO-in-Residence, several attorneys and CPAs with experience in working with startups and entrepreneurs participate in Rev1's First Connect program of experts and advisors.

EVENT: Start Up the Company

ASSOCIATED LEGAL NEEDS

- Utilization of a limited liability entity (not a partnership)
- Basic organizational documents
- Shareholders agreement
 - Operating agreement
- Buy/sell agreement
- Management structure
- Selection, if applicable
- Documenting founders, friends and family's equity interests in the entity
- Ensure all contributions to business by owners are documented
- Open bank account(s)
- Secure EIN
- 83(b) election
- Domain names secured

EVENT: First Organizational Meeting

ASSOCIATED LEGAL NEEDS

- Record minutes
- Appoint officers
- Create minute book
- Secure proper insurance for business

EVENT: Hire First Employee

ASSOCIATED LEGAL NEEDS

- Employee handbook
- Payroll functions/employee benefits
- Forms of notices/policies to post in workplace
- Stock options
- Employment agreement/written job description with milestones
- Due diligence on background/incoming technology
- Non-competition agreement
- Assignment of Inventions to company
- Invention log book
- Invention disclosure record

EVENT: Engage Independent Contractor

ASSOCIATED LEGAL NEEDS

- Services agreement addressing following:
 - Exclusive or non-exclusive?
 - Term
 - Performance milestones and duties
 - Due diligence on background/ incoming technology
 - Confidentiality/Non-disclosure agreement (NDA)



Startup Milestones that Trigger Associated Legal Needs

EVENT: Proof and Protection of Concept

ASSOCIATED LEGAL NEEDS

- Who owns rights to it? Who helped develop it?
- Is it worthy of protection?
- What has been done to protect it?
- What types of intellectual property protection apply?
- Trademark protection for name/ branding/ logo/tagline
- Develop business plan
- Product and/or service protection

EVENT: Secure First Order/Customer

ASSOCIATED LEGAL NEEDS

- Considering licensing versus direct sale
- Sale terms and conditions, at a minimum
- Customer/license agreement (beyond terms and conditions)
- Protecting the name of goods or services (trademark)
- Protecting product labels and marketing materials (copyright)

EVENT: Contract to Produce First Widget/ License Software/Provide Services

ASSOCIATED LEGAL NEEDS

- Manufacturing contract
- Sales representative agreement
- Distributor agreements
- Developing a marketing plan
- Engaging a marketing, advertising and/or product packaging company

EVENT: Founder Leaves the Company

ASSOCIATED LEGAL NEEDS

- Buy-sell agreement
- Repurchase ownership interest
- Severance package
- Assignment of rights to technology

EVENT: Employee Leaves the Company

ASSOCIATED LEGAL NEEDS

- Separation and release agreement
- Repurchase ownership interest, if any
- Severance package
- Assignment of rights to technology and agreement of continued cooperation

EVENT: Revenue Growth

ASSOCIATED LEGAL NEEDS

- Tax planning and compliance
- Distribution/dividend obligations
- Prioritizing reinvestment strategies

EVENT: Traditional Bank Borrowing

ASSOCIATED LEGAL NEEDS

- Ensure compliance with shareholder/ owner approval rights
- Review loan documents with attorney
- Evaluate other capital raising alternatives



Startup Milestones that Trigger Associated Legal Needs

EVENT: Expansion into New Markets

ASSOCIATED LEGAL NEEDS

- Foreign qualification in new states
- Real estate leasing/purchases
- Local employment law compliance

EVENT: Develop/Launch Web Site

ASSOCIATED LEGAL NEEDS

- Written agreement with web developer to obtain assignment of rights
- Domain name registration
- Disclaimers
- Patent, copyright and trademark notices and markings
- Copyright registration
- Online terms of use
- Privacy policy
- Subscriber agreement

EVENT: Prepare for Outside Funding

ASSOCIATED LEGAL NEEDS

- Changing the form of entity to C-corporation
- Considering debt versus equity
- Developing a capitalization table
- A thorough audit of the company in anticipation of due diligence
- Identifying funding sources
- Securities law compliance
- Secure buy-in of current ownership

EVENT: Term Sheet for First Outside Funding

ASSOCIATED LEGAL NEEDS

- Determine size of round/raise
- Develop terms of shares/equity
- Prepare due diligence productions