

# Top Formation Issues & Proper Ways to Structure Your Startup



## Agenda



- **Key Formation Issues**
- **Structuring Your Company**
- **Brief summary of the different types of financings and convertible notes**
- **Major Mistakes**

## Choice of Entity



- **C Corporation**
- **S Corporation**
- **LLC**
- **Limited Partnership**

## Company Corporate Structure



- **Keep it Simple**
- **Avoid Parent/Sub Structures**
- **What about offshore employees and developers from a corporate perspective?**



- Delaware
- California
- Nevada
- Offshore??



- **Basic Terms:**
  - Authorized Stock
  - Issued Stock
  - Issuable Stock
  - Warrants
  - Options
- **Standard VC Back Capitalization**
  - 10,000,000 authorized
  - 5,000,000 to Founder Group
  - 500,000 to 1,000,000 shares to incentive plan (10% to 30%)

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## Title search: Top Formation Issues & Proper Ways to Structure Your Startup

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31<sup>st</sup> Annual Technology Law Conference session  
"Startups - Deal Killers and Near-Death Experiences"