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V E L A | W O O D

# Startup Legal Foundations

SMU Big iDeas

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# Vela Wood Resources



VELAWOODLAW.COM

VENTUREGLOSSARY.COM

# Entity Formation

# Jurisdiction

- Delaware – Most Common
- Texas
- Other

# Choice of Entity

- Corporation
  - Preferred vehicle if you plan to...
    - Scale
    - Grant stock options to employees
    - Raise capital from institutional investors
  - Disadvantages
    - Double Taxation
- LLC - Most common for small businesses
  - Advantages
    - Pass Through Taxation
    - Flexible Structure
    - Less Corporate Governance Requirements
  - Disadvantages
    - Venture Bias

# Formation

- Certificate of Formation/Incorporation
- Unanimous Written Consent
- Company Agreement/Bylaws

# Founders Agreements

# Vesting

- 4 Years with a 1-Year Cliff
- Double Acceleration



# IP Assignment

- Confidential Information and Invention Assignment Agreement
  - Domain Names

# Raising Capital

# Friends & Family Round

- \$50k – \$100k
- Beware of:
  - Runaway Valuations
  - Cap Table Issues
- Executed Purchase Agreement
- SEC and Blue Sky Exemptions

# Best Practices

- Get everything in writing
- Consider simple investor tools
  - Convertible Note or SAFE
- Keep investors updated

Questions?