

Being Deal-Ready

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What's at Stake?



What's at Stake?

- Speed
 - Risk
 - Transaction Cost
- Valuation
- Better Terms
- Tax Advantages
- The UNEXPECTED Deal



Primary Areas:

1. Deal Process
2. Current Climate
3. Financial / Business
4. Intellectual Property
5. Other Legal

Deal Process:

1. Courtship
2. Term Sheet / LOI
3. Diligence / Clean-Up
 - A. Business/Financial
 - B. Legal
4. Document Drafting
 - A. Primary and Ancillary
 - B. Disclosure Schedules
5. Sign & Close / Sign *then* Close
6. Post-Closing
 - A. Board Representation/Reporting/Other Covenants



Current Deal Climate:

2021 Unprecedented

2022 Continuing

Except:

- A. Inflation
- B. Political Unrest
- C. China
- D. Ukraine
- E. Covid
- F. Climate



Financial / Business:

1. Accounting / Financial Reporting

- A. Credibility
- B. No Personal Activity
- C. Have Accurate Financial Statements



Financial / Business:

2. Business Plan / Model

- A. Know Your Business
- B. Know/Track KPIs
- C. Assumptions and Drivers
- D. Competition
- E. Pivot
- F. Cash Needs and Uses

In preparing for
battle, I have always
found that plans are
useless but planning
is indispensable.

– Dwight D. Eisenhower



Financial / Business:

3. Processes and Data Security
 - A. Document and Follow
 - B. Get Advice

4. Organization
 - A. Efficiency and Risk
 - B. Diligence



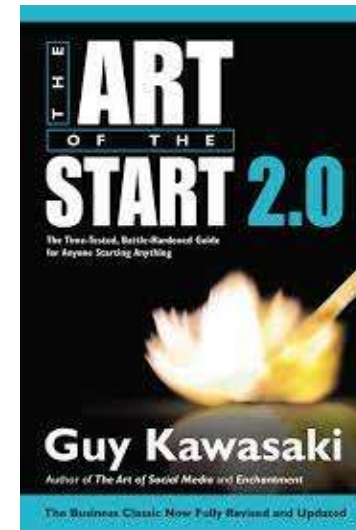
Financial / Business:

5. Traction/Feedback

- A. Customer Engagement

6. Pitch Ready

- A. X Seconds
- B. Summary
- C. Deck
- D. NDAs



Financial / Business:

7. The Team and Advisors

A. Seek out and Own Your Weaknesses (and fix)

B. Team vs. Idea

C. PASSION



Beware of This Guy



Find out more.

Beware of This Guy



Employee #4 at the world's leading, most enduring music brand ever...



Find out more.

Choosing Professionals

- \$\$ and Time
- Focus
- Turn-Off
- Simplicity
- Cooperation



Legal

1. Cap Table
2. Intellectual Property Protection
3. Employees/Contractors
4. Securities Laws
5. Professionals
6. “Do-it-yourself” too long...

Manage Your Cap Table



Motivation

Founders' Shares and Vesting

Stock Options/Warrants

Smart \$\$

Avoid "Creative" Ideas

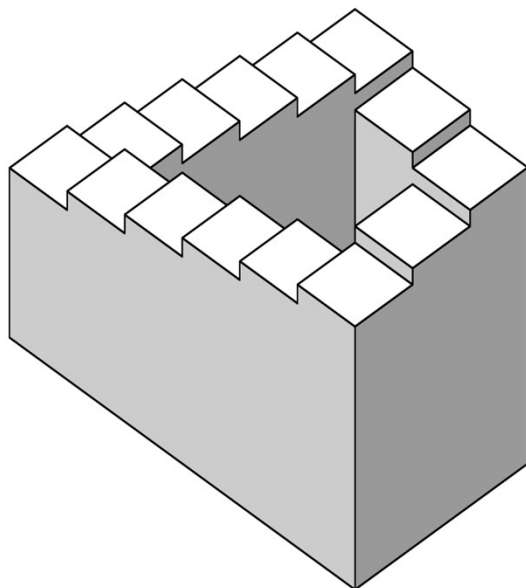
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Founders' Equity

- Allocations
 - Equal may not make sense
 - Consider relative contributions
 - IP, relationships, other opportunities
 - Cash investment (usually) handled separately
- Address from Beginning
 - Memory is “convenient”
 - Perceived contributions
 - Avoid Conflict
 - ROPE IN ALL ASSETS



Capitalization Issues



- Numerous and/or non-accredited
- Overpricing
- Anti-Dilution (%'s)
- Complex / Low \$
 - “expensive dry well”
- Handshakes
- Get “Smart Money”

Intellectual Property

- Intellectual Property – Proprietary Information
 - Founders – assignments with founders purchase agreements AND ongoing inventions assignment agreements
 - Employees – inventions assignment agreements.
 - Third Parties - NDAs
 - Contractors “work for hire” – company owns essential IP



Employees



- Document Offers
- Employee vs. Contractor
- Prior or Concurrent Employers
- **IP Assignments**
- Regulatory Compliance
- **No “Creative” Equity**

Doing it Yourself



“Fixing” it Later



“I drank what?”
--Socrates

Thank You.

Q & A



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