



GREEKTECH U.S. SOFT LANDING PROGRAM

INCORPORATE YOUR STARTUP IN THE U.S.

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AGENDA

DISCUSSION OUTLINE

- Strategic Entity Formation (Corporation, S-Corporation or LLC)
- Customized Corporate Bylaws and LLC Operating Agreements
- Founder and Partnership Agreements
- Angel Round Financing
- Shareholder and Stock Purchase Agreements
- Private Placement Memorandum
- Equity Compensations Review & Negotiation



Strategic Entity Formation

Choosing the right structure for your business.

CORPORATION

S-Corp & C-Corp

- Corporations can be established by one person or multiple people, and are a distinct entity. This means that the owners' personal finances are not tied to the corporation, and will be free from any of its liabilities.
- An S-corp indicates how a business will be taxed. A C-corp gets taxed at a corporate level and then at an individual level
- S-corp is effective companies with more expenses and those hiring multiple employees
- Most people form an LLC up front, but an S-Corp can be much cheaper and just as effective in the beginning

LLC

Limited Liability Company

- Legally separating itself from its owner/member
- Fewer reporting requirements & easier to manage
- LLCs protect your personal finances from anything that happens to your business, including bankruptcy and lawsuits.
- A single-member LLC is taxed as a sole proprietorship while a multi-member LLC is a partnership.

Corporate Bylaws + LLC Operating Agreements

Corporate bylaws are a detailed set of rules adopted by a corporation's Board of Directors after the company has been incorporated. They are an important legal document for a corporation to have in place as they specify its **internal management structure and how the corporation will be run**.

The purpose of bylaws for corporations is to establish the company's management structure, procedures, and dispute resolution processes. Bylaws are a legally binding document that serves as an operating manual for the corporation

An **LLC Operating Agreement** on the other hand, is a legal document that outlines the ownership and member duties of your Limited Liability Company. This agreement allows you to set out the financial and working relations among the LLC's members and between members and managers.

Bylaws are internal governing documents for corporations, while an **Operating Agreement** lays out internal operating procedures for an LLC. Operating Agreements are a contract that's entered into between all of the members of the LLC.

Partnership Agreements

Whether you're going into business with family, friends, or acquaintances, getting a partnership agreement is a critical first step.

- The agreement should **outline any terms and conditions** regarding the business relationship and how the business should be run.
 - ◆ This includes each person's management duties and responsibilities, liabilities, percentage of ownership, and more.
- The agreement should address **every "what if" scenario**.
 - ◆ Covers what would happen in case of disputes/differences or even life changes such as the death of a partner.

No matter the relationship you have with your business partner, putting pen to paper can prevent potential resentment or even costly lawsuits down the line.

Angel Round Financing

Angel Investors

- This is the most common type of investor in the "seed funding stage."
- Often part of or right after the family and friends raise
- Angel investors tend to go for riskier ventures and expect an equity stake in the company in exchange for their investment.

Attracting Investors

Team

Investors need to know who the main members of the company are, their background, and their prior experience with other startups.

Ready Customers

If you don't have a ready product just yet, you need to show that there is a need or a want for your product.

Ex: conduct surveys, sign ups before launching, etc.

Ready Product

You need to show potential investors that you have a product that is unique and ready to enter the market.

Brand

Your personal brand matters just as much as the company brand. Your network & influencer power will help attract investors.

Angel Round Financing

Angel Round

- This is the most common type of investor in the "seed funding stage."
- Often part of or right after the family and friends raise
- Can help get the company off the ground and lay the foundation for future rounds
- Between 150k to 1m

Do this after friends and family fundraising in order to separate the experienced investor from the friend/family.

Who is the angel investor?

- High net worth
- Often part of an angel group with prior angel experience
- May even have industry knowledge with ability to help startup
- Knows how to properly evaluate business and can help place higher valuation on company

Angel Round Documents

Legal Terms To Know

- Common shares
- Convertible preferred shares or convertible debt
 - ◆ Convertible debt is often nowadays in the form of a SAFE raise. The lender/investor obtains a right to buy at a future round.
- Voting vs. non-voting shares
- Structuring classes of shares and rights of investors
- Number of outstanding shares
- Anti dilution provision
- ROFR on the sale of the company or a major shareholder
- Pro Rata right to maintain their original equity position
- Drag along
- Vesting

Stock Purchase Agreements

Your bylaws or operating agreement will lay out the terms for transferring and/or selling shares between members and between members and third-parties.

A Share Purchase Agreement, also called a Stock Purchase Agreement, is used to transfer the ownership of shares (also called stock) in a company from a seller to a buyer.

The company itself or its shareholders can sell stock to buyers. A stock purchase agreement is meant to protect you, whether you're the purchaser or the seller.

It's important to note that a stock purchase agreement is separate from an *asset* purchase agreement. Stock purchase agreements merely sell the shares of a company.

Stock Purchase Agreements include:

- Name of company
- Purchaser's name
- Number of shares being sold
- Par value of shares
- When/where the transaction takes place
- Representations & warranties made by purchaser and seller
- Indemnification over unforeseen costs

Private Placement Memorandum

A private placement memorandum (PPM), also known as an offering document, is provided to prospective investors when selling stock or another security in a business. Think of this as a disclosure document.

A PPM typically includes:

- A brief description about the company, its core business, and all "legends" required by federal and state laws.
- The terms of the offer (term sheet)
- Risk factors that may impact the investor
- A description of securities: the rights, restrictions, and class of securities being offered.

Equity Compensation Review & Negotiation

EARLY STAGE EQUITY

- Sweat equity, name, sales, etc
- 1% or more for key executives
- MRE an option if there is no money and necessary to get off the ground.

EMPLOYEE COMPENSATION POOL

- Set aside 10-15% of shares for future growth / employee pool
- Offered as stock options w vesting, warrants (pre set price between vesting and end date), grants (no restrictions)
- Standard vesting 5 year 1 year cliff
- Negotiate pool size with VC and future investors/raises

ANGEL LIST

- Check out what equity compensation each job position is offered at comparable companies.

HOW TO



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