

8 Mistakes Entrepreneurs Make

Robert E. Bishop



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1. Failing to Pay Attention to Corporate Formalities

- Formation
- Stock Issuance
- Founder Agreements
- Give corporate and legal matters the same respect as your source code/lab notebooks/engineering documents

2. Complicating the Formation Process

- KISS Principle
- Choice of entity (corporation vs. LLC)
- S corp vs. C corp
- Where to incorporate

3. Refusing to Subject Founders' Stock to Vesting

- Founders' departure triggers repurchase of some shares by company
- 83(b) elections are critical
- Transfer restrictions – ROFR and IPO lock-up

4. Dwelling on Valuation

- Focus on winning before worrying about your share of the win
- A company never went out of business because of dilution

5. Failing to Raise Enough Money (for fear of dilution or otherwise)

- Everything costs twice as much as you think it will
- Everything takes twice as long as you think it will
- Management needs to run the business rather than be preoccupied with fundraising efforts

6. Spending Money Too Quickly

- Hire conservatively and purposefully (programmer vs. CFO)
- Consider equity compensation (with vesting)

7. Failing to Pick Advisors Who Add Value to your Business

- Investors
- Directors
- Service Providers and Advisors

8. Failing to Adequately Protect Your Intellectual Property Assets

- Rights of former employers
- Rights of consultants and other third party developers
- Lack of adequate trade secret protection (NDAs)

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