

Legal Tips

Setting **Up** Your **Start Up** in the US

About me

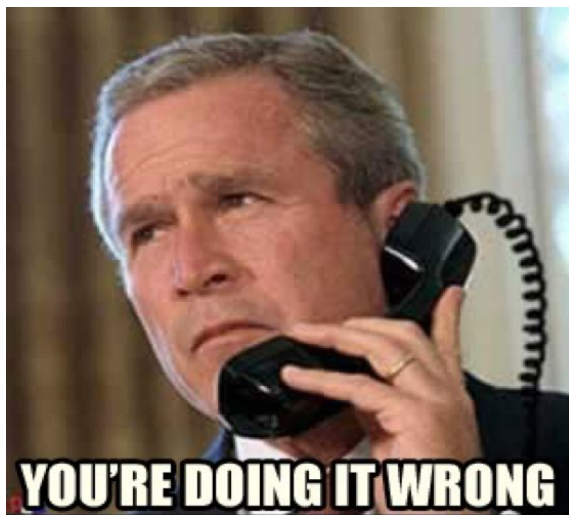


- **EU & US** educational & professional background
- **6 years** Silicon Valley experience
- Set up & consulted **40+ startups internationally**

How to incorporate



Do it **online...**



...or hire an **attorney!**



Where to incorporate



1

CUSTOMERS

2

INVESTORS

3

TAXES

Which State

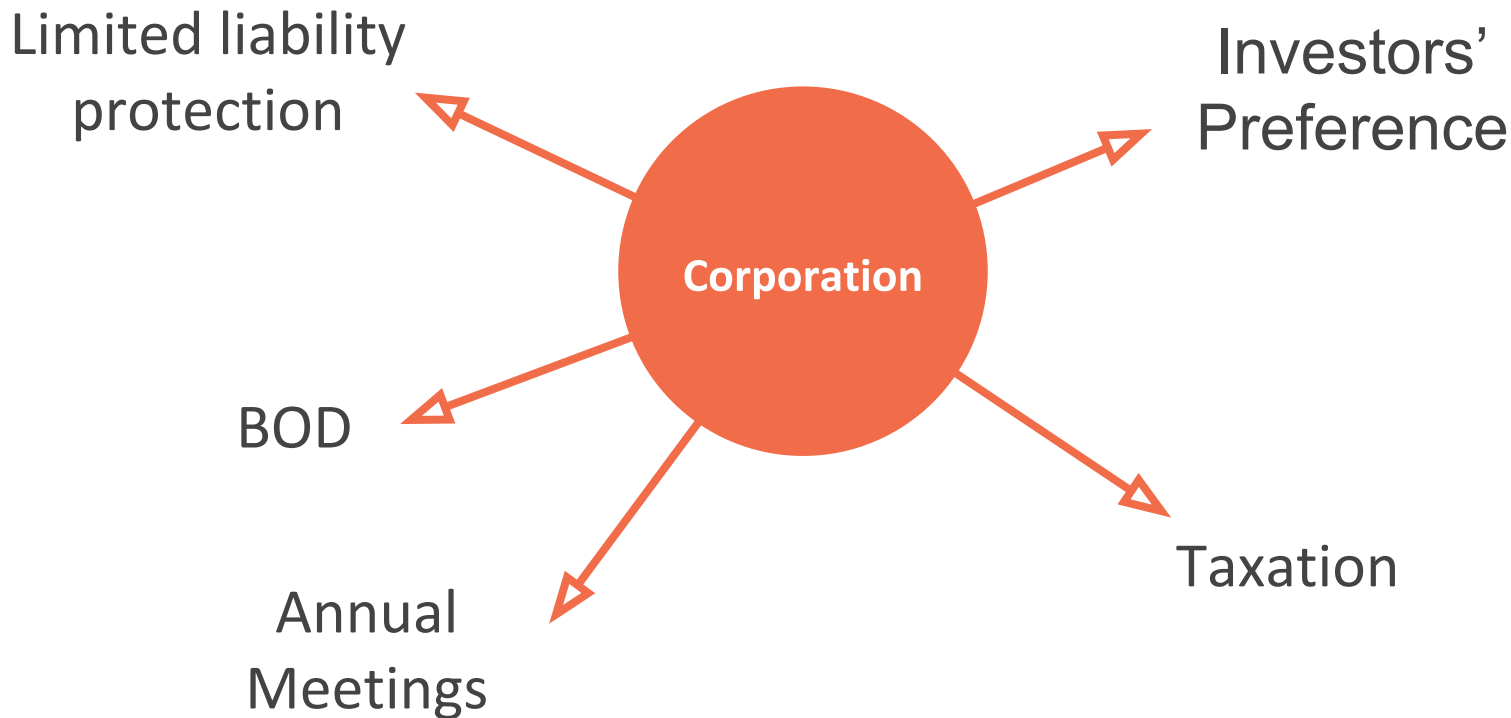


Delaware

California

New York

Which Entity



Logistics

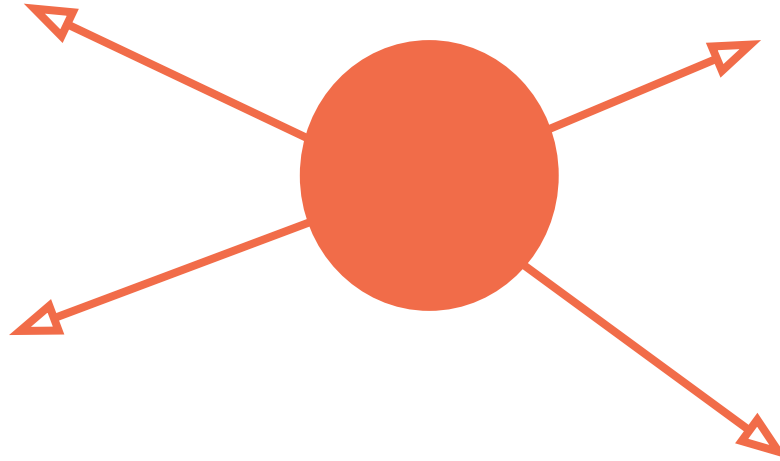


Business Address

Registered agent

Bank Account

Accounting



Costs in US



	Incorporation	Maintenance 1 st Year
Legal fees	\$1,500 - \$2,000	N/A
Filing fees DE Secretary of State	\$200	\$400
Registered Agent	\$100	\$100
Tax filings	N/A	\$1,500
Bookkeeping	N/A	\$1,000-\$2,000

Common mistakes



- Hiring **without** Agreements
- Founders' **Disputes**
- **Complicated** Structures

Investment Terms

Seed Funding



Who is going to do the work



Your attorney...



...**the investor's** attorney



COMPANY X

MEMORANDUM OF TERMS

This Memorandum of Terms represents only the current thinking of the parties with respect to certain of the major issues relating to the proposed private offering and does not constitute a legally binding agreement. This Memorandum of Terms does not constitute an offer to sell or a solicitation of an offer to buy securities in any state where the offer or sale is not permitted.

THE OFFERING

Issuer: COMPANY X, a Delaware corporation (the “**Company**”)

Securities: Series AA Preferred Stock (the “**Preferred**”)

Valuation of the Company: \$_____ pre-money

Amount of the offering: \$_____

Number of shares: _____ shares

Price per share: \$_____

TERMS OF THE PREFERRED

Liquidation preference: In the event of a liquidation, dissolution or winding up of the Company, the Preferred will have the right to receive the original ~~purchase~~ price prior to any distribution to the common stock. The remaining assets will be distributed *pro rata* to the holders of common stock. A sale of all or substantially all of the Company’s assets or a merger or consolidation of the Company with any other company will be treated as a liquidation of the Company.

Conversion: The Preferred may be converted at any time, at the option of the holder, into shares of common stock. The conversion rate will initially be 1:1, subject to customary adjustments.

Automatic conversion: Each share of Preferred will automatically convert into common stock, at the then applicable conversion rate, upon (i) the closing of a firmly underwritten public offering of common stock, or (ii) the consent of the holders of at least a majority of the then outstanding shares of Preferred.

General voting rights: Each share of Preferred will have the right to a number of votes equal to the number of shares of common stock issuable upon conversion of each such share of Preferred. The Preferred will vote with the common stock on all matters except as specifically provided herein or as otherwise required by law.

Terms you are negotiating



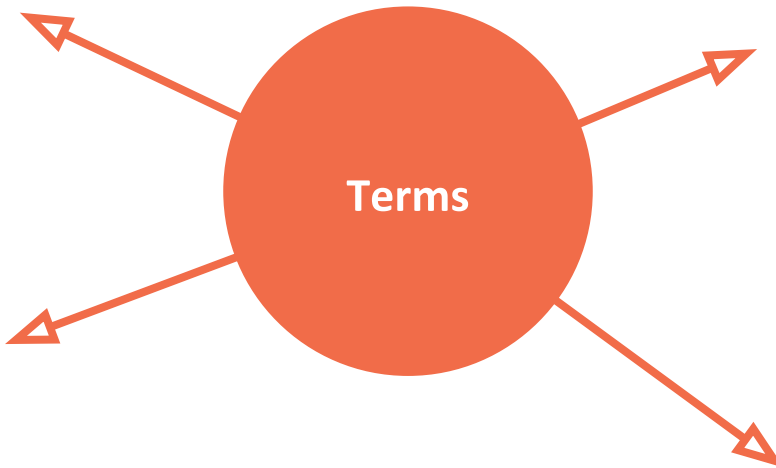
**Liquidation
preference**

**Company
valuation**

Terms

Board seat

Option pool



Convertible notes



Paul Graham ✓

@paulg

Convertible notes have won. Every investment so far in this YC batch (and there have been a lot) has been done on a convertible note.

Convertible notes at a glance



- It is a loan (sort of)
- No valuation
- Speed, simplicity & cost

Investor's option



Take his **money back**



Convert into shares



Equity vs Convertible Note



Equity Financing

- Valuation
- Preferred stock
- Expensive - due diligence
- Vesting / option pool

Convertible Note

- No valuation
- Less complicated & cheaper
- Debt

US vs Europe



US

- Higher valuations
- Less veto rights
- No Drag Along
- No vesting in Term Sheet

Europe

- Lower valuations
- More veto rights
- Drag Along/Tag along are common
- Founders' vesting

Thank you

Let's connect



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