**Delaware C-Corporation Conversion Timeline & Checklist for Mingus**

**Integrated Timeline with Current Development Roadmap**

**Current Status: Week 11 - Maryland LLC with Fully Functional Application**

**Phase 1: Stay as LLC & Monitor Triggers (Weeks 11-30)**

**Weeks 11-12: Production Setup & Beta Launch**

*Entity Status: Maryland LLC (Optimal)*

**Technical Priorities:**

* [ ] Production environment setup with proper .env configuration
* [ ] Database migration from SQLite to PostgreSQL
* [ ] SSL certificates and security headers configuration
* [ ] Logging and monitoring implementation

**Entity Monitoring Setup:**

* [ ] **Revenue Tracking Dashboard**
  + Monthly Recurring Revenue (MRR) tracking
  + Customer Acquisition Cost (CAC) calculation
  + Customer Lifetime Value (CLV) monitoring
  + Churn rate analysis
* [ ] **Conversion Trigger Metrics**
  + Target: $150K+ MRR for 3+ consecutive months
  + Target: 800+ active paying users
  + Target: <5% monthly churn rate
  + Target: Positive unit economics (CLV > 3x CAC)

**Legal Preparation:**

* [ ] **Document Maryland LLC properly**
  + Ensure Operating Agreement is current and signed
  + Maintain clean corporate records
  + Keep all contracts and agreements organized

**Weeks 13-16: Market Entry**

*Entity Status: Maryland LLC*

**Business Milestones:**

* [ ] Strategic partnerships with influencers and communities
* [ ] Customer acquisition engine implementation
* [ ] Target: 100+ beta users converting to paid subscriptions

**Entity Decision Checkpoint:**

* [ ] **Monthly Revenue Assessment**
  + Current MRR: $\_\_\_\_\_\_
  + Growth rate: \_\_\_\_\_\_% month-over-month
  + Paying users: \_\_\_\_\_\_
  + Average revenue per user: $\_\_\_\_\_\_

**Prepare for Future Conversion:**

* [ ] **Identify Corporate Attorney**
  + Research Delaware corporate law firms
  + Get initial consultations ($500-1,000)
  + Understand conversion process and costs
  + Recommended firms: Wilson Sonsini, Cooley, Gunderson Dettmer

**Weeks 17-20: Scale & Optimize**

*Entity Status: Maryland LLC*

**Business Milestones:**

* [ ] Product enhancement with AI-driven insights
* [ ] Business intelligence implementation
* [ ] Target: 300+ paying users, $50K+ MRR

**Entity Monitoring:**

* [ ] **Quarterly Business Review**
  + Revenue growth trajectory analysis
  + Market traction validation
  + Competitive positioning assessment
  + Fundraising timeline evaluation

**Weeks 21-30: Growth Acceleration**

*Entity Status: Maryland LLC*

**Business Objectives:**

* [ ] Scale to 500+ users
* [ ] Achieve $100K+ MRR
* [ ] Implement referral and viral growth features
* [ ] Begin initial investor relationship building

**Entity Preparation:**

* [ ] **Legal Infrastructure Audit**
  + Review all contracts and agreements
  + Ensure IP ownership is properly documented
  + Clean up any legal loose ends
  + Prepare financial statements for due diligence

**Phase 2: Conversion Preparation (Weeks 31-40)**

**Conversion Trigger Evaluation (Week 31)**

**Convert to Delaware C-Corp IF ALL of the following are met:**

* [ ] **Revenue Milestone:** $150K+ MRR for 3+ consecutive months
* [ ] **User Traction:** 800+ active paying users
* [ ] **Growth Rate:** 15%+ month-over-month growth
* [ ] **Retention:** <5% monthly churn rate
* [ ] **Fundraising Timeline:** Planning Series A within 6 months
* [ ] **Investor Interest:** Active conversations with VCs

**If triggers NOT met:** Continue as Maryland LLC and reassess monthly

**Weeks 31-34: Legal Team Assembly & Planning**

*Decision Point: Proceed with Conversion*

**Legal Team Engagement:**

* [ ] **Hire Delaware Corporate Attorney**
  + Engage top-tier firm (Wilson Sonsini, Cooley, or equivalent)
  + Budget: $15,000-25,000 for full conversion
  + Timeline commitment: 8-12 weeks for complete process
* [ ] **Conversion Strategy Session**
  + Review current LLC structure and assets
  + Plan optimal Delaware incorporation structure
  + Discuss stock option pool size (typically 15-20%)
  + Review employee equity plans

**Financial Preparation:**

* [ ] **Audited Financial Statements**
  + Engage CPA firm for audit (required for Series A)
  + Cost: $15,000-30,000
  + Timeline: 4-6 weeks
* [ ] **Clean Up Corporate Records**
  + Organize all contracts, agreements, and corporate documents
  + Ensure all IP assignments are properly documented
  + Review and update employee agreements

**Weeks 35-38: Corporate Structure Design**

**Corporate Governance Planning:**

* [ ] **Board of Directors Structure**
  + Plan initial 3-person board (typically founder + 2 advisors/investors)
  + Identify potential independent board members
  + Draft board compensation structure
* [ ] **Stock Structure Design**
  + Common stock allocation for founders and employees
  + Preferred stock structure for investors
  + Stock option pool sizing (15-20% typical)
  + Anti-dilution and liquidation preference planning

**Employee Equity Program:**

* [ ] **Stock Option Plan Development**
  + Design 4-year vesting schedule with 1-year cliff
  + Determine exercise prices and valuation methodology
  + Plan for ISO (Incentive Stock Option) compliance
  + Budget for 409A valuation ($15,000-25,000)

**Weeks 39-40: Final Preparation**

**Due Diligence Preparation:**

* [ ] **Document Organization**
  + Create comprehensive data room
  + Organize financial records for past 2+ years
  + Compile customer contracts and partnership agreements
  + Prepare intellectual property documentation
* [ ] **Team Communication**
  + Inform key employees about upcoming conversion
  + Explain equity program and benefits
  + Address any concerns about entity change

**Phase 3: Delaware C-Corporation Conversion (Weeks 41-48)**

**Weeks 41-42: Conversion Filing**

**Delaware Incorporation:**

* [ ] **File Certificate of Incorporation**
  + Choose Delaware as state of incorporation
  + Reserve corporate name (Mingus, Inc.)
  + File with Delaware Division of Corporations
  + Cost: $89 filing fee + $50 expedited processing
* [ ] **Corporate Bylaws Adoption**
  + Draft and adopt corporate bylaws
  + Define board meeting procedures
  + Establish voting and decision-making processes
  + Set annual meeting requirements

**Maryland LLC Conversion:**

* [ ] **File Conversion Documents**
  + Articles of Entity Conversion with Maryland
  + Certificate of Conversion with Delaware
  + Transfer all assets and liabilities to new corporation
  + Cost: $200-300 in filing fees

**Weeks 43-44: Corporate Governance Setup**

**Board of Directors:**

* [ ] **Elect Initial Board**
  + Conduct first board meeting
  + Elect officers (CEO, CFO, Secretary)
  + Adopt stock option plan
  + Approve initial corporate resolutions

**Stock Issuance:**

* [ ] **Issue Founder Stock**
  + Issue common stock to founders
  + File 83(b) elections within 30 days
  + Set up cap table management system
  + Document all stock transactions

**Corporate Infrastructure:**

* [ ] **Obtain Federal EIN**
  + Apply for new EIN for Delaware corporation
  + Update bank accounts and financial institutions
  + Transfer all business relationships to new entity

**Weeks 45-46: Employee Equity Implementation**

**Stock Option Plan:**

* [ ] **Implement Equity Program**
  + Grant initial stock options to employees
  + Conduct equity training sessions
  + Set up equity management platform (Carta, Shareworks)
  + File initial 409A valuation

**Legal Documentation:**

* [ ] **Employee Agreements Update**
  + Update all employee agreements for new entity
  + Include intellectual property assignments
  + Add confidentiality and non-compete clauses
  + Update employee handbook

**Weeks 47-48: Final Conversion Steps**

**Operational Transfer:**

* [ ] **Business Operations Migration**
  + Update all customer contracts to new entity
  + Transfer vendor relationships and agreements
  + Update banking and financial accounts
  + Migrate payment processing to new entity

**Compliance Setup:**

* [ ] **Delaware Compliance Program**
  + Set up annual franchise tax payment system
  + Establish corporate record-keeping procedures
  + Schedule quarterly board meetings
  + Implement corporate governance policies

**Phase 4: Fundraising Preparation (Weeks 49-60)**

**Weeks 49-52: Investment Readiness**

**Financial Systems:**

* [ ] **Audited Financials Completion**
  + Complete CPA audit for past 2 years
  + Prepare monthly financial statements
  + Implement robust financial reporting
  + Set up investor reporting systems

**Legal Due Diligence:**

* [ ] **Legal Document Finalization**
  + Complete all corporate governance documentation
  + Finalize employee equity grants
  + Update all material contracts
  + Prepare comprehensive legal due diligence package

**Weeks 53-56: Investor Materials**

**Fundraising Materials:**

* [ ] **Pitch Deck Development**
  + Create comprehensive Series A pitch deck
  + Develop financial projections and models
  + Prepare competitive analysis
  + Create demo and product roadmap

**Due Diligence Preparation:**

* [ ] **Data Room Creation**
  + Upload all corporate documents
  + Organize financial statements and contracts
  + Prepare customer and employee references
  + Include technical architecture documentation

**Weeks 57-60: Active Fundraising**

**Series A Launch:**

* [ ] **VC Outreach Campaign**
  + Identify target VC firms and partners
  + Schedule initial partner meetings
  + Present pitch and request term sheets
  + Negotiate investment terms

**Legal Process:**

* [ ] **Investment Documentation**
  + Review and negotiate term sheets
  + Draft Series A purchase agreements
  + Complete investor due diligence
  + Close funding round

**Cost Breakdown & Budget Planning**

**Total Conversion Costs**

| **Category** | **Cost Range** | **Timeline** |
| --- | --- | --- |
| **Legal Fees** | $15,000-25,000 | Weeks 31-48 |
| **Audit Costs** | $15,000-30,000 | Weeks 35-45 |
| **Filing Fees** | $500-1,000 | Weeks 41-42 |
| **409A Valuation** | $15,000-25,000 | Week 45 |
| **Equity Platform** | $2,000-5,000/year | Week 45+ |
| **Legal Due Diligence** | $5,000-10,000 | Weeks 49-52 |
| **Total Conversion** | **$52,500-96,000** | **18 weeks** |

**Ongoing Delaware C-Corp Costs**

| **Category** | **Annual Cost** | **Notes** |
| --- | --- | --- |
| **Delaware Franchise Tax** | $175-450 | Based on authorized shares |
| **Corporate Attorney** | $24,000-60,000 | $2,000-5,000/month retainer |
| **Audit Fees** | $25,000-50,000 | Annual audited financials |
| **D&O Insurance** | $5,000-15,000 | Directors & Officers coverage |
| **Corporate Compliance** | $5,000-10,000 | Board meetings, filings |
| **Equity Management** | $10,000-20,000 | Platform and administration |
| **Total Annual** | **$69,175-155,450** | **Post-conversion ongoing** |

**Decision Framework & Milestones**

**Conversion Go/No-Go Checklist**

**Financial Milestones (ALL required):**

* [ ] Monthly Recurring Revenue: $150,000+ for 3+ months
* [ ] Month-over-month growth: 15%+ consistently
* [ ] Customer churn rate: <5% monthly
* [ ] Unit economics: LTV/CAC ratio >3x
* [ ] Cash runway: 12+ months current burn rate

**Market Traction (ALL required):**

* [ ] Active paying users: 800+
* [ ] Market penetration in target cities: 3+ cities with 50+ users each
* [ ] Product-market fit evidence: High NPS scores, organic growth
* [ ] Competitive differentiation: Clear moat and value proposition

**Team & Operations (ALL required):**

* [ ] Management team complete: CEO, CTO, key hires identified
* [ ] Technical scalability: Infrastructure can handle 10x growth
* [ ] Operational processes: Customer success, support systems
* [ ] Regulatory compliance: Financial data protection, audit readiness

**Fundraising Readiness (2+ required):**

* [ ] VC interest: Active conversations with Series A funds
* [ ] Market timing: Favorable investment climate for fintech
* [ ] Growth capital need: Clear plan for $3M+ funding use
* [ ] Exit potential: Path to $100M+ valuation within 5-7 years

**Red Flags - Don't Convert If:**

* [ ] Revenue growth is slowing or inconsistent
* [ ] Customer churn is increasing (>7% monthly)
* [ ] Market competition is intensifying without clear differentiation
* [ ] Team is not complete or has key gaps
* [ ] Personal/founder tax situation is complex
* [ ] Can't afford conversion costs ($50K-100K)

**Action Items by Phase**

**Immediate Actions (This Week)**

* [ ] Set up revenue and user tracking dashboard
* [ ] Research and contact 3 Delaware corporate law firms
* [ ] Begin organizing current corporate documents
* [ ] Create conversion budget and timeline
* [ ] Identify potential board members and advisors

**Month 1-3 Actions**

* [ ] Monitor monthly revenue and user growth
* [ ] Build relationships with potential investors
* [ ] Continue product development and user acquisition
* [ ] Prepare financial systems for audit
* [ ] Research equity management platforms

**Month 4-6 Actions**

* [ ] Evaluate conversion triggers monthly
* [ ] Engage legal team if milestones are met
* [ ] Begin audit process if fundraising planned
* [ ] Develop pitch materials and fundraising strategy
* [ ] Clean up legal and corporate documentation

**Month 7-9 Actions**

* [ ] Execute Delaware C-Corp conversion if triggered
* [ ] Implement corporate governance structure
* [ ] Launch employee equity program
* [ ] Complete Series A fundraising preparation
* [ ] Begin active investor outreach

**Success Metrics Dashboard**

**Weekly Tracking (Weeks 11-30)**

* **MRR:** $\_\_\_\_\_\_\_ (Target: $150K+)
* **Active Users:** \_\_\_\_\_\_\_ (Target: 800+)
* **Monthly Growth Rate:** \_\_\_\_\_\_\_% (Target: 15%+)
* **Monthly Churn:** \_\_\_\_\_\_\_% (Target: <5%)
* **CAC:** $\_\_\_\_\_\_\_ (Target: <$100)
* **LTV:** $\_\_\_\_\_\_\_ (Target: >$300)

**Conversion Readiness Score (1-10)**

* **Financial Performance:** \_\_\_/10
* **Market Traction:** \_\_\_/10
* **Team Strength:** \_\_\_/10
* **Product Differentiation:** \_\_\_/10
* **Fundraising Readiness:** \_\_\_/10

**Target Score for Conversion:** 8+ in all categories

**Timeline Checkpoints**

**Month 3 Checkpoint:**

* [ ] Revenue at or above $75K MRR
* [ ] User growth trajectory on track for 800+ by Month 6
* [ ] Legal team identified and preliminary conversations started

**Month 6 Checkpoint:**

* [ ] Revenue at or above $150K MRR
* [ ] 800+ active users achieved
* [ ] Conversion decision finalized
* [ ] Legal process initiated if converting

**Month 9 Checkpoint:**

* [ ] Delaware C-Corp conversion completed (if executed)
* [ ] Series A materials prepared
* [ ] Active fundraising process launched

This timeline ensures you convert at the optimal time—early enough to have proper corporate structure for fundraising, but not so early that you incur unnecessary costs and complexity before you need it.