



Accelerating entrepreneurial success.

## TwitterChat 6/17/15    Equity & Founders Shares

### Q1

**Launch\_NY:** Q1 What kind of corporat structure works best? LLP S Corp? #LaunchHour  
6/17/2015 4:09:11 PM

### A1

**StartUpGrindBuf:** A1真id consult a lawyer #launchhour but llc seems like safe bet  
@Launch\_NY  
6/17/2015 4:11:38 PM

**SyracuseSeth:** #LaunchHour I started an LLC, it worked well for me. BUT, if I knew a large fundraise was ahead, I'd want more flexibility to issue shares  
6/17/2015 4:13:28 PM

**SyracuseSeth:** #LaunchHour Often founders are troubled feeling locked into the "right" corporate choice right out of the gate. You can change, with costs  
6/17/2015 4:15:19 PM

**SyracuseSeth:** #LaunchHour A1. The most important thing, is that you KNOW and MAXIMIZE the legal structure. Consult an attorney and operationalize it  
6/17/2015 4:17:35 PM

### Q2

**Launch\_NY:** Q2 How much equity should we set aside for distribution now at early stage vs. later? #LaunchHour  
6/17/2015 4:18:18 PM

### A2

**SyracuseSeth:** #LaunchHour A2. A powerful tool early on is equi-hires. Trade equity vesting for salary (or less salary). Our investments suggest 10-20%  
6/17/2015 4:19:18 PM

**SyracuseSeth:** #LaunchHour A2. The point is, it's healthy to have an declining balance of equity as founders. Yes, preserve your own regturns... AND  
6/17/2015 4:19:47 PM

**ColliganLaw:** @Launch\_NY convertible debt is also a nice vehicle to utilize early on.  
#launchhour  
6/17/2015 4:19:54 PM

**SyracuseSeth:** #LaunchHour A2. ... realize you are trading that equity away for the necessary cash, partners, employees, and investors you need to grow!  
6/17/2015 4:20:17 PM

**SyracuseSeth:** #LaunchHour A2. Don't get paralyzed by your cap. table. Leave dry powder to anticipate the future and balance against needed growth.  
6/17/2015 4:21:29 PM

**SyracuseSeth:** #LaunchHour A2. Last point equity distribution. Ask yourself if you know your valuation. Equity can't be willy-nilly, tie it to value  
6/17/2015 4:22:35 PM

**ColliganLaw:** @StartUpGrindBuf @SyracuseSeth We generally suggest not giving away more than 20% in an early round #launchhour  
6/17/2015 4:23:30 PM

### Q3

**Launch\_NY:** Q3 How do I set milestones for each stage in terms of equity distribution?  
#LaunchHour  
6/17/2015 4:25:07 PM

### A3

**ColliganLaw:** A3 look at the projected growth path of the company--commercialization, expansion, etc., for your capital needs. #launchhour  
6/17/2015 4:28:13 PM

**ken\_rother:** Take a read of <http://t.co/H1g4hj2S7a> what are you motivations?  
#launchhour  
6/17/2015 4:29:33 PM

### Q4

**Launch\_NY:** Q4 Where do we go for the legal documentation? Lawyer or Internet?. Or both? #LaunchHour  
6/17/2015 4:33:51 PM

### A4

**ColliganLaw:** @Launch\_NY A4 A lawyer of course! ;o) #launchhour  
6/17/2015 4:34:19 PM

**SyracuseSeth:** #LaunchHour A4. I did both. Internet in two ways... 1. Great for research, read about ventures similar to yours, state regs, etc. And....  
6/17/2015 4:34:50 PM

**ColliganLaw:** @Launch\_NY A4 in all seriousness though, it often costs more to have an attorney correct then to do it right the first time. #launchhour  
6/17/2015 4:35:00 PM

**ken\_rother:** At the end of the day do not play lawyer! Educate yourself but do not play lawyer!  
#launchhour  
6/17/2015 4:35:33 PM

**SyracuseSeth:** #LaunchHour A4. 2. Internet can get some great basic templates and "starter" documents. BUT, don't be so bootstrapped you ignore an attorney  
6/17/2015 4:35:34 PM

**JordanWalbesser:** A4: Both. Understanding the documents, and knowing what you want helps cut down costs. Your lawyer can clean up and clarify. #LaunchHour  
6/17/2015 4:35:56 PM

**bobkot9:** A person who does his own legal work has a fool for a client!! #launchhour  
6/17/2015 4:36:19 PM

**SyracuseSeth:** #LaunchHour A4. An good attorney will save headaches, risk, & true costs in the long run. Its an investment in your co. to get professionals  
6/17/2015 4:36:42 PM

**JordanWalbesser:** A4: (part 2) The attorney should handle filings. There's so many tricks to getting things done without extra hassle. #LaunchHour  
6/17/2015 4:37:34 PM

**SyracuseSeth:** #LaunchHour A4. A pitfall to avoid is just setting arbitrary equity distributions. Mastering a cap table (membership table) is key  
6/17/2015 4:38:35 PM

**SyracuseSeth:** #LaunchHour A4. You do this by not only consulting with an attorney but aniticipating future rounds (avoid down round), goals, industry, etc  
6/17/2015 4:39:49 PM

## Q5

**Launch\_NY:** Q5 What are the differences between early "friends & family" investors now and accredited investors later? #LaunchHour  
6/17/2015 4:43:16 PM

## A5

**SyracuseSeth:** #LaunchHour A5. Accredited is a SEC definition. It tries to describe a level of sophistication where investors can make informed decisions  
6/17/2015 4:44:10 PM

**SyracuseSeth:** #LaunchHour A5. The key: when you "solicit" investors, you need to determine if you are actually offering a federally regulated security.  
6/17/2015 4:45:00 PM

**SyracuseSeth:** #LaunchHour A5. So early investors that are close and relatively small amounts you are generally okay to speak freely to them (your parents)  
6/17/2015 4:45:48 PM

**SyracuseSeth:** #LaunchHour A5. This is what makes the Jobs Act / Crowdfunding so exciting. It's a web-enabled "middle ground"  
6/17/2015 4:47:01 PM

**SyracuseSeth:** #LaunchHour A5. Raising money art & a science.... with fees, penalties (maybe even jail). Don't be scared but be informed (attorneys!).  
6/17/2015 4:49:04 PM

## Q6

**Launch\_NY:** Q6 Lets talk crowdfunding. How does that impact equity distribution? Does the crowd get shares? #LaunchHour  
6/17/2015 4:48:16 PM

### A6

**SyracuseSeth:** #LaunchHour A6. Does the crowd want shares?  
6/17/2015 4:49:21 PM

**SyracuseSeth:** #LaunchHour A6. It many ways crowdfunding is coming 3 flavors-- 1. Donation Based (kickstarter) 2. Lending (Lendingclub) 3. Equity  
6/17/2015 4:50:10 PM

**SyracuseSeth:** #LaunchHour A6. Equity portals transact shares, the others not so much! So its about matching your company needs to the right source/type  
6/17/2015 4:51:03 PM

**JordanWalbesser:** And they are very strict, @SyracuseSeth! Poorly executed offerings in the beginning have killed IPOs. #LaunchHour  
6/17/2015 4:51:15 PM

## Q7

**Launch\_NY:** Q7 Who should a startup talk to first? Lawyer, Accountant or Mentor?  
#LaunchHour  
6/17/2015 4:56:53 PM

### A7

**SyracuseSeth:** #LaunchHour A7. Please talk to all.... I suppose a mentor might be best to start. Find someone who has done what you are looking to do  
6/17/2015 4:57:53 PM

**SyracuseSeth:** #LaunchHour A7. But don't just consider this a checklist. It's not once & done. Keep these people engaged, circle back, evolve the dialogue  
6/17/2015 4:58:43 PM

**JordanWalbesser:** A7: Why not all three at once? Saves so much time and energy. Plus, nothing gets distorted when everyone is in the same room. #LaunchHour  
6/17/2015 4:58:49 PM

**StartUpGrindBuf:** A7- none. Talk to your #customers and make sure your startup is validated cc: @ericries #launchhour <https://t.co/4TnVvu8o7O>  
6/17/2015 4:58:50 PM

**AlexAdema:** A7 maybe additionally, seek out others from startup community that have past experience which could help inform your questions #launchhour  
6/17/2015 4:59:34 PM

**SyracuseSeth:** #LaunchHour A7 @StartUpGrindBuf yes, have customer validation early but don't talk to customers about your equity cap table directly = weird  
6/17/2015 5:00:32 PM

**StartUpGrindBuf:** Thanks @Launch\_NY #launchhour <https://t.co/lr5tiUOMwu>  
6/17/2015 5:03:30 PM