

**Workshop**

What Founders Need to Know About Start-Up Companies and Venture Capital Investment

  For Founders**Level****Basic****Duration**

This workshop can be presented as a full one day workshop, or, to try to make the time commitment less onerous for founders, it can be presented on two consecutive half days.

Program

A detailed description of the workshop program is below.

How this workshop helps tech transfer professionals

Are you about to form, or have you already formed a start-up company?

Is your start-up seeking to raise capital from an angel investor, seed fund or venture capitalist? Or is doing so on the horizon?

This workshop covers:

- the business of setting up and managing a startup company
- what you must know about its structure, including its share structure
- what you must know about its governance, what a general meeting must do, and what the board must do
- the role of directors, their potential liabilities, and what you must know about
 - conflict of interests, and
 - when directors may be personally liable for the debts and liabilities of the startup.

The main focus of this workshop is on getting ready to negotiate investment terms with an investor:

- how the investment is made
 - SAFE Notes
 - Investment through tranches
- share rights
- anti-dilution rights
- investor's preferential rights to dividends and surplus capital
- share conversion rights
- participation in Board decision-making and governance
- veto or consent rights in company decision making
- tag along and drag along rights
- preferential rights to make further investment
- preferential rights to acquire shares from other shareholders
- voting rights on an "as converted" basis?

This workshop will equip you to assess what an investor proposes on these and other critical investment terms.

It will equip you to recognise what aspects of the investor's proposal are negotiable, and what commercially acceptable alternatives you can consider proposing.

Presenter	Philip Mendes
Delivery style	<p>Interactive workshop style.</p> <p>Emphasis on discussion, participants asking questions, contributing their comments, and sharing their experiences.</p> <p>We find that this interactive workshop style keeps participants alert and achieves a more effective learning and skills building outcome.</p>
Materials	Each participant receives a set of bound workshop materials which will be an ongoing reference resource.
Certificate of Completion	A Certificate of Completion is provided to each participant.

WHAT FOUNDERS NEED TO KNOW ABOUT START-UP COMPANIES AND VENTURE CAPITAL INVESTMENT

[Times are approximate. Please expect that the duration of breaks may be shortened throughout the day]

8.45	Arrival	
9.00	What you need to know about start-up companies, their formation, company structure, share structure, and management	How to form a company. Requirements. Shareholders. Directors. Role of the Board. Role of General Meetings. Role of Directors. Director's duties. Conflict of interests. Director's liabilities. When may a director be personally liable for the debts and liabilities of the startup? Limited liability of shareholders. Incentivising the management team with share plans and options plans. What is the difference between them and how do they work?
10.30	Morning Tea	
11.00	Factors influencing an investor's decision to invest – do you match what the investor is looking for?	Investing in the management team. Financial return on the investment. Robustness of the intellectual property protection, competing technology. Technical due diligence on the technology: validating the science. Business and marketing due diligence: validating the business opportunity. Investor exit strategies: listing, trade sale, other exit mechanisms.
	Ten Rules for Pitching to a VC or Angel	There are certain things VCs and investors don't like in pitches, and certain things they do like. Here are 10 things to make sure you do, or to make sure you do not do.
	Getting IP into the Start-Up company	License or assignment? Getting IP access from a university or research organisation. License terms including financial / equity terms, shareholding terms, and IP protection terms. Why assignment at some stage is critical. Option to assign in the future. Triggers for the assignment option. Intellectual property related warranties and who makes them.
12.30	Lunch	
1.30	The way that the investment is made	The Founder's equity in the start-up company. Investee company structure. SAFE Notes and their terms. Convertible Notes and their terms. Investment in tranches subject to milestones. How milestones are framed and how that framing may disadvantage you. Negotiating the framing of milestones. Negotiating business warranties an investor seeks.
	Share preferential rights sought by an investor	How classes of shares work. Negotiating dividend rights: preferred dividends, dividend rates, cumulative dividends. Negotiating share redemption rights: when redemption rights arise, redemption rates and models. Negotiating anti-dilution rights: rationale and models. Negotiating share conversion rights: conversion rationale, conversion models. Voting rights: 1 for 1, weighted voting on an as converted basis. Return on share capital: ranking and priority, models implementing preferential returns. What happens when a start-up is stock exchange listed. What happens on a trade sale. What happens on a merger. Liquidation and distributions to shareholders including investor preferences
3.00	Afternoon Tea	
3.30	Company governance and the terms of a Shareholders Agreement	How a Board is composed or appointed. Independent directors. Special shareholder approval matters. Special board approval matters. Rights to financial and management information. Pre-emptive rights on new share issues. Pre-emptive rights on share transfers. Co-sale rights. Come Along and Drag Along Rights. How they each work and models for their implementation.
	Group Exercise – a VC's Term Sheet	A VC's Term Sheet is presented. Participants will go through the term sheet. The aim is to recognise what is in the term sheet that is not acceptable and should be removed, that which is commercially acceptable, and that which should be negotiated, and how.
5.00	Close	