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Start-Up Corporate Formation Legal Roadmap Worksheet
For use by Participants in the StartSmart Workshop¹

I. Brief Description of Business

1. Name of business
 - (a) Did you check availability?
 - (b) Domain name available?

2. What is the anticipated business of the enterprise? In particular:
 - (a) What product(s) or service(s) will the enterprise sell?
 - (b) Is the business engaged in personal services, banking, insurance, financing, leasing, investing, farming, or operating a hotel, restaurant or similar business?²
 - (c) Who or what is the typical customer for the product(s) or services(s)?
 - (d) What is unique about the product or service?

II. Form of Entity

1. Shareholder identification
 - (a) Who are the initial shareholder(s)?
 - (b) Are there other initially anticipated shareholders (e.g., licensors of technology). If so, who are they?

2. Character of initial shareholders (e.g., individual, corporate, partnership)³

3. Are any of the initial shareholders other than US citizens? If not, describe.

4. Capital of the corporation

¹ Use of this Outline is intended solely as a worksheet in preparation for consultation with legal counsel.

² If engaged in one of these businesses, unlikely to qualify as Qualified Small Business Stock.

³ If any of the shareholders are not individuals or non-US citizens, then the company may not qualify for S Corporation status.

- (a) Who will initially capitalize the enterprise?
- (b) How much will the enterprise be initially capitalized for?
- (c) From where do you anticipate obtaining additional capital?
- (d) Do you anticipate obtaining capital from venture capital funds?

5. Exit

- (a) Do you think that it is more likely that you will:
 - (i) Make dividends or distributions from the operations of the company;
 - (ii) Redeploy the earnings of the enterprise back into the company rather than make distributions or dividends; or
 - (iii) Both (i) and (ii)
- (b) When do you think that is most likely to sell the enterprise? If less than 5 years, unlikely to qualify as Qualified Small Business Stock.

6. Benefit Corporation Considerations

- (a) Is the entity intended to produce a public benefit and operate in a responsible and sustainable manner?
- (b) Is the source of capital consistent with a Benefit Corporation?
- (c) Is the Company prepared to undertake the additional reporting and disclosure requirements?

III. Founder Former and Prospective Employment/Consulting Arrangements

- 1. Is any founder subject to any restricted obligation?
 - (a) Employment agreements or expired employment agreements.
 - (b) Employment policies.
 - (c) Invention assignment agreements.
 - (d) Confidentiality agreements.
- 2. What role will each initial founder play after formation?
 - (a) Job title?
 - (b) Job description (high level)
 - (c) Full-time or part-time. If part-time, how much time? (e.g, 20%, 40%)?
- 3. What is the anticipated compensation for the founders?

4. Will all founders be subject to a non-compete obligation?
 - (a) During the term of employment/consulting?
 - (b) For a period after employment/consulting?
 - (c) What is the period-post-employment (1 year, 2 years or 3 years)?
5. Will all founders be subject to a non-solicitation obligation (customers)?
 - (a) What is the period post-employment (1 year, 2 years or 3 years)?
6. Confirm that all founders will sign invention assignment agreements. Current and Prospective.
7. Will founders be paid severance if employment is terminated? If so, how much?

IV. Equity Arrangements for Founders

1. What are the initial shareholders contributing to the enterprise?
 - (a) Idea
 - (b) Business Plan
 - (c) Domain Expertise
 - (d) Commitment and risk (e.g., working for the enterprise)
 - (e) Responsibility
2. What are weights of the contributions?
3. Vesting.
 - (a) Will the founders' equity vest over time?
 - (b) If so, over what period (e.g., 2, 3, 4 or 5 years)?
 - (c) What is the effect of the following on vesting?
 - (i) Sale of company
 - (ii) Resignation
 - (iii) Termination without cause
 - (iv) Termination with cause
4. Does the Company have a right to repurchase after employment/consulting with the enterprise?

V. Governance/Shareholder Arrangements

1. Does any shareholder/owner have a right to be on the board?

2. Are there any decisions that require “super - majority?” (e.g., sale of company, issuance of additional equity)
3. Who will make the “big decisions?”
4. Are the restrictions on transfer of Shares for a period of time? (e.g., prohibition on sale without Board approval, right of first refusal in favor of the Company)

VI. Employee Equity

1. What percentage of the equity do the founders want to reserve for employees
2. Will the employee equity be subject to vesting?