

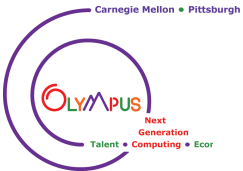
CONNECTS

START SMART

How to Shop for a Lawyer

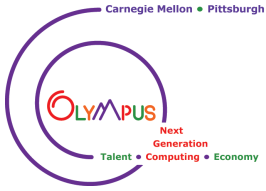
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CONNECTS

Are you looking for team mates?

Are you looking for a team to join?

Do you need any advice or help?

Any announcements?

www.olympus.cs.cmu.edu

Do Shop!

What to Shop For

➤ **Type**

➤ **Domain Experience**

➤ **Price**

➤ **Affinity/Chemistry**

➤ **Belief in Your Idea**

TYPE

HBR: Top 10 Legal Mistakes Made by Entrepreneurs

#8 – Hiring a lawyer not experienced in dealing with entrepreneurs and venture capitalists.

Ask: “How many start-ups have you worked with?”

“What other types of lawyers will I need?”

Start-Up Experience

	Example 1	Example 2
	\$250,000	\$250,000
	Priced Round	Conv. Debt
Founder	41%	46%
Employees	7%	8%
F&F	12%	6%
Series A	<u>40%</u>	<u>40%</u>
Total	100%	100%

Domain Experience

- **Software?**
- **Medical Devices?**
- **Manufacturing?**
- **Target Market/Customers?**
- **Federal Government?**

Ask: “Have you worked with other startups like mine?”

Price

- Hourly rates vs Flat fees for a bundle of services
- Deferred payment
- Rates/options for services such as copies

Ask:

“What type of legal expenses can I expect?”

“Do you offer packages?”

“Will you consider deferring charges?”

Affinity/Chemistry

- Are you comfortable asking questions?
- Do you communicate well?
- Do you 'get' each other?
- Are your questions being answered?

Ask: “How do you feel about working with students?”

Belief in Your idea

- **Do they display interest and enthusiasm?**
- **Did they do any research before meeting you? (if you briefed them on your idea)?**
- **Do they buy into your vision – believe in what your company is all about?**

Ask: what do you think of the potential for my idea/business? Any initial thoughts?

TIPS – Managing the Relationship

- **Read and understand Engagement Agreements – its your job**
- **Negotiate – okay to alter the Agreement**
- **Ask if you can talk to one or two clients who are similar to you**

Tips – Managing Costs

- **Decide whether you want to pre-approve payment for copies, telephone calls...**
- **Ask that projects and budgets be defined before work begins**
- **Magic Write-In: “Until notified by client, all billing costs for work to be completed must be discussed in detail and agreed upon by both parties and pre-approved before work begins.”**

TIPS – Being a Good Client

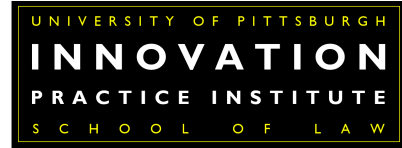
- Don't defer payments too long.
- Consider paying a minimum retainer.
- Read and understand the documents
- Pay your bills on time.
- Do some research on your own.
Ex: Download and try to complete sample operating agreements and other legal documents in advance. Attend Start Smart Seminars.

Firing a Lawyer

- Stops being accessible OR responsive.
- Overcomplicates contracts and negotiations
- Sloppiness, errors – can happen over time.
- Frequently last minute



START SMART



Spring: Legal Seminars and Workshops (tentative)

- **Starting a Business with an F-1 Visa**
- **Company Formation (Workshop)**
- **Protecting Your IP**
- **Raising Capital (Part I)**
- **Raising Capital: Negotiating a Term Sheet (Part II)**
- **Social Enterprise Legal Issues**
- **Top mistakes clients make**

Olympus/IPI Resources

- **Sample documents**
- **Lawyers that work with Startups**
- **Office Hours –Check the Weekly Bulletin (Business and IP)**
- **Entrepreneurial Resources**
(www.cmu.edu/olympus)

Top 10 Legal Mistakes Made by Entrepreneurs

HBR: March 3, 2003

10. Failing to incorporate early enough.
9. Issuing founder shares without vesting.
8. Hiring a lawyer not experienced in dealing with entrepreneurs and venture capitalists.
7. Failing to make timely Section 83 (b) election.
6. Negotiating venture capital financing based solely on the valuation.

Top 10 Legal Mistakes Made by Entrepreneurs

HBR: March 3, 2003

5. Waiting to consider international property protection.
4. Disclosing inventions without a nondisclosure agreement, or before the patent application is filed.
3. Starting a business while employed by a potential competitor, or hiring employees without first checking their agreements with the current employer and their knowledge of trade secrets.
2. Promising more in the business plan that can be delivered and failing to comply with state and federal securities laws.
1. Thinking any legal problems can be solved later.

Quick Tips

1. Hire a lawyer experienced with startups

HBR: *Top 10 Legal Mistakes Made by Entrepreneurs*

#8 – Hiring a lawyer not experienced in dealing with entrepreneurs and venture capitalists.

2. Interview multiple lawyers and ask key questions

- ❖ Have you prior clients in the same domain?
- ❖ What laws do you think will apply to my business?
- ❖ What type of legal services do you think I will need
- ❖ What are your fees and how do you bill?

3. Look for good synergy and 'chemistry'

- ❖ Do you communicate well? Are you comfortable with each other?
- ❖ Does he/she 'get' your business?