

Top Five Things A Lawyer Can Do To Help With Fundraising

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- 1. Clean Up the “Cap Table.”** The “capitalization table” (or “cap table”) shows who owns the Company. Too often, the Company has made promises of actual (or contingent equity) to a variety of people, leaving the current status of who owns the company murky.
- 2. Ensure Securities Law Compliance.** When equity is issued “outside” of the securities laws, the equity holder can demand their money back. This creates an unknown “contingent” liability of the Company – are the current equity owners really “in?” Fortunately, there’s a relatively simple way – up front - to ensure compliance.
- 3. Network – know what angels want to see (generally and specifically).** Some entrepreneurs can make some classic mistakes when presenting to angels. What angels want to know is pretty straightforward. Even more important, some angels have particular preferences for stage, industry, etc. Why waste time presenting the wrong deal (or presenting the right deal the wrong way) to them?
- 4. Check out Management – no prior Non-Competes, no pending lawsuits.** The angel will check on this anyway; why waste everyone’s time if non-competes or lawsuits exist? The earlier you begin work on fixing any of these issues, the easier they will be to fix.
- 5. Confirm top management is on a Non-Compete/Invention Agreement their current Company.** The flip-side of item 4. Many angels (and ALL VCs) want to know that top management is “committed” to the Company, usually through non-compete agreements. These protect each member of the team as well, against others who would jump ship and unfairly compete.

And one more for good measure.....

- 6. Tune up the “backbone contracts”.** Some agreements form the “backbone” of the venture (for example, an in-bound license agreement where a third party owned or developed the technology). Make sure these don’t have any wild card clauses that will trip up the Company as it brings on successive rounds of financing, grows and exits.