

# 8 "Great" Mistakes Entrepreneurs Make

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March 24, 2009

Rhode Island Business Plan Competition

## 8 "Great" Mistakes Entrepreneurs Make (cont'd)

# 1. Failing to Pay Attention to Corporate Formalities

- Formation
- Stock Issuance
- Founder Agreements
- Give corporate and legal matters the same respect as your source code/lab notebooks/engineering documents

### 2. Complicating the Formation Process

- KISS Principle
- Choice of entity (corporation vs. LLC)
- S corp vs. C corp
- Where to incorporate

### 3. Refusing to Subject Founders’ Stock to Vesting

- Founders’ departure triggers repurchase of some shares by company
- 83(b) elections are critical
- Transfer restrictions – ROFR and IPO lock-up

### 4. Dwelling on Valuation

- Focus on winning before worrying about your share of the win
- A company never went out of business because of dilution

### 5. Failing to Raise Enough Money (for fear of dilution or otherwise)

- Everything costs twice as much as you think it will
- Everything takes twice as long as you think it will
- Management needs to run the business rather than be preoccupied with fundraising efforts

### 6. Spending Money Too Quickly

- Hire conservatively and purposefully (programmer vs. CFO)
- Consider equity compensation (with vesting)

### 7. Failing to Pick Advisors Who Add Value to your Business

- Investors
- Directors
- Service Providers and Advisors



# 8 “Great” Mistakes Entrepreneurs Make

## 8. Failing to Adequately Protect Your Intellectual Property Assets

- Rights of former employers
- Rights of consultants and other third party developers
- Lack of adequate trade secret protection (NDAs)
- Secure IP assets (restrict access, etc.)

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