

Genesis of a Startup

...from concept to company

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Early Validation

- The elevator pitch
- Who are your customers?
- What intense and valuable need do you satisfy?
- Sizing - How many customers exist, how much do they pay you?
- Why will your company win?
- What are your risks?
 - Market, technology, team, execution

The Basics

- California or Delaware?
- Keep a simple capital structure
- Beware of employment agreements
- When the time is right:
 - Get a good commercial bank
 - Hire a good law firm
- Keep clean records!
- Schedule your time wisely

Validation

- What specific milestones must you hit?
 - Release early, release often
 - Seek incremental, measurable progress
 - Pick your metrics, make them meaningful
 - How much money will you need?
- Know your customers
- Leverage free research, paid if necessary

Building Your Core Team

- ❑ It is HARD to find good people
 - ❑ Use and expand your personal network
 - ❑ Decide what YOU want to do
 - And what do you need others to do?
 - ❑ Have a clear vision of the future success
 - ❑ Will your company's skill needs change over time?
 - ❑ Use sensible compensation packages
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Fund Raising

- ❑ Don't immediately assume you need to
- ❑ Run a tight ship
 - Keep burn rate very low, for as long as you can
- ❑ Stay hungry and avoid dilution
 - Raise the smallest amount that safely gets you past the next value-creation plateau
 - Understand what it takes to reach profitability

What's in a Term Sheet

- Valuation, valuation, valuation
- Amount to be raised
- Have a plan B
- Don't believe "this is customary"
- Liquidation preferences
- Anti-dilution
- Other stuff
 - Information rights, insurance, revesting

Thank You

□ How to contact me

- jonathan@kiptronic.com
- or by phone: ask for my card today

□ This presentation is online:

- <http://kiptronic.com/jonathan/startupsf-2008-04-30.ppt>