

# Organizing the Business Enterprise

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# Choosing Legal Counsel

- Team Building Process (Internal vs. External)
- Criteria:
  - Attorney practice that fits the business
  - Industry knowledge, contacts
  - Experience with similar businesses
  - Cost effective, fast turn-around
  - High quality!
- Big Firm vs. Small Firm

# Start-up Legal Issues

- Business model will drive legal issues
  - Centralized vs. decentralized management
  - Bootstrap vs. financing
  - Fast growth vs. slow growth
  - Cash vs. equity incentives
- Build infrastructure, but retain flexibility
- All businesses are not the same!

# Example 1: Product Development

- Goal: leverage products and/or services
- Business model
  - Sale/licensing of products and related services
  - Decentralized management: multiple owners, boards
  - Financing: external, angel investors, VCs
  - Fast growth: 10-15 employees/year
  - Typical form of entity: Delaware Corporation

# Example 1: Product Development

- Drivers: Financing & Timing
- Legal Needs
  - Formation of business entity
  - Founder equity (allocation, vesting, incentives)
  - Intellectual property protection (NDAs, Pat, TMs)
  - Employment/consulting agreements
  - Financing transactions
  - Office/equipment leases
  - Distribution & sales (OEMs, VARs, Customers)

## Example 2: Consulting Services

- Goal: leverage knowledge & salaries
- Business model
  - Sale of time-based consulting services
  - Centralized management: few owners/partners
  - Financing: internal, bank loans, credit cards
  - Slow growth: 1-2 employees/year
  - Typical form of entity: domestic LLC

## Example 2: Consulting Services

- Drivers: Ownership & Control
- Legal Needs
  - Formation of business entity
  - Owner's buy-sell agreement
  - Employment/consulting agreements
  - Bank loan/credit facilities
  - Strategic relationships
  - Protection against liability

# Maximizing Legal \$\$

- Attorney's practice aligned with business needs
- Client's understanding of legal issues
- Prioritization of legal issues (both)
- Attorney's practical suggestions
- Client's timely responsiveness
- Revisit priorities as business changes
- Set expectations in timing & budget

# Contact Information

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