

So you want to be an  
entrepreneur / business leader

# **BUILDING A COMPANY & THE BOARD**

**LARRY STAMBAUGH,  
VISIONARY CORPORATE GOVERNANCE LEADER**

# WHAT IS THE #1 FACTOR FOR BUSINESS SUCCESS?

- ✓ Sound Strategy
- ✓ Technology / Product
- ✓ Capital Resources
- ✓ People & Team



*It's the people and the team*

**“THE ABILITY TO MAKE GOOD DECISIONS REGARDING  
PEOPLE REPRESENTS ONE OF THE LAST RELIABLE  
SOURCES OF COMPETITIVE ADVANTAGE SINCE VERY  
FEW ORGANIZATION ARE VERY GOOD AT IT”**

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-Peter Drucker, Business Guru



# Better Boards Make Better Companies

- When to build the board- NOW
- Who should you recruit?
- What is an ideal size board?
- How often should you meet?
- What compensation of directors is appropriate?
- What is the board's job and what should I expect from them?
- How does the agenda and presentations go at a meeting?
- Do I lose control of my Company with a board– the myth



# Survey of Our Audience Today

1. Who are entrepreneurs here that have an early-stage company or are forming one?
  1. How many have established a board?
    1. How many directors do you have on your board (2, 5, 7, more)
    1. How many of the directors are outside of management?
    2. How many directors are friends or loyal to the founder/CEO?
    3. How often is your board meeting (monthly, quarterly, other)

# Who To Recruit and Ideal Size of the Board

- Let's Start with Size of the Board – Five to Seven Members
- Who Make Ideal Board Members
  - Seasoned CEO's or Executives with Successful Entrepreneurial Experience (Everybody needs a coach)
  - Persons with Capital Raising Experience and Current Contacts
  - Executives from Your Company's Technology Area
  - Venture Capitalists are Coming Soon
  - Experienced Board Members From Your Industry
- Meet Quarterly, and Hold Special Meetings as Needed



# What Culture Do You Want in Your Boardroom?

- The Board is Basically Responsible to Hire and Fire the CEO, and Help Set Strategy
- You Want a Board That Understands Their Job is Also to Mentor Management and Open Doors
- The Most Healthy Culture is One of Trust, Open, Civil Debate, Confidentiality, and Full Support Once Decisions Are Made
- It is a Best Practice to Have a Chairman or Lead Director – One of the Independent Directors
- Every Meeting Should Include an Executive Session Without Management Present and Follow Up with the CEO

The Power Is In the Questions

# Board Compensation, Term and Roles

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- Compensate Directors with Options or Restricted Stock
  - Options of .25% to .50 of fully diluted, earned over a Three Year Period
  - Restricted Stock a good alternative for many directors
  - Special compensation for specific contributions
- Define Special Roles for Each Director
  - Committees Audit, Compensation, Nomination, Scientific
  - Industry contacts, finance contacts, scientific or regulatory experience
- Three Year Terms and Classified Board a Good Practice
  - One third of board elected each year
  - Deterrent to unfriendly take-overs



*Your Questions About*

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