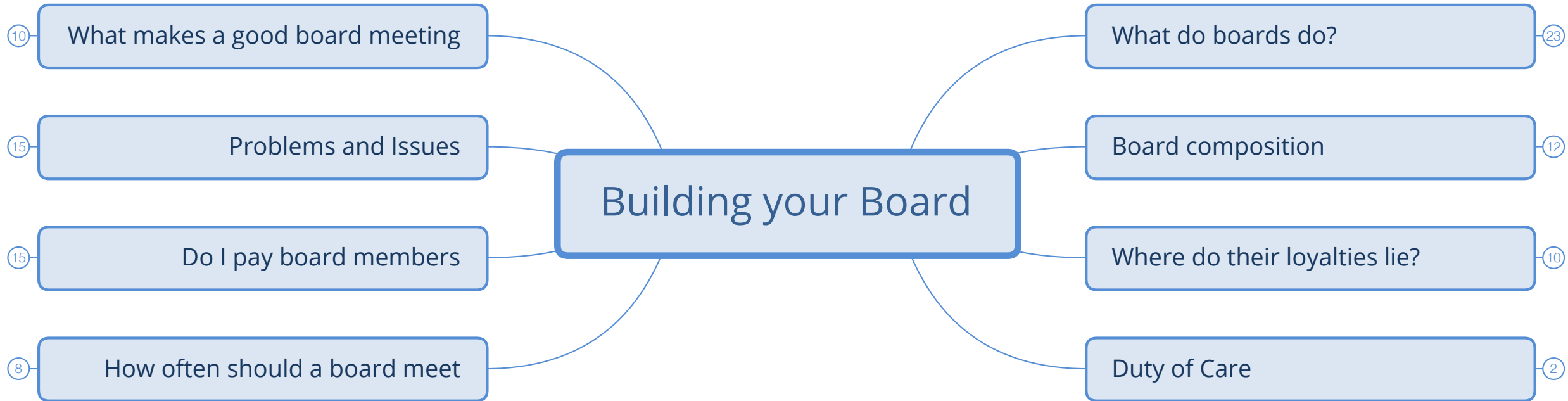




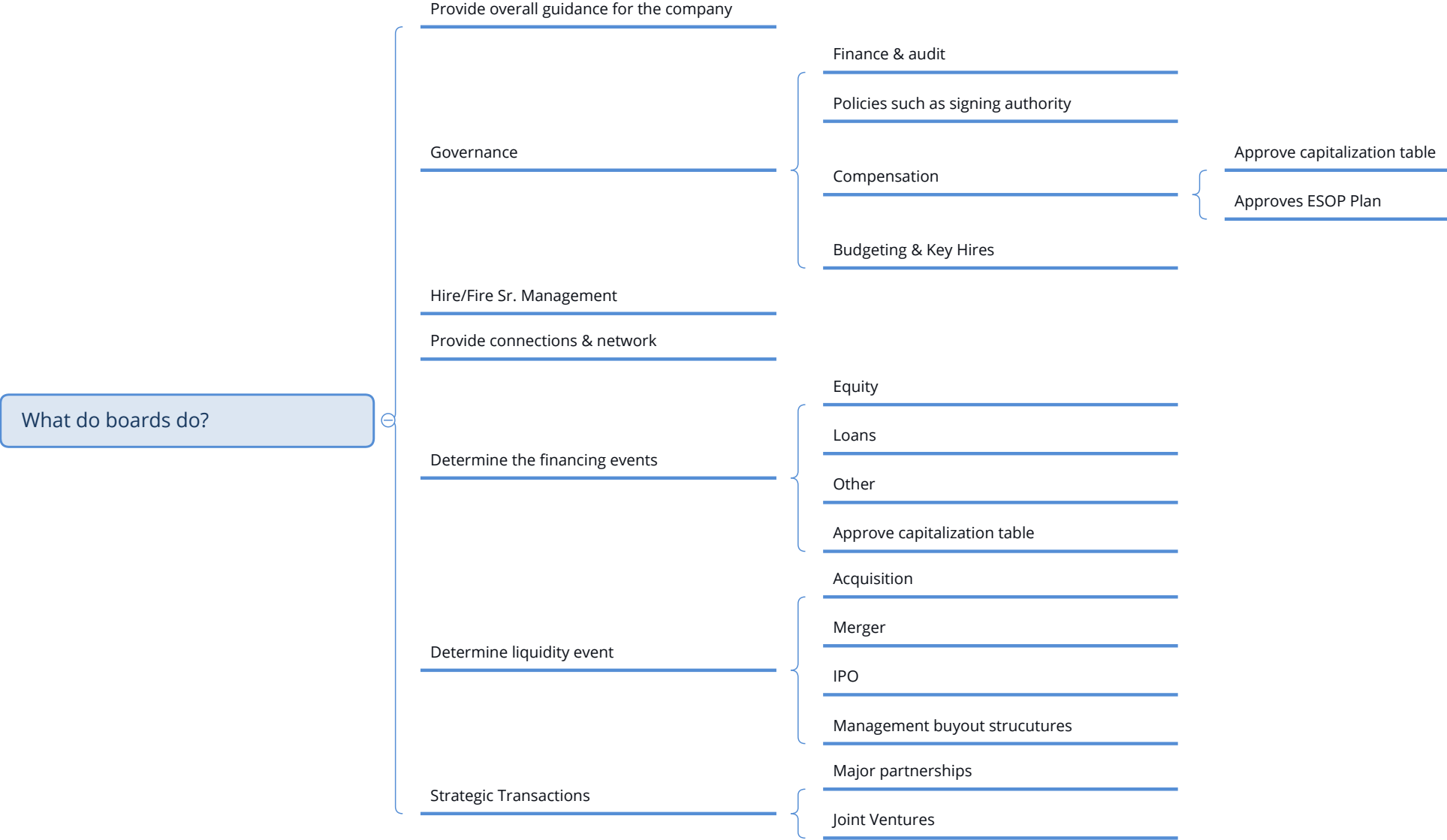
# **Building & Working with the Board**

**Better boards make better companies**

# Building your Board



# What do boards do?



# Board composition

## Board composition

Depends on the stage of the company

Not necessary but most choose odd number to reduce risk of tie votes

Founders usually keep 2 seats for common stock holders

After seed, a board seat starts getting allocated to the person who leads the round

Keep in mind when you accept an investor, you are accepting a board member

Some investors will attach a board seat to the term sheet

After 2nd or 3rd round, you should try to get an independent

How to plan from R&D to Commercialization Boards

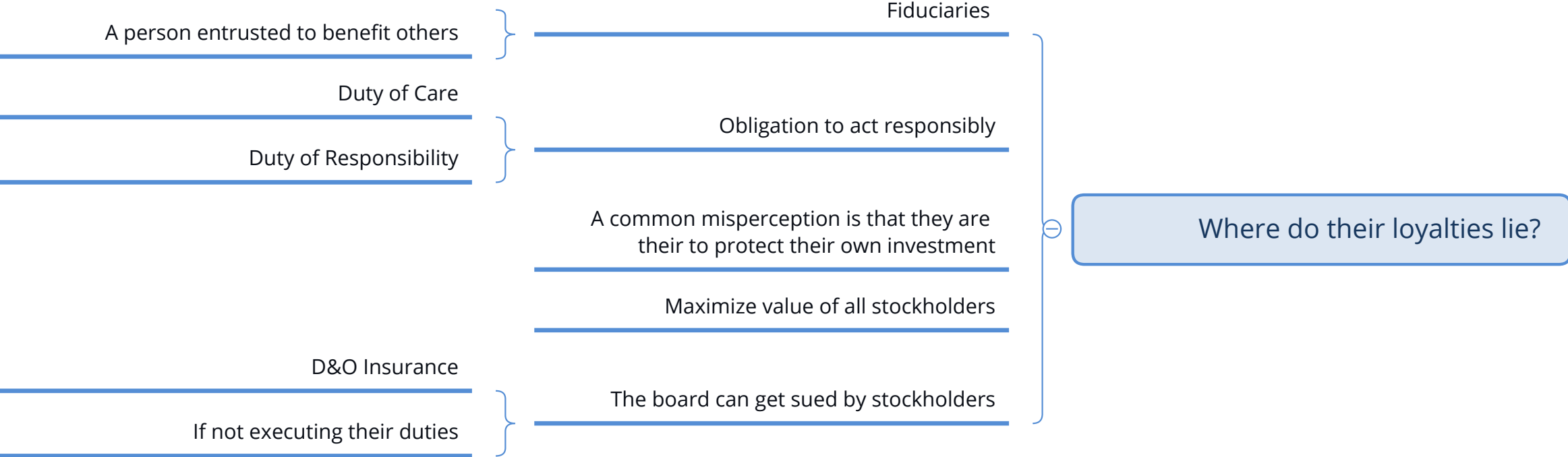
The representative of the board member represents the entire series

If the board gets to big, transfer to observers

They can participate

They don't vote

# Where do loyalties lie?



# Duty of care

The duty of care says that directors must be informed about what is going on and make decisions armed with the relevant facts.

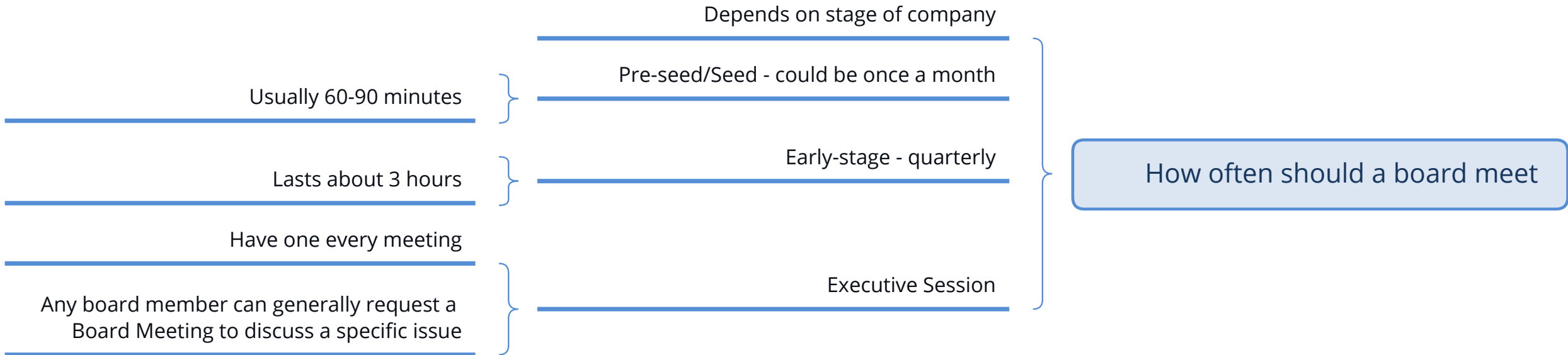
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If the director has a conflict of interest, the conflict must be disclosed to the other board members and the conflicted board member should recuse him/herself from the discussion and approval process

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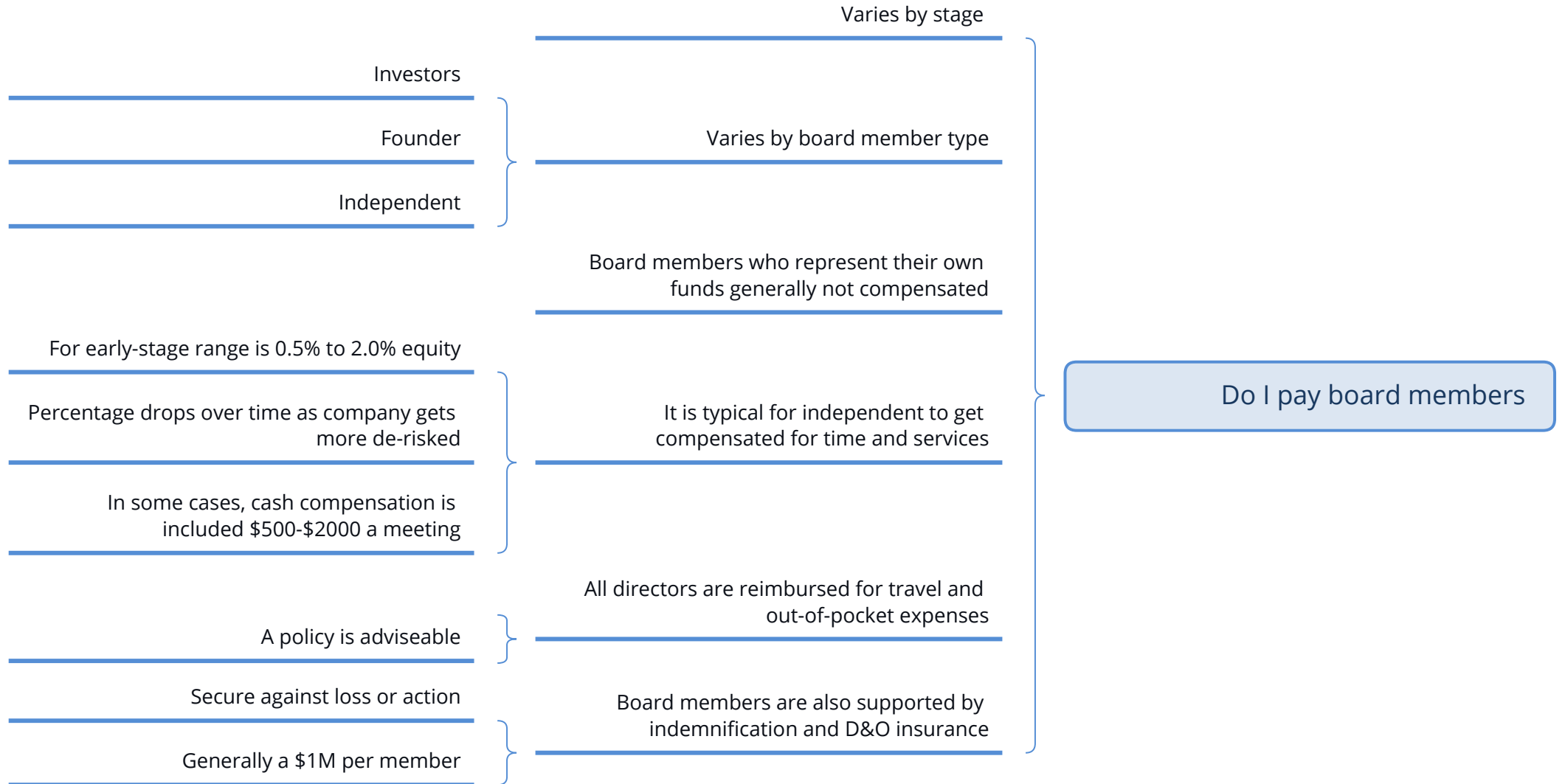
Duty of Care

# How often should a board meet?





# Do I pay board members?



# Problems and issues

More complexity requires more experience

Founder may find themselves removed from the board

CEO/Founder can control ESOP for more voting power

Try to plan for a future founder role upfront

Board members should cooperate yet have vigorous discussions

Consensus must be met by a vote

If you have a board where votes are frequently divided and contentious, then you have a serious problem at the company itself

The issue may sit with one particular board member, you should address that member's issues separately

Some investors have made large investments but not enough to warrant a seat

You might want to compromise if they cause problems among investor base

Directors are bound by confidentiality requirements and have fiduciary duties and are covered by attorney/client privilege, while observers are not

Involve lawyers to make correct observer agreements

My board wants to get rid of me

My board members disagree

Some of my investors want to be observers

Problems and Issues

# What makes a good board meeting?

Keep your company story aligned

Have clear meeting objectives

Tie actions and decisions between each board meeting

Do what you say, and they will trust what you do

You will not always get what you want, prepare for a Plan B

A board presentation is as important as an investor pitch

Yes - Governance and oversight

Strategic choices, not strategic direction

Not tactical decision makers

The board works for you (CEO)

What makes a good board meeting

**“ The ability to make good decisions regarding people represents one of the last reliable sources of competitive advantage since very few organizations are very good at it”**

Peter Drucker, Business Guru

# Who's dealing with this issue now

1. Who are entrepreneurs here that have an early-stage company or are forming one?
2. How many have established a board?
3. How many of the directors are outside of management?
4. How many directors are friends or loyal to the founder/CEO?

# Who should be on the team

- Seasoned CEOs 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 with forward networks
- Experienced board members from your industry



Questions?