What Did I Learn In My Third Startup

Vlad Pavlov
10+ years of serving on CxO/Director positions

- for a wide range of companies from seed-stage startups to Intel and Microsoft
- in Poland, Russia, Ukraine and the USA
- managed market-leading products ranging from browser plugins to compilers and FDA-approved clinical information systems

A frequent speaker/author

- in 2006 was included into ACM Top-10 list
- Chair-Emeritus at CEE-SECR
- founder and ex-Chairman of the Ukrainian ACM Chapter
- biography is published in Marquis' Who's Who in the World
Agenda

Intro
• About Myself
• What Is Not Here
• About rollApp

People
• Vesting
• Advisors
• Consultants

Legal
• Investor’s Due Diligence
• Your Due Diligence
• Venture Legalese
• Patent Tricks

Basics
• Move to Silicon Valley
• Stay Focused
• Must Read

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This Presentation Is Not About

- How To Do Your R&D
- How To Define and Execute Your Go-To-Market Strategy
- How to Raise an Investment
- How to Sell Your Company
- Etc…

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“Socialism never took root in America because the poor see themselves not as an exploited proletariat but as temporarily embarrassed millionaires.”

John Steinbeck
Vesting

• For founders it’s typical to have four year vesting stock arrangement with a one year cliff

• Vesting works with stock (for founders) or stock options (advisors, Board members, key employees)

• Reserve stock option pool for future employees
<table>
<thead>
<tr>
<th>rollApp Advisors</th>
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<tbody>
<tr>
<td><strong>Bjarne Stroustrup</strong></td>
<td>• the author of C++ programming language</td>
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<tr>
<td><strong>Bob Iannucci</strong></td>
<td>• former CTO and Senior VP at Nokia</td>
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<td><strong>Mike Gurevich</strong></td>
<td>• former Chief Architect and VP at Bank of America</td>
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<td><strong>Richard Soley</strong></td>
<td>• the Chairman/CEO at OMG (association of software companies with over 800 members)</td>
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<td><strong>Richard Wirt</strong></td>
<td>• former VP and Senior Fellow at Intel</td>
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<td><strong>Victor Belfor</strong></td>
<td>• serial entrepreneur, VP at RingCentral</td>
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<tr>
<td><strong>Vivek Wadhwa</strong></td>
<td>• VP at Singularity University, professor-columnist (Washington Post, Businessweek)</td>
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Advisors

• Help with: expertise, connections, motivation, marketing
• Spend a few hours a month

My Advice About Advisors :)

• Build a critical mass of advisors
• Build a diverse advisory team
• Advisors should advise, investors should invest
Consultants

Do your due diligence

• Talk to their existing clients
• Check their experience / achievements (investment rounds / exists)

Make sure your goals are aligned

• Pay with stock or options if possible
• Fee should always have performance-based component

Beware of Khlestadkovs

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“the care a reasonable person should take before entering into an agreement or a transaction with another party”
1. Corporate documents: Articles of incorporation, bylaws, proxies, amendments and all agreements between and among shareholders and Capitalization table.

2. List of financial and lending institutions with which the company has relationships with a description of relationships, amount and condition of lines of credit, equipment and other leases.

3. List and copies of the contracts with any entities and individuals.

4. List of any pending or threatened litigation actions and related documents.

5. Income Statement and Balance Sheet, current and projected.

6. Tax returns for the last 3 years.

7. Any patent-/trademark-related documents including of disputes if any.

8. Business Plan/Presentation and Executive Summary.

9. Links to any articles about the company/its technology.

10. Any important information that may have material effect on Investor’s decision to invest into the Company.
Sample Startup DD Check-List

Talk to them and their portfolio companies

1. Are your strategies aligned on a high-level?
2. Do you have synergies with their portfolio companies?
3. Does the deal structure make your specific goals aligned?
4. Do you connect on a personal level?
5. Did they have successful exits?
6. Did they have unsuccessful investments?
7. How did they help their portfolio companies with
   a. Hiring
   b. Business development
   c. Raising the next round
   d. Exit
8. How did they behave when the things went wrong?
Must Read

- Geoffrey Moor
  - Crossing the Chasm: Marketing and Selling High-Tech Products to Mainstream Customers

- Steven Blank
  - Four Steps to the Epiphany: Successful Strategies for Products that Win

- Alexander Osterwalder
  - Business Model Generation

- Brad Feld, Jason Mendelson
  - Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist

- David Cohen, Brad Feld
  - Do More Faster: TechStars Lessons to Accelerate Your Startup
Patent Tricks

• Normal Process
  – A few years, $6-10+++ K

• Delayed Process (cost-efficient way)
  – You can start with about $800 (or even less)
  – One more year

• Accelerated Process (might increase your valuation)
  – A few extra $ K
  – You will get result within a year
Move To Silicon Valley

• Top US region by # of patent filed
• Top US region by $$$ of venture investment
• Great culture and infrastructure that supports entrepreneurs
Mark Zuckerberg’s Desk

STAY FOCUSED & KEEP SHIPPING
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Problem

• users want to run their favorite apps and open their old files on new devices

• software vendors need to invest significant time and resources to move their products to new platforms and support fragmented ecosystem of end-user devices and operating systems

Solution

• rollApp technology allows to work with any existing unmodified (!) software from any device with just a web browser

Software Vendors

- upload existing Win, Linux, Mac, Andorid, Symbian, etc. applications

End Users

- have the same look-and-feel as if they were installed locally

rollApp Servers

- convert applications to online SaaS on the fly

Applications

- discover and use applications through a browser

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Your Favorite Windows Software Is Now Available on Tablets and Phones
Apps Run Through a Browser... 
...But Look Like Locally Installed
IBM estimates: 50B connected devices by 2020, “You can put a chip in nearly anything”

What’s going to happen to OS manufacturers?

What’s going to happen to hardware manufacturers?

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