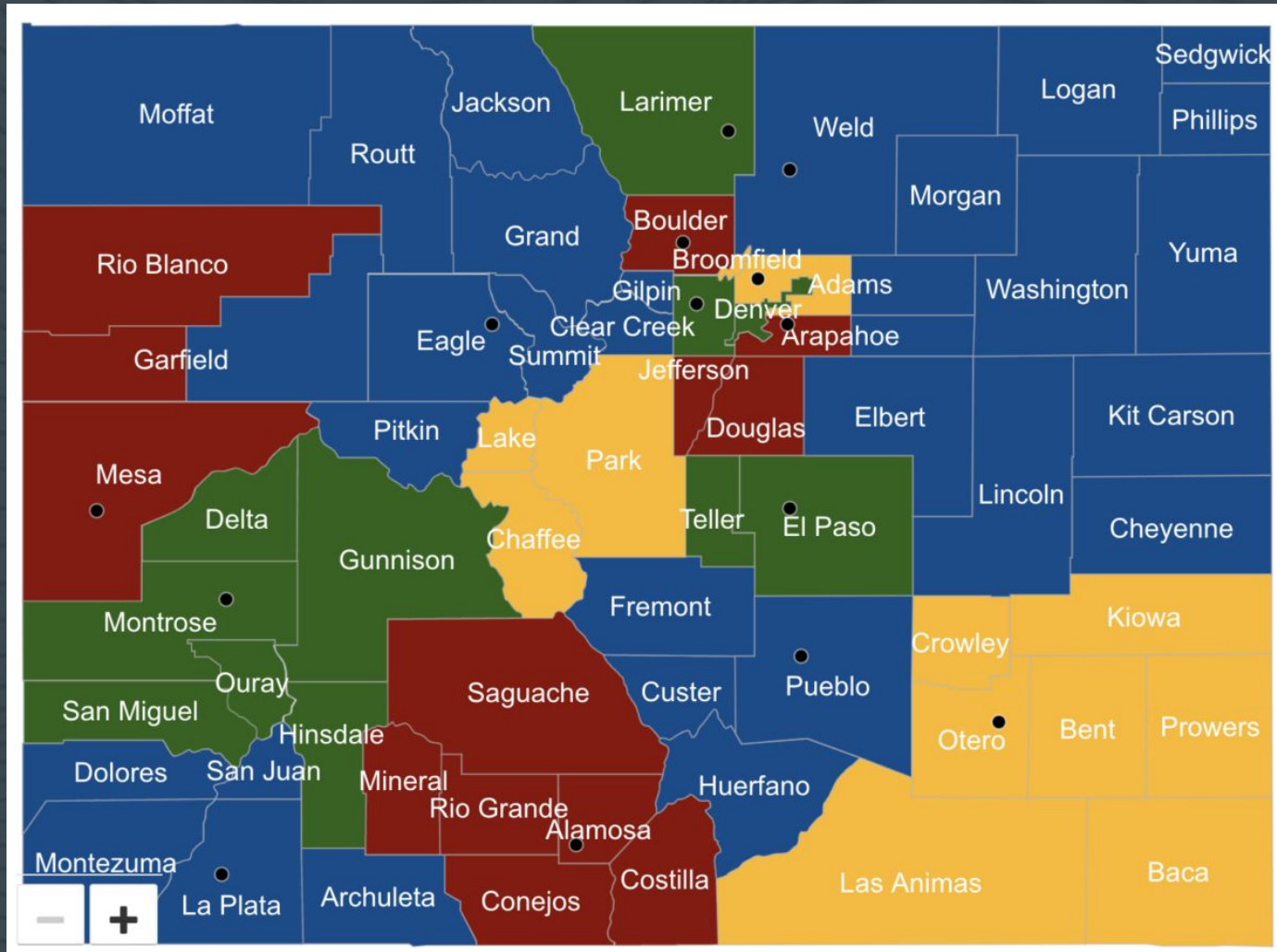




Legal Considerations for Growing a Business



NORTHWEST COLORADO Small Business Development Center



Ashley Pynes, Program Manager
ashley@northwestsbdc.org
Northwest CO SBDC
www.northwestsbdc.org



DISCLAIMER

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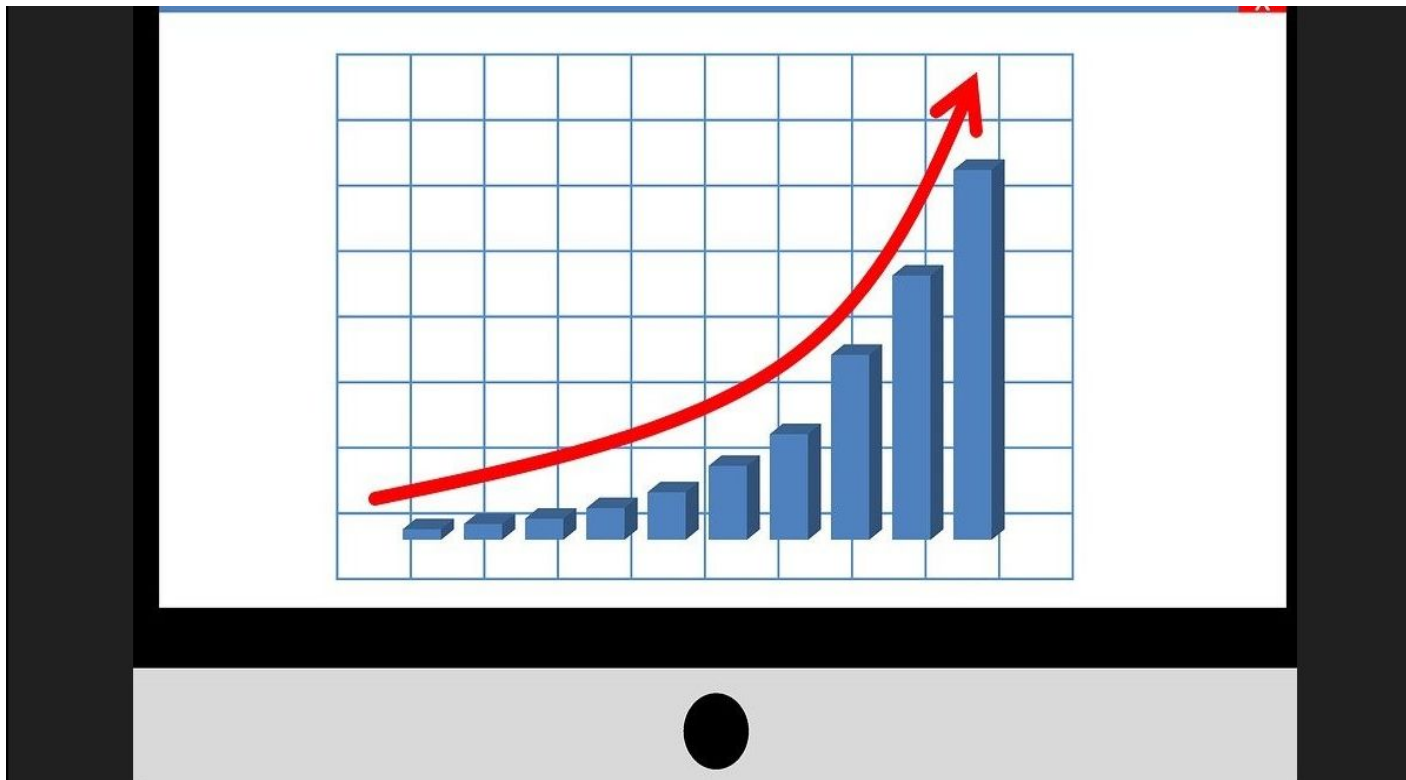
LEGAL CONSIDERATIONS FOR GROWING A BUSINESS BY JOHN LEEMHUIS, LEEMHUIS LEGAL, PLLC,

WWW.LEEMHUISLEGAL.COM

(720) 506-9225



Typical Business Plan Growth Projection



Two Growth Scenarios

Lacking Assets for Growth

In order to meet the company's growth goals, certain specific assets must be added to the business.

Have the Assets for Growth

The company is on track to meet its growth goals, but the business is unsure how to manage its growth.

What Type of Capital is Needed to Reach Company Goals?

- ▶ Human Capital
- ▶ Financial Capital

Areas Where Human Capital May be Needed

- Web Site Design
- Marketing
- Sales
- Manufacturing
- Finance

Legal Human Capital Relationships

- Employees (part-time or full-time)
- Independent Contractors
- Co-owners (partners and active investors)

Employment Law

- ▶ Employee or Independent Contractor
- ▶ Payroll and Taxes
- ▶ Compensation Structures
- ▶ IP Protection

Co-owners and Active Investors

- ▶ Percentage of Equity
- ▶ Voting Interest
- ▶ Financial Interest
- ▶ Decision Making
- ▶ Exit Planning
- ▶ Proper Documentation (Partnership Agreement, Operating Agreement, Buy-Sell Agreement)

Financial Capital: How to Fund Growth (Tier One)

- ▶ Tier One:
 - ▶ Company Cash Flow
 - ▶ Personal Assets
 - ▶ Friends and Family
 - ▶ Grants and Government Assistance

Financial Capital: How to Fund Growth (Tier Two - Debt)

- ▶ Tier Two (Debt):
 - ▶ Line of Credit
 - ▶ Term Loan
 - ▶ Inventory Financing
 - ▶ Receivables Financing
 - ▶ Fixed Asset Financing

Financial Capital: How to Fund Growth (Tier Three - Equity)

Active Owners

- Co-owner (One)
- Co-Owner (Multiple)

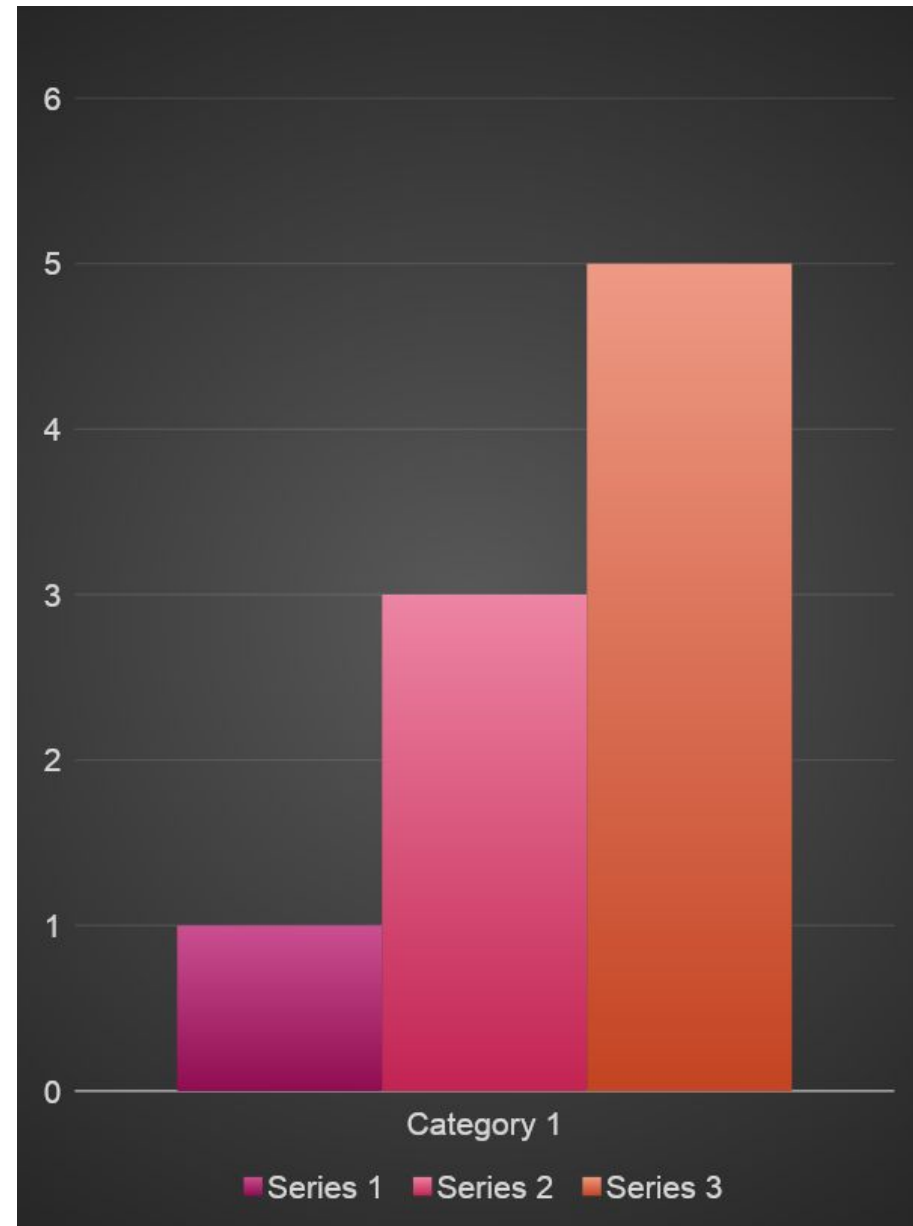
Passive Owners

- Crowdfunding
- Sales to Accredited Investors
- Sales to Non-Accredited Investors
- IPO

Hybrid

- Angel Investors
- Venture Capital

Legal Issues Related to Tier One, Two, and Three Financing



Tier One, Two, and Three: Legal Considerations

Discussion

How to Manage Growth with Sufficient Assets

- Install Systems
- Be Proactive
- Delegate

Legal “Systems”

- Shareholder and Board Meetings
- Financial Audits and Reviews
- Contract Templates
- HR Procedures

The Proactive Business Owner

- ❑ Not “Penny Wise, Pound Foolish”
- ❑ Mitigates Risk
- ❑ Establishes Trust
- ❑ Solves Problems

Delegation

- From Entrepreneur to Leader
- Internal Delegation
- External Delegation

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John P. Leemhuis, Jr., Esq.
Leemhuis Legal, PLLC
3900 E. Mexico Ave., Suite 300
Denver, CO 80210
Office: (720) 506-9225
Cell: (814) 746-2080
Email: john@leemhuislegal.com
www.leemhuislegal.com





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