



Building & Keeping Your Executive Team

How to Recruit and Retain Senior Executives for Your Startup or Early Stage Company

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Business, Tax, Employment Attorney

Education and Experience Robert Adelson

- Northwestern Law School, Law Review, NYU, LLM in Taxation
- Corporate Attorney, Associate at Wall St. & Park Ave. NYC mega law firms
- Partner at Medium and Small Boston firms before founding his law firm

Clients: Founders, Start-ups & Early Stage companies

- Formation, Funding, Contracts, Employment, Trademarks/IP, M&A
- Boston Entrepreneurs Network, Chair, 2009-2019; Moderator/ speaker
20+ ENET meetings since 2000; Cruise director
- IEEE-USA Professional Achievement Award, 2016

Clients: VPs, C-level & Senior Executives and Consultants

- Job Offers, Equity, Executive Compensation, Retention, Severance, Non-competes
- Website: www.executiveemploymentattorney.com
- 30+ published articles in CEOWorld magazine -
<http://ceoworld.biz/author/robert-adelson/>

Team Building on a Shoestring:

Thinking out-of-the-box to Recruit/Retain

In the early stage, the successful entrepreneur must be willing to jump boldly: To use the tools and resources available to recruit the team needed. Without that team, failure is likely, so try ...take the jump to have a chance to succeed.

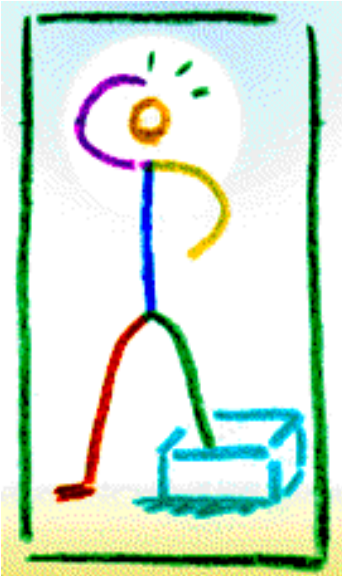


***"You can't swim? ...
Hell, the fall will kill
you!"***

**Butch Cassidy to Sundance (1969) –
image of Robert Redford, Paul Newman via art.com**

Team Building on a Shoestring:

Thinking out-of-the-box to Recruit/Retain



1. Conventional Methods to Recruit and Retain the Team you really need

- Competitive Salary / Benefits
- Established place in the market
- Recognized company and team

2. The Challenge to Recruit in Early Stage

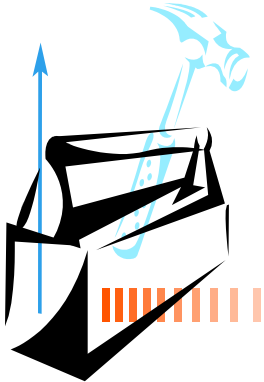
- “Credibility Challenge” with no track record
- Enticing a leap from security to great risk
- Hard to give up day job – live on savings
- Great probability of failure, economic loss



Team Building on a Shoestring: *Thinking out-of-the-box to Recruit/Retain*

3. Using Early-Stage Mode - as Advantage

- Selling “the story” – capturing imagination
- Flexibility to build the company “your way”
- Chance to get in on ground floor, strike gold
- Working remotely / meet individual needs

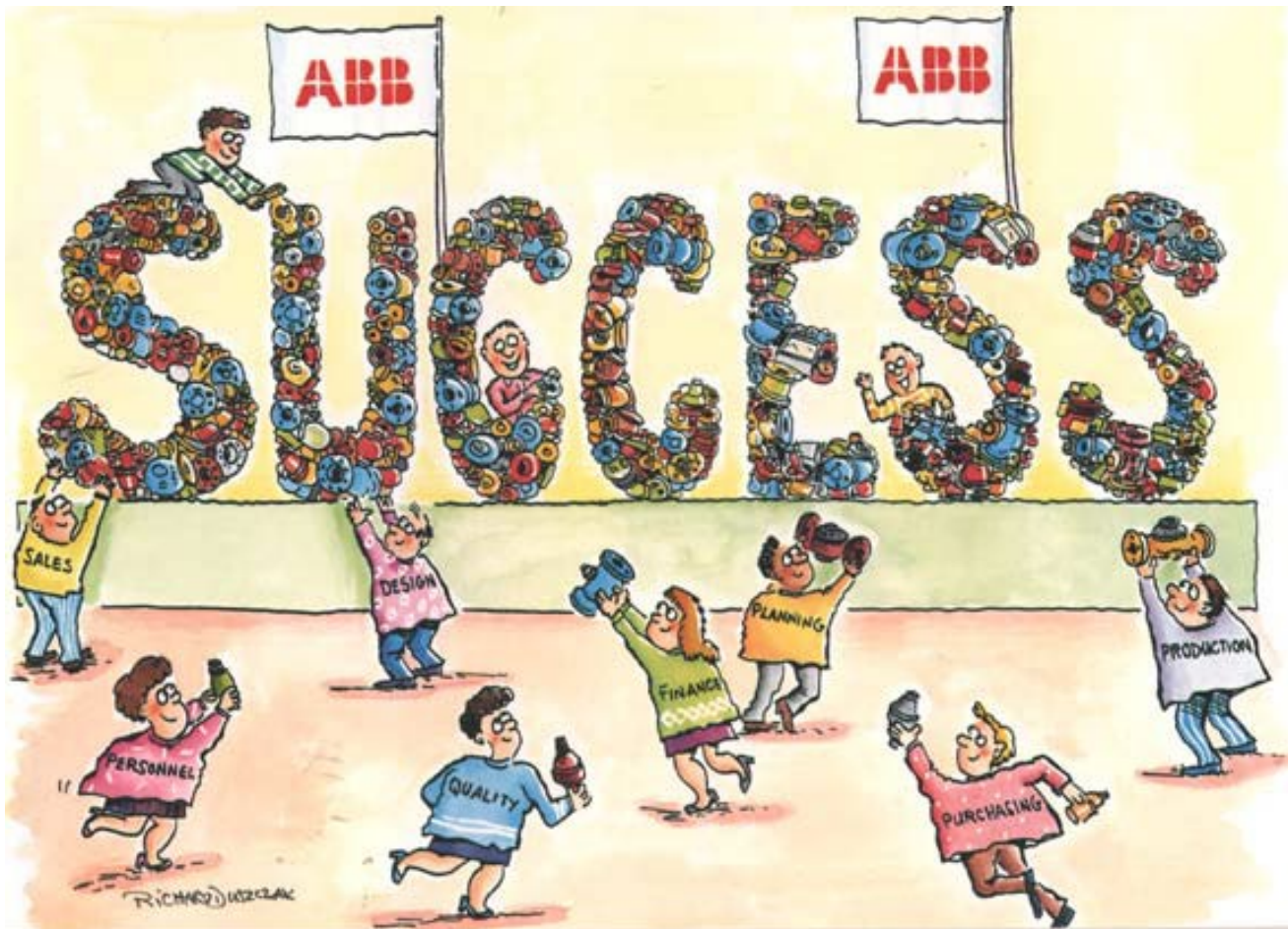


4. Using Equity- Team Building “Toolbox”

- Restricted shares & QSBS
- Restricted stock units (RSUs & PSUs)
- Stock options- tax qualified (ISOs)
- Stock options -Non-qualified (NQSOs)
- Phantom stock
- Profits Interests in LLCs



Team Building on a Shoestring: *Thinking out-of-the-box to Recruit/Retain*





Team Building on a Shoestring: *Thinking out-of-the-box to Recruit/Retain*

5. Using Tax laws as Your Friend

- Capital Gains or even No Tax! (QSBS)
- Tax Deferral of Accumulated Income
- Stock Appreciation Rights
- Protection of Phantom Gains

6. Leveraging the Future- "to strike gold"

- Fair market valuation for tax purposes
- ROI valuation- for market
- Strategic entity growth
- Payback in non-cash equivalence





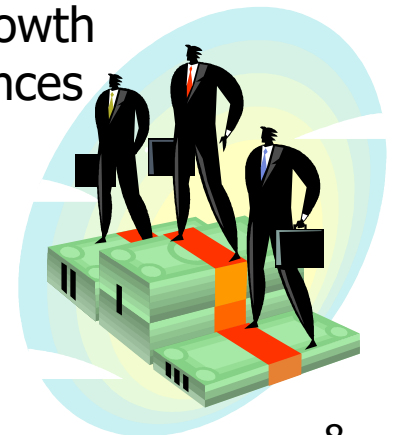
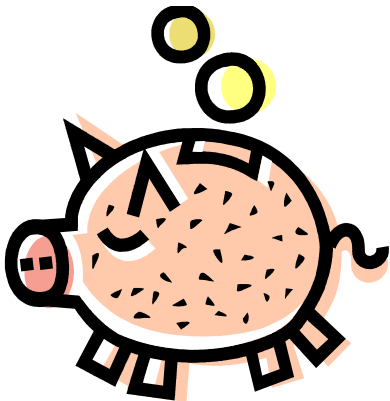
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7. Comp terms used for maximum mileage

- Signing bonus- equity, returnable arrangements
- 120AFR loans to pay for equity or taxes
- Base salary- deferral options
- Performance bonus- payment vs. payback

8. Employment terms - “Good Vibrations”

- Position, platform, and launching pad
- Authority, support, reciprocal commitment
- Outside affiliations- showing trust and growth
- Expense reimbursement, employee advances
- Benefits- outside group plans
- Reciprocal termination provisions
- Targeted restricted covenants



Building Value on firm Foundation

Appear Generous but Demand Value SM



Patriots' VP player personnel Scott Pioli and coach Bill Belichick with Lombardi trophy for Super Bowl XXXIX.

Photo via boston.com .
"The Patriots financial savvy is at the top of the 10 reasons why the team has ruled the league this decade."
Sports Illustrated, p. 81

In the early stage, the successful entrepreneur wants to be fair. To offer real equity and real opportunity to those willing to share the risks in early stage. Yet, nothing is "given". All must be earned. Seeking value imperative - to build for long term.



Building Value on firm Foundation

Appear Generous but Demand Value SM

1. Vesting Arrangements- firm hand on tap

- Vesting based on service and loyalty
- Vesting on individual performance, achieving targets
- Vesting based on company performance

2. Getting Equity Back – even after vesting

- Protection for the company when needed
- Employment termination – need for replacement
- Bad boy provisions – penalty for breaching
- Death, disability vs. divorce or bankruptcy
- Allowing employee to retain equity when earned



Building Value on firm Foundation

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"You mean all those part time, temporary, no-benefits employees quit??? Where's that old fashioned company loyalty?"



Building Value on firm Foundation

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3. Calibrating Vesting with Stock Rights

- Rights in stock
- Rights in options
- Liquidity rights and cash exit
- Durability of stock and options
- Built in value in stock and options



4. "Success Events" - Giving a stake in the future

- Acceleration of vesting
- Incentivizing employees with company success
- Making employee feel a part of company success





Building Value on firm Foundation

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5. Asset Transfers – Real Company ownership

- Assignment of Inventions
- Employee licenses of technology
- Equipment transfers
- Company ownership rights



6. Restricted Covenants- Real Company Rights

- Non Competition Agreements
- Non-solicitation of clients, suppliers, employees
- Non-disclosure-confidentiality agreements
- Trade secret protections, internal protections





Building Value on firm Foundation

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7. Allocating Equity- Discipline of Dividing the Pie

- Setting aside equity for future players
- Limiting yourself to 100% company
- Using and scheduling all resources at hand

8. Good Dilution and Bad- “Stand and Deliver”

- Value added, good dilution: to feed growing company
- True-up Adjustments when needed
- Downward Spiral- watch out
- Vigilance over investment terms
- Participating preferred, full ratchet, VC nightmares
- Minority control by venture backers





Thank You!

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