

Technology Company Governance by Stage of Development

| Phase | Stage of Development | Accounting | Legal | Board | Investors | Metrics |
|-----------------------|---|--|--|--|--|---|
| | | | from start-up on, all employees and consultants must sign NDAs, non-competes, and IP assignments | | | In addition to below, each company will have metrics specific to its industry and business plan; e.g. Retention and DARPU for gamers, on-time and on-budget % for enterprise software, etc. |
| Raw Start-up | in the garage or incubator or lab | Bank statements | Incorporation documents | Uncle Fred | 4F's: Founders, family, friends and fools | cash runway |
| | no customers | no accounting | | | common shares | development schedule |
| | total development mode | tax returns late | | | | |
| Angel Stage | Beta version or Release 1.0 | part-time bookkeeper | Central Security Register | formal Board | | as above, plus: |
| | fledgling sales to evangelists and early adopters | monthly income stmt and balance sheet | Directors' Resolutions to approve shares and options | at least 1 Angel or independent director | one or more sophisticated Angel investors | sales funnel |
| | | later stage: Notice to Reader financial statements | formal ESOP | Monthly meetings, formal Board minutes | common shares, preferred shares (some) | expense budget variance reporting |
| | | tax returns done | complete and correct cap table | material contract review | debt convertible at discount to next equity raise (some) | |
| | | | AGM | | | |
| Venture Growth | | accounting team, Controller, CFO | | Monthly meetings until cashflow positive, then quarterly | | as above, plus: |
| | business model proven | accounting firm - review level | as above, plus: | majority of independent Directors | institutional investors: VC's. strategic partners | full budget variance reporting |
| | accelerating sales growth, penetrating mainstream | ASPE financial statements | AGMs and SGMs by the book | Audit Committee | super-angels or angel syndicate | A/R, A/P management |
| | | Stock-based compensation | | Compensation Committee | preferred shares | annual cashflow forecast |
| | | US tax advisors: US tax returns, US state sales tax compliance | | Due diligence binder | convertible debt | somewhat credible multi-year projections |
| Prep for Exit | | | as above, plus: | | | as above, plus: |
| | profitability in sight | audited financial statements | minute book complete and correct | as above | as above | management by numbers |
| | de-risking business plan | management letter | all shares and options issuances minuted | quarterly meetings | perhaps mezzanine investor, growth equity | |
| | organizing for exit or other liquidity event | tight controls | | as exit approaches, heavy director involvement | | |
| | | no surprises | | | | |