

106 Adventures at a High Tech Start-up

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Faculty Biographies

Dorothy An

Dorothy An is general counsel of Ishoni Networks, a broadband semiconductor company in Santa Clara, California.

Before joining Ishoni, Ms. An served as general counsel of PlanetRx, a publicly traded online healthcare company. Prior to that, she worked at Cisco Systems, first as managing attorney for the Asia Pacific, Latin America, and Canada operations, and then as lead counsel for the customer advocacy organization, which included such groups as the support services, professional services, internet business solutions, IT, and

quality organizations. Before joining Cisco, she was an attorney at Fenwick & West in Palo Alto, California.

Ms. An earned her BA from Harvard University *magna cum laude* and her JD from Stanford University Law School. She was a visiting scholar at Oxford University.

Michael J. Changaris

Michael J. Changaris is a partner of SENTRE Telecom, LLC. located in Del Mar, California. SENTRE is licensed by the California Public Utilities Commission as a telephone corporation authorized to provide telecommunications services as a facilities-based carrier. The company specializes in developing fiber optic conduit networks for sale to telecommunications carriers.

Mr. Changaris was, for a brief period, the chief administrative officer and general counsel of ServiceBeyond.com, an internet services company that arranged for residential and commercial repair and maintenance services via the internet. Prior to that time, Mr. Changaris was a partner with the law firm of Sheppard, Mullin, Richter & Hampton, LLP, specializing in corporate and partnership M&A transactions and tax planning.

Mr. Changaris received his undergraduate degree from the University of California at Berkeley, his law degree from Hastings College of the Law, and a masters in Tax Law from New York University.

James R. Edwards

James R. Edwards is vice president, general counsel and secretary of InJet Pharmaceuticals, Inc. (formerly known as Vapotronics, Inc.) located in San Diego. InJet is developing a digital aerosol inhaler for pulmonary delivery of drugs. Mr. Edwards joined InJet in April 2000 following the company's move from Australia. He has been involved with all aspects of establishing the company as a U.S. corporation, the employment of U.S. executives and technical staff, capital raising, technology collaboration agreements, pharmaceutical feasibility study and collaboration agreements, and development of the corporate compensation and benefits packages.

Prior to joining InJet, Mr. Edwards served for 13 years as vice president, general counsel and secretary of General Atomics, a medium sized, privately held, research and development company in San Diego. He also has served as general counsel and secretary of Logicon, Inc., partner in Mirassou, Nyznyk & Edwards, and staff attorney with Getty Oil Company.

Mr. Edwards serves on ACCA's board of directors as well as on the board of ACCA's San Diego Chapter. He is also on the board of San Diego Citizens Against Lawsuit Abuse. He is a member of the California Bar Association. Sir James was made a Knight of the Roundtable by the president of ACCA, King Fred, on February 31, 1999.

Mr. Edwards received his undergraduate degree from Colorado State University and his JD from the University of San Diego, School of Law.

Questions and Issues to Consider before Joining a Start-up.

A. Personal Issues

1. How well do you cope with uncertainty?
2. Can you afford to take a pay cut? (cash vs. equity)
3. For how long?
4. Do you have back up financial reserves? (stocks, equity line, rich folks)
5. Are you willing to work long hours?
6. Is your family behind the idea?
7. Could you handle a failure?

B. The Technology & Market

1. Do you understand the technology?
2. If not, does someone you trust understand it?
3. Is there a need for the technology? (a market)
4. How does the technology & products compare to the competitors?
5. Who has evaluated the technology and markets?
6. Was it done internally or externally? To what depth?
7. Is this a one product company?
8. What are the other or next generation products?

C. The Company's Finances

1. How much money do they have on hand?
2. What is the burn rate?
3. Is the burn rate expected to increase?
4. How long will the money last then?
5. How is the money being spent? (R&D or corporate jets)
6. Are the facilities appropriate for the business?
7. How was the money raised? (type of investors)
8. VC's and Strategic investors or retail investors?
9. How will more money be raised?
10. What are the fall back plans if the money is slow coming in?

D. People

1. What is the experience level of the management?
2. Have they done start-ups before?
3. Successes or failures?
4. Is this a familiar industry for management?
5. Are they experienced with this technology?
6. What are their industry contacts?
7. Who is on the Board?
8. What is their experience?
9. Is there a proper balance among the groups? (R&D folks vs. jet pilots)
10. Do the staff & management get along?

11. Are there any hidden agendas?
12. Are people compensated appropriately? (cash and equity)

D. The Job

1. What will your job be?
2. If it is undefined, is that a problem?
3. Are you willing to do non-lawyer tasks? (shopping, capital raising)
4. As the company runs out of money, can you help find more?
5. Can you help find new board members, management & staff?
6. Can you work without a support staff?
7. Can you deal with high pressure?
8. If the company shifts directions, can you shift with it?
9. Is in-house counsel viewed as necessary or a frill?

E. Compensation: Cash and Equity

1. What is the minimum paycheck you need?
2. How much equity in the company makes the risk worthwhile?
3. If the company hits a cash crunch, will more equity be forthcoming?
4. How is equity structured? (Stock grants, options, both?)
5. What are the tax implications?
6. How is the equity allocated among management?
7. Is the allocation fair and reasonable?

F. Exit Strategies

1. Happy Ending – IPO (big houses, fast cars, etc.)
2. OK Ending – Company acquired (nice house, sedate car, etc.)
3. Sad Ending – Company goes belly-up (no house, shopping cart)
4. Alternatives – When to consider ?

AMERICAN CORPORATE COUNSEL ASSOCIATIONExiting your startup – life does go onA. Set the stage.

1. There was an IPO or a sale, and my stock options are worth \$5 million.
2. The startup has continued – but it is just not a good fit.
3. The doors are closing.

B. How can tell when it's time to go?

1. Trouble raising financing?
2. Cutbacks in staff/supplies?
3. Payment of invoices being deferred?
4. Your paycheck was not deposited?
5. Industry trends all are in the wrong direction?

C. Next steps.

1. Drinking Mai-Tai's in Tahiti.
2. You need a job.
 - (a) Look before you jump – self-analysis/introspection regarding what you have learned in the process, and what you would do the same/do differently.
 - (b) Consider the parts of the startup you like/those you did not.
 - (c) Give a lot of thought to the types of work you like to do (private law practice, in-house counsel, teach, sell boats, etc.) – now is the time to give serious thought on the next direction.
 - (d) Do not rush the process, and do not make the same mistake again – consider the matters that you wish you had thought of before joining the startup.
 - (e) Use your experience as a selling point.

- (f) You have a better understanding of how the entrepreneur thinks.
- (g) Stay active in your community and bar activities/relationships.

D. How do I land at the right place?

1. Talk with friends at your old firm or place of employment.
2. Talk with your professional contacts locally.
3. Consider using headhunters.