



# Top (Legal) Mistakes CFOs Should Avoid

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# Chen Manzur

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- Experienced partner with a key role in the International and Hi-Tech Department at Goldfarb Gross Seligman, one of Israel's largest law firms.
- Advises Israeli and global clients, including:
  - technology companies across all growth stages;
  - Leading VCs, strategic investors, and multinational corporations.
- Extensive experience in:
  - Cross-border M&A transactions (buyer/seller/major shareholders).
  - Venture capital and finance deals (VC and Company side).
  - Commercial and technology agreements
- Ranked among the top M&A and Startup Lawyers in Israel by the prestigious international rankings Chambers & Partners and The Legal 500. The Legal 500 recently ranked Chen as a "Leading Individual" in the field of Hi-Tech & Startups.
- Adjunct Lecturer at the Tel-Aviv University Faculty of Law.
- Former service in the Israeli Intelligence Corps and Prime Minister's Office.

**Education** LL.M (magna cum laude), Commercial Law, Tel Aviv University, 2012  
LL.B (magna cum laude, Dean's List 2007), Tel Aviv University, 2008

**Member** Israel Bar Association, 2009

# Firm Profile

Goldfarb Gross Seligman, one of the largest law firms in Israel, delivers top-tier legal services at international standards. Tracing our history back over 90 years, we offer clients extensive experience in various fields of law.

The firm is comprised of over 500 attorneys, including more than 200 partners.

We provide personalized service tailored to each client's particular needs, combined with the advantages that a large 'one-stop-shop' law firm with a global reach can offer.

With expertise in a wide spectrum of legal services, we provide sophisticated legal solutions utilizing an innovative, multidisciplinary approach that integrates experts from a variety of fields into a seamless team.

We are consistently ranked among the leading law firms in Israel in multiple practice areas by international and local ratings.



Chambers  
AND PARTNERS



IFLR  
1000



# Practice Areas





# Goldfarb Gross Seligman's Hi-Tech Dominance



## Hi-Tech Transactions

Leading domestic and cross-border  
M&A deals worth billions



## Start-Up Counsel

Providing ongoing legal support to  
over 1,000 top start-ups



## Public Offerings

Advising on IPOs and follow-on  
offerings on global stock exchanges



## Fund Formation

And lead investment counsel for  
various investment funds and VCs



#1

## No Clear Deal with Day-1 Team



## #1 Not making a clear deal with your day-1 team

- ◆ Know how to split the pie. “Let’s incorporate the company and if needed we will make the changes later”...
- ◆ Reverse Vesting. When will you take back the shares?
- ◆ Proxy/board seat upon termination?
- ◆ “X is joining us as an additional founder”.
- ◆ Crazy separation arrangement.





#2

## Failing to Secure the IP



## #2 Failing to Secure the IP

- ◆ Non-compete issues.
- ◆ “our VP R&D is a faculty member of the Technion/doctor at Shiba...”.
- ◆ Who is considered IP contributor? Has he/she signed PIIAs?
- ◆ Do we have past employees sign PIIAs?
- ◆ Anyone contributing to the know-how should assign the IP to the Company as soon as possible.





## #3 Wrong Corporate Setup



The *billion*-dollar question

where?



US



IL



OR



IL



US





#4

## Not Preparing for the Fundraising



## #4 Not Preparing for the Fundraising

### VC Financing Term Sheet – Avoid the mismatch

- ◆ POV: Your VC is telling you: “We move fast!”.  
Real Life: Closing the deal 2-3 months later....
- ◆ Get the valuation you want and hear “Mazal toy, our lawyers will send you the term sheet”.





## #4 Fundraising

Mind the following Special investor rights:

- ◆ Double dip liquidation preference,
- ◆ Full ratchet anti-dilution,
- ◆ preemptive over-allotments,
- ◆ veto rights on share issuance,
- ◆ excessive dilution in first rounds,
- ◆ Board composition:
  - ◆ Number of Board Seats and Founders Control.
  - ◆ Board Designation Rights Thresholds – pros and cons.
  - ◆ Founders' Designation Restrictions – Termination of Services.



## #5 How to really mess up your options...





## #5 How to really mess up your options...

- ◆ “BTW, we granted options 6 months ago”.
- ◆ “I gave him 2% of the company” (% vs. #).
- ◆ Employee vs. consultants stock options.
- ◆ 409A (FMV vs. exercise price).
- ◆ Time based vs. Performance based vesting schedules.
- ◆ Any change to the options after the grant.
- ◆ Day to day filing requirement (45 and 90 days periods).
- ◆ Extended exercise period and double trigger acceleration.
- ◆ Giving away too much and too fast.



## #6 Sales Growth without Review of Commercial Agreements (Not paying attention to details when you build...)



## #6 Sales Growth without Review of Commercial Agreements

- ◆ Finder's Agreements:
  - ◆ no tail.
  - ◆ Share/options compensation.
  - ◆ No clear guidelines, no limitation of liability, no termination provisions.
- ◆ Exclusivity clauses.
- ◆ Right of first offer/notice for any investments or change of control.
- ◆ Uncapped liability/indemnification.
- ◆ “Let’s be creative, we really need the money...”.
- ◆ Poor Recordkeeping.



## #7 How to cause your employees to become a liability...

- ◆ Each employee with its own unique agreement/accepting changes from every junior employee.
- ◆ No Section 14 Arrangement.
- ◆ No control over vacation balance = liability in an exit event or termination.
- ◆ Hearing prior to termination and issues with Israeli labor courts.
- ◆ Commissions – no cap, no exclusion in the employment agreement – potential claim towards social contributions.



## #8 Protect Yourself

- ◆ Good communication with legal advisors.
- ◆ Pre-diligence review with your counsel.
- ◆ Keep it Simple.
- ◆ Keep it Documented (and not vague).
- ◆ Don't Postpone.
- ◆ Be Smart - Do it Right. Get a lawyer...

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# Thank you!



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