Contents

Business Idea	1
Founding	5
a. Choosing the Right Legal Form for You	6
aa) Partnership vs. Corporation	7
bb) Often Irrelevant Legal Forms	9
cc) GmbH	10
dd) UG (Limited Liability)	13
ee) GbR	13
ff) Current Adjustments, Especially the Introduction	
of the eGbR	15
b. Necessary Documents	15
Financing	17
a. Strategic Decisions	17
aa) Bootstrapping vs. External Capital	17
bb) Bootstrapping—Your most Important Facts	18
b. External Capital	19
c. Difference between Angels and VC	21
d. The Convertible Loan	21

vi Contents

e.	Pooling of Angels	23
	aa) Voting Pool	23
	bb) Trust Solution	24
	cc) Pool Companies	25
	dd) UG (limited liability) or GmbH	26
	ee) GmbH & Co. KG	26
	ff) GbR	26
f.	Summary of Advantages and Disadvantages	
of	Pooling Solutions	27
	Financing Round with a VC	28
	aa) Term Sheet—what is it and what should it contain?	28
	bb) VSOP: Who Gives Up Shares?	29
	cc) Financing Tied to Milestones	29
	dd) Liquidation Preferences	29
	ee) Sample Documentation for a Financing Round	
	(GESSI)	30
	ff) Documents typically required for a	
	VC financing round	30
	gg) Due Diligence	31
h.	Debt Financing	32
	aa) Bank Loans	32
	bb) Venture Debt	32
	cc) Bonds	33
St	raff	35
a.	Staff Recruitment	35
	Employment Contracts	37
	aa) Designation	39
	bb) Start and Duration	39
	cc) Main Area of Activity	40
	dd) Working Hours	40
	ee) Remuneration	40
	ff) Vacation	41
	gg) Secondary Activities and Non-Competition Clause	41
	hh) Confidentiality Agreement	41

	Contents	vii	
c. Central Labor Law Provisions aa) Initiation and Establishment of the Employmen	ıt	42	
Relationship bb) Obligations and Rights Arising from the Emplo		42	
Relationship	y mene	43	
cc) Termination of Employment		45	
d. ESOP Employee Participation		47	
Rules of Procedure for the Management		49	
a. Process Flow—Communication, Decision and Filin	ıg	50	
b. Typical Transactions Requiring Approval		51	
c. Atypical Transactions Requiring Approval		52	
d. Sample of Rules of Procedure		53	
e. Approval Reservations for Management		55	
aa) Statutory Provision in a GmbH		55	
bb) Catalog of Transactions Requiring Approval		56	
Investor Relations		57	
a. Shareholder Rights According to the GmbH Act		57	
b. In Practice: Monthly Reportings		59	
c. Board Management		60	
Good Governance for Managing Directors		61	
a. Convening Ordinary/Extraordinary Shareholders' N	l eeting	61	
b. Obligation to Deposit Balance Sheet and Accounting	ıg	62	
c. Preparation of Tax Returns		62	
d. Tax Registrations		62	
e. Obligation to Maintain Share Capital		63	
f. Obligation to File for Insolvency and Prohibition			
of Payments		63	
aa) Obligation to File for Insolvency		64	
bb) Prohibition of Payments		64	
g. Legal Basis for Personal Liability		65	
Helpful Tools		73	
a. Fides (www.fides.technology)		73	
b. Bunch (www.bunch.capital)		73	
c. Ledgy (www.ledgy.com) and Carta (www.carta.com))	74	

viii Contents

Protective Rights	75
a. Patents	75
b. Trademark	76
c. Copyright	77
d. Imitation Protection	77
General Terms and Conditions	79
Websites	81
Founders' Exit	85
a. Design Options	86
aa) Acquisition or Complete Sale to Strategic Investors	86
bb) Trade Sale and Private Equity	86
cc) Leveraged Buyout (LBO)	86
dd) IPO: Going Public	87
ee) Merger: Exit through Consolidation	87
ff) Timing	87
b. Typical Contract Components	88
aa) Purchase Price and Payment Modalities	88
bb) Warranties and Guarantees	88
cc) Non-Compete Clauses	89
dd) Restrictions on Disposal	89
ee) Transition Agreements	89
ff) Limitations of Liability	89
gg) Approval Requirements and Release Mechanisms	89
Worst-Case Scenario/Exit Strategy/Dispute Among	
Shareholders	91
a. Liquidation vs. Insolvency	92
b. Liability Risks in Insolvency	94
c. Dispute among the Shareholders	95