

SMART

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LEADERSHIP PLAYBOOK

Optmizing Your Advisory Board Kit

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Advisory Board Tutorial

We all can benefit from advisors—they are the friends from the trenches who've been on the business battlefield longer than we have, the friends from a different industry or field who provide a unique perspective and/or the seasoned or high profile executives who lend you credibility, thus helping you secure customers, financing, or approval for an internal project. You need advisors to bounce ideas off of, to provide a reality check, to tell you when you're about to mess up, and to confide in when you're alone at the top of the organization or department.

Here's a process for getting and keeping advisors on your team. Remember: Life = The People That You Meet + What You Create With Them. Let's start meeting and creating together.

1. **Define your advisory board member profiles.** This is a list of skills and connections you want advisors to have. For instance, I recently mentored a startup in the fashion world. They had two strategic goals: 1) Land a deal with Target and 2) Secure high-profile celebrity endorsements. The advisors they needed would have experience/connections in:
 - a. Cutting favorable and binding deals with mass-market retailers
 - b. Selecting, managing, assuring quality of outsourced manufacturers, shipping, lines of credit, all aspects of back-end retail infrastructure and operations
 - c. Securing celebrity endorsements in the music, film, TV worlds
 - d. Building and incenting a field sales force to ensure the hot boutiques carry their wares and that their merchandise is included in high-profile displays
 - e. Marketing expertise in building buzz and perception as an exclusive hot brand, and carefully crafting a separate brand for the mass-market retailers that wouldn't cannibalize their high-end brand, but rather would cause consumers to crave it

You want to surround yourself with advisors that will help you build your business as well as personally mentor you as an executive. The best size for an advisory board is 8-10 people. With a group of this size you've got plenty of room for diverse skills and contacts.

Define your advisory board profiles here (you'll fill in the three Potential Candidates later):

Area of Expertise	Projects You Want Help With (Relevant to This Area of Expertise)	Three Potential Candidates for This Role
		1. _____ 2. _____ 3. _____
		1. _____ 2. _____ 3. _____
		1. _____ 2. _____ 3. _____

Area of Expertise	Projects You Want Help With (Relevant to This Area of Expertise)	Three Potential Candidates for This Role
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Area of Expertise	Projects You Want Help With (Relevant to This Area of Expertise)	Three Potential Candidates for This Role
		1. _____ 2. _____ 3. _____
		1. _____ 2. _____ 3. _____

- 1. Determine your expectations of each advisor.** For some advisors, you'll be happy just to have their name on your web site, but for others, you will want to interact with them on a regular basis. For the latter, start out by asking for *one hour* per quarter or month. This doesn't sound like much, whereas *one hour* per week might scare busy potential advisors away. You want to develop a mentor/sounding board relationship with your advisors, so be willing to communicate via the method most convenient for them. Let *them* invite you to meet in person. Don't immediately ask for favors—ask their opinion, ask for advice. *Don't* be greedy. *Do* be grateful. Over time, they will build trust and will introduce you to their contacts.

Define your expectations of your advisors here:

- 2. Create your pitch and comp package.** Why should someone become an advisor? What is in it for them? Perhaps it is an opportunity for them to get involved in a developing company in a cutting-edge field or access to interesting/thought-provoking people in a parallel industry. Focus on the "soft" benefits, especially if don't have a lot of cash or stock for compensation. Your concise, compelling advisor pitch should explain the opportunity in *five minutes* or less. Standard advisory board stock ranges are \$10,000-12,000 per year plus stock. If stock is all you have, most companies offer .25+% of a startup/small company's common stock (vested in equal increments over 24 months). My favorite comp is stock + cash compensation tied to performance. If your advisor wants more, it may be worth it, however just make sure the expectations are set out in advance.

Define your pitch here (be concise and compelling!):

Define your advisor compensation package here:

- 3. Brainstorm your target list.** This is where you *work your magic!* You will be glad you have invested time in building your network, because it is about to get a lot better. Ask your friends, colleagues, mentors, vendors, and financiers if they know people who meet the profile you seek. Practice your pitch on them to see if they find it compelling. Ask for personal intros to your target advisors. For “cold” pitches, gather all necessary contact info and research the interests of each targeted advisor. What causes do they care about? What are their hobbies? What are their interests?

Add your target list of advisors to the table above now!

- 4. Recruit your advisors.** Seek out your targeted advisors. Perhaps they’re scheduled to speak on panels, at bookstores, at a conference. I’ve traveled great distances to meet potential advisors, and it has been unbelievably worth it. Once you give your pitch, they will likely want to know more. A business plan must be *concise, compelling, and complete*. A pitch must only be *concise* and *compelling* in order for the prospect to request more info. That’s the time to then be *complete*—once they request more info.
- 5. Celebrate, incorporate, communicate.** After celebrating your great good fortune in securing some rockin’ advisors, it is time to incorporate them into your company’s communication flow. Add their names and bios to your web site, set up an e-mail list for monthly or quarterly high-level (10 bullet points, max) advisory board communication, consider two advisory

board conference calls twice per year. Keep your requests to a given advisor within the scope of their expertise so you can establish a success pattern from the get-go. As you work together over the coming months and hopefully years, fulfilling relationships and terrific business connections will result.

Some advisors will contribute more than others, and don't worry if an advisor doesn't end up working out. Rarely is it worth "firing" one—you'll still gain credibility via your association with them. If you committed a high stock compensation package to an advisor, and after repeated requests and they still don't give you any time, have a respectful conversation with them and suggest changing their compensation. It's better to reduce the options you give an advisor than to "fire" them.

Accountability Department:

I will complete the following on the dates I commit below:

Task	Due Date
Define Advisory Board member profiles.	
Determine expectations of advisors.	
Create pitch and advisor compensation package.	
Brainstorm target advisor list.	
Recruit advisors.	
Incorporate advisors into web site, business plan, and start monthly/quarterly communication.	

Advisory Board Offer Letter – SAMPLE

[DATE]

[Name]

[Address]

[City, State Zip]

XYZ Corporation

Advisory Board Membership Agreement

Dear _____:

Based upon your considerable expertise and value-add to **XYZ Corporation**, I am delighted to invite you to become a member of the Board of Advisors (the “Advisory Board”) of **XYZ Corporation** (the “Company”). This letter will serve to confirm and follow up on our recent discussions regarding your participation on the Advisory Board.

Under the contemplated arrangement (the “Agreement”), you would serve as a member of our Advisory Board, providing consulting and advisory services to the Company. Specifically, we would expect the following commitment from you:

- **[add specific expectations here based on Advisor’s expertise]**
- Approximately one (1) hour per month advising the Company’s executives on an as-needed basis by email and telephone.
- Being available to the Company’s team to provide advice in the area of your expertise to the Company.
- Introducing the Company to potential strategic partners and qualified business opportunities.
- Introducing the Company to potential investors who may be interested in investing in the Company.
- Serve as an advocate for Company.

The Company will reimburse you for all reasonable travel and other expenses incurred in attending such meetings.

Your service as an Advisor is for a two (2) year term. Either you or the Company can terminate your service as a member of the Board of Advisors upon thirty (30) days written notice unless as a result of a breach of this Agreement or other good cause a shorter notice period is appropriate. Upon your acceptance of these terms, we will have the right to publicly announce your appointment. We will also require that you sign our standard confidentiality agreement, which we have enclosed with this letter. While you render services to the Company, we would expect you not to engage in, or otherwise assist, any person or organization in competition with, in preparation for competition with, or in hiring any employees of, the Company.

In consideration for the foregoing, you will receive [] percent ([]%) of the common stock of the Company. Your stock option will be subject to monthly vesting over a two-year period so long as you remain an Advisory Board member and continue to serve the Company.

I look forward to working with you towards the continued success of **XYZ Corporation**. Please acknowledge your acceptance of the foregoing terms by signing the attached copy of this letter and our standard Nondisclosure Agreement and returning the signed copies to me.

XYZ Corporation

Very truly yours,

By: _____
(Name, Title)

ACCEPTED:

(Signature)

(Name)

Date

XYZ Corporation

ADVISOR PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

In consideration of the offer of Advisory Board Membership (“Advisor Offer”) for **XYZ Corporation., a California limited liability company** (the “Company”), and the compensation now and hereafter paid to me in connection with the Advisor Offer, I hereby agree as follows:

1. NONDISCLOSURE.

1.1 Recognition of Company’s Rights; Nondisclosure. At all times during the term that I provide services for the Company (“Services”) and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon or publish any of the Company’s Proprietary Information (defined below), except as such disclosure, use or publication may be required in connection with my Services for the Company, or unless an officer of the Company expressly authorizes such in writing. I will obtain Company’s written approval before publishing or submitting for publication any material (written, oral, or otherwise) that relates to my Services for Company and/or incorporates any Proprietary Information. I hereby assign to the Company any rights I may have or acquire in such Proprietary Information and recognize that all Proprietary Information shall be the sole property of the Company and its assigns. I have been informed and acknowledge that the unauthorized taking of the Company’s trade secrets (a) could result in civil liability under California Civil

Code Section 3426 that, if willful, could result in an award for double the amount of the Company’s damages and attorneys’ fees, and (b) is also a crime under California Penal Code Section 444(c), punishable by imprisonment for a time not exceeding one (1) year, or by a fine not exceeding five thousand dollars (\$5,000), or by both.

1.2 Proprietary Information. The term “Proprietary Information” shall mean any and all confidential and/or proprietary knowledge, data or information of the Company. By way of illustration but not limitation, “Proprietary Information” includes (a) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques (hereinafter collectively referred to as “Inventions”); (b) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and (c) information regarding the skills and

compensation of employees or other independent contractors of the Company. Notwithstanding the foregoing, it is understood that, at all such times, I am free to use information which is generally known in the trade or industry, which is not gained as result of a breach of this Agreement, and my own, skill, knowledge, know-how and experience to whatever extent and in whichever way I wish.

1.3 Third Party Information. I understand, in addition, that the Company has received and in the future will receive from third parties confidential or proprietary information (“Third Party Information”) subject to a duty on the Company’s part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of the Services and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than Company personnel who need to know such information in connection with their work for the Company) or use, except in connection with my work for the Company, Third Party Information unless expressly authorized by an officer of the Company in writing.

1.4 No Improper Use of Information of Prior Employers and Others. During the term of Services I will not improperly use or disclose any confidential information or trade secrets,

if any, of any employer or former employer or any other person to whom I have an obligation of confidentiality, and I will not bring onto the premises of the Company any unpublished documents or any property belonging to any employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that person. I will use in the performance of my duties only information which is generally known and used by persons with training and experience comparable to my own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company.

2. ASSIGNMENT OF INVENTIONS.

2.1 Proprietary Rights. The term “Proprietary Rights” shall mean all trade secret, patent, copyright, mask work and other intellectual property rights throughout the world.

2.2 Prior Inventions. Inventions, if any, patented or unpatented, which I made prior to the commencement of the Services with the Company are excluded from the scope of this Agreement. To preclude any possible uncertainty, I have set forth on Exhibit B (Previous Inventions) attached hereto a complete list of all Inventions that I have, alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to

the commencement of the Services with the Company, that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Agreement (collectively referred to as “Prior Inventions”). If disclosure of any such Prior Invention would cause me to violate any prior confidentiality agreement, I understand that I am not to list such Prior Inventions in Exhibit B but am only to disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. A space is provided on Exhibit B for such purpose. If no such disclosure is attached, I represent that there are no Prior Inventions. If, in the course of the Services, I incorporate a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company’s prior written consent.

2.3 Assignment of Inventions.

Subject to Sections 2.4 and 2.6, I hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all my right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto) whether or not patentable or registrable under copyright or similar statutes, made or conceived or reduced to practice or learned by me, either alone or jointly with others, during my provision of Services for the Company. Inventions assigned to the Company, or to a third party as directed by the Company pursuant to this Section 2, are hereinafter referred to as “Company Inventions.”

2.4 Nonassignable Inventions.

This Agreement does not apply to an Invention which qualifies fully as a nonassignable Invention under Section 2870 of the California Labor Code (hereinafter “Section 2870”). I have reviewed the notification on Exhibit A (Limited Exclusion Notification) and agree that my signature acknowledges receipt of the notification.

2.5 Obligation to Keep Company Informed.

During the period of the Services and for six (6) months thereafter, I will promptly disclose to the Company fully and in writing all Inventions authored, conceived or

reduced to practice by me, either alone or jointly with others. In addition, I will promptly disclose to the Company all patent applications filed by me or on my behalf within a year after termination of the Services. At the time of each such disclosure, I will advise the Company in writing of any Inventions that I believe fully qualify for protection under Section 2870; and I will at that time provide to the Company in writing all evidence necessary to substantiate that belief. The Company will keep in confidence and will not use for any purpose or disclose to third parties without my consent any confidential information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under the provisions of Section 2870. I will preserve the confidentiality of any Invention that does not fully qualify for protection under Section 2870.

2.6 Government or Third Party. I also agree to assign all my right, title and interest in and to any particular Company Invention to a third party, including without limitation the United States, as directed by the Company.

2.7 Works for Hire. I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of the Services and which are protectable by copyright are “works made for hire,” pursuant to United States Copyright Act (17 U.S.C., Section 101).

2.8 Enforcement of Proprietary Rights. I will assist the Company in every proper way to obtain, and from time to time enforce, United States and foreign Proprietary Rights relating to Company Inventions in any and all countries. To that end I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Proprietary Rights and the assignment thereof. In addition, I will execute, verify and deliver assignments of such Proprietary Rights to the Company or its designee. My obligation to assist the Company with respect to Proprietary Rights relating to such Company Inventions in any and all countries shall continue beyond the termination of the Services, but the Company shall compensate me at a reasonable rate after my termination for the time actually spent by me at the Company’s request on such assistance.

In the event the Company is unable for any reason, after reasonable effort, to secure my signature on any document needed in connection with the actions specified in the preceding paragraph, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute,

verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

3. RECORDS. I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Proprietary Information developed by me and all Inventions made by me during the period of the Services at the Company, which records shall be available to and remain the sole property of the Company at all times.

4. ADDITIONAL ACTIVITIES. I agree further that for the period of the Services and for one (1) year after the date of termination of the Services, I will not solicit the business of any client or customer of the Company (other than on behalf of the Company).

5. NO CONFLICTING OBLIGATION. I represent that my performance of all the terms of this Agreement does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to the commencement of Services. I have not

entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

6. RETURN OF COMPANY DOCUMENTS. When the Services are terminated, I will deliver to the Company any and all drawings, notes, memoranda, specifications, devices, formulas, and documents, together with all copies thereof, and any other material containing or disclosing any Company Inventions, Third Party Information or Proprietary Information of the Company. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice. Prior to leaving, I will cooperate with the Company in completing and signing the Company's termination statement.

7. LEGAL AND EQUITABLE REMEDIES. Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

8. NOTICES. Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three (3) days after the date of mailing.

9. NOTIFICATION OF NEW EMPLOYER. I hereby consent to the notification of any employer for whom I work of my rights and obligations under this Agreement.

GENERAL PROVISIONS.

10.1 Governing Law; Consent to Personal Jurisdiction. This Agreement will be governed by and construed according to the laws of the State of California, as such laws are applied to agreements entered into and to be performed entirely within California between California residents. I hereby expressly consent to the personal jurisdiction of the state and federal courts located in San Francisco County, California for any lawsuit filed there against me by Company arising from or related to this Agreement.

10.2 Severability. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of

this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

10.3 Successors and Assigns. This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

10.4 Survival. The provisions of this Agreement shall survive the termination of the Services and the assignment of this Agreement by the Company to any successor in interest or other assignee.

10.5 Employment. I agree and understand that nothing in this Agreement shall confer any right with respect to employment by the Company, nor shall it interfere in any way with my right or the Company's right to terminate the Services at any time, with or without cause.

10.6 Waiver. No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No

waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

10.7 Dispute Resolution Procedure.

I agree that any dispute arising out of or related to the Services, including the termination of that relationship, and any allegations of unfair or discriminatory treatment arising under state or federal law or otherwise, shall be resolved in accordance with the dispute resolution procedures set forth in the Advisor Offer.

10.8 Entire Agreement. The obligations pursuant to Sections 1 and 2 of this Agreement shall apply to any time during which I previously performed Services, or in the future perform Services for the Company as an employee or consultant if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be

effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

This Agreement shall be effective as of the first day of the Services, namely: _____, [year].

I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT EXHIBIT B TO THIS AGREEMENT.

(Signature)

(Printed Name)

Dated: _____

ACCEPTED AND AGREED TO:

XYZ Corporation

By: _____

Name:

Title:

Address:

Dated: _____

EXHIBIT A

LIMITED EXCLUSION NOTIFICATION

THIS IS TO NOTIFY you in accordance with Section 2872 of the California Labor Code that the foregoing Agreement between you and the Company does not require you to assign or offer to assign to the Company any invention that you developed entirely on your own time without using the Company's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the Company's business, or actual or demonstrably anticipated research or development of the Company;
2. Result from any work performed by you for the Company.

To the extent a provision in the foregoing Agreement purports to require you to assign an invention otherwise excluded from the preceding paragraph, the provision is against the public policy of this state and is unenforceable.

This limited exclusion does not apply to any patent or invention covered by a contract between the Company and the United States or any of its agencies requiring full title to such patent or invention to be in the United States.

I ACKNOWLEDGE RECEIPT of a copy of this notification.

By: _____
(PRINTED NAME OF ADVISOR)

Date: _____

WITNESSED BY:

(PRINTED NAME OF REPRESENTATIVE)

EXHIBIT A

TO: XYZ Corporation
FROM: _____
DATE: _____

SUBJECT: Previous Inventions

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of the Services I will perform for **XYZ Corporation** that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

- No inventions or improvements.
- See below:
- Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

	Invention or Improvement	Party(ies)	Relationship
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

- Additional sheets attached.