

# 5

## WAYS STARTUPS CAN AVOID AN FTX SCANDAL



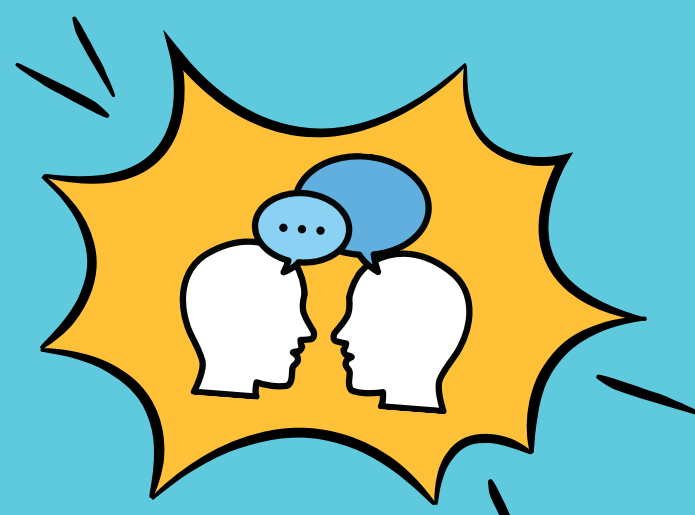
FOUNDERS DOC



### RESERVED MATTERS

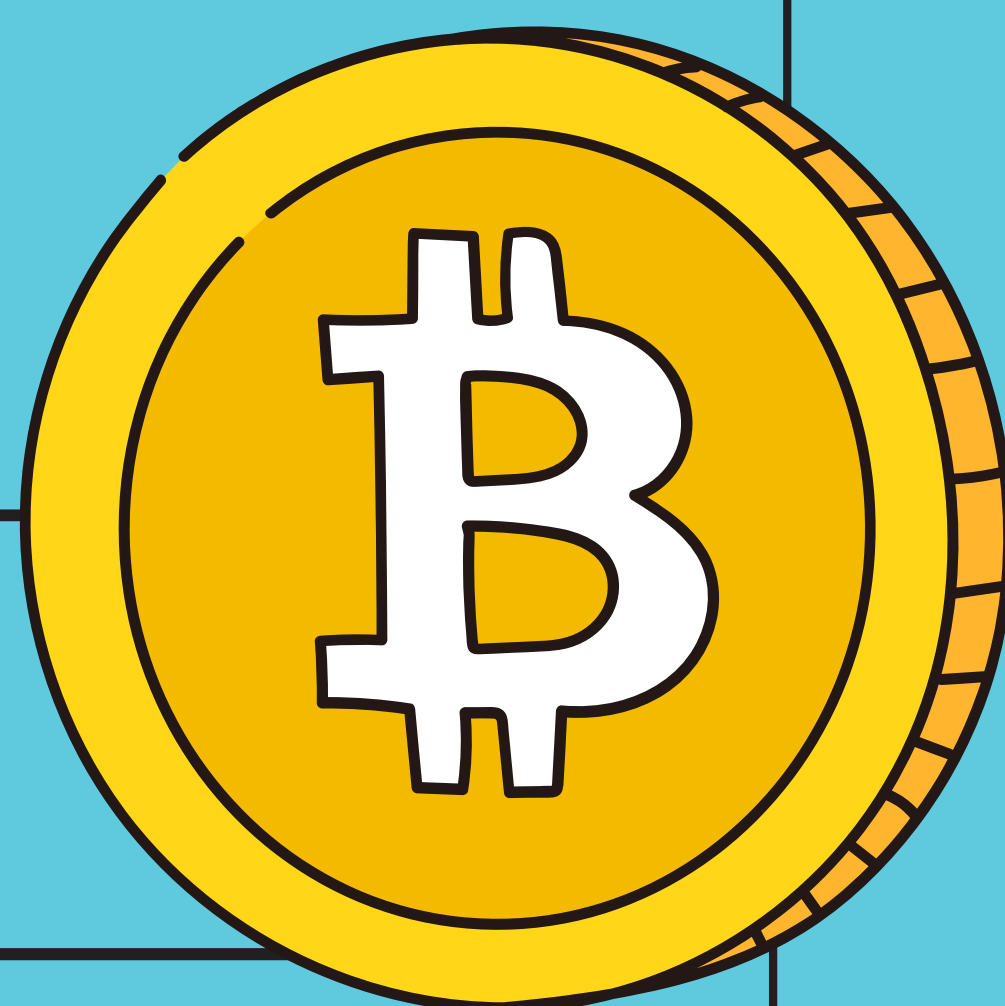
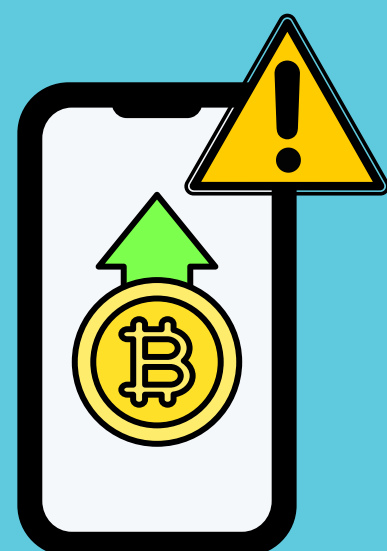
Including the following as reserved matters (ie. things that require the lead investor's approval):

- ➡ entry into related party transactions
- ➡ entry into transactions exceeding a certain financial threshold



### REPS & WARRANTIES

- ➡ Including representations and warranties on affiliated transactions and related party transactions.
- ➡ How it helps: FTX's founders would have had to disclose the Alameda Research transactions, if these occurred pre-investment.



### INFO UNDERTAKING

- ➡ Including company undertakings to provide quarterly and yearly audited accounts to key investors.
- ➡ This increases financial oversight over how the funds are deployed.



### FOUNDER UNDERTAKING

- ➡ Including an undertaking that the founder needs to dedicate a substantial amount of time to the startup.
- ➡ This minimises any potential involvement in other conflicting ventures (such as Alameda Research).



### BOARD GOVERNANCE

- ➡ Lead investors can choose to appoint board observers or have a board seat.
- ➡ If a startup is not ready for a board seat, having a board observer could be helpful to avoid an FTX situation.

