

Atlanta's
Technology Executives Roundtable
January 19, 2021

2021 ACCOUNTING, TAX & LEGAL
UPDATE:
What Every Technology Company
Needs to Know in 2021

*Please hold until
the session begins*

TEER
Technology
Executives
Roundtable



Rob Pinataro
President, Technology
Executives Roundtable

CEO, Payspan, Inc.

Your Forum

Candid discussion

CEOs, CFOs & Investors

Subject Matter Experts

Complex leadership issues

Share, challenge & test ideas

Technology
Executives
Roundtable

TER

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Wm Leonard & Company: Real estate specialists for high growth companies

Zoom Etiquette

--Please mute during presentations.

--Chat if you want to ask a question.

--We are recording for educational purposes; this is not specific legal, accounting or tax advice; consult your advisor



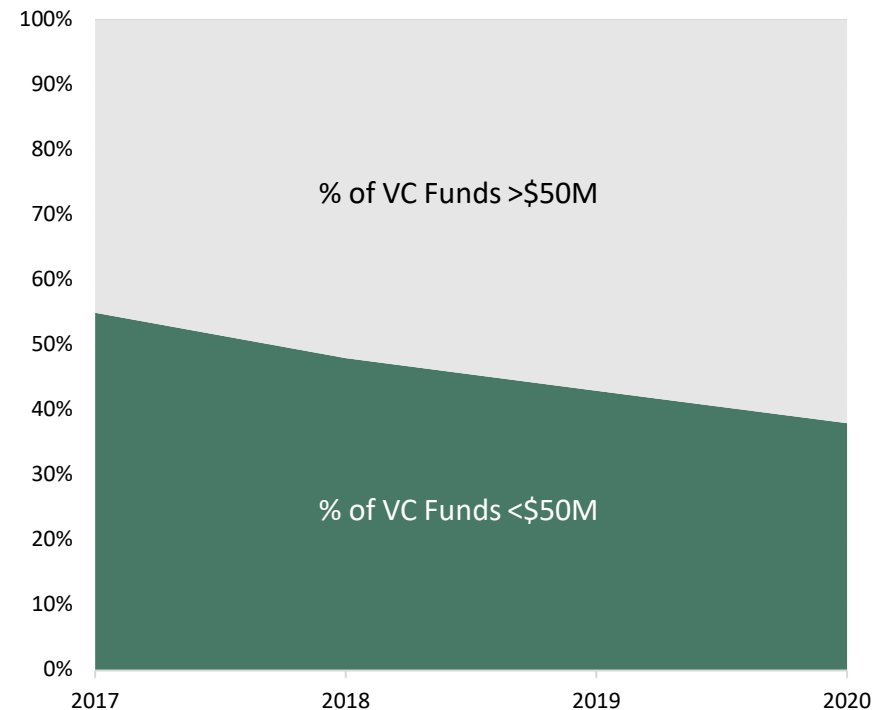
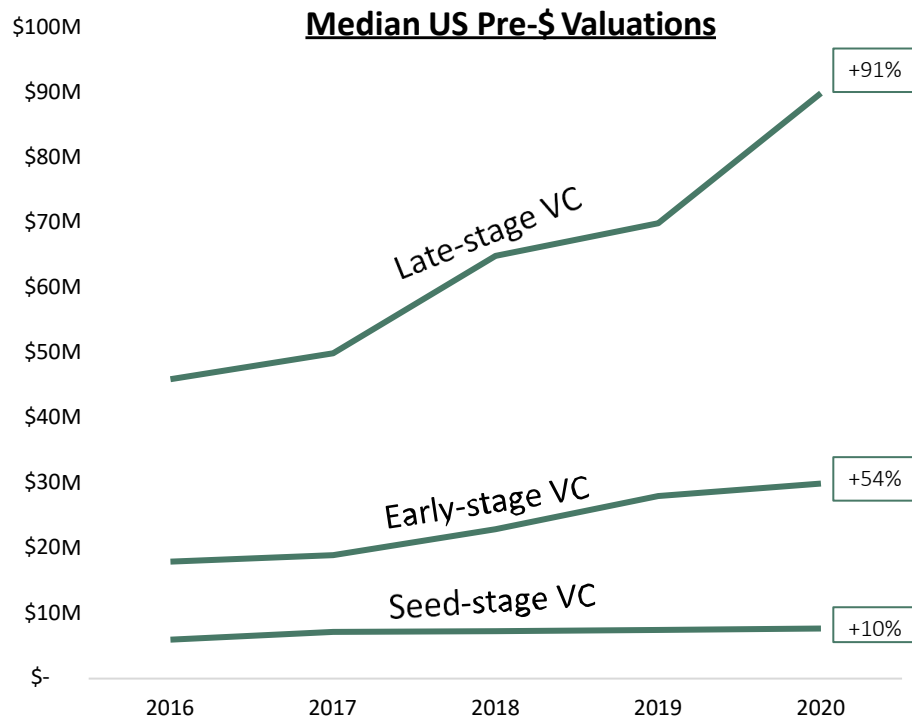
a \$15M Early-Stage Venture Capital Fund

circadian.vc

Early-Stage Macro Overview



Circadian Ventures: \$15M Early-stage VC fund



We invest in:

- 1. Experienced entrepreneurs**
- 2. Post-revenue companies**
- 3. Fair investment structure/governance**
- 4. Seed – Post Seed – Series A**

Circadian Portfolio



Personal & Syndicate Portfolio



Cyber Security Management Software



Apparel Technology



Biotechnology



Supply Chain Planning Technology



Marketing Technology



AI-as-a-Service



Cannabis Industry Software



Healthcare IT



Lifestyle Apparel Brand



Fintech for the Logistics Industry
Atlanta, GA



Robotic Sewing Technology



Royalty-free Music

Fund I Portfolio



Retirement Industry Fintech



SMS Marketing Technology

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TAX ASPECTS

Key tax proposals in Biden plan

- Raise corporate income tax rate from 21% to 28%
- Raise the GILTI rate from 10.5% to 21%
- Phase out 199A deduction [rate increase from 30% to 39.6%] *if income >\$400k*
- Raise top individual rate from 37% to 39.6%
- Raise LTCG rate from 23.8% to 43.4% *if income >\$1mm*
- Estate tax – 45% top rate/\$3.5mm exemption per taxpayer [currently 40%/\$11.58mm]
- Social security “donut hole” – taxation of wages >\$400k

TAX ASPECTS

Timing of coming tax changes – political aspects

- General consensus is changes effective in 2022
- Narrow Democrat margins in Senate *and House*
- Overview of key dates
 - Mid term elections 2022
 - Presidential election 2024
 - TJCA expires 2025

TAX ASPECTS

Other specific tax items for technology companies

- Second round of PPP in recent legislation
- Five year NOL carryback from prior legislation
- Consider “1202” companies in the future due to potential LTCG rate of 40%+

TAX ASPECTS

Other items to consider

- Proposal to “nationalize” California’s worker classification rules
- “Offshoring” tax penalty – 30.8% tax on USA-sourced profits relate to foreign production/services
- Digital services tax – globally
- State taxes – state will likely be more aggressive in seeking revenue sources + due diligence teams will look at this.
[Income tax and sales tax]

Financial Reporting Challenges in a COVID World

- PPP Loans
 - Presentation in financial statements
 - Debt vs. government grant?
- Revenue Recognition
 - Restructuring of contracts
 - Extending terms for customers
 - Providing free goods or services not explicitly promised in a contract

Financial Reporting Challenges in a COVID World

- Forward looking cash flow estimates
 - Impairment of assets
 - Going concern
- Share based payment plans
 - Modifications of plans
 - Changes in assumptions as a result of market conditions

Evolving Employment Laws and Best Practices

COVID-19 Vaccines and Your Workforce

- Can employers legally mandate vaccines?
 - No definitive guidance yet
 - EEOC has indicated it may be possible for some employers, particularly in high-risk industries
- Even if possible, employers must consider reasonable accommodation requests due to disabilities and sincerely held religious beliefs
 - Some states are considering state laws restricting mandatory workplace vaccinations

Evolving Employment Laws and Best Practices

COVID-19 Vaccines and Your Workforce

- Current recommendation – consider carrot instead of stick
 - Workplace wellness programs promoting vaccines
 - Information regarding vaccine facts and availability
 - On-site vaccines (maybe someday!)

Evolving Employment Laws and Best Practices

Old vs. New Normal – Managing Risks and Changes From COVID-19

- Remote working
 - Recent study found that **82%** of business leaders say their organizations plan to let employees continue to work from home at least some of the time, while **47%** plan to allow employees to do so permanently
 - Possibility for increased efficiencies and cost savings
 - But internal communication and mechanisms to evaluate performance are critical
- Morale issues and mental health

Evolving Employment Laws and Best Practices

Old vs. New Normal – Managing Risks and Changes From COVID-19

- Increased leave requests
 - Requests may implicate ADA, FMLA, or state law
 - FFCRA: covered private employers may claim the same tax credit associated with FFCRA leave that they ***voluntarily*** provide to their employees between January 1, 2021 and March 31, 2021 (but no extended leave caps)

Evolving Employment Laws and Best Practices

Non-COVID Employment Updates

- New DOL Rule Clarifying Contractor Classification under FLSA
 - Greater clarity, with most important factors being employer control and opportunity for profit/loss
 - But employers will still need to consider state law and IRS rules
- Biden Administration Possibilities
 - Paycheck Fairness Act (proposed gender pay equity law); Equality Act (clarify non-discrimination laws)?
 - Reversal of Trump work visa restrictions
 - Restrictions on work-based arbitration agreements and noncompetes?
 - Federal paid family leave?

Legal Developments for Tech Companies to be Aware of

SEC Updates and Impact on Private Fundraising

- Crowdfunding
 - In November 2020, the SEC passed an amendment making crowdfunding a more viable option for fundraising for tech companies
 - Cap on crowdfunding activities to be raised from \$1.07MM to \$5MM in any 12 month period
 - Removed maximum investment from any one accredited investor; increased limits on maximum investments for non-accredited investors

Legal Developments for Tech Companies to be Aware of

SEC Updates and Impact on Private Fundraising

- Accredited Investor Definition
 - Raising funds from non-accredited investors generally leads to issues – increased disclosure requirements that are expensive and additional limitations on private fundraising
 - In August 2020, the SEC adopted an amendment expanding the accredited investor definition
 - Holders of professional licenses, including Series 7, Series 65 and Series 82 licenses
 - “Spousal equivalent” addition
 - Certain registered investment advisers

Legal Developments for Tech Companies to be Aware of

VC and Private Equity Fundraising

- Despite the pandemic, the number and size of venture capital and private equity funds continue to grow
- Potential political challenges – end of capital gains treatment for carried interest?
- Investment activity temporarily dried up following the initial stages of the pandemic
 - Funds need to deploy capital and make up for “lost time”
 - Deal activity back to pre-pandemic levels

Legal Developments for Tech Companies to be Aware of

IP Protection in 2021

- Despite the pandemic, new patent and trademark filings in 2020 were only slightly down nationally from 2019 numbers, reflecting companies treating IP protection as “business as usual”
 - Continue filing for patents and trademarks, since that’s what your competitors are doing!
- New trademark legislation (Trademark Modernization Act of 2020) passed into law in late December 2020
 - Trademark owners will have some new options for protecting their brands, but the new laws introduce potential new types of challenges to trademarks from competitors – be sure to talk to your counsel for guidance

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**Please join our
February Virtual
Meeting**

**Venture Capital Investing in 2021—
New Rules for Tech Companies
Raising a Series A or B Round**

February 16, 2021

UPCOMING TER EVENTS

March 16, 2021

Reimagining the Workplace – The Future of Office Space

April 20, 2021

International Expansion – Where to Open Your International Office in 2021

*UK? France? Holland? Ireland? Australia? China?
Middle East? South America?*

May 18, 2021

Atlanta Technology Executives Compensation Findings

June 15, 2021

ALL STAR SALES PANEL: TOP 10 KEYS TO MARKETING & SELLING EFFECTIVELY IN THE LOWER TERM VIRTUAL WORLD

**Please stay after
for**

**Q&A
with today's Speakers**