



WARLOWSLEGAL

Wisdom, Understanding and Knowledge

— 5 Top tips for Startups

Launching a startup is an exciting process. But it is crucial that you have the right legal advice in order for your startup to thrive. These five top tips ensure that your start-up runs smoothly and efficiently:

Content

1 Ensure you have a comprehensive Business Plan

2 Choose the right structure for your Business

3 Understand the different types of Capital Raising

4 Ensure that you have a well-drafted Shareholders Agreement

5 Ensure you have well drafted Employment Contracts



WARLOWSLEGAL

Wisdom, Understanding and Knowledge

1. Ensure you have a comprehensive Business Plan

You've got a great idea, some team members and even a potential investor or two. You're well on the way to launching your startup and then starting the hard grind to releasing your product on the market. But what happens if you need to raise more money? How will you attract new investment? Do you want to expand your company indefinitely, or are you aiming to be brought out by a competitor? Maybe you want to grow your business to the point where you can offer shares to the public via an Initial Public Offering (IPO) and keep expanding?

These questions should be answered by consulting a competent lawyer or business advisor. While your battle plan may change as you encounter new challenges and opportunities, having a business plan will give shape to your startup journey.



2. Choose the right structure for your Business



One of the first steps in setting up a startup company is choosing the right business structure. This is effectively choosing the 'architecture' for your company and choosing which legal entity it will operate as. There are several different types of business structure to choose from, and each one comes with their own advantages for flexibility, tax and ultimate legal liability. The main four structures are a sole trader, a partnership, a trust or a company.

Each structure will result in different outcomes for profit sharing, risk and taxation. It is for this reason that it is worth seeking the advice of an experienced lawyer on the best structure for your individual needs and financial circumstances.

3. Have an Effective Board

Capital is the lifeblood of most startups – the capital is pumped into the company's heart and allows the corporate body to live and thrive. Often venture capitalists and investors will contribute capital in successive 'rounds'. The first round is commonly known as 'seed funding' where investors will fund a new startup. Investors can then contribute capital in successive stages known as 'Series A', 'Series B', 'Series C' and the like. Each time the company will have grown, it will need more money to fuel its expansion.

How much capital will be invested depends on the valuation of the company. Often founders will value their company highly, while more experienced investors may give a lower valuation. It is important to reach a middle ground where a fair valuation is given to your business that reflects its position in the market and its potential for growth.



4. Maintain your Accounts and Financial Records



One element of investment and capital raising that is not always considered, is the amount of control that investors will gain in the Company. Some venture capitalists require a seat on the Company's Board and "a say" in its management and affairs. This is effectively a trade-off that many startup founders have to consider – are you willing to relinquish some control in exchange for capital?

A good way to manage this issue is to engage competent lawyers to prepare a comprehensive Shareholders Agreement. The agreement should clarify whether an investor will have a Board seat, whether they can vote, what type of shares they will hold and other rights and duties.

5. Ensure you Know How to Submit an Annual Information Statement

You can think of your startup a bit like a share house – you and your co-founders may be friends, but it is important to clarify what everyone's financial and legal obligations are in order to avoid problems down the track and co-exist harmoniously.

This is where it is crucial to obtain proper legal advice and obtain well-drafted employment contracts. A proper contract will cover whether each staff member is an employee or a contractor, what they are expected to do, how they will be remunerated and how their involvement can be ended if things do not work out. A proper employment contract should also include a non-compete clause and provisions dealing with any intellectual property generated by the Company. While engaging a lawyer to draft employment contracts is an expense, it is a fraction of the cost and disruption that can occur if relations sour between employees and owners and rights and duties were not clarified in writing.



We hope that these five top tips help you in setting up, funding, operating and expanding your startup. Please do not hesitate to contact [Warlows Legal](#) for further assistance!

ABOUT US

Warlows Legal is an innovative law firm established in March 2021 with a growing team of expert lawyers based in Melbourne, Victoria and in Israel.

We specialise in commercial litigation, construction law (both commercial and litigation), board governance and charity law, corporate and commercial law, employment, property and intellectual property for all businesses, with a special focus on start-ups.

Warlows Legal embraces technology and artificial intelligence in developing our legal work, and we encourage diversity of thinking and innovation in our practitioners. We believe that talented lawyers create brilliant results for clients.

Warlows Legal is committed to legal excellence, balanced with access to justice for all. Whilst achieving fantastic commercial results for clients, the firm aims to assist the community via its soon to be established pro bono legal clinic. It is a proud member of the '1% pledge' (see here for more information).

Phone: +61 3 9212 0238

Email: christine@warlowslegal.com.au

[Enquire Now](#)