

CHECKLIST OF MUST HAVE CONTRACTS FOR STARTUPS

When you come up with an amazing idea for a new product, service, or anything else really, it's a very exciting time. Having your very own startup is probably the most exciting time of your life. So, it's easy to get carried away and start your business without any of your legal needs being fulfilled. However, once your idea makes it big, you could pay dearly for not having legal protection. Therefore, before you do anything else you should consider the following:

1. Decide where you would like to form a legal entity.

When it comes time to form a legal entity, most people just say that they want to form in Delaware. However, it may be more advantageous for your business to be formed in your home state. This first step is very important because it determines whether you have to file annual reports, how much you will pay for taxes, and may determine where you have to litigate all lawsuits.

2. Form a legal entity.

There are many considerations that go into choosing the right type of legal entity for your business. The type of entity that you choose impacts whether you have personal liability for your business and may also have tax ramifications. Therefore, it's best to choose the legal entity very carefully.

3. Establish clarity between co-founders.

If you are starting a business with other co-founders, you need to have complete clarity between each other. While at the beginning of the venture, everyone wants to play nice and be friends, the tables may turn when you start making money. Thus, it's best, at the beginning, to discuss your visions for the company, whether you are aligned on management styles and the culture of the company, and other important considerations such as these.

4. Have bylaws, a partnership agreement, or an operating agreement.

Having a document that explains the procedure for making decisions and voting rights helps clear up a lot of confusion and possible disputes down the road. Also, I have found that by discussing such things as what happens when a partner wants to leave enables the co-founders to understand each other better and to make the final decision as to whether or not they want to go into business together.

5. Qualify to do business in the state in which you are going to be doing business.

A lot of states require that you register with their Secretary of State and qualify to do business in that state.

6. Protect your intellectual property.

Register all trademarks and copyrights. File all patents. This will ensure that your big ideas do not get stolen by someone else.

7. If you are planning on having employees, you should:

Post all notices required by the state in your office.

Ensure that you are paying your workers at least the minimum wage.

Have employment contracts for every employee.

Make sure that you comply with all reporting requirements established by your state.

Pay employer taxes.

8. Comply with securities laws if you are issuing stock to investors, friends, or your family.

The SEC has strict guidelines for issuing stock and the penalties for not complying with these laws is very high.

9. If you have a website, have Terms of Use Agreement and Privacy Policy on the website.

This will ensure that your potential customers have a clear understanding of what to expect from you and the website. It will also help dissuade lawsuits.

10. Have a standard-form contract with your customers.

Having a standard-form contract with your customers contributes to an overall understanding of the rights and responsibilities of each party and reduces misunderstandings from the very beginning. Also, having a contract with your customers helps dissuade litigation and establishes rights that you may otherwise not have.

We hope that this checklist has been helpful. Please contact us with any questions.