

## Organizing your start-up - Checklist

- ❑ What business legal structure should you use?
  - The most common legal structure is the corporation. But considerations like tax benefits, future structural needs of the company and control issues of the company could mean that another structure like a sole proprietorship, partnership or limited liability partnership might be more suitable.
- ❑ What legal formalities need to be accomplished to organize my building structure
  - For a corporation, articles of incorporation need to be filed and the resolutions, minutes and by-laws need to be passed. You will need to constitute an effective board of directors, deciding who will fill the different official positions in the company.
- ❑ What agreements should you have among the co-founders?
  - A formal partnership agreement in the case of a partnership or LLP and a shareholders agreement in the case of a corporation should be the minimum requirements. Such agreements should provide for situations when a founder leaves, how shares are transferred, outside offers to purchase shares and irreconcilable conflict, among other matters.
- ❑ How should the founder shares be distributed?
  - While there may be a strong desire to share control among the founders, factors like capital investment, leadership, services provided and time spent on the start-up should eventually decide in what proportion the founder shares will be distributed. The initial value of the shares should also be determined (usually either as a nominal value or as exchange for assets such as hardware or intellectual property)
- ❑ Have all the relevant assets been transferred to the company?
  - If the company is a corporation, all assets should be in the name of the company. This includes hardware, relevant technology and intellectual property rights. The last is usually the most important as this is likely the most important asset the company has at this stage.
- ❑ Have you protected the company's intellectual property?
  - Consider options like trademarks and patents to protect your start-up's designs, inventions and processes.
- ❑ What arrangements do you have with the employees?
  - Employment agreements with employees should be in place. These should consider duties, remuneration, IP assignments and waiver, non-solicitation clauses and termination provisions among others. Also consider incentive mechanisms such as share grants or stock options to keep employees motivated.

*This checklist is designed to provide you with information only and does not constitute legal advice. Furthermore, the information is intended to provide a general overview of issues start-ups should be aware of.*