Chidatma Lex Group

Legal Startup Quick Guide

You want to be your own boss. Maybe you have a singular expertise that can be used in the marketplace. People have started vastly successful businesses with just the kernel of an idea.

This will not be easy. Half of all new businesses fail.

Your lawyer should be able to guide you on legal issues. Your lawyer should be an attorney focusing on business issues. Your lawyer should have a high baseline of experience with various businesses and issues. Your lawyer should be your counselor, someone you can bounce ideas off of in confidence.

Here are some points you can use to help build your business:

Start with the idea

If you've read this far, you already have the idea. If you haven't already, spend time on Google looking at how other companies deliver the product you are thinking about. If you can deliver something new, better or cheaper … move to the next point. But just because you build it doesn't mean customers will come. You have to focus on the opportunity. What are the most important bricks in the wall?

1) your customers, and
2) your product.

Without customers and a product a business isn't … a business.

Business Plan

A business plan is a written description of your business's future. Something that describes what you plan to do and how to do it. Sometimes it is scribbled on a napkin. Even if you only jot down a paragraph on the back of an envelope describing your business strategy, you've written a plan. It should explain the purpose of the business, the customers of the business, and how you are going to pay for it. It is an organic document that can be updated regularly.

Dwight@clglex.com *205 Hudson Street – 7th Floor* *917.494-1639*
New York, New York 10013

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Eventually it is a sophisticated document that acts as bait for possible investors or explains to conservative bankers why they should loan you money. There are many samples of business plans online. Click here for one.

Are you doing this by yourself?

Sometimes you are frightened, you want the comfort of a partner or two or three. Or maybe you respect a friend who is a great salesperson, and sales is not your strong suit. Very real thought must be given by each of the players about what they are going to bring to the table and how they will be compensated. Defining roles, who does what, and how to work together in advance will pay off in happy partnerships.

Money money money. How are you paying for this?

Part of your business plan should be a zero based budget, that is, a budget starting from ground zero. If you use that you can see how much money you will need and typically, when you are going to need it. Can you pay for this from your savings? Can you start the company in your spare time – trading sleep for money – while keeping your day job? Is a partner bringing money to the venture? Are friends and family willing to loan you money knowing that the loan could be risky indeed? Could a bank lend you money? After all, that is what they do. Not likely unless you actually have a business showing income. The small business administration can sometimes help. How about your credit card? Or a home equity loan. I am sure you can imagine the risk of those loans, like losing your home. You could very well need real outside investors who will invest in your company.

Alphabet Soup

There are S corps, C corps, LPs, LLCs, B corps, Series LLC. While you could surely set up the company with the applicable secretary of state, your attorney should be able to give you pros and cons of each form of doing business. He or she should be able to navigate getting the company organized with minimal problems. Also there are several ancillary documents that are required to properly insulate yourself from personal liability. One of the keys to protecting yourself from individual liability is for the company to observe "corporate formalities." Your attorney should be teaching you how to do this and papering key decisions made that will assist your company in the face of public scrutiny later.

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Protect your IP

Intellectual property, generally referred to as IP, could very well end up being the most valuable part of your new company. It allows you to stop competitors from copying or stealing your valuable ideas. IP is generally a distillation of your ideas. Federal protections – copyrights, patents, and trademarks - can be obtained for your goods or services. Obtaining these protections range from very simple to extraordinarily complicated. And trade secrets – special knowledge that gives you a competitive edge – must be protected. Otherwise, the main value of your company disappears every night when the employees leave. Your attorney can help you craft confidentiality agreements and insure they can be enforced.

Ongoing Business Strategy

As a lawyer, I see calls for many areas of agreement on business issues. There are common agreements like confidentiality agreements, consulting agreements, and vendor agreements. Even assisting in creating the agreements you use between you and your customers – terms and conditions if you will. And employment issues, such as how to comply with workplace regulations (E.g., #metoo issues), and agreements between the company and its outside consultants or contractors. This is where an attorney can help out in having the company create internal rules and standard operating procedures. These systems help create a sustainable company which clearly defines its employees' and management's duties and responsibility.

Exit Plan

I always ask a client – what is your exit plan? Maybe they have never thought of it before. It can be to sell the company in three years. Work there for the rest of their life. Pass it on to members of the family. Truth is, it is never to early to start preparing for a possible exit.

Need help getting your legal ducks in a row?

Click here to schedule a free 15 minute consultation to learn how Chidatma Lex Group can help.

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