

Legal and Business Insights Every Founder Needs

ZED LAW

Summary by



InhouseVentures

Overview

As a founder, navigating the path from a bright idea to a fully funded and thriving business can be daunting. Beyond just building a great product, it's crucial to have your legal, financial, and operational foundations in place to attract investors and set your startup up for long-term success. In this guide, legal and business expert Ryan from Zed Law covers everything from structuring your company to managing intellectual property and preparing for due diligence. Whether you're just starting out or preparing to scale, these insights will help you avoid common pitfalls and build a fundable, investor-ready business.

20-Point Summary:

- **Focus First on Product-Market Fit:** In the early stages, prioritize validating your idea and securing demand over perfecting your business structure.
- **Revenue Validation:** Demonstrate demand or revenue generation before seeking funding.
- **Prepare Your Business Structure:** Once you're ready for funding, ensure your company is structured correctly, including having a private company setup and a clean share register.
- **Corporate Governance Basics:** Investors will expect directors to understand their responsibilities and for proper registration with ASIC.
- **Company Constitution:** A company constitution accommodating investors' interests is essential.
- **Shareholder Agreement:** Have a shareholder deed in place before approaching investors.
- **Intellectual Property (IP):** Ensure all IP is assigned to the company, not individual founders or employees.
- **Trademarks and Patents:** Secure trademarks and patents in key markets under the company.
- **Financial Clarity:** Maintain clear records of revenue, expenses, liabilities, and assets to demonstrate financial health.
- **Contracts and Agreements:** Formalize agreements with employees, contractors, vendors, and other stakeholders.
- **Cap Table Management:** Keep your cap table clean, clear, and easy for investors to understand.

- **Regulatory Compliance:** If operating in regulated industries like healthcare or medicinal cannabis, ensure compliance with relevant laws.
- **Data Room:** Create an organized data room for all key documents to facilitate due diligence.
- **Investment Documents:** Have term sheets, subscription agreements, and shareholder agreements ready for investors.
- **Professional Assistance:** Engage experts for investment documents to inspire investor confidence.
- **Common Mistake – Inadequate Documentation:** Avoid disputes by formalizing co-founder agreements and ownership splits early.
- **IP Ownership Issues:** Ensure all IP created by team members is legally assigned to the company.
- **Early Relationship Clarity:** Clearly define roles, responsibilities, and ownership to avoid conflicts later.
- **Founder Equity Disputes:** Resolve equity splits early, especially when contributions and workloads vary among founders.
- **Tax Structuring:** Address tax structuring later in the business lifecycle as you scale.