How to Set Up Your Startup (And Not Regret It Legally Six Months Later)

A quick guide for founders that want to build properly from the beginning

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¿Why this guide?

At [Morán Lobato Abogados](), we work with startups from their first coffee between co-founders to their first funding round—and beyond. We know that many legal mistakes don't show up in the first few months… but they explode later. And fixing them is always more expensive than preventing them.

This guide is designed to help you **build your startup** with a solid legal foundation. No jargon, no fluff—just the essentials that will actually impact your company's future. Because incorporating your startup is easy. Doing it right is another story.

¿Who we are?

At Morán Lobato Abogados we do not speak latin. We speak startup.

We're a **law firm based in Barcelona**, agile and committed to the real growth of our clients. We understand that entrepreneurship isn't just about signing papers: it's about making decisions under pressure, distributing equity fairly, surviving the first funding round... and moving forward without legal obstacles slowing you down.

We work with startups from the earliest stage—when everything is still a sketch on a napkin—through to more advanced phases where structure, investment and even exits need to be handled professionally. We're well-versed in the ecosystem: SaaS, HealthTech, AI, marketplaces... and **we know how to anticipate the costly mistakes**.

We don't use templates or one-size-fits-all contracts. What we offer is strategic legal advice tailored to your phase, team and goals. From realistic shareholder agreements to SAFE reviews, clean cap tables and meaningful vesting plans. If you're a founder, investor, or key team member, **we'll help make legal an ally—not a headache**.

What we do

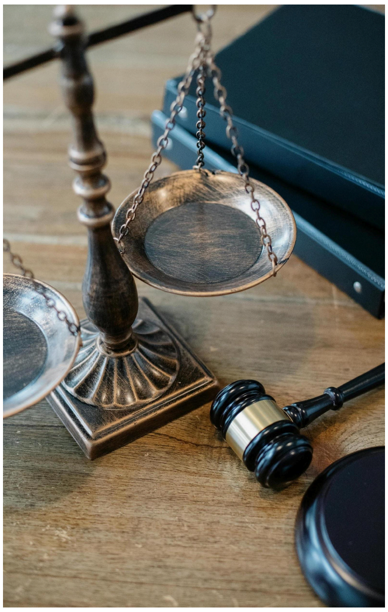
So what exactly do we do? Whatever your startup actually needs. No more, no less.

At Morán Lobato Abogados, **we give real advice**, guiding founders and startups to make legal decisions aligned with their business strategy.

We draft contracts that are clear (and enforceable), structure shareholder agreements for long-term growth, scrutinize SAFEs and term sheets, and adapt the legal framework—bylaws, agreements, advisor and employee relations—so that it makes sense both day-to-day and for your big-picture roadmap.

And if conflict arises, **we litigate**. When co-founders clash, clauses are breached, or someone overreaches—we defend your position in court with the same drive we use to help you grow. Because sometimes, mediation isn't enough—and we play that game too.

In short: we don't just sell documents. **We design legal structures that survive rounds, investors and crises. And if needed, judges**.

Consultation	Contracts	Court
		

Basic concepts

¿What is a startup?

A **startup** is a young company with high growth potential that aims to solve a specific problem through innovation—whether technological, business model–based, or experiential—in an environment of uncertainty. Unlike a traditional SME, its structure is designed to scale quickly, attract external investment, and adapt swiftly to market changes. Startups operate in fast-paced phases (ideation, validation, growth) and require a legal foundation that is both **flexible and solid**, capable of supporting their evolution without slowing them down.

That being said, a startup is still a company—and as such, it is subject to the **Spanish Companies Act (Ley de Sociedades de Capital, LSC)**, as well as applicable **European directives** and other regulatory frameworks. In this regard, its structure and operation resemble those of any other commercial company:

- All shareholders hold a percentage of the company's share capital.
  Depending on their stake, they have more or less power when it comes to corporate decision-making.
  Share capital is variable: it can increase or decrease, and changes with the entry or exit of partners (and capital).

- Shareholders have a series of **rights and obligations**, which may derive from the Companies Act or from private agreements between the parties (such as shareholders' agreements, NDAs, investment agreements, etc.).

- From day one, the company must have a **legal representative**—known as the **director or administrator**—to act on its behalf.

Let's now take a look at the typical timeline of a startup's development.

Typical Startup Timeline

We can visualize the natural progression of a startup using the following chart:

💡 The Big Idea

Everything starts with a hunch: solving a real problem through technology or an original business model. This is the **initial validation phase**, filled with experiments, coffee shop pitches, and market testing without burning too much cash. It’s where those early conversations like “should we build something?” begin — and where legal decisions don’t feel urgent yet (but already are).

🛠️ Organization

Once things get serious, it’s time to **incorporate the company**, split equity, define roles, protect the idea, and build the basic operating framework: **bylaws, shareholders’ agreement, NDAs, collaboration agreements, trademark registration, IP transfer**. This is the turning point where the project becomes a business.

🌱 Seed Stage

Now there's something tangible: an MVP, early users, and a committed team. The startup seeks **seed capital** (FFF, business angels, ENISA, grants), sets its first metrics, and starts gaining traction. Legally, this is the moment to **organize the cap table**, revisit the shareholders’ agreement, implement **vesting**, and use instruments like **SAFEs** or **convertible loans**. What’s not cleaned up here becomes a problem later.

📈 Growth Stage

With a validated product and first meaningful users or sales, the startup enters **growth mode**. It starts looking for larger rounds (VCs, family offices), builds structured teams, begins to internationalize, and must prove that its legal foundation is solid. The legal structure becomes more professional: **data rooms, due**

diligence, watertight contracts, control clauses, stock option plans, compliance. At this point, improvisation is no longer an option.

🎯 **Success**
For some, success comes in the form of a major funding round, acquisition, or steady growth. For others, the path may lead to a pivot, partial sale, or even an orderly shutdown. In every case, having taken care of the legal framework from the start makes the difference between a clean exit and a legal mess.
Because a good startup isn't just measured by what it builds, but also by how well it protects it.

Not every startup makes it to the end: sometimes co-founders walk away, the idea is sold within the first month, or the project simply hits a ceiling too soon. Still, this timeline is a fair representation of the stages a startup might go through — regardless of the final outcome.

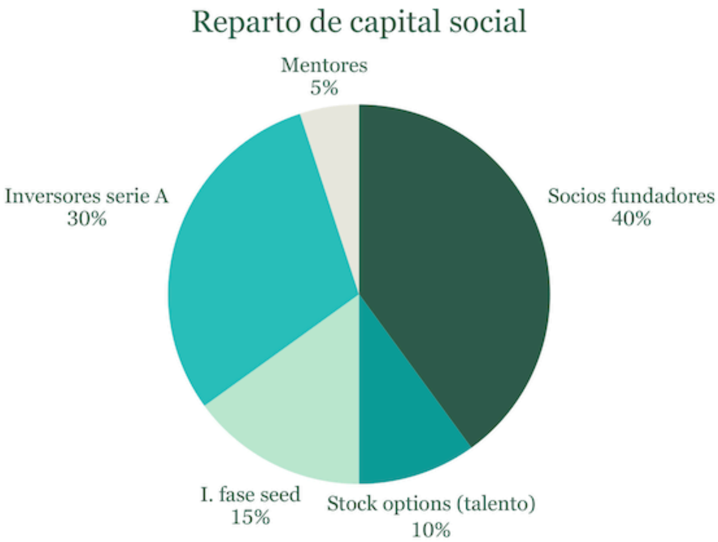
Anatomy of a Startup

The typical startup structure starts out simple — but it must be carefully thought out from the beginning to avoid future conflicts. It usually begins with a **founding team** of two or three key people (for example, one business-oriented and one technical), who divide equity and take on complementary roles. At this early stage, it's critical to define ownership percentages, commitment levels, and a shared roadmap.

As the startup grows, its internal structure becomes more formal. A **governing body** is created (usually a sole director or board), early employees or collaborators are brought in, and key agreements are put in place: **shareholders' agreements, employment or contractor agreements, and legal frameworks for relationships with clients and suppliers.**
It's also advisable to plan early for a **stock option pool** to attract and retain talent.

Once the company begins **looking for investment**, its structure must be ready to scale. That means a **clean cap table**, clearly assigned IP, **bylaws tailored for investors**, and contracts that hold up in a due diligence process. Legal maturity at this stage not only adds security — it also signals professionalism and strength to potential financial partners.

A typical **mid-term startup structure** might look like this:



In this chart, we can see how the **share capital of a startup might be distributed after three years in the market.**

On one hand, the **founding partners** try to retain as much control as possible. However, in order to cover the company's financial and operational needs, they've had to give up part of the equity they originally held. These shares are now divided among various **investors**, who may have joined during the **seed stage**—when the project was just an idea—or later during a **Series A**, when the business showed signs of viability. The terms under which they joined may differ greatly, depending on the balance of power at the time.

On the other hand, in order to **attract and retain talent**, it's common to allocate **small stakes** to key team members and executives through **stock options**, so they can share in the company's success and long-term vision. Along the same lines, a portion of the equity may also be granted to **strategic professionals or mentors** (legal, marketing, etc.) who supported the company's growth from the very beginning.

Legal Done Right: Build to Win

Company incorporation

Setting up a startup in Spain isn't just about filling out paperwork — it's the moment when roles are defined, the value of the company is set, and how key decisions will be made is written down. The process begins with **drafting the bylaws**, which should be adapted to a growth-oriented structure (and not left in the hands of the notary's template), and **establishing the share capital and equity distribution among the partners**.

Once the equity distribution is agreed upon and the bylaws are ready, a bank account is opened in the name of the company in formation, and **the minimum share capital is deposited** (€3,000 for a limited liability company, or S.L.). The bank issues a certificate, which is submitted to the notary along with the negative name certificate (to ensure your chosen name is available). Then, the deed of incorporation is signed before a notary.

The next step is to submit that deed to the **Commercial Registry** of the province where the company will be based, which will officially register the company. From there, you request the definitive tax ID (NIF), notify the Tax Agency of the beginning of activity, and your startup is legally ready to operate.

Our advice? Don't underestimate this phase. A poor equity split, generic bylaws or no shareholder agreement can come back to bite you — especially when that first funding round arrives.

The 5 key documents

📌**Shareholders' Agreement: Your Startup's Life Insurance**

You've spent 18 months working 80 hours a week. Your co-founder, who owns 50%, decides they want to "explore other projects." Without a vesting clause, they walk away with half the company for free.

The shareholders' agreement, usually signed at the time of incorporation, is a private contract between founders that **governs everything the bylaws don't cover**. It defines rules on governance, decision-making, internal conflicts, and exit scenarios. It includes essential clauses like drag-along, tag-along, buy-sell mechanisms, and non-compete and confidentiality terms.

The idea behind it is **to avoid disputes, protect the project** from abandonment, and ensure that **strategic decisions** require consensus. It is also a key document for investors, who require its review in due diligence processes.

¿What must include?

- **Reverse vesting over 4 years (with a 1-year cliff)**: No one walks away with equity they haven't earned.
- **Shotgun clause:** For when things go south. One founder can buy out the other (or be bought out) at a fair price.
- **Drag-along rights:** So a minority shareholder can't block a million-dollar exit.

<u>Real case</u>*:* A SaaS startup missed a €15M buyout because a 8% shareholder refused to sell. Result: two years of litigation and €15M gone.

📌NDA: The Lock That Opens When You Don't Sign It

"Trust me, I won't steal your idea" — spoiler: they did.

The **Non-Disclosure Agreement** is the basic shield for protecting confidential information. You should have it in place before discussing anything serious with developers, advisors, freelancers, or potential investors. Not signing it gives others a free pass to use your pitch, prototype, or code.

Common mistakes:

- Showing your product or idea before signing anything.
- Using generic NDAs without scope, penalties or a timeframe.
- Not planning what happens if someone breaks it (can you prove it?).

<u>Real case</u>*:* A founder shared their idea with a classmate. Three months later, that same person launched a "suspiciously similar" version with a new team.

👉 **Solution:** Always sign a clear NDA (2–5 years), including commercial use prohibitions and proof mechanisms. It won't stop bad actors, but it signals seriousness — and gives you legal recourse.

📌SAFE / Convertible Note: The Double-Edged Sword

"It's just a convertible note," you think — until your Series A reveals you gave away 40% of the company.

The **SAFE (Simple Agreement for Future Equity)** and the **Convertible Note** are two of the most common tools for raising early-stage capital. They allow money to enter without setting a valuation or issuing shares immediately. But what looks easy at first can be disastrous if you don't understand the fine print.

The SAFE converts into shares in the next qualified round, usually with a **discount** (e.g., 20%) or a **valuation cap**. The convertible note works similarly, but as a loan with interest and a maturity date, it's more strictly regulated under Spanish law.

Traps that can sink you:

- **Cap too low:** A €2M cap today could turn into a 10x equity loss tomorrow.
- **Multiple SAFEs with different terms:** Nightmare to coordinate at conversion.
- **No cap or discount limits:** One "cheap" round later, and your equity is toast.
- **No forced conversion clause:** What if you never raise a qualified round.

Real case: A FinTech raised €200K on a €1M cap. When they hit a €10M valuation, those early investors walked away with 35% of the company. Series A collapsed. Founders got diluted. Restructuring needed.

👉 Solution: Simulate dilution before signing. Set realistic caps. Use forced conversion clauses. And **get legal review from someone who understands liquidation preferences and Excel.**

📌 IP Agreements: Your Real Moat

Your CTO quits — and threatens to take "his code." Your startup freezes.

The real value of your startup usually isn't revenue or branding. It's the **intellectual property**: code, algorithm, design, datasets, trademarks, or the actual product. If that IP isn't **formally and contractually assigned to the company**, then legally, it's not yours. Which means you can't protect it, monetize it, or raise money with it.

This applies to both employees and external collaborators. NDAs aren't enough. You need **explicit IP assignment clauses**.

How to shield yourself:

- **Formal IP transfer** from employees and freelancers.
- **Trademark registered** in the company's name (not the founder's).
- **Clear agreement** on assets developed *before* incorporation.
- **Consider provisional patents** (especially in tech or health sectors).

<u>Real case</u>: An IoT startup lost their core algorithm because their developer never signed an IP assignment. Three years of R&D, gone.

📌 Cap Table: The Mirror That Shows If You've Screwed Up

"We'll figure out the equity split later." Spoiler: they didn't.

The **Cap Table (Capitalization Table)** is a spreadsheet showing who owns what — founders, investors, advisors, stock option pool. It's the first thing investors check. If it's messy or outdated, it's a red flag.

Red flags that kill deals:

- **Equal splits** with unequal effort.
- **No space reserved** for a talent pool.
- **Unsynced SAFEs** or convertibles.
- **A co-founder who left** but still owns 30%.

Real case: A startup with three co-founders. One left after a month, still held 33%. When raising funds, VCs demanded he be removed. Six months of conflict later — round failed.

Solution: Always keep your cap table clean, updated and simulated for future dilution. Show pre- and post-investment versions. A startup that doesn't control its cap table, doesn't control its future.

Your First Six Months: A Legal Roadmap

Incorporating the company, signing the shareholders' agreement, clarifying who brings what, and protecting what you're building — so far, so good. But most startups don't fail because of one big mistake. They fail because the important stuff gets postponed… until it's too late. That's why this dossier isn't a theoretical guide — it's a **practical roadmap** to help you avoid the mistakes that could cost you your startup before the six-month mark.

During the first six months of a startup's life, the focus is usually on building the product, validating the market, and getting into the ecosystem. But that doesn't mean legal can wait: **every decision you make has legal consequences that shape your future.** Did you sign a developer without a contract? Accept money without a clear SAFE? Did your co-founder walk away with 30% of the company and no one could stop it? All of this happens. All of this is preventable.

That's why this dossier puts the **5 key documents** right in front of you — with examples, common traps, and practical fixes — not so you can study them, but so you actually sign them. And if you already signed the wrong ones, review them **before** a serious investor shows up or a conflict breaks out between partners. Because surviving six months isn't just about product, marketing, or luck: **it's about having your legal house in order.**

To wrap up, we've included a small timeline-style chart showing which documents should be handled as your startup evolves. The timing is approximate — every project moves at its own pace — but one thing is universal: **you need a solid legal foundation.** You've got this.

Legal roadmap to survive the first 6 months

✅ 1st month	• Company incorporation • Bylaws drafted • Shareholders' agreement signed	Lay the foundations. Anything you don't define now will blow up later.
✅ 2n month	• NDA signed with co-founders, freelancers and mentors • Initial IP assignment • Name/brand registration	Protect your idea, your code, your branding and the value you're building.
✅ 3rd month	• First SAFE / Convertible Note properly structured • Future dilution simulation • Cap table updated	If you're taking money, do it wisely. Without this, you're raising blind.
✅ 4th month	• Contracts with key employees or collaborators • Vesting in place • IP legally assigned	You formalize relationships and avoid future disputes. If someone leaves, they don't walk off with half the company.
✅ 5th month	• Funding round preparation • Shareholders' agreement reviewed for investors • Basic Data Room in place	First VCs or angels show up. First thing they'll check: if your legal house is in order.
✅ 6th month	• Full legal review (agreement, cap table, bylaws) • Trademark/software/patent registration	Last chance to fix things before entering growth stage.

Conclusions

Are you winging your startup, or building it with intention?

If you've made it this far, you already know: **a brilliant idea won't survive six months without a solid legal structure.** This isn't a law school textbook — it's a practical guide for founders who want to get it right, avoid chaos, and build a company they actually get to keep.

If this made you rethink your current setup, good. Better now than when a VC is tearing apart your Data Room. Because the best time to get your legal house in order was yesterday. The second-best? Today.

What makes us different?

At **Morán Lobato Abogados**, we don't just answer legal questions — **we solve business problems with a strategic mindset.**

We're a dynamic team that moves at the pace of founders — not at the pace of bureaucracy. We know what it means to close a funding round under pressure, recruit a CTO mid-launch, or renegotiate a shareholder agreement when one co-founder goes silent.

Oh, and yes — **our fees are competitive.** Because advising startups isn't about pushing paper — it's about delivering value.

We don't hand you a stack of PDFs. We help you make legal a growth tool.

Want help doing it right from day one?

At [Morán Lobato Abogados], we work with startups from napkin sketch to exit.

We draft contracts, design shareholder agreements, review SAFEs, clean up cap tables, and — when necessary — go to court. But most importantly, we think strategically alongside you.

📍 Based in Barcelona, working with projects all across Spain.
📅 Book a quick consult or reach out via our website.
📘 More free resources available in the Resources section.
🔗 Or connect with us on LinkedIn.

💼 Because launching a startup is hard.
But doing it without legal advice? Even harder.

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