JUSTIN MOORE LAW PLLC
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7 Business Law Tips
for Any Business of Any Size

Avoid Unintentional Personal Liability
Starting a business without a separate legal entity as an individual creates a de facto sole proprietorship which means you're personally liable for all operations of the business

Starting a business without a separate legal entity with other people creates a de facto general partnership which means you're jointly and severally liable for all actions of the business including those of your partners.

Pro Tip: It's very risky to enter into a general partnership (unless specifically advised to by counsel) and you shouldn't commingle personal and company funds.

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Align your Structure with your Plans
The best corporate structure for your business can vary depending on how you're looking to fund it (bootstrapping, angel investors, venture capital, etc.) and the nature of the business (services, tech, etc.).

Pro Tip: Governance documents (certificate of formation, company agreement, bylaws, etc.) are meant to be living documents that evolve as your business grows. Address your current needs while providing flexibility for the future.

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No Handshake Deals
That goes for (1) business partners, (2) clients, (3) vendors, (4) employees and (5) independent contractors.

Pro Tip: If someone thinks requiring a signed agreement means you don't trust them, you shouldn't.

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Be Stingy with Equity
The excitement of starting a business with a team or bringing on a new team member can lead to freely giving away equity which can have dramatic consequences if things don't work out. Once you give away equity, it's not easy to get it back so be cautious about how you dish it out.

Pro Tip: There are alternatives to issuing equity such as cash bonuses, profits interests and phantom equity plans. Additionally, if you choose to issue equity, there are ways to prevent it from walking out the door without any recourse such as vesting schedules & cliffs and buyback rights.

Be Aware of Fundraising pitfalls

Whether you're raising capital from friends & family, angel investors, venture capital or private equity, understand what comes with the money before you take it.

Be aware of the investor's definition of success. For example, your wealthy uncle may be satisfied with just seeing you succeed while venture capitalists are looking for moonshots, not relatively successful businesses.

Don't take it for granted that you can always go back to the same investors. If your business doesn't operate with a lot of runway, you may find yourself constantly looking for new sources of capital.

You won't truly know your investors until things go south or expectations go unmet. Are they the type who (1) jumps in with solutions, (2) wants out or (3) wants to push you out?

Pro Tip: Investor relations should always be a priority, preferably before there's a problem. However, keep in mind that raising capital, regardless of the source, is a business transaction in addition to a relationship.

Find your Team of Advisors Early

It's much more expensive to fix mistakes than to prevent them.

CPA. Clean books make life easier come tax time and are crucial to any efficient M&A transaction.

Transactional Lawyer. Drafting your own documents without the requisite experience can cause endless problems and leave value on the table.

Money Manager. Knowing how to make money doesn't mean you know how to make money work for you.

Pro Tip: There's only so much you can do once you're in a bad deal. Sometimes you have to accept less than favorable terms but, even then, it's best to know what you're dealing with on the front end.

Don't Take Your Eyes Off Corporate Governance

Staying on top of preparing resolutions and taking minutes at meetings may not impact the profit & loss statement but it (1) can ensure an accurate record of past actions and (2) can be essential if any actions or authority of the company or its executives are called into question.

Pro Tip: Designate a corporate secretary or other personnel to stay on top of this function.