



## Ask SCORE for Business Advice

### **“Ask SCORE” Column**

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#### **Legal Issues for Businesses by Tina Dettman-Bielefeldt**

Do I really need an attorney? That’s a question often asked by participants at SCORE seminars where a section is devoted to legal issues. According to Jonathan Olson, Green Bay attorney and SCORE volunteer, the main reason to retain an attorney is to avoid problems.

“Running a business covers many different areas, all of which can generate misunderstandings and conflict,” Olson explained. “Contracts, leases, purchase orders, vendor agreements, customers – all can lead to problems if not dealt with in the right manner.”

Dealing with issues correctly starts almost immediately after deciding to establish or purchase a business. Olson thinks that determining the best way to organize the business is one of the first steps. Deciding whether to be a Sole Proprietor, Partnership, C Corporation, S Corporation, or Limited Liability Company can be confusing.

While many small business owners think it’s easier to be a Sole Proprietor, there are definite issues. Olson warned, “As a Sole Proprietor, all of your individual assets will be at risk for your business liabilities. Any bills or business-related claims might result in a lien against your home, your bank account or other assets.”

A Limited Liability Company protects personal assets, but only if a business uses the full company name, including LLC, on all invoices, stationary, business cards, promotional materials, and ads. Entrepreneurs sometimes make the mistake of forming an LLC and not using it on printed materials thereby putting their personal assets in jeopardy.

Deciding whether to form an S-Corp, C-Corp, or Partnership will depend on the goals of the owner and size of the business. All have advantages and disadvantages that should be discussed with an attorney or accountant. Further information is available at [www.score.org](http://www.score.org).

Once the entity has been selected, Olson said the most common area of legal problems is a lack of written agreements between parties. “Many agreements are made verbally, but

many times the parties walk away with completely different ideas of what was agreed to. That leads to problems down the line when things don't work out as planned," he said.

In addition, lease agreements can also be complicated and business owners should know what they're being asked to sign. Will you be asked to pay real estate taxes, maintenance, and utilities? What happens if a major repair is needed? Is there room to expand? Are rent increases noted in the lease? What if your business fails?

Olson advised, "The lease needs to be carefully reviewed to understand these areas and to avoid surprises once you've moved in."

For those purchasing an existing business, Olson said it could be a minefield. An attorney can make certain that you're getting what you expected and not assuming unexpected liabilities.

Regardless of the issue, Olson says it's easier to be on the offensive and to make sure that everything passes legal muster from the start. Finding out after the fact that you haven't protected yourself can make the initial expense of an attorney seem like a real deal.

If you'd like to learn more, contact the Green Bay Chapter of SCORE. Visit [www.greenbayscore.org](http://www.greenbayscore.org) or call Cindy Gokey at 920-496-8930 for information.

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