



## BUSINESS RISK REDUCTION

Innovation, new ideas, goods, and services drive the well being of civilization. Congratulations on starting, growing or augmenting your business footprint. Before you embark on your business, know that while you would not be in business if there were no risk and reward dynamic, you can reduce risk to the extent possible. Here are a few tips.

Risk Reducer	Risk Reduction Explanation	Pro-Tip
Form and Entity	We want to encourage people to take risks in society, as long as they cover those risks. That is the reason for limited liability entities like corporations, limited partnerships, and limited liability companies. But that protection is granted only if corporate formalities are followed.	This is a high priority. A trade name or assumed business name provides no protection.
Obtain Insurance	You will need to insulate the public from the risk you create. Liability insurance, product liability, errors and omissions, or other policies may be required. Talk to an insurance agent.	Be very clear with your insurance agent on the risk you seek to reduce.
Adequately Capitalize	Your company should be adequately capitalized. That means you should hold enough cash to conduct business operations, deliver services and prevent risk (like paying an insurance premium). Failure to do so may result in personal liability.	Work your basic financial statements: <ul style="list-style-type: none"> <li>● Income Statement</li> <li>● Balance Sheet</li> <li>● Statement of Cash Flows</li> </ul> To determine where the money is going, what your company is worth, and how to plan for the future.
Conduct Due Diligence	Before you hire, contract with or acquire an asset or liability (like a loan) to ensure the parties are reputable. Do as extensive a background check as you can legally.	Most bad actors have a history or pattern. Ensure you are not the next.

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Document Processes	Repeatable processes and contingency planning is critical for your business. Document: <ul style="list-style-type: none"><li>• The business processes of prospecting, proposing, closing, finding a need, filling that need and collecting payment.</li><li>• Recording and managing financial controls.</li><li>• Prioritizing the Board / Member Agenda</li><li>• Security and Privacy Plans</li></ul>	Businesses that can effectively operate without the founder's intimate knowledge are very valuable, especially with acquisition partners and is a basic business succession planning event.
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This is informational only and should not be relied on as legal, financial, or any other professional advice. Conduct background checks on your A-team if legally possible. Contact an attorney if you have questions or simply call us up at 503-343-3303 or schedule a meeting here to arrange a flat fee service: <https://calendly.com/martin-medeiros> .