



5 questions to ask before working with a business partner

podcast episode 54 tip sheet

So many entrepreneurs and coaches want to collaborate on a project or create a new course or podcast together. They're so excited to dive in that they don't always stop to think about the specifics about how their business relationship will operate and they can end up feeling resentful, angry...and even in a lawsuit.

As you head into forming a business relationship together, I invite you to set the intention that you'll have open communication and you'll honestly address each of these areas. You'll want to make an agreement – both verbally and in writing - that you're going to have clear and thorough communication so that you can protect, preserve and propel your friendship AND your business relationship forward.

One of the best roles an attorney can play is to be a neutral third party to help you think through these areas, share different options, highlight pros and the cons, and help you navigate areas that may feel a bit awkward to talk about at first, especially if you're good friends or you've never talked about money or other somewhat sensitive parts of business with each other.

The 5 areas you'll want to consider as you work with a business partner are:

1. How will you handle finances?

Are you both contributing cash – as in dollars? If so, how much from each of you? How much are you each willing to dedicate to your project or business together?

Are one or both of you contributing other types of resources? Maybe you already have a backend shopping cart and online platform set up like Simplero, Kajabi or Infusionsoft. Maybe your future biz partner already has website designer or graphic designer lined up that you can use for your project? Maybe you have a summer home on Martha's Vineyard that you want to use for your joint overnight retreats or in-person workshops?

Make sure that you both declare and write down how much money you each will contribute and also what other resources each of you is bringing to the table so you both are on the same page right from the start.

Also, be sure you're both in agreement about how business expenses – like your back-end platform, new logo and graphics, new website, and payment fees - will be recorded and divided. Get clear about how and when you both will be paid from the profit of the business or project.

2. How will the operations work?

I invite you to think through the logistics of how you'll work together. Who is going to do what? What areas are each of you going to oversee? How will each of you be spending your time every day?

For example, are you the marketing brains while your friend is the sales guru? Who will create your content? Will you co-write your content together – or just one of you write it? Who will write the sales page, opt-in, webinar content, e-mails, program or product guide? How will you market and sell it? Who will handle customer service issues? Who does the invoicing, works with the accountant and keeps the books? Who is the point person for the website designer, graphic designer, copywriter, photographer, videographer, lawyer, Facebook ads specialist, VA and any other independent contractors needed for the project or business? Do you plan to have weekly team meetings? Will you communicate primarily by Zoom, Skype, e-mail, phone, text? How does your business actually work on a day to day basis?

Visualize and talk about what you see yourself doing each day, what your biz bestie will be doing, what each of your strengths are, and what you both want to delegate to someone else. Talk about it in detail, plan out your goals and tasks together, write it down and have a clear vision of how you want your business to flow and operate.

3. Who will own your content before, during and after you work together?

This is one of the areas where I see business relationships part over bad terms – and it's all because the biz partners didn't get clear at the outset about the key area of intellectual property and ownership rights before, during and after you work together.

Bottom line: Who owns what you are creating together? What knowledge, expertise, and materials are YOU bringing to the new online program, course or retreat you're planning together? What is your BUSINESS PARTNER contributing in terms of content, documents, videos, audios, knowledge, and materials?

How does ownership of your joint effort work? If you each contribute parts of a new program together, do you both then own the program that you create together? Or does one of you have future rights to it - but the other doesn't? What happens if you part ways? Can one - or both - of you use the name of your program? Can neither of you? What about the actual program content? The trade secrets, client lists, marketing, communication, and anything else you learned from our about each other's businesses along the way? Can you hire each other's independent contractors or your new business's employees if you decide to part ways? How does ownership of your content play out and how are you going to honor each other's contributions and your joint creation?

Getting clear about intellectual property and ownership rights is a critical area to put in writing right from the start to avoid headaches, conflict and stressful situations - including lawsuits - later.

4. Will you use a joint venture agreement or form an LLC?

The other big area I get asked about all the time is whether it's better for you to form a joint venture as independent contractors or whether you should take the leap and create an LLC.

A joint venture is when you use a contract to work together as independent contractors initially in a 6-month trial period (or whatever amount of time works best for you). It spells out the key areas I mentioned before - finances (like income and expenses), operations, and intellectual property rights and ownership.

An LLC is a limited liability company. It's a simple corporate entity that you create where you both are owners of the company. People often are told by lawyers to instantly create an LLC right away if you plan to work with another person. However, I say, not so fast. It all depends on your specific situation.

In general though, I usually recommend that you work together by using a contract called a Joint Venture Agreement . Using a Joint Venture Agreement is like going on a few dates to your favorite Italian restaurant - whereas creating an LLC is like jumping into bed together right after you finish last bite of your mushroom risotto and tiramisu.

What are the pros and cons of a Joint Venture relationship?

Pros:

- Quick and easy to create
- A good way to take your business relationship for a "test drive" with a built-in trial period
- Inexpensive to enter into and then operate as a joint venture
- Simple to part ways

Cons:

- You both come to the relationship as separate entities with your own separate bank accounts and businesses
- You aren't a business entity so you can't open a bank account or get an EIN number in the name of your joint business (though you can still do it other ways)
- You generally use one person's online platform and bank account to run all of the income and expenses through and the other person is paid as an affiliate (so you want to be sure you trust each other AND have ways to do an audit of business records if needed)
- You may not feel either of you are "all in"



**Learn more about a
DIY Joint Venture Agreement
at**

lisafraley.com/diyjointventureagreement

What are the pros and cons of forming an LLC together?

Pros:

- A business entity that you form where you're both equal owners of the business
- You can open up a business bank account, Stripe and Paypal accounts, and online platforms in the name of your business so everything is streamlined
- All of your income and expenses are processed through the business bank account you both have access to and you both are paid from that account
- You can have added credibility for your work together by having an LLC
- You both are fully committed – at least on paper.

Cons:

- If you and your biz bestie live in different states, you have to decide whose state in which you form the LLC
- It's harder and more expensive to get out of
- It's not as easy to dissolve and leave quickly

As you can tell, there are many considerations just for this one part of working together – deciding whether to operate as a joint venture or create an LLC together. Talk with a lawyer about your specific situation so you enter into the right legal arrangement for you both.



5. What happens if one of you wants to leave?

It can be a sticky situation if one of you gets an itch to expand or wants to grow in a new direction and you both aren't on the same page. It could lead to one of you wanting to leave and leaving the other crying in a puddle of tears. It's not fun.

Here's the truth – You WILL split up with your business partner at some point. That's just how it works. Every single business relationship ends. Why? Because you'll split up because one or both of you wants to go in a different direction OR one or both of you won't be physically able to continue – either you'll become disabled or you'll pass on to your next life.

If you opt for creating a Joint Venture, you will want to include a well-written termination clause (that's what it's called – a termination clause) in your Joint Venture Agreement that says how much advance written notice you need to give the other person if you want to leave – 30 days? 60 days? 90 days? Some other time frame? That's super-easy to include in your Agreement.

If you're in an LLC, you'll want to make sure that your LLC Agreement – also called an Operating Agreement – which is CRITICAL to have if you own an LLC (especially with 2 or more owners) – spells out how each of you can be bought out, sell your interest in the LLC to someone else, or whether you'll plan to dissolve your LLC altogether if one of you can't or won't continue with the business or project.

Getting clear now will save you time, money and energy later – and can even prevent you from losing a friendship, ruining a fabulous business relationship, draining your energy for YEARS with drawn-out battles and angst to untangle yourselves from working together, or even being sued in a lawsuit later.

ENERGETICALLY, getting legally covered with a Joint Venture Agreement supports your second chakra, your **sacral chakra**, just like with other agreements because it spells out the boundaries and expectations around money, abundance, trust, relationship, and creativity for both of you. If you opt for an LLC, that legal step is aligned with the **third eye chakra** because you always know when it's time to go pro by talking with an attorney about creating a corporate entity.



Regardless of whether you decide to go with a Joint Venture Agreement or LLC, lean into your intuition and listen for what your heart and soul is telling you – and then get legal support and put your decisions in writing so that you can answer these 5 questions before working together and form the right business structure for you both.

Do you still have questions about what you need to consider when coming together with your biz bestie or colleague to form a project or business together? Feel free to reach out to me at clientlove@lisafraley.com. I'm always happy to help you however I can – or refer you to another attorney who can assist you.

With Legal Love™,

Handwritten signature of Lisa Fraley.

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From sharing international stages with thought leaders like Kris Carr and Gabrielle Bernstein to being featured on hundreds of podcasts, webinars, radio shows and bonus calls, Lisa has made it her mission to help every single small business owner understand that the law can be accessible, empowering, loving, and even spiritual. When she's not saving the world (with Legal Love) one contract at a time, she's posting free legal tips and connecting with her tribe at lisafraley.com.