



Is the entity going to incur other debt? Bank loans, equipment or vehicle loans/leases?

If yes, what is the percentage of contribution? %

How is the return of owners' capital determined? _____

What type of entity should be formed?

Limited Liability Company Yes No

If no, skip to Corporation. If yes, answer the following

Manager managed or member managed? Manager Member

Who is the manager? _____

Is there a successor manager? Yes No

What are the specific duties of the manager? _____

How can the manager be removed if he is not performing his duties? _____

If the LLC is member managed what are the duties and responsibilities of the members? _____

How is profit and loss distribution allocated? _____

How is profit and loss tax allocation allocated? _____

Corporation

Taxed as a Subchapter S Corporation Yes No

Taxed as a C Corporation Yes No

How are the shares owned? _____

Who are the officers? _____

Who are the directors? _____

Is a super majority vote required for certain issues? Yes No



Compensation to Owners

Is there an agreement on how owner(s) are compensated? Yes No

Are the owner(s) eligible for bonuses? Yes No

If yes, how are bonuses determined? _____

What benefits do the owner(s) receive? _____

What expenses will the company reimburse to the owner(s)? _____

Can the owners' employment be terminated? Yes No

If yes, under what circumstances? _____

Are there provisions for death or disability of owner? Yes No

Are owners subject to restrictive covenants? Yes No

If yes, what are the length of time and the geographical scope of limitations? _____

Stocks and Membership Interest Considerations.

Upon an owner's termination, is the company required to purchase owner's stock? Yes No

If yes, how should the value and payment terms be determined? _____

If buyout is company's option, how is the price of the buyout determined? _____

Upon owner's death/disability, is there a mandatory buyout of their interest? Yes No

How are price and terms going to be determined? _____

Is the buyout funded by insurance? Yes No

Can either of the owners force the other owner to sell? Yes No

If yes, under what conditions? _____

What is the price and terms of the forced sale purchase? _____

Are you at ease with all of these questions and your answers to them? If yes, congratulations!

If not, call Gary Jaburg of Jaburg|Wilk at 602.248.1000.

These are all items to consider and discuss with your partner or partners. Operating documents that memorialize your mutual understanding are essential.

We can assist you in crafting agreements that will help keep your business – and your partnership – intact.