



A Business Law Firm

### Business Start-up Checklist

If you're thinking of starting a new business, the following questions are things you should have solid answers for. Partnerships are especially vulnerable to problems when the unexpected happens and you don't have a previously agreed upon process to handle the issue. Comprehensive Shareholder and Operating Agreements should be your "Road Map" to cover every eventuality. The best "business marriages" are the ones where there is a minimum of stress and everyone stays focused on the core goals of the company. If you have any questions after you think through this checklist of course we'll be glad to help you out. As Arizona's Business Law Firm our focus at Jaburg|Wilk is helping entrepreneurs run successful businesses and minimize their problems.

#### The relationship between the owners.

- Have you previously done business together?  Yes  No
- If yes, for how long?  Months  Years
- What was the nature of the business relationship? \_\_\_\_\_
- Has there been a personal relationship?  Yes  No
- Previous experience in start-up business?  Yes  No
- Experience in this specific business?  Yes  No
- Is the role of each owner clearly defined?  Yes  No
- Are the owners going to be equal (50/50) partners?  Yes  No
- If yes, is there a tiebreaker mechanism?  Yes  No

#### What capital or other financial resources is each owner contributing to the new business?

- Has value been placed on goods/equipment if contributed by 1 owner?  Yes  No
- If owners are contributing capital is it debt?  Yes  No
- If owners are contributing capital is it equity?  Yes  No
- Is owner taking a security interest in company's assets to secure loan?  Yes  No
- If debt, what is the interest rate and repayment terms to the owner? \_\_\_\_\_

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

- Will either or both owners be personally guaranteeing any of this debt?  Yes  No



Is owner going to have "right of contribution" from other owner if they are forced to pay on the guaranty?  Yes  No

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 controlled? \_\_\_\_\_

How is profit and loss tax allocation controlled? \_\_\_\_\_

**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 owners are going to be compensated?  Yes  No

Is the owner eligible for bonuses?  Yes  No

If yes, how are bonuses determined? \_\_\_\_\_

What benefits does the owner receive? \_\_\_\_\_



What expenses will the company reimburse to the owner? \_\_\_\_\_

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

If yes, how should the value be determined? \_\_\_\_\_

How are the value and payment terms determined? \_\_\_\_\_

If buyout is company's option, how is the price the buyout determined? \_\_\_\_\_

Upon owner's death/disability, mandatory buyout of owner's interest?  Yes  No

How are price and terms going to be determined? \_\_\_\_\_

Is the buyout going to be 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? \_\_\_\_\_

How are you doing? If you feel comfortable with all these questions – and your answers to them – Congratulations! If not, call Jaburg|Wilk at 602.248.1000 and let's talk! You can also find out by visiting our website, [JWBusinessLaw.com](http://JWBusinessLaw.com). Frankly, these questions are just the beginning of what solid Shareholder and Operating Agreements should be prepared to cover. Thanks to our combined years of experience – we have more than 450 years! We can quickly help you put together comprehensive documents that will keep your business, and your relationships intact long term.