

PRE-PARTNERSHIP DISCUSSION

C H E C K L I S T

Detailed Business Partnership Pre-Operating Agreement Checklist

1. Business Vision and Goals

- ☐ **Specific Vision:** What is the overarching vision of the company? How do you see the company evolving over the next 10 years?
- ☐ **Measurable Goals:** What are the specific financial, operational, and market presence goals for the first year, third year, and fifth year?
- ☐ **Strategic Initiatives:** What key initiatives will you undertake to reach these goals?

2. Roles and Responsibilities

- ☐ **Title and Position:** What will each partner's official title be, and what are the general expectations for their role?
- ☐ **Detailed Duties:** Break down the daily, weekly, and monthly responsibilities of each partner.
- ☐ **Decision Authority:** Specify the limits of decision-making authority and any requirement for mutual agreement on certain types of decisions.

3. Capital Contributions

- ☐ **Initial Investment:** Detail the amount and type (cash, property, intellectual property) of initial capital each partner will contribute.
- ☐ **Future Investments:** Agree on how additional investments will be handled, including how much notice is needed and the evaluation of additional contributions.
- ☐ **Ownership Changes:** Outline how changes in capital contribution affect ownership percentages.

4. Ownership Structure

- ☐ **Equity Breakdown:** Define the exact percentage of ownership allocated to each partner based on initial contributions or other agreed-upon factors.
- ☐ **Voting Rights:** Clarify if any partner has special voting rights, such as veto power over certain decisions.

5. Profit Distribution and Reinvestment

- ☐ **Profit Sharing:** Define the formula for dividing profits among partners.
- ☐ **Reinvestment Policy:** Decide what percentage of profits will be reinvested in the business.
- ☐ **Distribution Timing:** Set a schedule for when profits will be distributed (quarterly, annually, etc.).

6. Decision-Making Processes

- ☐ **Types of Decisions:** Categorize decisions into routine versus major decisions and who is responsible for each.
- ☐ **Voting Procedures:** Outline procedures for voting on different issues, specifying what constitutes a majority or requires unanimity.
- ☐ **Conflict Resolution:** Establish a method for resolving disagreements, such as through mediation or a third-party arbitrator.

7. Management and Hiring

- ☐ **Management Hierarchy:** Describe the management structure including the creation of advisory boards or other oversight bodies.
- ☐ **Recruitment Strategy:** Develop policies on how new hires will be made, who will make hiring decisions, and salary approval processes.
- ☐ **Growth Plans:** Plan for scaling the business, including when and how to expand the team or infrastructure.

8. Financial Management

- ☐ **Accounting Practices:** Agree on an accounting method and who will manage day-to-day financial records.
- ☐ **Banking Arrangements:** Choose a mutual bank for business accounts and outline the authority required to access or manage these accounts.
- ☐ **Expense Policies:** Set guidelines for approving business expenses and protocols for reimbursement.

9. Dispute Resolution

- ☐ **Internal Mechanisms:** Define a clear process for addressing and resolving internal disputes among partners.
- ☐ **External Help:** Decide on the use of external mediation or arbitration services.
- ☐ **Escalation Process:** Outline the steps if a dispute cannot be resolved internally.

10. Exit Strategy

- ☐ **Buyout Conditions:** Establish conditions under which a partner can sell their stake, including how the buyout price will be determined.
- ☐ **Succession Planning:** Develop a plan for unexpected scenarios such as the death or incapacity of a partner.
- ☐ **Withdrawal Procedures:** Specify the procedure for a partner who wishes to voluntarily leave the partnership.

11. Restrictions on Outside Activities

- ☐ **Non-Compete Clauses:** Discuss and agree on any restrictions on partners starting or engaging in other business activities that could compete with the partnership.
- ☐ **Confidentiality Agreements:** Set rules for maintaining confidentiality of proprietary information.

12. Amendments to the Agreement

- ☐ **Modification Procedures:** Define how the agreement can be modified, including the notice period and approval required.
- ☐ **Documentation Requirements:** Specify the documentation needed to formalize amendments.

13. Miscellaneous Provisions

- ☐ **Indemnification:** Agree on the terms under which partners are indemnified by the company for actions taken on behalf of the business.
- ☐ **Insurance:** Determine what types of insurance the business will carry (liability, property, etc.).
- ☐ **Compliance:** Outline the legal and regulatory compliance responsibilities.