The One-Page Pre-Deal Checklist

Settle every one of these in writing before you sign anything

A companion tool to the *Build A Better Agency* episode
"How to Evaluate What a Good Business Partner Actually Looks Like for You"

This is not legal or tax advice and it isn't a substitute for any. It's the agenda for two meetings — one with your attorney, one with your CPA. Hand it to both of them. The point of this page is that you walk in with the questions already written down, so you're paying them to answer instead of paying them to figure out what you should have asked.

The paperwork is the love letter. It's where the two of you decide, while you still like each other, how you'll behave on the worst day. Every item below is unpleasant to discuss now and catastrophic to discover later.

Attorney meeting booked: ____

CPA meeting booked: ____

1. Valuation

- ❑ Method, valuation date, standard of value, and level of value — all four named in the document
- ❑ Who performs it, and how often it gets refreshed
- ❑ How owner compensation and non-operating items get normalized
- ❑ Whether discounts for lack of control or lack of marketability apply
- ❑ Whether the buy-in price and the buy-out price use the same method — and if not, who that favors

2. Buy-in structure and tax

- ❑ Cash, note, phased tranches, earn-in, or hybrid — and mechanically, precisely what "paid out of profits" means
- ❑ Tax treatment of the transfer, including whether any portion is compensatory
- ❑ Whether a §83(b) election is relevant, and its filing deadline
- ❑ Whether your entity type permits the structure you want (S-corp single-class-of-stock limits; profits interests require partnership tax treatment)
- ❑ Funding source, and whether any lender consent is required

3. Vesting, and what happens if they leave

- ❑ Vesting schedule, any cliff, and the reason that schedule fits this deal
- ❑ Repurchase rights on both unvested and vested interests
- ❑ Good-leaver and bad-leaver treatment, each defined
- ❑ What happens if they simply stop performing while remaining an owner

4. Money out

- ❑ How owner salaries get set, and by whom
- ❑ Distribution policy, including tax distributions
- ❑ Who approves a change to either
- ❑ What happens in a year with profit on paper and no cash

5. Decision rights — stated separately from ownership percentage

- ❑ Officer authority and specific spending thresholds
- ❑ Reserved matters requiring both owners: debt, guarantees, leases, senior hires and fires, owner comp, distributions, new service lines, acquisitions, sale
- ❑ Voting thresholds and information rights
- ❑ Who has final say on client firing, and on pricing

6. Deadlock

- ❑ What formally counts as deadlock
- ❑ Escalation path: negotiation, then mediation, then arbitration or a named tie-breaker
- ❑ Whether any forced-exit mechanism applies — and which of you it favors financially
- ❑ Who runs the agency while a dispute is unresolved

7. Exit

- ❑ Triggers, each addressed: death, disability, divorce, resignation, termination, breach, bankruptcy, failed capital call, deadlock
- ❑ Price, payment terms, security, and funding — including a post-Connelly review if company-owned life insurance funds the buy-sell
- ❑ Transfer restrictions: right of first refusal, drag-along, tag-along, and which one controls in a conflict
- ❑ Release, replacement, refinance or payoff of every personal guarantee on exit — list them by name and lender
- ❑ Restrictive covenants: what each owner is bound by, in which state, and what your counsel says is genuinely enforceable there
- ❑ Non-solicit and confidentiality drafted separately and narrowly, not bundled into one paragraph

Before you sign

- ❏ Every box above is checked, in writing, in the actual documents — not in an email thread and not in a shared understanding
- ❏ Each of us has separate counsel, and neither of us is relying on the other's attorney
- ❏ Both spouses have read the personal guarantee exposure and the downside case
- ❏ We have read the deadlock and exit sections out loud to each other, in the same room
- ❏ I know what this agreement does to me on my worst day, and I can live with it

Signed: ___________________________________ Date: ___________________

Signed: ___________________________________ Date: ___________________

If working through this page made the deal feel heavier, that's the page doing its job. Almost nobody regrets the six weeks this takes. A remarkable number of owners regret the six weeks they skipped.