

Talking Points- 2026

The answers to these questions can have far-reaching consequences that you may not be aware of at this time.

Example: How do you intend to organize your company?

Corporation, Limited Liability Company, Limited Partnership

Your exit strategy.

Sooner or later, you will likely want to monetize the value of the company and reward the people who invested with you. The likely scenario is that you will sell to another company. Not wanting to assume the potential liabilities of your company, the buyer will insist on an “asset sale”. In other words, they will purchase your assets but not your shares or units. Their purchase check will be made out to the company. A corporation will be required to pay tax on the asset sale, and after paying the tax, the company will distribute the remaining money to its shareholders, who will then also be required to pay tax. If an LLC, there will be only one tax event, not two.

Profit distributions:

Corporations will also be required to annually pay taxes on earnings before shareholder distributions. In the early stages of your operation, you will need to provide your investors with a return and also build cash for growth and expansion. There is more money available for growth and investors if an LLC.

Converting from LLC to Corporation

In many states, filing a simple form can convert your LLC to a corporation. You can check this option with the state you intend to organize in. If ultimately, you decide it is more advantageous to be a Corporation. File the form.

Adding a Profit Distribution clause to your Private Placement Memorandum becomes an additional selling point to prospective Investors.

Allows you to distribute to your investors profits that you would otherwise pay taxes as a corporation.

We will spend several hours discussing your options so you can make informed decisions on these questions. The answers also become part of your investor solicitation responses.

1. What date did you organize your LLC?
2. What State did you file your LLC – (Example: INDIANA)?
3. The exact legal name of the business?
4. What is the business address?

5. What is the name of the "Control Person"? (*Majority owner*) Please identify anyone who owns (greater than) > 10% and the amount they own.
6. Name of Member Manager for an investor to direct questions – (generally the owner)?
7. Email address: Member Manager?
8. Telephone number Member Manager for Investor questions?
9. Who is the registered agent and what is the address? John Smith

Note: If you are organized in a state different from where you will be operating (for example: organized in Delaware but operating in Georgia) the registered agent needs to be located in the state you are organized. To find an agent google "registered agent and the name of the state."

10. Is the business operating or a start-up? startup
If Operating, when did it start operations?
If Operating what is the prior year's revenue?
11. Amount of Offering (ex \$1,000,000)
12. Number of Units authorized
13. The number of units currently outstanding? 0
14. Number of Units to be Offered (ex 500,000)

*Equity ownership in LLC - Limited Liability Company, is evidenced by "units."
We can differentiate the units by titling them Series 'A' Series 'B,' etc.*

15. What is the Offering Price (ex \$2.00)
16. Is there a minimum offering amount that needs to be raised for you to keep the investor's monies? (ex \$750,000)

Initial monies received should be held in escrow until a certain amount is reached that will enable you to execute your business plan. What is the threshold amount that must be reached for the funds to be released?

17. Is there a minimum amount that must be invested by the investor (Example: \$25,000)?
18. Issuing 2 or more classes of UNITS? Investors: Voting? Non-voting?
19. What will we call the units? For Investors – Non-voting - Preferred, Series ‘A’
For Owners – Voting – Common Units
20. Will you be paying an annual dividend?
21. Describe in one or two sentences the business purpose. Do you need to advertise for investors?
22. **506(c)** *If you intend to advertise for investors, you will be filing under Regulation D - Rule 506(c). 1) No limit as to offering size, 2) All investors must be "accredited investors" only.* If you need to advertise for investors, we need to discuss how this can be structured so interested prospects can find your information.
23. **506(b)** *up to 35 Non-Accredited Investors but cannot advertise and MUST HAVE PRIOR RELATIONSHIP with the investors both accredited and non-accredited.*
24. Do you want to create a possible exit strategy for investors? *You cannot have different rights or privileges for different unitholders in the same class of*

Units. For example. If your ownership is voting and the investors' ownership is non-voting, you need two classes of ownership.

25. Investors: Do you wish to provide incentives –*Annual Profit Distributions based on free cash flow?*

26. What percentage of the business do you wish to sell to investors?30%

27. Do you have a LOGO? If so, send it to me in a separate email and mark LOGO in the subject line.

28. Business Plan Addendum:

Your business plan should include all the information that explains what you intend to do with the money, who you are, and risks specific to your business, including a SWOT Analysis. I recommend using www.liveplan.com

29. What are the salary requirements? *(Usually, if the member manager(s) are taking a salary, it should be similar to other companies of the same size in a similar industry.)*

30. Are there any special conditions you want to add to the Offering Document?

Any other information that is to be part of the Offering should be added below this line.

© L Shields 2026