

An “Owner’s Manual” For Your New Entity

Version 1.2



801 South Fillmore, Suite 600
Amarillo, Texas 79105-5008
Telephone (806) 468-3300
Facsimile (806) 373-3454
www.sprouselaw.com

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J.F. Howell III and Patrick Herring
801 South Fillmore, Suite 600
Amarillo, Texas 79105-5008

Disclaimer

This guide is intended for informational purposes only and should not be used as a substitute for legal advice. Please contact your attorney if you have specific questions regarding any issue related to your new entity.

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INTRODUCTION | 2 |
| CHAPTER 1: YOUR NEW ENTITY’S STRUCTURE..... | 3 |
| General Partnership | 3 |
| Limited Liability Partnership..... | 4 |
| Limited Partnership | 4 |
| Limited Liability Limited Partnership | 5 |
| Limited Liability Company | 5 |
| Corporation..... | 7 |
| C Corporation | 8 |
| S Corporation..... | 8 |
| CHAPTER 2: AFTER FORMATION: THINGS TO DO AND PEOPLE TO CONTACT..... | 9 |
| Entity Created for a New Business..... | 9 |
| Entity Created to Carry on an Existing Business..... | 9 |
| CHAPTER 3: CONDUCTING BUSINESS WITH YOUR NEW ENTITY..... | 11 |
| A Checklist | 11 |
| Conducting Meetings..... | 12 |
| Taking Minutes in Meetings..... | 12 |
| Procedures for Meetings..... | 14 |
| Actions in Lieu of Meeting..... | 14 |
| Making Contributions to Your Entity..... | 14 |
| APPENDICES | 17 |
| Appendix A | 19 |
| Sample Signature Blocks | 19 |
| General Partnership Signature Blocks | 21 |
| Limited Partnership Signature Blocks | 22 |
| Limited Liability Company Signature Blocks | 23 |
| Appendix B..... | 25 |
| Sample Forms..... | 25 |
| Sample Creditor Advisory Letter..... | 27 |
| Sample Business Associates Advisory Letter..... | 28 |
| Sample Litigant Advisory Letter | 29 |
| Sample Regulatory Agency Advisory Letter..... | 30 |
| Sample Minutes – Widgets Distributing, Inc..... | 31 |
| Sample Minutes – Gadget Industries, Inc. | 34 |
| Sample Minutes – Gizmo Manufacturing, Inc..... | 36 |
| Sample Action In Lieu of Meeting – Thingamajig Wholesalers, Inc. | 39 |
| Appendix C..... | 41 |
| Required Filings..... | 41 |
| Required Filings for Delaware Entities | 43 |
| Required Filings for Nevada Entities..... | 44 |
| Required Filings for Texas Entities | 45 |

Introduction

Like any new automobile, a new business entity requires regular maintenance in order for it to perform efficiently and effectively. Now that your new entity has rolled off of the assembly line, whether it is a corporation, limited liability company, or partnership, you must follow the proper procedures to maintain it in proper working order. Like a mechanic maintaining a car, you, as an owner, director, or manager, must perform ordinary servicing and yearly check-ups on your entity. In order to help you accomplish this task, we have written this “Owner’s Manual” as a guide to help walk you through the process of keeping your new entity in like-new shape. While this guide includes discussions of basic concepts for the novice “mechanic,” we have also included information that the most experienced “master mechanic” should find helpful. Not only will this Owner’s Manual provide guidance during the initial “break-in” period of your new entity, it should also serve as an important reference tool to help answer basic questions you may have regarding your entity.

Chapter 1: Your New Entity's Structure

Although you may have formed a corporation, limited liability company, or partnership, many of the basic concepts between these types of entities are the same. For example, each type of entity is separate from its owners, each authorizes agents of the entity to conduct business in its behalf, and each offers different levels of liability protection over a sole proprietorship. However, each type has somewhat different characteristics, and we have chosen the best entity to fit your particular situation and needs. Below, we have included brief descriptions of each entity type and their variations to help you understand the similarities and differences between your particular entity and other types of entities.

General Partnership

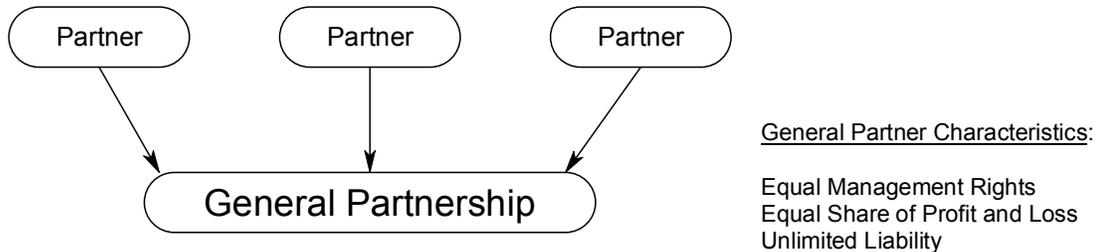
In their most basic form, general partnerships have existed since Man's first venture into commerce thousands of years ago. Consequently, when most people think of a "partnership" in a business context, a general partnership is usually what they have in mind. For that reason, the word "partnership" when used by itself, is usually synonymous with "general partnership." A general partnership exists when two or more persons (including individuals or other entities) join to operate a business or venture for profit. However, this doesn't necessarily mean that the parties must have a written partnership agreement; general partnerships can be formed by an oral agreement between parties, or in some instances merely by the acts of parties.

In a general partnership, each partner participates fully in running the business, and shares in the profits and losses of the business. In addition, each partner has the authority to bind the partnership, and therefore the other partners, to agreements and contracts with third parties. Like all types of partnerships, a general partnership is a separate business entity that exists apart from the individual partners; nevertheless, in a general partnership each partner is jointly and severally liable to creditors for the full satisfaction of partnership debts. In addition, partners may also be liable for the negligent acts of other partners. This added liability is a reason many wish to avoid the use of the general partnership in its basic form.

To end a general partnership, the partners need merely to agree not to be partners anymore, and after paying partnership debts, distribute the remaining partnership assets to the partners or liquidate the assets and distribute cash to the partners. If the debts of the partnership exceed its assets, as previously mentioned, each partner is individually liable for the partnership's debts. Voluntary and involuntary acts of the partners, such as a breach of agreement or death, can also terminate a general partnership. Traditionally, when a partner in a general partnership died, the partnership would automatically end. However, many states have now changed this traditional rule by providing in the state's partnership statutes that the death of a partner does not automatically terminate a partnership and that the partnership interest is transferred to the deceased partner's heirs.

The Internal Revenue Service requires that a partnership file an annual partnership income tax return (Form 1065), which is separate from the partners' personal returns. However, like all partnerships, a general partnership is known as a "pass-through" entity, in that the profits and losses of the business are passed directly to the partners and not taxed at the partnership level.

Appendix contains a list of additional federal and state filing requirements for general partnerships.



General Partnership Organizational Chart

Limited Liability Partnership

The limited liability partnership (commonly abbreviated “LLP”) originated in 1991 in Texas in response to the collapse of the savings and loan industry. Many partners in law and accounting firms structured as general partnerships became personally liable for large legal judgments against their firms because of negligent or incompetent acts of another partner in representing savings and loan associations. Many legislators thought it was unfair to hold partners liable for a judgment against their firm when they had not represented, or were in no way involved with, a savings and loan client. As originally conceived, the limited liability partnership was only to apply to professional general partnerships, such as those for doctors, accountants and attorneys. However, when it was finally enacted into law, all general partnerships could elect limited liability partnership treatment. Since 1991, all states have now adopted some form of limited liability partnership statute, including a small minority of states that still limit their use only to professionals.

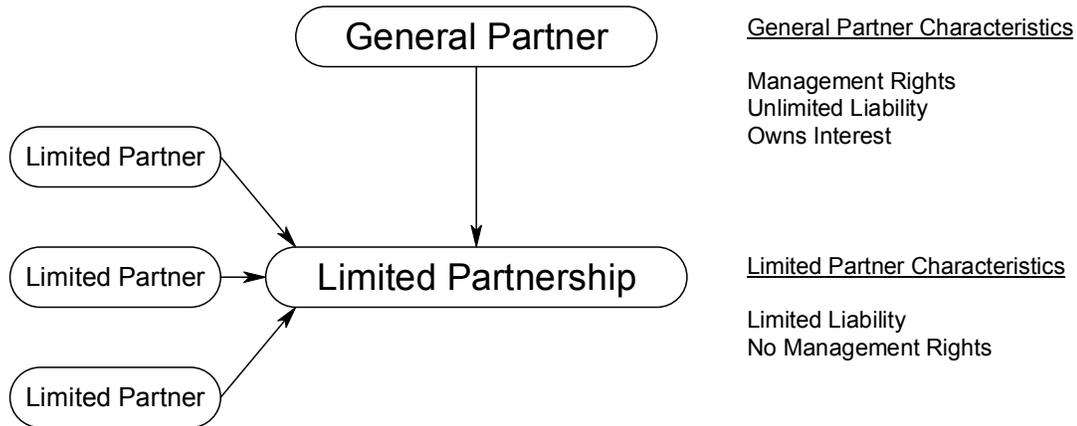
A limited liability partnership is a type of general partnership in which the partners are not individually liable, under some circumstances, for debts and obligations of the partnership arising from errors, omissions, negligence, incompetence, or malfeasance committed in the course of business by another partner or by an employee not under the partner’s supervision (in all other respects, a limited liability partnership operates in the same way as a general partnership). In order to receive this special limited liability protection, the partnership must follow certain procedures and make certain filings as specified by the particular state in which it is doing business. In Texas for example, a partnership must file a certificate with the Secretary of State of Texas as a limited liability partnership.

Limited Partnership

First recognized in the United States in the early nineteenth century by the state of New York, a limited partnership (commonly abbreviated “LP” or “Ltd.”) is similar to a general partnership except that a limited partnership has two different types of partners. Like in a general partnership, there are “general partners,” one or more partners who control the business

and are personally liable for the partnership's debts. But in addition to the general partners, there are also "limited partners," who contribute capital and share profits, but who cannot manage the business. These limits on management rights are a hold-over from the days that limited partners were undisclosed, or "silent," partners. In exchange for their limited management rights, limited partners are personally liable only for the amount that they have contributed to the partnership. The main goal of the limited partnership is to minimize the risk of participation of some partners, and as can be seen, the "limited" in "limited partner" refers to that partner's limited liability to partnership debts.

Similar to a limited liability partnership, to receive the limited liability protection for the limited partners, the partnership must follow certain procedures and make certain filings as specified by the particular state in which it is doing business. If this is not done, the partnership will be treated as a general partnership and all of the partners will be jointly and severally liable for the partnership's debts. For a list of required federal and state filings for limited partnerships, see Appendix C.



Limited Partnership Organizational Chart

Limited Liability Limited Partnership

A new form of limited partnership that is now recognized in some states is the limited liability limited partnership (commonly abbreviated "LLLP"). Probably the easiest way to describe a limited liability limited partnership is that it is a limited partnership with characteristics of a limited liability partnership. The limited liability limited partnership is a limited partnership that not only provides the limited partners their usual liability protection, but also limits the liability of the general partners to that of a general partner in a limited liability partnership.

Limited Liability Company

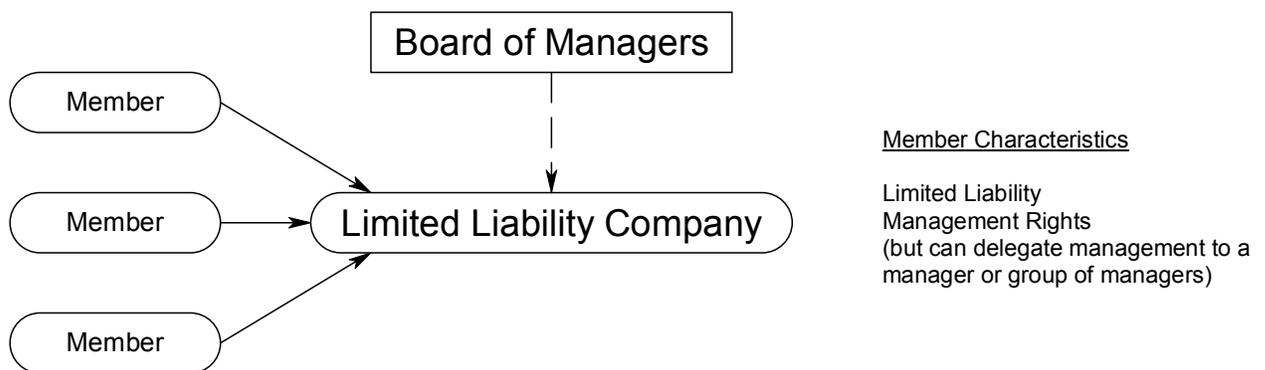
In 1977, Wyoming was the first state in the United States to adopt a limited liability company (commonly abbreviated "LLC") statute, basing the entity form on similar European entities.

Now recognized in every state and the District of Columbia, the LLC is an unincorporated entity that combines many features of a limited partnership with the corporate form, making it more flexible than these more traditional entities. One of the key reasons the LLC was designed was to provide pass-through tax advantages without the restrictions imposed on Subchapter S corporations (discussed below) and limited partnerships.

The owners of an LLC are referred to as “members,” which are similar in capacity to corporate shareholders and limited partners. The members also have management rights similar to general partners of a general partnership or limited partnership. However, each member’s liability is limited only to his investment in the company. So in essence, the LLC is the best of both worlds; members are not personally liable for the debts and liabilities of the company (like a corporate shareholder or limited partner), but have unlimited management rights to control the day-to-day operations of the company (like general partners or a corporate board of directors or corporate officers).

Additionally, an LLC’s management can be structured in a variety of ways to provide different levels of control between the individual members. Depending on the agreement between the members, an LLC can be member managed, managed by a manager, or a managed by a group of managers (such a group is commonly referred to as a board of managers or a management committee). These managers, usually the members themselves, perform similar functions to a board of directors in a corporation and set company policy. Many LLCs also are structured to also give the managers the same powers as corporate officers (discussed below), allowing them to run the day-to-day operations of the company. Some LLCs adopt the more formal type of management associated with corporations, adding an additional level of management below the managers (i.e. officers such as a president, vice-president, treasurer and secretary) that run the daily operations of the company.

To receive limited liability protection, a limited liability company must file articles of organization or a similar organizational document with a state’s Secretary of State or similar state office. Appendix C contains a list of additional federal and state filing requirements an LLC.



Limited Liability Company Organizational Chart

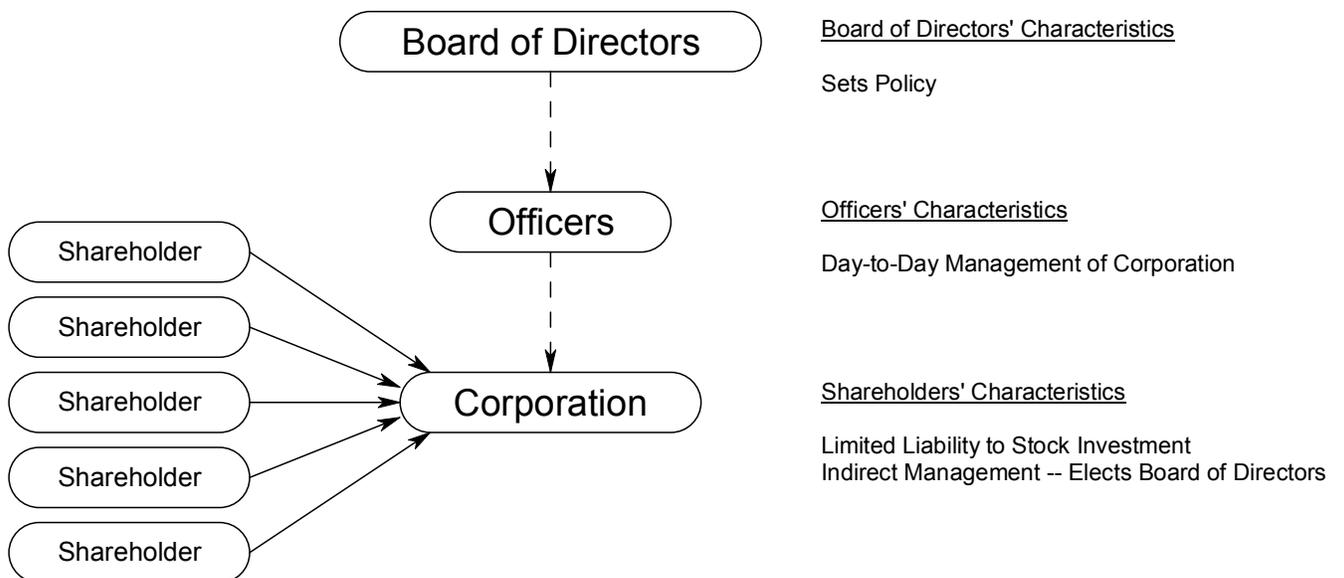
Corporation

While the corporate form has not been around quite as long as the general partnership, it can trace its existence at least to the Roman Empire. Over the centuries, this legal entity, created to exist separate and apart from its owners, was adopted for use in many countries. The first incorporation statutes in the United States, based primarily upon English company law, were passed in the late eighteenth century.

A corporation is created when one or more persons (individuals or other entities) join together to form a separate entity for the purpose of operating a business and receive a corporate charter from the state in which it plans to do business. A corporation has its own legal identity separate from its owners, who are known as the “shareholders.” By utilizing the corporate form, the shareholders’ personal assets are protected from debts and liabilities related to the operation of the corporation.

There are three distinct groups of persons that make up a corporation’s structure. As previously discussed, the shareholders constitute the owners of the corporation. In addition, the board of directors, elected by the shareholders, act as the corporation’s governing body. This board sets the financial and business policy of the corporation, establishes corporate policy, and elects officers of the corporation. These elected officers are then responsible for the daily management and operation of the corporation. Nevertheless, these groups are not necessarily made up of different individuals; for example, in closely held corporations, the shareholders usually act as both the directors and officers.

In many states, a corporation used for business purposes is created by filing articles of incorporation with the Secretary of State or comparable state office. For a list of required federal and state filings for corporations, see Appendix C.



Corporate Organizational Chart

C Corporation

A C corporation is the default corporate form for federal income tax purposes. A C corporation is not a “pass-through” entity, which means that the corporation pays tax on its own income, just like you and me, instead of having its owners/shareholders pay tax on the corporation’s income. The shareholders of the corporation are not taxed on corporate profits; however, they do pay personal taxes on any salaries or dividends they may receive. Under this system of taxation, the corporate profits are in effect taxed twice. Taxes are collected once at the corporate level, and a second time at the shareholder level. This “double taxation” is a common reason many small businesses elect “S corporation” status, discussed below, or avoid the use of the corporate form all together.

S Corporation

An electing “small business corporation,” commonly known as an S corporation, is a corporation having 75 shareholders or less and which satisfies other requirements of the Internal Revenue Code permitting a subchapter S election. Subchapter S allows eligible corporations to choose pass-through taxation similar to partnerships.

Chapter 2: After Formation: Things to Do and People to Contact

Entity Created for a New Business

There are a number of matters that must be dealt with in order to get your new entity up and running. Your new entity will likely be subject to a number of different federal, state, and local taxes. In this regard, your accountant can be extremely helpful in making sure you that obtain the required identification numbers (if this has not already been done) and establish the proper procedures to meet these tax requirements. If needed, we can refer you to an accountant that can assist you in these matters.

Depending on the type of business your new entity will be involved in, you may need to contact federal, state, and local regulatory agencies to obtain the required permits and/or licenses. Although a full list of these agencies is beyond the scope of this guide, this information can easily be found, as many states have Internet websites and written publications addressing these specific issues.

Entity Created to Carry on an Existing Business

In addition to the items just discussed, when creating a new entity to carry on an existing business, there are other considerations to make the change successful. Persons that have done business with the previous company, such as suppliers, creditors, banks, and customers, must be informed of the change in entity. Persons involved in legal disputes with the old entity and regulatory agencies should also be notified. For use with corporate conversions, Appendix B contains sample letters to adapt to your use to mail to these persons describing the corporate conversion process. Although many states' laws contain provisions that state the new entity will step into the shoes of the previous entity, it is good business practice to change any contracts, accounts, or obligations that are in the name of the previous entity to include the new entity's name.

The previous entity must also be properly dissolved. Contact your accountant to verify final tax returns are filed for the previous entity if necessary. The accounting records of the old entity should also be closed. Close the bank account of the old entity and transfer the funds into a new bank account in the name of your new entity. Finally, dispose of any old stationary, letterhead, billing materials, and business cards with the old entity's name.

Chapter 3: Conducting Business with Your New Entity

A Checklist

No matter which type of entity you have, there are a number of things you and the other owners must do in order to maintain separateness of the entity and your liability protection. From a legal standpoint, a business entity provides liability protection only where it is not a sham or “alter ego” of its owners. In this section, we have included a list of things to do to maintain your entity’s formalities. This list is not all-inclusive, but it should give you a basic idea of the types of things to consider in conducting business. This list should be reviewed whether you have formed an entity for a new business or an entity to carry on an existing business. (Note: For ease of use, many references in the remainder of this Owner’s Manual are to corporate terms; however, the same concepts are applicable to other entities.)

- Entity name – Obtain stationary, letterhead, bills, and business cards with your entity’s name. Begin using this material immediately in all business correspondence.
- Separation of Funds – Setup and maintain a separate bank account for your entity. Do not intermingle personal funds with funds of your entity, and do not use company funds for personal uses. The following list includes examples of things you should not do:
 - Do not deposit entity funds in your personal account;
 - Do not use entity funds to pay your personal bills or expenses;
 - Do not purchase items for personal use with entity funds.
- Representative Capacity - Always sign letters, legal documents, and checks in your representative capacity (such as general partner or president), not as you individually (for reference, Appendix A contains examples of signature blocks for different types of capacities and entities). Introduce yourself in business settings in your representative capacity, not as “owner” of the entity. Freely pass out your business cards, which should include your name and your official title.
- Company Property – Treat company property as just that; property that is owned by the company. The following list includes examples of things you should not do:
 - Do not use company vehicles for personal use, i.e. vacation, moving;
 - Do not use company machinery or equipment for personal uses;
 - Do not maintain a residence in company property.
- ✓ Company Records – Company records, especially the record book, are very important to document the actions of the entity. The following list includes examples of types of things you should retain permanently in a safe location:
 - Record book, which includes:
 - Minutes of organizational, annual, and special meetings;
 - 🕒 Proxies, resignations, consents, waivers, and notices of meetings;
 - 🕒 Amendments to articles and bylaws;

- ⌚ Copies of resolutions;
- ⌚ Bank signature cards and bank resolutions;
- ⌚ Consent to service of process;
- ⌚ Stock options;
- ⌚ Designation or resignation of statutory agent;
- ⌚ Any company document required by city, state, or federal government.
- Agreements and contracts of all kinds;
- Powers of attorney;
- Leases affecting company property;
- Promissory notes and mortgages affecting company property;
- Deeds affecting company property;
- Securities exemption applications and orders;
- Generally, copies of anything you think of as important to the company should be kept with the company records.

Conducting Meetings

Your new entity cannot act on its own. Conducting annual and special meetings is one way for the owners to confer the proper authority on the persons working in the entity to take action on its behalf, even if it is still the owners performing the management duties. By conducting and documenting meetings, you take part in a very important function of your entity: record keeping. Record keeping serves two main functions. First, records that document the decisions of management help preserve the liability protection afforded by the use of a business entity over a sole proprietorship. Courts are more likely to disregard an entity's form when its management does not follow the proper formalities. In the court's opinion, if the management of the entity has not recognized the entity's proper structure, neither should the law (in legal jargon, this is known as "piercing the corporate veil"). Second, proper record keeping helps to maintain good relations between the parties involved in the entity, whether it be directors, managers, partners, members, or shareholders. Conducting meetings provides a way to insure that no agent of the entity (i.e. officers, managers, and partners) acts without the full consent of management.

How can you properly document meetings in order to accomplish these goals? You, or someone the entity designates, must take minutes of each meeting to document the decisions made and actions authorized by the directors, managers, or partners. But wait! This task is not as difficult as it sounds. The following section will guide you through the minute taking task, and then you will be ready to take minutes of that first meeting like an expert mechanic tackling a routine oil change.

Taking Minutes in Meetings

When most people are told minutes must be taken at a meeting, they probably envision someone taking verbatim notes detailing everything that was said or done. If you fall into this group, don't despair! In a business context, this is not what minute taking entails. Minutes serve

as the official record of the action taken by those present at the meeting, not a record of every word or discussion. So, to make it simple, these minutes should record what is done in the meeting, not what is said. Now doesn't this sound easier than you first thought?

Here is a list that gives you a good idea of the types of things that should be included in the minutes of a meeting (corporate designations are used for simplicity):

- *The kind of meeting.* A description of the meeting, whether for example, it is an organizational, regular, or special meeting.
- *The exact entity name.* The full legal name of the entity.
- *The date and time of the meeting.*
- *The location of the meeting.* Including the street address, city and state.
- *The names of persons present in an official capacity, including their title.* These should include each director present, the name of the person presiding, and the name of the secretary.
- *The reports of officers and board members.* These reports are usually only given for informational purposes and need not be included in the minutes. However, they may be attached to the minutes with board approval or you may include a brief description of the report. Only the fact that the report was made need be included in the minutes.
- *The business of the meeting.* The meeting should follow a predetermined agenda, unless the board decides to take an item out of order. The minutes should include each decision or "resolution" of the board in separate paragraphs. A "resolution" is a motion before the board that has been voted on and passed. Each resolution, preceded by the word "resolved," should be included within the minutes exactly as made.
- *The vote.* If the vote is unanimous, it should be so stated in the minutes. If the vote is divided, the count should be recorded. In addition, the names of those dissenting should be listed.
- *The signature of the Secretary.*
- *The signatures of the Directors.* Each Director should sign in his official capacity to show his approval of the minutes as recorded.

As you can see, taking minutes of your meetings won't be as difficult as it sounds. Just remember that only the actions of the body meeting should be recorded. It is not necessary to include discussions of motions and items on the agenda within the minutes. Included in Appendix B are a few examples of minutes that you can use as a guide for taking your own minutes. After the minutes are taken, they should always be kept in the record book of the entity for safekeeping.

If you still feel uncomfortable with the idea of taking minutes, we can make it even easier. Give us a call, and we can easily arrange to have someone be at your meetings and do this task for you.

Procedures for Meetings

The presiding member of the entity's board establishes the rules of order for the meeting unless the procedure for the meeting is provided for in the entity's governing documents. For example, many larger entities follow the strict parliamentary procedures of *Robert's Rules of Order* or some other close variation of the long-standing rules (one example, *Robert's Rules of Order Revised*, can be found at <http://www.constitution.org/ror/ror--00.htm>, copyright 1996, Constitution Society). But don't think that you must create a rigid set of rules following parliamentary procedure to have a proper meeting. A good rule of thumb is to establish reasonable procedures that you and the other members of the meeting feel comfortable with and that do not create a burden upon the members of the meeting. No matter how formal or informal you structure your meetings, it is always best to prepare a written agenda and written motions beforehand in order to give the meeting structure and ease the minute taking task.

Actions in Lieu of Meeting

In addition to conducting actual meetings, another procedure can be used to meet the record-keeping requirement. Known as a "consent authorizing action in lieu of a meeting," the members of the board of directors (or other management body) can consent and agree to actions of officers and directors without an actual meeting. This consent can ratify actions already taken or authorize future actions. However, in many instances, to properly consent to actions in lieu of meeting the consent must be unanimous. You can check your organizational documents to see if a lesser number of consenting persons is allowed to consent to the particular action you desire to take. Appendix B includes an example of a consent in lieu of a meeting for you to use as a guide.

Making Contributions to Your Entity

If your new entity is taxed as either a corporation or a partnership and is classified as an "investment company" and if "diversification" occurs as a result of contributions to the entity, the contributor recognizes gain on the contribution as though the contributor sold the contributed property to the entity for full fair market value. Thus, to determine whether a contribution to the entity may enjoy tax free status, you must make a two step analysis: (1) determine whether the entity is an investment company; and (2) determine whether or not diversification has occurred.

An entity will be classified as an "investment company" if more than 80% of its assets by value consist of money, stocks and other equity interests in a corporation, evidences of indebtedness, options, forward or futures contracts, notional principal contracts or derivatives, foreign currency, certain interests in precious metals, interests in REITs, RICs, common trust funds and publicly-traded partnerships or other interests in non-corporate entities that are convertible into or exchangeable for any of the assets listed.

Just because your new entity meets the definition of an "investment company" doesn't mean your contribution to the entity is taxable. A taxable transaction occurs only if the contributor's investments are "diversified" as a result of the contribution. No diversification occurs if (1) the contributions are of already diversified portfolios; (2) the contributors contribute identical assets,

or the non-identical assets can be disregarded because they constitute an “insignificant” portion of the total assets contributed; or (3) in the case of an entity that is taxed as a partnership, the applicable documents contain special allocations that avoid diversification by allocating profits and gains from the contributed property back to the contributing members.

While gain on the initial contributions to your new entity should be relatively easy to avoid, it is important to note that subsequent contributions will also be subject to possible gain recognition under the investment company rules. **As such, before making additional contributions to your entity, you should have someone versed in the investment company rules review the tax consequences of the contribution.**

Appendices

Appendix A

Sample Signature Blocks

Included below are some of the more common signature blocks that may be used where an individual or an entity is signing for another entity. The individual titles included are for example purposes only and should not be considered all-inclusive.

General Partnership Signature Blocks

Individual as Partner

The Maltese Partnership

or

By:

Sam Spade, Partner
[President]
[Vice-President]

Sam Spade, Partner of
The Maltese Partnership

Corporate Partner

The Maltese Partnership

or

By: American, Inc., Partner

By: _____
Rick Blaine, President
[Vice-President]

Rick Blaine, President of
American, Inc., Partner of The
Maltese Partnership

LLC Partner

The Maltese Partnership

or

By: Sahara, LLC, Partner

By: _____
Joe Gunn, Manager
[Member] [Sole Member]

Joe Gunn, Manager of
Sahara, LLC, Partner of The
Maltese Partnership

Limited Partnership Signature Blocks

Individual as General Partner

Caine, Ltd.

or

By:

Philip Queeg, General
Partner

Philip Queeg, General Partner of
Caine, Ltd.

Corporate General Partner

Caine, Ltd.

or

By: Americain, Inc., General Partner

By:

Rick Blaine, President

Rick Blaine, President of
Americain, Inc., General Partner
of Caine, Ltd.

LLC General Partner

Caine, Ltd.

or

By: Sahara, LLC, General Partner

By:

Joe Gunn, Manager
[Member] [Sole Member]

Joe Gunn, Manager of
Sahara, LLC, General Partner of Caine,
Ltd.

Limited Liability Company Signature Blocks

Individual as Member or Manager

Key Largo, LLC

or

By:

Frank McCloud, Manager
[Member] [Sole Member]

Frank McCloud, Manager of
Key Largo, LLC

Corporate Manager or Member

Key Largo, LLC

or

By: Americain, Inc., Manager

By:

Rick Blaine, President

Rick Blaine, President of
Americain, Inc., Manager
of Key Largo, LLC

Appendix B

Sample Forms

Sample Creditor Advisory Letter

Doodad Industries, LP

777 Normandy Dr.
Anywhere, TX 00000
(000) 000-0000

June 6, 2001

The Creditor, Inc.
1944 Omaha Circle
Anywhere, TX 00000

Attn: Office Manager

Dear Sir or Madam:

Doodad Industries, Inc. converted into a limited partnership named Doodad Industries, LP, on May 1, 2001. When a Texas corporation converts into another entity, Article 5.20 of the Texas Business Corporation Act provides that the converting entity shall continue to exist, without interruption, but in the organizational form of the converted entity rather than in its prior organizational form.

All rights, title and interest to all real estate and other property owned by Doodad Industries, Inc. shall continue to be owned by Doodad Industries, LP, without reversion or impairment, without further act or deed, and without any transfer or assignment, but will continue to be subject to any existing liens or other encumbrances. All liabilities and obligations of Doodad Industries, Inc. shall continue to be liabilities and obligations of Doodad Industries, LP, without impairment or diminution by reason of the conversion. In addition, all rights of creditors or other parties with respect to or against the prior interest holders or other owners of Doodad Industries, Inc. in their capacities as such in existence as of the date of the conversion will continue in existence as to those liabilities and obligations and may be pursued by such creditors and obligees as if the conversion had not occurred.

As a result, from and after May 1, 2001, all obligations of Doodad Industries, Inc., have, by law, been assumed and will be performed by Doodad Industries, LP. Any dealings that you may have had with Doodad Industries, Inc. should be conducted with Doodad Industries, LP, as if you were still dealing with Doodad Industries, Inc. If you have any questions regarding this matter, please feel free to contact me at the number above.

Sincerely,

Benjamin Vandervoort
President, Doodad Holdings, LLC
General Partner of Doodad Industries, LP

Sample Business Associates Advisory Letter

Doodad Industries, LP

777 Normandy Dr.
Anywhere, TX 00000
(000) 000-0000

June 6, 2001

The Business Associate, Inc.
6644 Utah Dr.
Anywhere, TX 00000

Attn: Office Manager

Dear Sir or Madam:

Doodad Industries, Inc. converted into a limited partnership named Doodad Industries, LP, on May 1, 2001. When a Texas corporation converts into another entity, Article 5.20 of the Texas Business Corporation Act provides that the converting entity shall continue to exist, without interruption, but in the organizational form of the converted entity rather than in its prior organizational form.

Any dealings that you may have had with Doodad Industries, Inc. should now be conducted with Doodad Industries, LP, as if you were still dealing with Doodad Industries, Inc. If you have any questions regarding this matter, please feel free to contact me at the number above.

Sincerely,

Benjamin Vandervoort
President, Doodad Holdings, LLC
General Partner of Doodad Industries, LP

Sample Litigant Advisory Letter

Doodad Industries, LP

777 Normandy Dr.
Anywhere, TX 00000
(000) 000-0000

June 6, 2001

The Litigant, Inc.
4466 Sword Ave.
Anywhere, TX 00000

Attn: Office Manager

Dear Sir or Madam:

Doodad Industries, Inc. converted into a limited partnership named Doodad Industries, LP, on May 1, 2001. When a Texas corporation converts into another entity, Article 5.20 of the Texas Business Corporation Act provides that the converting entity shall continue to exist, without interruption, but in the organizational form of the converted entity rather than in its prior organizational form. The Act further states that a proceeding pending by or against the converting entity or by or against any of the converting entity's interest holders or owners in their capacities as such may be continued by or against the converted entity in its new organizational form or by or against the prior interest holders or owners, as the case may be, without any need for substitution of parties.

As a result, from and after May 1, 2001, all obligations of Doodad Industries, Inc., have, by law, been assumed and will be performed by Doodad Industries, LP. Any dealings that you may have had with Doodad Industries, Inc. should now be conducted with Doodad Industries, LP, as if you were still dealing with Doodad Industries, Inc. If you have any questions regarding this matter, please feel free to contact me at the number above.

Sincerely,

Benjamin Vandervoort
President, Doodad Holdings, LLC
General Partner of Doodad Industries, LP

Sample Regulatory Agency Advisory Letter

Doodad Industries, LP

777 Normandy Dr.
Anywhere, TX 00000
(000) 000-0000

June 6, 2001

The Government Agency
4664 Juno Ct.
Anywhere, TX 00000

Dear Sir or Madam:

Doodad Industries, Inc. converted into a limited partnership named Doodad Industries, LP, on May 1, 2001. When a Texas corporation converts into another entity, Article 5.20 of the Texas Business Corporation Act provides that the converting entity shall continue to exist, without interruption, but in the organizational form of the converted entity rather than in its prior organizational form.

As a result, from and after May 1, 2001, all obligations of Doodad Industries, Inc., have, by law, been assumed and will be performed by Doodad Industries, LP. [Any dealings that you may have had with Doodad Industries, Inc. should now be conducted with Doodad Industries, LP, as if you were still dealing with Doodad Industries, Inc. If you have any questions regarding this matter, please feel free to contact me at the number above.]

Sincerely,

Benjamin Vandervoort
President, Doodad Holdings, LLC
General Partner of Doodad Industries, LP

Sample Minutes – Widgets Distributing, Inc.

**ORGANIZATIONAL MINUTES
OF
WIDGETS DISTRIBUTING, INC.**

June 11, 2001

The organizational meeting of the Board of Directors of Widgets Distributing, Inc., a Texas corporation, was held June 11, 2001, at the offices of the Corporation, located at 123 Crockett Drive, Suite 456, Anywhere, Texas, pursuant to a written waiver of notice signed by all of the Directors.

The Directors present at the meeting were Kirby York, Ethan Edwards, John Marlowe and Wedge Donovan, constituting all the Directors of the Corporation.

Kirby York presided at the meeting, and John Marlowe kept the minutes.

All of the Directors of the Corporation being present and having signed a waiver of notice, the meeting was declared valid and ready for the transaction of business. After discussion, the following resolutions were adopted:

1. RESOLVED, that the Articles of Incorporation of this Corporation which were filed in the Office of the Secretary of State of the State of Texas on May 15, 2001, and as amended on June 10, 2001, are accepted and approved.

2. RESOLVED, that the Bylaws submitted to and reviewed by the Directors are adopted as the Bylaws of this Corporation and that the Secretary shall insert them in the Minute Book.

3. RESOLVED, that the following officers are elected to serve until the first Directors' meeting after the next annual meeting of the shareholders:

| | |
|---------------|---------------------|
| Kirby York | President |
| Ethan Edwards | Vice President |
| John Marlowe | Secretary/Treasurer |

4. RESOLVED, that

(a) the Minute Book presented to the Directors by the Secretary is approved and adopted, and the action of the Secretary in copying or inserting in it the Articles of Incorporation and the Certificate of Incorporation and the Bylaws, is ratified and approved, and

(b) the Secretary is instructed to authenticate the Minute Book, to retain custody of it and to insert in it the Minutes of this meeting and of other proceedings of the shareholders and Directors.

5. RESOLVED, that the Corporate Seal, an impression of which appears on the margin of these Minutes, is approved and adopted.

6. RESOLVED, that the form of Stock Certificate, a copy of which is marked "Copy" and included within the Corporate Minute Book, is approved and adopted.

7. RESOLVED, that the Corporation issue the following shares to the persons named below in exchange for the consideration set forth opposite each person's name:

| Name | Number Shares | Consideration |
|---------------|------------------|----------------|
| Kirby York | 62,500 | \$625,000.00 |
| Ethan Edwards | 12,500 | \$125,000.00 |
| John Marlowe | 12,500 | \$125,000.00 |
| Wedge Donovan | 12,500 | \$125,000.00 |
| Total | 100,000 | \$1,000,000.00 |

8. RESOLVED, that this Corporation establish in its name one or more accounts with Second National Bank, Anywhere, Texas, on such terms and conditions as may be agreed upon with the Bank. The President is authorized to sign checks and borrow money.

9. RESOLVED, that the fiscal year-end of this Corporation shall be December 31.

10. RESOLVED, that the Secretary of the Corporation is hereby authorized to attest for and on behalf of the Corporation, the signature of the President upon any document executed on behalf of the Corporation by the President and to affix the seal of the Corporation thereto; and

11. RESOLVED, that the Corporation approves the formation of and investment in Gizmos, Ltd., and authorizes and directs the officers of the Corporation to execute any documents or instruments necessary or appropriate to consummate the transactions contemplated hereby, and confirms and ratifies all actions of the duly authorized representatives of the Corporation to date with respect to these transactions.

12. RESOLVED, that the Corporation authorizes and approves the execution of the Corporation and Shareholders' Agreement with the Corporation's Shareholders.

13. RESOLVED, that the foregoing authorities shall be and continue in full force and effect until revoked and modified in writing, provided that such revocation or modification shall

not be effective with respect to any exercise of such authority prior to such revocation or modification.

The Directors further approve and adopt any other Resolutions attached hereto and made a part hereof.

There being no further business to come before the meeting, the meeting was adjourned.

Dated this 11th day of June, 2001.

John Marlowe, Secretary

APPROVED:

Kirby York, Director

Ethan Edwards, Director

John Marlowe, Director

Wedge Donovan, Director

Sample Minutes – Gadget Industries, Inc.

**MINUTES OF MEETING OF BOARD OF DIRECTORS OF
GADGET INDUSTRIES, INC.**

January 30, 2001

The annual meeting of the Board of Directors of Gadget Industries, Inc., a Texas corporation, was held on January 30, 2001, at 10:05 a.m., in the offices of the Corporation located at 987 Highway, Anywhere, Texas, pursuant to a written waiver of notice, signed by all the directors.

The Directors present at the meeting were John Chance, Cole Thornton, Jim Gordon, and Chance Buckman, constituting all the Directors of the Corporation.

John Chance, President of the Corporation, presided at the meeting and Jim Gordon, Secretary of the Corporation, kept the minutes.

The first item of business to come before the meeting was the election of officers for the coming year. After discussion, John Chance, introduced the following resolution and moved that it be adopted:

RESOLVED, that the following persons be, and each of them hereby is, elected to serve in the offices of the Corporation set opposite their respective names, each to hold that office for one year or until his or her respective successor is duly elected and qualified or until his or her earlier resignation or removal:

| | |
|-----------------|----------------|
| President: | John Chance |
| Vice President: | Cole Thornton |
| Secretary: | Jim Gordon |
| Treasurer: | Chance Buckman |

The motion was seconded by Chance Buckman; and upon same being put to a vote, it was unanimously adopted.

The President then reported to the meeting the activities of the officers of the Corporation and proposed that the Board of Directors ratify those actions of the officers. Upon motion duly made, seconded, and unanimously carried, it was:

RESOLVED, that all actions taken by the officers of the Corporation are hereby ratified and approved in all respects.

There being no further business to come before the meeting, upon motion duly made, seconded and unanimously passed, the meeting adjourned.

Jim Gordon, Secretary

APPROVED:

John Chance, Director

Cole Thornton, Director

Jim Gordon, Director

Chance Buckman, Director

Sample Minutes – Gizmo Manufacturing, Inc.

**MINUTES OF MEETING OF BOARD OF DIRECTORS OF
GIZMO DISTRIBUTORS, INC.**

January 28, 2001

A regular meeting of the Board of Directors of Gizmo Distributors, Inc. was held at 10:30 a.m. on January 28, 2001, at the offices of the Corporation located at 215 Interstate Dr., Suite 500, Anywhere, Texas.

The Directors present at the meeting were Sean Mercer, Rockwell Torrey, Mike Kirby, Reuben Cogburn and Jake Cutter, constituting all the Directors of the Corporation.

Sean Mercer acted as Chairman of the meeting, and Mike Kirby acted as Secretary of the meeting and recorded the minutes.

The Chairman called for the election of officers, and the following names were placed in nomination:

| | |
|-----------------|---------------------|
| Sean Mercer | President |
| Rockwell Torrey | Vice President |
| Mike Kirby | Secretary-Treasurer |

There being no further nominations, the above officers were unanimously elected to the offices shown opposite their names.

The next item of business to come before the meeting was the consideration of a recommendation by management that the Corporation adopt restated Bylaws governing the regulation and management of the Corporation's affairs. Proposed Bylaws were presented to and reviewed by the Directors. Upon motion duly made, seconded and unanimously approved, it was:

RESOLVED, that in accordance with Article 2.23(B) of the Texas Business Corporation Act, the Directors hereby approve and adopt Restated Bylaws, a copy of which is attached to these minutes as Exhibit "A," to regulate the Corporation's affairs and conduct of business.

The financial affairs of the Corporation were then discussed. The Directors agreed that the Corporation should continue to obtain funds from the Second National Bank of Anywhere for the operation of the Corporation's business. Due to the changes in the Directors and officers of the Corporation that have occurred in the last year, the Chairman informed the Directors that a new Corporate Resolution in the form attached hereto as Exhibit "B" should be signed and filed with the Second National Bank of Anywhere certifying the names of the officers and Directors who are now authorized to procure a loan on the Corporation's behalf. Upon motion duly made, seconded, and unanimously approved, it was

RESOLVED, that the President and other officers are authorized and directed, on behalf of the Corporation, to take any and all actions necessary or appropriate to borrow money from, and to pledge security to, the Second National Bank of Anywhere. Toward this end, the President, Vice President, and the Treasurer are each authorized to sign notes and to pledge or mortgage any of the Corporation's assets.

The Directors were then presented with instructions from Reuben Cogburn, Independent Executor of the Estate of Eula Cogburn, Deceased (the "Decedent"), to transfer 25,000 shares of the Corporation's stock formerly held by the Decedent and now registered in the name of the Executor on the Corporation's books and records as follows:

- a. 100%, or 25,000 shares, to:

Reuben Cogburn, Trustee
Cogburn Family Trust
1234 Alamo Road
Anywhere, Texas 00000

Pursuant to the Executor's instructions, the Directors authorized the officers:

- a. to issue and deliver the shares to the transferee named above;
- b. to cancel Certificate No. 56 representing 25,000 shares issued to the Estate of Eula Cogburn, Deceased, Reuben Cogburn, Independent Executor;
- c. to record these actions on the Corporation's stockholder records;
- d. to notify any and all interested parties of these actions; and
- e. to perform whatever other acts in the name and on behalf of the Corporation as are necessary to carry out the objectives of these resolutions.

There being no further business to come before the meeting, it was adjourned.

Mike Kirby, Secretary

APPROVED:

Sean Mercer, Director

Rockwell Torrey, Director

Reuben Cogburn, Director

Mike Kirby, Director

Jake Cutter, Director

Sample Action In Lieu of Meeting – Thingamajig Wholesalers, Inc.

**CONSENT OF DIRECTORS AUTHORIZING
CORPORATE ACTION IN LIEU OF
2001 ANNUAL DIRECTORS' MEETING

THINGAMAJIG WHOLESALERS, INC.**

According to Article 9.10, Section B of the Texas Business Corporation Act, the undersigned, the Board of Directors of Thingamajig Wholesalers, Inc. (the "Corporation"), adopts, by their signature below, the following resolutions:

RESOLVED, that all actions of the officers of the Corporation that have been taken since the date of the last Directors' meeting and prior to the date of this consent are affirmed, ratified, and approved.

This resolution will have the same force and effect as if adopted at the 2001 annual meeting of the Board of Directors of the Corporation duly called and held for such purpose.

DATED: March 12, 2001.

Jacob McCandles, Director

John Elder, Director

Jim Brannigan, Director

Cord McNally, Director

Appendix C

Required Filings

Required Filings for Delaware Entities

| AGENCY | GENERAL PARTNERSHIP (includes Limited Liability Partnership) | LIMITED PARTNERSHIP (includes Limited Liability Limited Partnership) | LIMITED LIABILITY COMPANY | CORPORATION |
|---|---|--|---|---|
| <i>Secretary of State of Delaware, Division of Corporations:</i> | | | | |
| <i>Initial filing</i> | 1. Statement of Partnership Existence 2. Statement of Qualification (LLP only) | Certificate of Limited Partnership | Certificate of Formation | Certificate of Incorporation |
| <i>Subsequent filings</i> | Annual Report (LLP only) | Annual Report (LLLP only) | None | None |
| <i>Registered Agent and Office</i> | Must be kept current | Must be kept current | Must be kept current | Must be kept current |
| <i>Prothonotary at the local county office of the Superior Court</i> | Registration in each county where doing business | Registration in each county where doing business | None | None |
| | | | | |
| <i>Other States:</i> | | | | |
| <i>Authority to do Business</i> | Consult attorney if doing business in another state | Consult attorney if doing business in another state | Consult attorney if doing business in another state | Consult attorney if doing business in another state |
| | | | | |
| | | | | |
| <i>Department of Finance, Division of Revenue:</i> | | | | |
| <i>Annual Income Tax Returns</i> | Consult attorney | Consult attorney | Consult attorney | Consult attorney |
| <i>Annual Franchise Tax Report</i> | Consult attorney | Consult attorney | Consult attorney | Consult attorney |
| <i>Sales Tax</i> | Consult accountant | Consult accountant | Consult accountant | Consult accountant |
| <i>IRS:</i> | | | | |
| <i>Employer ID Number</i> | Form SS-4 | Form SS-4 | Form SS-4 | Form SS-4 |
| <i>Election of Tax Status</i> | Form 8832 only if electing corp. taxation | Form 8832 only if electing corp. taxation | Form 8832 if electing status other than default | Form 2553 if electing S Corp. status |
| <i>Annual Income Tax Returns</i> | Form 1065 | Form 1065, or 1120 if electing corporate taxation | Form 1065, 1120, or none if disregarded entity | Form 1120, or 1120S if electing S Corp. status |
| <i>Employment taxes</i> | Consult accountant | Consult accountant | Consult accountant | Consult accountant |

Required Filings for Nevada Entities

| AGENCY | GENERAL PARTNERSHIP (includes Limited Liability Partnership) | LIMITED PARTNERSHIP (includes Limited Liability Limited Partnership) | LIMITED LIABILITY COMPANY | CORPORATION |
|---------------------------------------|--|---|---|---|
| <i>Sec. of State of Texas:</i> | | | | |
| <i>Initial filing</i> | Registration (LLP only) | 1. Certificate of Limited Partnership 2. Initial list of general partners 3. Registration (LLLP only) | 1. Articles of Organization 2. Initial list of managers or members | 1. Articles of Incorporation 2. Initial list of officers and directors |
| <i>Subsequent filings</i> | Annual list of managing partners (LLP only) | Annual list of general partners (LLLP only) | Annual list of managers or members | Annual list of officers and directors |
| <i>Registered Agent and Office</i> | Must be kept current (LLP only) | Must be kept current | Must be kept current | Must be kept current |
| <i>Other States:</i> | | | | |
| <i>Authority to do Business</i> | Consult attorney if doing business in another state | Consult attorney if doing business in another state | Consult attorney if doing business in another state | Consult attorney if doing business in another state |
| <i>Department of Taxation:</i> | | | | |
| <i>Business Registration</i> | Consult attorney | Consult attorney | Consult attorney | Consult attorney |
| <i>Business Tax</i> | Consult attorney | Consult attorney | Consult attorney | Consult attorney |
| <i>Sales Tax</i> | Consult accountant | Consult accountant | Consult accountant | Consult accountant |
| | | | | |
| <i>IRS:</i> | | | | |
| <i>Employer ID Number</i> | Form SS-4 | Form SS-4 | Form SS-4 | Form SS-4 |
| <i>Election of Tax Status</i> | Form 8832 only if electing corp. taxation | Form 8832 only if electing corp. taxation | Form 8832 if electing status other than default | Form 2553 if electing S Corp. status |
| <i>Annual Income Tax Returns</i> | Form 1065 | Form 1065, or 1120 if electing corporate taxation | Form 1065, 1120, or none if disregarded entity | Form 1120, or 1120S if electing S Corp. status |
| <i>Employment taxes</i> | Consult accountant | Consult accountant | Consult accountant | Consult accountant |

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Required Filings for Texas Entities

| AGENCY | GENERAL PARTNERSHIP (includes Limited Liability Partnership) | LIMITED PARTNERSHIP (includes Limited Liability Limited Partnership) | LIMITED LIABILITY COMPANY | CORPORATION |
|---------------------------------------|--|--|---|---|
| <i>Sec. of State of Texas:</i> | | | | |
| <i>Initial filing</i> | Registration (LLP only) | 1. Certificate of Limited Partnership 2. Registration (LLLP only) | Articles of Organization | Articles of Incorporation |
| <i>Subsequent filings</i> | Annual registration (LLP only) | 1. Informational report by a Limited Partnership every 4 years 2. Annual registration (LLLP only) | None | None |
| <i>Registered Agent and Office</i> | None | Must be kept current | Must be kept current | Must be kept current |
| <i>Assumed Name</i> | File initial certificate and renew every 10 years | File initial certificate and renew every 10 years | File initial certificate and renew every 10 years | File initial certificate and renew every 10 years |
| <i>County Clerk:</i> | | | | |
| <i>Assumed Name</i> | File initial certificate and renew every 10 years | File initial certificate and renew every 10 years | File initial certificate and renew every 10 years | File initial certificate and renew every 10 years |
| <i>Other States:</i> | | | | |
| <i>Authority to do Business</i> | Consult attorney if doing business in another state | Consult attorney if doing business in another state | Consult attorney if doing business in another state | Consult attorney if doing business in another state |
| <i>State Comptroller:</i> | | | | |
| <i>Annual Franchise Tax Return</i> | None | None | Form 05-142 | Form 05-142 |
| <i>Sales Tax</i> | Consult accountant | Consult accountant | Consult accountant | Consult accountant |
| <i>IRS:</i> | | | | |
| <i>Employer ID Number</i> | Form SS-4 | Form SS-4 | Form SS-4 | Form SS-4 |
| <i>Election of Tax Status</i> | Form 8832 only if electing corp. taxation | Form 8832 only if electing corp. taxation | Form 8832 if electing status other than default | Form 2553 if electing S Corp. status |
| <i>Annual Income Tax Returns</i> | Form 1065 | Form 1065, or 1120 if electing corporate taxation | Form 1065, 1120, or none if disregarded entity | Form 1120, or 1120S if electing S Corp. status |
| <i>Employment taxes</i> | Consult accountant | Consult accountant | Consult accountant | Consult accountant |