

Lake Bed and Breakfast

M and A want to operate a bed and breakfast on the lake where they keep a cabin – just outside a small town in the northern, rural part of their home state. They intend to run a relatively small operation: the building they have picked out is a four bedroom house that can accommodate up to ten people comfortably. It is in relatively good shape, but would benefit from a handful of basic renovations. M and A will cook breakfasts, provide housekeeping services, and lead hikes for guests in the surrounding area. They will also provide kayaks, stand up paddleboards, and jet skis for rent, all of which are personally owned by the couple. They have a sufficient (i.e. covering everything) liability waiver in place which guests agree to upon booking their stay. Per an informal agreement, M and A have also received some funding from the nearby town's chamber of commerce in exchange for recommending other local businesses to their guests. They're interested in forming a business to separate their personal assets from that of the business.

In addition, they'd like to pass the business to their three children (ownership divided equally among them), and want to add them to the business now, each with $\frac{1}{3}$ ownership (M and A each holding a 25% ownership). They would also like a provision in any operating document to specify that, should anyone seek to sell their ownership interest, the remaining members must get the first offer or otherwise unanimously consent in writing to the transfer.

Details:

Two Person
Services
Varying Liability
Transfer of Business

Issues:

Entity Formation
Addition of Members
Restrictions on Interest Transfer

Complexity Tags:

1. Memo needed
2. Diverging interests of clients