

THIS MEMORANDUM IS MUST READING
TO PROTECT YOUR PERSONAL ASSETS AGAINST
CREDITORS OF THE COMPANY TAKING
YOUR ASSETS, YOU MUST DO OR NOT DO
EACH OF THE FOLLOWING

All Members must carefully review the following operational guidelines which must be STRICTLY followed to protect against loss to Members' personal assets due to business risks and liabilities of the limited liability company consuming those personal assets. An L.L.C. provides to its Members the same protection as a corporation to its shareholders against the debts, liabilities and obligations of the L.L.C. spilling over to the Members and consuming their personal assets. However, to assure such protection all Members must operate and hold out to the public and every person with whom it deals, that the L.L.C. is a legal entity separate and distinct from each of its Members. To this end the Company and each Member must do or not do the following:

- Must file timely the L.L.C.'s annual report (see Form LLC-7);
- Must amend the Articles of Organization if there are any major changes in the business, Members and their address, name and term of existence;
- Must operate the L.L.C. in compliance with the Operating Agreement and Articles of Organization;
- Must sign all L.L.C. documents in a representative capacity as follows:

_____, LC

By _____
Member

OMISSION OF THE ABBREVIATION "L.C." IN THE COMMERCIAL USE OF THE NAME OF THE COMPANY SHALL RENDER ANY PERSON WHO PARTICIPATES IN SUCH OMISSION, OR KNOWINGLY ACQUIESCES IN IT, LIABLE FOR ALL INDEBTEDNESS, DAMAGE, OR LIABILITY OCCASIONED BY SUCH OMISSION.

- Must always and in all situations (letterhead, business cards, invoices, telephone book white and yellow page insertions, signs, advertisements, etc.) include the LC with the Company's name; it is the "LC" that informs everyone dealing with the Company that it is an entity that affords the Members liability protection (there are no exceptions to this rule);
- Must open and maintain a bank account(s) in the Company's name;
- Must timely file federal and Utah information tax returns;
- Must not commingle personal money and/or assets with the Company's cash and/or assets;
- Must not use the Company's assets for personal benefit or in contravention of the Operating Agreement;
- Must purchase adequate general comprehensive liability insurance to protect the Company and the individual Members from general liabilities that are from time to time incurred by a business operation, including the negligence of a Member while he or she is in pursuit of the Company's business (there may be other insurance coverages required for protection of the Company's business); and
- The entity liability shield does not pertain to a person who is responsible for withholding and remitting federal and state income and payroll taxes, and state sales and use taxes. Under applicable federal and state laws, those "responsible persons" who are to withhold and remit such taxes will remain responsible to the appropriate taxing authorities for the full amount of these taxes, plus penalties and interest. Any person who is, directly or indirectly, involved in withholding, remitting and accounting for such taxes or is otherwise involved in the payroll process, including the signing of payroll checks, may be a "responsible person" who is liable for these taxes, if not paid by the Company, plus penalties and interest. Therefore, each Member must pay particularly close attention that all income and payroll taxes withheld from employees' compensation and all sales and use taxes collected from customers are timely remitted to the appropriate taxing authorities.
- The "responsible person" role described in the preceding bullet point also applies to the collection and remitting of Utah sales and use taxes, if the sale of the Company's goods and services are subject to the sales and use tax laws.