### **Project Legal Framework: A Guide for** 2829 Niagara St.

This document details the recommended legal and partnership structure for the 2829 Niagara St. project. The goal is to create a framework that protects all partners, aligns with the WNY Makers co-development model, and provides a clear roadmap for contributions, profits, and governance.

### **Part 1: Establishing the Business Entity**

To effectively manage the diverse group of land, service, and cash partners, a sophisticated and flexible legal structure is required.

#### **Primary Recommendation: The Series LLC**

The most effective entity for this project is a **Series Limited Liability Company (Series LLC)**. This is a powerful structure where a single "Master" LLC can create multiple "Series" underneath it. Each Series acts like a mini-LLC, with its own assets, members, and liability protection.

**Why a Series LLC is the ideal fit for WNY Makers:**

* **Liability Protection:** The debts and liabilities of one Series (e.g., the Construction Series) do not affect the assets of another Series (e.g., the Land Partner Series). This compartmentalizes risk for all partners.
* **Organizational Clarity:** It allows for clean separation and accounting for different types of contributions. For example:
  + **Master LLC:** 2829 Niagara St. Associates, LLC (The official project entity)
  + **Series A:** The Land Partners
  + **Series B:** The Professional Service Partners (Attorneys, Architects, Engineers)
  + **Series C:** The In-Kind Construction Partners (Subcontractors, Suppliers)
  + **Series D:** The Cash Investment Partners
* **Scalability:** This structure can be easily replicated for future WNY Makers projects without creating entirely new, complex legal entities from scratch.

#### **Action Steps for Entity Formation:**

1. **Consult Legal Partner:** Immediately engage your chosen real estate attorney to confirm the Series LLC structure is optimal under New York State law and for the project's specific needs.
2. **File Articles of Organization:** Your attorney will file the necessary paperwork with the New York Secretary of State to officially form 2829 Niagara St. Associates, LLC.
3. **Draft the Master Operating Agreement:** This is the core governing document for the entire project. It will authorize the creation of the different Series.

### **Part 2: Drafting the Partnership Agreements**

The Master Operating Agreement will serve as the primary partnership contract. It must be comprehensive, transparent, and meticulously detailed to prevent future disputes.

#### **Key Clauses for the Master Operating Agreement:**

**1. Identification of Partners and Purpose**

* Clearly lists all initial partners and the Series they belong to.
* Defines the official purpose of the partnership: "To acquire, develop, construct, and sell a mixed-use property at 2829 Niagara St., Tonawanda, NY."

**2. Capital Contributions**

* This is the most critical section for the WNY Makers model. It must detail:
  + **In-Kind Contributions:** A schedule listing every service, material, and property contribution. It must include an agreed-upon **valuation methodology** (e.g., appraised value for land, standard hourly rates for professional services, market cost for materials). This value determines each partner's equity stake.
  + **Cash Contributions:** A schedule listing the contributions from cash partners.
  + **Contribution Timeline:** Deadlines for when services must be rendered and when capital must be deposited.

**3. Ownership, Allocations, and Distributions (The "Waterfall")**

* This clause outlines how profits (and losses) are allocated. It should be structured as a "distribution waterfall" to ensure fairness and incentivize performance.
  + **Tier 1: Return of Capital:** The first profits from the sale are used to repay all partners their initial contribution value (both cash and in-kind).
  + **Tier 2: Time-Weighted Preferred Return:** Partners receive an 8% annualized preferred return on their contributions, rewarding early participation and higher risk exposure.
  + **Tier 3: Pro-Rata Split:** All remaining profits are distributed to all partners according to their initial ownership percentage.

**4. Roles, Responsibilities, and Authority**

* Clearly defines the specific duties and limitations of each key partner (Owner's Rep, Construction Developer, etc.).
* Establishes decision-making authority. For example:
  + **Major Decisions:** (e.g., selling the property, taking on major debt) require a **unanimous or super-majority vote**.
  + **Operational Decisions:** (e.g., approving a subcontractor) can be made by the designated managing partner, providing it falls within the established guidelines.

**5. Dispute Resolution**

* Outlines a clear, multi-step process for resolving conflicts to avoid costly litigation:
  1. Informal negotiation between the involved partners.
  2. Formal mediation with a neutral third party.
  3. Binding arbitration.

**6. Exit Strategy and Dissolution**

* This section plans for the end of the project and unforeseen circumstances.
  + **Buy-Sell Provisions:** Defines the process if a partner wants or needs to exit the project early, including how their stake will be valued and offered to the remaining partners.
  + **Contingency Planning:** Addresses what happens in the event of a partner's death, disability, or bankruptcy.
  + **Dissolution:** Details the process for winding down the LLC after the property is sold, all debts are paid, and all profits are distributed.

This framework provides a robust foundation for the 2829 Niagara St. project. The immediate next step is to present this document to your legal partner to begin the drafting and formalization process.