

# **OPERATING AGREEMENT FOR A LIMITED LIABILITY COMPANY**

Laws vary from time to time and from state to state. Before signing this document it may be wise to have an attorney review it to make sure it fits your particular situation. You should also consult an attorney whenever a document is negotiated with another party.

These forms are not intended and are not a substitute for legal advice. These forms should only be a starting point for you and should not be used without consulting with an attorney first.

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## **CHECKLIST**

1. Select a name for the business and check with the Secretary of State on the availability of the name.
2. Check on State statutory requirements for filing and operation of a Limited Liability Company.
3. Prepare the Operating Agreement, a separate and essential document which is to be maintained at the office of the Limited Liability Company.
4. Prepare the Articles of Organization, which are to be filed with the Secretary of State.

Note: You may get this form from [FindLegalForms.com](http://FindLegalForms.com) (under Limited Liability Company category).

## **INSTRUCTIONS**

1. The following document is intended to serve as a guide for the preparation of the Operating Agreement. It is designed for a single member company, but it provides for additional members and can easily be adapted to accommodate a multi-member company. It is possible to use the document “as is”, but care needs to be taken to ensure that the language is appropriate for the operational requirements of the company to be formed. This document is NOT filed with the State, but is an essential requirement for the operation of a Limited Liability Company.
2. Heading - insert the name of the Company, State in which it will operate, the name of the member who will manage the Company.

3. Section 1.1 – insert the name of the State.
4. Section 1.4 – insert the name of the Limited Liability Company.
5. Section 1.5 – insert the name of the State.
6. Section 1.6 – specify the duration of the company, i.e., for a specific number of years or perpetual.
7. Section 1.7 – insert the address of the principal office of the Company.
8. Section 1.8 – insert the name and address of the registered agent. CAUTION: in general a post office box is not acceptable to the State.
9. Section 1.9 - insert the name of the State.
10. Section 1.10 - insert the name of the State.
11. Section 1.11 – insert the name and address of the member(s).
12. Section 3.1 – insert the name of the State.
13. Section 3.3 – insert the name of the State.
14. Section 4.1 – if the Company does not succeed a sole proprietorship or other entity, specify any other capital contribution that may be made by the member to initiate the Company – e.g., \$100.00.
15. Section 7.3 – insert the name of the State.
16. Section 8.2 – insert the name of the State.
17. The sole member should execute the agreement as both the Manager and the Member.

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# OPERATING AGREEMENT FOR

\_\_\_\_\_  
(Single Member LLC)

THIS OPERATING AGREEMENT is made and entered into as of \_\_\_\_\_, 2003 by and between \_\_\_\_\_, a \_\_\_\_\_ Limited Liability Company (the "Company") and \_\_\_\_\_, the one person executing this Operating Agreement as the manager of the company (Manager) and as the sole Member of the Company ("Member"), hereby state as follows:

## WITNESSETH:

1. Whereas, the Member desires to enter into this Operating Agreement ("Operating Agreement" or "Agreement") for the purpose of governing the Company, to and for the purpose described herein;
  
2. Whereas, the Member had operated the business heretofore as a sole proprietorship and intends through this Operating Agreement to transfer selected assets of such predecessor sole proprietorship to the Company; and,
  
3. Whereas the Member intends to operate the business and to provide for the operation of the Company;

NOW, THEREFORE, in consideration of the mutual premises below, and other good and valuable consideration, the receipt and the sufficiency of which is hereby acknowledged, it is agreed as follows:

## ARTICLE I - FORMATION

### Section 1.1. Organization

The parties hereto hereby organize this limited liability company pursuant to the provisions of the \_\_\_\_\_ Limited Liability Company Act (hereinafter referred to as the "Act").

Section 1.2. Intent

It is the intent of the parties to this Operating Agreement that the Company shall always be operated in a manner consistent with its treatment as a "sole proprietorship" or, if appropriate, a "partnership" for federal and state income tax purposes.

Section 1.3. Agreement

The parties executing this agreement hereby agree to the terms and conditions of this Operating Agreement, as it may from time to time be amended according to its terms. To the extent that any provision of the Operating Agreement is prohibited, invalid, or ineffective under the Act, the Operating Agreement shall be considered amended to the smallest degree possible in order to make the Agreement effective under the Act. In the event the Act is subsequently amended or interpreted in such a way to make any provision of the Operating Agreement that was formerly invalid valid, such provision shall be considered to be valid from the effective date of such interpretation or amendment.

Section 1.4. Name of Company

The name of the Company is \_\_\_\_\_, and all business of the Company shall be conducted under that name.

Section 1.5. Effective Date of Agreement

The Operating Agreement of this Company shall become effective upon the filing of the Articles of Organization and its acceptance by the Secretary of State for the State of \_\_\_\_\_.

Section 1.6. Term of Company Existence

The Company shall be dissolved and its affairs wound up in accordance with the Act and this Operating Agreement thirty (30) years following the effective date specified above, unless the term of the Company existence shall be extended by amendment to this Operating Agreement and the Articles of Organization, or unless the Company is dissolved and its affairs wound up in accordance with the Act or this Operating Agreement.

Section 1.7. Principal Executive Office of Company

The principal executive office of the Company shall be at \_\_\_\_\_.

Section 1.8. Registered Agent and Registered Office of Company

The registered agent for service of process and the registered office of the Company shall be as follows: \_\_\_\_\_

\_\_\_\_\_.

Section 1.9. Other Company Offices.

The Company may have other offices at such places within and without the State of \_\_\_\_\_ as the Member(s) of the Company may determine from time to time.

Section 1.10. Company Business

The object and purpose of the Company and the general nature of the business its proposes to transact shall include all transactions of any or all lawful business for which limited liability companies may be formed under the laws of the State of \_\_\_\_\_.

\_\_\_\_\_.

Section 1.11. Company Member(s)

The name and address of the Member(s) of this Company is/are as follows:

<u>Name</u>	<u>Address</u>
_____	_____

ARTICLE II - MANAGEMENT OF COMPANY

Section 2.1. Management Vested in Member(s)

The Company shall be managed by its Member(s). The sole Member shall serve as the Manager of the Company.

Section 2.2 Appointment of Substitute Manager

The Sole Member shall have the right to appoint a substitute “Manager” to operate the Company and to conduct its business in the event of illness, disability, or death. This “Manager” shall have the rights, powers, and obligations granted or created herein to the sole Member, except as the sole Member shall otherwise restrict or limit in the document appointing the “Manager”.

### Section 2.3. Binding Authority of Member(s)

The parties hereto hereby agree that only the Member(s) designated in Article I, Section 1.11 shall have the authority to bind the Company. Each Member shall have the power to do all things necessary or convenient to carry out the business and affairs of the Company, including, but not limited to the following actions:

- (i) the entering into contracts and guarantees: incurring of liabilities; borrowing money, issuance of notes, bonds, and other obligations; and the securing of any of its obligations by mortgage or pledge of any of its property or income;
- (ii) the purchase, receipt, lease or other acquisition, ownership, holding, improvement, use and other dealing with property, wherever located;
- (iii) the sale, conveyance, mortgage, pledge, lease, exchange, and other disposition of property;
- (iv) the lending of money, investment and reinvestment of Company funds, and receipt and holding of property as security for repayment, including the loaning of money to Company Members, employees, and agents;
- (v) the appointment of employees and agents of the Company and the establishment of their compensation;
- (vi) the payment of compensation, or additional compensation to any or all Members, and employees on account of services previously rendered to the Company, whether or not an agreement to pay such compensation was made before such services were rendered;
- (vii) the participation in partnership agreements, joint ventures, or other associations of any kind with any person(s) or entities;
- (viii) the indemnification of Members or any other person.

## ARTICLE III - RIGHTS AND DUTIES OF COMPANY MEMBERS

### Section 3.1. Limitation of Liability

Each Member's liability for debts and obligations of the Company shall be limited as set forth in the \_\_\_\_\_ Limited Liability Company Act and other applicable law.

### Section 3.2. Member's Management Rights

Company Members who have not become disassociated with the Company shall be entitled to vote on any matter submitted to a vote of the Members. Notwithstanding the foregoing, the following actions require written consent of the majority in interest of the Company Members:

- (i) The sale of all or substantially all assets of the Company;
- (ii) A mortgage or encumbrance upon all or substantially all assets of the Company;
- (iii) Disposal of the goodwill of the Company;
- (iv) Submission of a claim of the Company to arbitration; (v)
- (v) Confession of a judgment;
- (vi) Commission of any act which would make it impossible for the Company to carry on its ordinary course of business;
- (vii) Amendment of this Operating Agreement;
- (viii) Amendment of the Articles of Organization to change the management of the Company from Members to Managers; and,
- (ix) The continuation of the Company after an event causing dissolution

### Section 3.3. Company Books

The Member(s) shall maintain and preserve at the Company's registered office, during the term of the Company, and for five (5) years thereafter, all accounts, books, and other relevant Company documents, including, but not limited to, a copy of the Articles of Organization initially filed with the Secretary of State for the State of \_\_\_\_\_, copies of this Operating Agreement, together with any supplements, modifications, or amendments thereto, any prior operating agreements no longer in effect, written agreements by a Member to make a capital contribution or a loan to the Company, copies of the Company's federal, state, and local income tax returns and reports, and copies of all financial statements. Upon reasonable request, a Member shall have the right, during ordinary business hours-, to inspect such Company documents at the Member's expense.

### Section 3.4. Priority and Return of Capital

No Member shall have priority over any other Member, with respect to the return of capital contributions or to profits, losses, or distributions; provided that this Section 3.4 shall not apply to loans that a Member has made to the Company.

### Section 3.5. Meetings

The Members are not required to hold meetings, and decisions may be reached through one or more informal consultations followed by agreement among a majority of

Members, provided that all such Members are consulted, or by a written consent signed by a majority of the Members. In the event that the Members wish to hold a formal meeting for any reason, the following procedures shall apply:

- (i) Any two Members may call a meeting of the Members by giving notice of the time and place of the meeting at least 48 hours prior to the time of the holding of the meeting. The notice shall reasonably specify the purpose, location, and time of the meeting.
- (ii) A majority of the Members shall constitute a quorum for the transaction of business at any meeting of the Members.\
- (iii) Any action required or permitted to be taken by the Members under this Agreement may be taken without a meeting if a majority of the Members individually or collectively consent in writing to such action.

## ARTICLE IV - CONTRIBUTIONS TO CAPITAL AND CAPITAL ACCOUNTS

### Section 4.1. Initial Capital Contributions

The sole Member agrees to transfer the assets of Member's sole proprietorship, \_\_\_\_\_, as outlined on the attached Exhibit, which shall constitute the Member's initial capital contribution.

### Section 4.2. Capital Accounts

If additional Members shall become a part of the Company, a separate capital account shall be established and maintained for each Member in accordance with the applicable provisions of the Federal Treasury Regulations:

(i) Each Member's capital account shall be increased by: (1) such Member's capital contributions, (2) such Member's distributive share of profits allocated to such Member in accordance with the provisions of this Agreement, (3) the fair market value of property contributed by such Member to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to), and 4) allocations to such Member of income described in Section 705(a)(1)(B) of the Code.

(ii) Each Member's capital account shall be debited by: (1) the amount of cash distributed to such Member in accordance with this Agreement, (2) the fair market value of property distributed to such Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to), (3) allocations to such Member of expenditures described in Section 705(a)(2)(B) of the Code, and (4) allocations to the account of such Member of Company loss and deduction as set forth in such Regulations, taking into account adjustments to reflect book value.

(iii) In the event the gross asset values of the Company assets are adjusted pursuant to this Agreement or any amendments thereto, the capital accounts of all Members shall be adjusted simultaneously to reflect the aggregate net adjustment and the resulting gain or loss allocated among the Members in accordance with this Agreement.

#### Section 4.3. Compliance with Section 704(b) of the Code

The foregoing provisions and the other provisions of this Operating Agreement relating to the maintenance of capital accounts are intended to comply with Section 704(b) of the Internal Revenue Code of 1986, as amended and applicable Treasury Regulations promulgated thereunder and shall be interpreted and applied in a manner consistent therewith. If, in the opinion of the Company's accountants, the manner in which capital accounts are to be maintained pursuant to this Operating Agreement should be modified in order to comply with Section 704(b) of the Code and the Regulations thereunder, then notwithstanding anything to the contrary contained in the preceding provisions of this Article IV, the method in which the capital accounts are maintained shall be so modified; provided, however, that any change in the manner of maintaining capital accounts shall not materially alter the economic agreement between or among the Members.

### ARTICLE V - ALLOCATIONS AND DISTRIBUTIONS

#### Section 5.1. Profits and Losses

Subject to any provision of this Agreement to the contrary, each Member shall share the profits and losses of the Company in proportion to their percentage interest in the Company.

#### Section 5.2. Distributions

Except as provided otherwise in this Agreement, all distributions of cash or other property shall be made to the Company Member(s) in proportion to their percentage interests in the Company on the date of the distribution. All distributions shall be made at such time as is determined by the Member(s) of the Company. All amounts withheld pursuant to the Code or any provisions of state or local tax law with respect to any payment or distribution to the Member(s) from the Company shall be treated as amounts distributed to the relevant Member or Members pursuant to this Section 5.2.

#### Section 5.3. Limitation Upon Distributions

No distribution shall be declared and paid unless, after the distribution is made, the assets of the Company are in excess of all liabilities of the Company, except liabilities to Member(s) on account of their contributions.

#### Section 5.4. Accounting Method

The books and records of account of the Company shall be maintained in accordance with the cash method of accounting.

#### Section 5.5. Accounting Period

The Company's accounting period shall be the calendar year.

### ARTICLE VI - TRANSFERABILITY OF MEMBER INTERESTS

#### Section 6.1. Restrictions on Transferability of Interests

No Member shall have any right to sell, transfer, or assign an interest in the Company without the written consent and approval of all of the Members. The purchaser, transferee, or assignee of an interest in the Company shall not become a Member of the Company except as provided for in Section 6.2 of this Article VI.

#### Section 6.2. Additional Members

After the formation of the Company, any person acceptable to the majority in interest of the Member(s) may become a Member of the Company for such consideration as the Member(s) by their majority in interest shall determine. Any additional Member must acknowledge in writing all of the terms and provisions of this Operating Agreement or of any other operating agreement of the Company and must agree to be bound thereby.

### ARTICLE VII - DISSOLUTION, TERMINATION AND WINDING UP OF THE COMPANY

#### Section 7.1. Events Causing Dissolution

(i) Upon the death or disability of the sole Member, if the Member continues to be the sole Member at the time of such an event, and the sole Member has not theretofore appointed a Manager who is then willing to act, then the personal representative of the estate of the sole Member may act as Manager hereunder or appoint a person to so serve until the interests and the capital account of the deceased or disabled sole Member have been transferred or distributed.

(ii) The Company shall be dissolved upon, but not before, the first to occur of the following: (1) the death, bankruptcy (as hereinafter defined), adjudication of incompetency or insanity, or withdrawal of any member, (2) the assignment by a Member of all such Member's company interest and the admission of the transferee as a substitute Member, or (3) or any other event that terminates the continued membership of a Member in the Company under the Act, unless there are at least two remaining Members, or the sole Member, and within 90 days of the occurrence of any such event all of the remaining Members consent to the continuation of the Company.

## Section 7.2 Continued Existence for Purposes of Winding Up

The Company shall continue to exist after the happening of any of the events set forth in Section 7.1 of this Article solely for the purpose of winding up its affairs in accordance with the Act.

## Section 7.3. Procedure Upon Liquidation

Upon the dissolution of the Company, the Member(s) shall liquidate the assets of the Company and apply the proceeds of liquidation in the order of priority provided in Section 7.4 of this Article VII.

A reasonable time shall be allowed for the orderly liquidation of the assets of the Company and the discharge of its liabilities to minimize losses that might otherwise occur in connection with the liquidation. Upon liquidation and winding up of the Company, unsold Company property shall be valued to determine the gain or loss that would have resulted if the property were sold, and the capital accounts of the Members that have been maintained in accordance with this Operating Agreement shall be adjusted to reflect the manner in which the gain or loss would have been allocated if the property had been sold at its assigned values. Upon completion of the liquidation of the Company and distribution of the proceeds, the Members shall file articles of dissolution with the Secretary of State's Office in and for the State of \_\_\_\_\_.

## Section 7.4. Proceeds of Liquidation

The proceeds from the liquidation of the assets of the Company, the proceeds from the collection of the receivables of the Company, and the assets distributed in kind shall all be distributed in the following order of priority.

(i) to the payment of debts and liabilities of the Company which are properly due and owing;

(ii) to the settling up of reserves to disburse in payment of contingent liabilities or obligations of the Company; and,

(iii) to the Members in proportion to and to the extent of the balances of their Capital Accounts.

All distributions pursuant to clause (iii) shall be made no later than the end of the Company's fiscal year during which the liquidation of the Company occurs or within ninety (90) days after the date of the liquidation.

## ARTICLE VIII - ADDITIONAL PROVISIONS

### Section 8.1. Complete Agreement

This Operating Agreement and the Articles of Organization of the Company constitute the complete and exclusive statement among the Members with respect to the subject matter hereof.

This Operating Agreement and the Articles of Organization supersede all prior written and oral statements or agreements and no representation, statement, or condition or warranty not contained in this Operating Agreement of the Articles of Organization shall be binding on the Members or have any force or effect whatsoever.

### Section 8.2. Governing Law

This Agreement and the rights of the parties hereunder will be governed by, interpreted, and enforced in accordance with the laws of the State of \_\_\_\_\_.

### Section 8.3. Terms

Common nouns and pronouns will be deemed to refer to the masculine, feminine, neuter, singular and plural, as the identity of the person or persons, firm or corporation may in the context require. Any reference to the Code or other statutes or laws will include all provisions concerned.

### Section 8.4. Headings

All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Operating Agreement.

### Section 8.5. Severability

Every provision of this Operating Agreement is intended to be severable. If any term or provision is illegal or invalid for any reason whatsoever, the illegality or invalidity shall not affect the validity of the remainder of this Operating Agreement.

### Section 8.6. Amendments

This Agreement may be amended or modified from time to time only by a written instrument adopted by the Member(s) and approved and executed by all Members of the Company.

Section 8.7. Heirs, Successors and Assigns

Each and all of the covenants, terms, provisions, and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors, and assigns.

Section 8.8. Execution of Additional Instruments

Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules, or regulations.

Section 8.9. Waiver

The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Operating Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

Section 8.10. Rights and Remedies Cumulative

The rights and remedies provided by this Operating Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

IN WITNESS WHEREOF, the sole Member has hereunto executed this Agreement as of the day and year first above written.

\_\_\_\_\_

By: \_\_\_\_\_  
\_\_\_\_\_, Manager

By: \_\_\_\_\_  
\_\_\_\_\_, Member