TEMPLATE

LLC Operating Agreement

This is a template, not legal advice

This document is a general-purpose template provided for information only. It is not legal advice, it does not create a lawyer–client relationship, and nobody has reviewed it against your situation.

Laws differ by country, state and province, and they change. A clause that is standard in one place can be unenforceable — or illegal — in another. Terms that are ordinary between two businesses can be void in a consumer or employment context.

Read every clause before you use it, fill in every blank, and delete anything that does not apply. For anything high-value, unusual, or that you could not afford to lose a dispute over, have a qualified lawyer in your jurisdiction review it before it is signed.

This kind of document is regulated differently almost everywhere. Many places require specific notices, disclosures or statutory wording, and some make clauses like these unenforceable outright. Treat this template as a starting point to take to a local lawyer, not as a document to sign as-is.

How to use this template

1. Read it end to end and delete any clause that does not apply to you. Blanks are shown as a grey label on a line.
2. Need the other party to sign too, with an audit trail and a tamper-evident seal? That is what the paid product does.

LLC Operating Agreement

This Operating Agreement (this "Agreement") of [Company full legal name] , a limited liability company organized under the laws of [State or country of formation] (the "Company"), is made effective as of [Effective date] by and among the undersigned members of the Company (each a "Member" and together the "Members").

The Company was formed by the filing of its articles of organization, certificate of formation or equivalent formation document with [Filing office, e.g. the Secretary of State of Delaware] on [Formation filing date] . This Agreement governs the rights and obligations of the Members with each other and with the Company, and, to the extent applicable law permits the Members to vary the default rules of the Company's governing statute by agreement, this Agreement controls over any conflicting default rule.

The Company's principal office is located at [Company principal office address] , and the Company's purpose is [Business purpose, e.g. "to engage in any lawful business activity"] .

1. Members and Initial Capital Contributions

The Company's membership interests are expressed as percentage interests in the Company, reflecting each Member's proportionate share of the Company's capital, profits, losses, distributions and voting rights, unless the Members agree otherwise in writing.

The Members of the Company, their initial capital contributions and their percentage membership interests are as follows:

(a) [First Member full legal name] of [First Member address] : an initial capital contribution of [First Member initial capital contribution, e.g. $10,000 in cash] , for a [First Member percentage interest, e.g. 50%] membership interest.

(b) [Second Member full legal name] of [Second Member address] : an initial capital contribution of [Second Member initial capital contribution, e.g. $10,000 in cash] , for a [Second Member percentage interest, e.g. 50%] membership interest.

2. Additional Contributions

No Member is required to make any additional capital contribution to the Company. The Members may agree in writing to make additional contributions, and unless they agree otherwise, any additional contribution is made by the Members in proportion to their then-current percentage interests.

If a Member agrees to make an additional contribution and fails to do so, the Company may treat the shortfall as a loan bearing interest at a commercially reasonable rate, dilute that Member's percentage interest to reflect the contributions actually made, or pursue any other remedy the Members agree to in writing — but no Member may be forced to contribute capital beyond what that Member has expressly agreed to in writing.

3. Management: Member-Managed or Manager-Managed

The Company is a [Management structure — write "member-managed" or "manager-managed"] limited liability company.

If the Company is member-managed: each Member has authority to act for and bind the Company in the ordinary course of its business, and all Members share management responsibility in proportion to their percentage interests, except for those matters this Agreement reserves to a vote of the Members under the clause below.

If the Company is manager-managed: the Members designate [Name(s) of Manager(s)] to manage the business and affairs of the Company (each a "Manager"). A Manager need not be a Member. A Member who is not also a Manager takes no part in day-to-day management and has no authority to act for or bind the Company solely by virtue of being a Member.

A Manager may be removed or replaced, and the scope of a Manager's authority may be expanded or restricted, only by a vote of Members holding more than [Voting threshold to remove or restrict a Manager, e.g. 50%] of the percentage interests then outstanding.

4. Voting and Matters Requiring Member Approval

Regardless of whether the Company is member-managed or manager-managed, the following matters require the approval of Members holding more than [Voting threshold for major decisions, e.g. 66%] of the percentage interests then outstanding, and may not be decided by a Manager alone:

(a) admitting a new Member;

(b) amending this Agreement;

(c) selling, leasing or exchanging all or substantially all of the Company's assets;

(d) merging or converting the Company into another form of entity;

(e) dissolving the Company; and

(f) incurring debt, or entering into a single contract or transaction, involving more than [Dollar threshold requiring Member approval, e.g. $25,000] .

5. Allocation of Profits and Losses

The Company's profits and losses for each fiscal year are allocated among the Members in proportion to their percentage interests, unless the Members agree otherwise in writing and that agreement is consistent with applicable tax law.

Each Member's distributive share of profits and losses is credited or debited to a separate capital account maintained for that Member, adjusted for contributions made, distributions received, and allocated profits and losses, in accordance with the Company's regular accounting practices.

6. Distributions and Tax Treatment

The Company may make distributions of cash or other property to the Members at the times and in the amounts the Members (or, if manager-managed, the Manager, subject to the voting clause above) determine, in proportion to each Member's percentage interest. No Member is entitled to a distribution before one is declared, and no distribution may be made that would render the Company unable to pay its debts as they become due.

The Company intends to be treated as a [Federal tax classification, e.g. "partnership (pass-through)", "disregarded entity" or "corporation" — confirm with a tax adviser] for federal income tax purposes. The Members shall cooperate in making and filing any election necessary to obtain and maintain that tax treatment, and the Company shall use commercially reasonable efforts to distribute enough cash to each Member, in years the Company has taxable income, to cover that Member's resulting individual tax liability.

7. Books, Records and Tax Matters

The Company shall maintain complete and accurate books of account, and shall make them available to any Member for inspection during normal business hours on reasonable notice. Within a reasonable time after the end of each fiscal year, the Company shall provide each Member with the tax information that Member needs to prepare their individual tax returns.

The Members designate [Name of Member or Manager acting as tax matters representative] as the Company's representative for dealing with tax authorities on the Company's behalf.

8. Admission of New Members

A new Member may be admitted to the Company only with the approval required under the voting clause above, and only after that person or entity executes a joinder to this Agreement agreeing to be bound by its terms. Admitting a new Member adjusts the percentage interests of the existing Members as the Members agree in writing at the time of admission.

9. Withdrawal and Transfer of Membership Interests

A Member may not sell, assign, pledge or otherwise transfer all or part of their membership interest, and may not withdraw from the Company, without the prior written consent of Members holding more than [Voting threshold to approve a transfer or withdrawal, e.g. 50%] of the remaining percentage interests, except a transfer to a trust or estate-planning vehicle for that Member's own benefit.

Before transferring a membership interest to an outside party, a Member shall first offer it to the other Members on the same terms, and the other Members shall have [Period to exercise right of first refusal, e.g. 30] days to accept that offer in proportion to their percentage interests. A transfer made in violation of this clause is void as against the Company.

A withdrawing Member is entitled to be paid the fair value of their membership interest, determined under [Valuation method, e.g. "the formula in Schedule A" or "an independent appraisal, cost shared equally"], payable over [Buyout payment period, e.g. 24 months] unless the Members agree otherwise. A transfer or withdrawal does not by itself dissolve the Company.

10. Limited Liability of Members and Maintaining the Company's Separateness

Except as otherwise required by the limited liability company statute of the Company's state or country of formation, no Member or Manager is personally liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, solely by reason of being a Member or acting as a Manager. A Member's exposure for the Company's losses and debts is limited to that Member's capital contribution and any other amount the Member has expressly agreed in writing to contribute.

This limited-liability protection depends on the Company being maintained, and treated by the Members, as an entity legally separate from its Members. The Members shall keep the Company's funds and bank accounts separate from their personal funds, sign contracts and other documents in the Company's name and not individually, maintain the books and records required by this Agreement and applicable law, and otherwise observe the formalities the Company's governing statute requires. A Member who commingles Company and personal funds, fails to observe those formalities, or otherwise disregards the Company's separateness risks a court "piercing the corporate veil" — disregarding the limited-liability shield and holding that Member personally liable for the Company's obligations. This Agreement is intended to help the Members avoid that outcome; it cannot guarantee it, and a court applies the law of the Company's state or country of formation to decide whether the shield holds.

11. Indemnification

The Company shall indemnify each Member and Manager against any claim, loss or expense (including reasonable legal fees) arising from an act or omission taken in good faith, within the scope of that person's authority under this Agreement, and reasonably believed to be in or not opposed to the Company's best interests — except to the extent the claim, loss or expense arises from that person's gross negligence, willful misconduct, fraud or breach of this Agreement.

12. Dissolution and Winding Up

The Company dissolves upon the earliest of: a vote of Members holding more than [Voting threshold to dissolve the Company, e.g. 66%] of the percentage interests; the entry of a decree of judicial dissolution; or any other event that causes dissolution under the Company's governing statute.

On dissolution, the Company shall wind up its affairs: paying or making reasonable provision for its debts and liabilities (including amounts owed to Members as creditors), then distributing any remaining assets to the Members in proportion to their positive capital account balances, or, if none, in proportion to their percentage interests.

13. Governing Law and Jurisdiction

This Agreement and the internal affairs of the Company are governed by the laws of the Company's state or country of formation stated above, without regard to conflict-of-laws principles. Any dispute arising out of this Agreement is subject to the exclusive jurisdiction of the courts of [Jurisdiction for disputes, e.g. county and state] .

14. General

This Agreement is the entire agreement of the Members concerning the Company, and replaces any earlier understanding among them on that subject. It may be amended only as set out in the voting clause above, and any amendment must be in writing.

No Member may assign this Agreement itself (as distinct from a membership interest, which is governed by the transfer clause above) without the consent of the other Members. If any provision of this Agreement is held unenforceable, the rest continues in force, and a failure to enforce any provision is not a waiver of it.

This Agreement may be signed in counterparts and by electronic signature, each of which is an original and all of which together form one agreement.

In agreement with the terms above, the parties have signed below on the dates written beside their signatures.

First Member

Signature: ______________________

Printed name: ______________________

Date: ______________________

Second Member

Signature: ______________________

Printed name: ______________________

Date: ______________________