



## The LLC Operating Agreement

Even though many states do not require your LLC to draft an Operating Agreement, it helps you guard your limited liability status, head off financial and management misunderstandings, even if you are the sole owner of your company!

### How to Create an Operating Agreement

There are many resources to prepare your own Operating Agreement. Blank and Sample LLC Operating Agreements are available online. However, it is important that your Operating Agreement be prepared specifically for your business and laws in your state.

#### IMPORTANT NOTE:

Many financial and insurance companies require you to have an Operating Agreement to open an account.

### Did you know?

One of the main reasons to make an Operating Agreement is to help ensure the courts will respect your limited personal liability. This is particularly key in a one-person LLC where, without the formality of an agreement, the LLC will appear to be a Sole Proprietorship. The formal Operating Agreement will give your LLC credibility.

### WHAT TO INCLUDE IN YOUR OPERATING AGREEMENT

There are many issues that can be covered in your LLC operating agreement, some of which will depend on your business's situation and needs. Most operating agreements include the following:

- The members' percentage interests in the LLC
- The members' rights and responsibilities
- The members' voting powers
- How profits and losses will be allocated
- How the LLC will be managed
- Rules for holding meetings and taking votes
- Buyout, or buy-sell, provisions, which determine what happens when a member wants to sell his or her interest, dies, or becomes disabled.

While this list may seem straightforward, each requires an important decision. These decisions should be spelled out in your operating agreement.

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