**[###** Please note the following:

1) This sample LLC Operating Agreement is provided as a Digital Asset for a ClydeBank Media QuickStart Guide.

2) All sections highlighted in green are contextual notes that explain key concepts throughout the agreement. These sections should be deleted before printing and signing this agreement. These sections will be further identified with three hashtags (###) at the beginning of the section to make them easy to locate.

3) All text highlighted in YELLOW should be replaced with your specific information and should remain as part of the agreement when you print and execute the agreement.

4) As discussed in *LLC QuickStart Guide*, some of these provisions are included here because default state laws may impose a duty or limit your choices if these provisions are not specifically addressed in the Operating Agreement.]

**[COMPANY NAME] LLC**

**OPERATING AGREEMENT**

**I. PRELIMINARY PROVISIONS**

[### I.) If you have not yet registered your LLC with your preferred state’s Secretary of State, do so before filling out and signing this Agreement. The Effective Date should be at least one day after your Certificate of Formation or state equivalent is issued to you. You won’t be able to fill in the required information until that first step is handled.]

(1) Effective Date: This Operating Agreement of [COMPANY NAME], effective [DATE#/#/#], is adopted by the Members whose signatures appear at the end of this agreement (the “Agreement”).

(2) Formation: This Limited Liability Company (LLC) was formed by filing Articles of Organization, a Certificate of Formation, or a similar organizational document with the LLC filing office of the state of [STATE] on [DATE]. A copy of this organizational document has been placed in the LLC’s records book.

(3) Name: The formal name of this LLC is as stated above. However, this LLC may do business under a different name by complying with the state’s fictitious or assumed business name statutes and procedures.

[### I.4) Your Registered Agent is the person who will be served with court documents if you’re ever sued, contacted by state officials, and so forth. If you name yourself, make sure you are always available for receiving service during normal business hours. The safer option is to hire a professional registered agent company. Most of these companies charge a fee of between $100 and $300 per year. They can forward any correspondence to a secure PO box or other mailing address.]

(4) Registered Office and Agent: The registered office of this LLC and the registered agent at this address are as follows:

[NAME OR COMPANY]

[STREET ADDRESS]

[CITY, STATE, ZIP]

The registered office and agent may be changed from time to time as the Members may see fit, by filing a change of registered agent or office form with the state LLC filing office. It will not be necessary to amend this provision of the Operating Agreement if and when such a change is made.

[### I.5) You can be more specific with your “business purpose,” but it generally isn’t required. The exception is if state law requires a specific purpose, such as if you are registering as a Professional Limited Liability Company. Some states require professionals—such as attorneys—to engage only in licensed business. The business purpose provided below should still work as worded, but caution would be prudent if you are registering a PLLC.]

(5) Business Purposes: The specific business purposes and activities contemplated by the founders of this LLC at the time of initial signing of this agreement consist of the following:

**Any legal purpose permissible under federal and state law**

It is understood that the foregoing statement of purposes shall not serve as alimitation on the powers or abilities of this LLC, which shall be permitted to engage inany and all lawful business activities. If this LLC intends to engage in businessactivities outside the state of its formation that require the qualification of the LLC inother states, it shall obtain such qualification before engaging in such out-of-stateactivities.

[### I.6) Most LLCs are perpetual in duration, but you may want to limit this if the LLC is being formed for a specific purpose. For example, you may form an LLC solely for the funding and production of a documentary film. In such a situation, you might specify that the duration “shall be until production of XYZ documentary closes and the finished film is delivered to ABC publisher.” The simpler option is to leave the duration as perpetual and to dissolve the LLC through a vote.]

(6) Duration of LLC: The duration of this LLC shall be Perpetual. Further, this LLC shall terminate when a proposal to dissolve the LLC is adopted by the Membership of this LLC or when this LLC is otherwise terminated in accordance with law. 

**II. MEMBERSHIP PROVISIONS**

(1) Non-Liability of Members: No Member of this LLC shall be personally liable for the expenses, debts, obligations, or liabilities of the LLC, or for claims made against it.

(2) Reimbursement for Organizational Costs: Members shall be reimbursed by the LLC for organizational expenses paid by the Members. The LLC shall be authorized to elect to deduct organizational expenses and start-up expenditures ratably over a period of time as permitted by the Internal Revenue Code and as may be advised by the LLC’s tax advisor.

[### II.3) Regarding Management, you have three options:

1) Management by ALL Members;

2) Management by one or more Members but not all; and

3) Management by a non-Member.

What you list here should reflect what you chose in your Articles of Organization or state equivalent. Remember that “manager-managed” includes BOTH Options 2 and 3. Anything less than management by all members means your LLC is “manager-managed.” Option 1 is “member-managed.” As discussed in the QuickStart Guide, Option 3 is very rarely—if ever—appropriate, much less prudent.]

(3) Management: This LLC shall be managed exclusively by all its Members.

[### II.4) A “capital account” in this context refers to a record of what each Member contributes financially to the LLC. This record could be in the form of ledgers, bank accounts, or a notebook. This paragraph states that each Member owns a percentage of the LLC based on how much money they have contributed.

If you want everyone to be—and remain—equal partners, you could rewrite this paragraph as follows:

A Member’s percentage interest in this LLC shall be computed as a fraction, the numerator of which is the number one (1) and the denominator of which is the total of all Members. This fraction shall be expressed in this Agreement as a percentage, which shall be called each Member’s “percentage interest” in this LLC.]

(4) Members’ Percentage Interests: A Member’s percentage interest in this LLC shall be computed as a fraction, the numerator of which is the total of a Member’s capital account and the denominator of which is the total of all capital accounts of all Members. This fraction shall be expressed in this agreement as a percentage, which shall be called each Member’s “percentage interest” in this LLC.

[### II.5) If you have an even number of equal Members, tied votes may occur. As written, this Operating Agreement effectively says that tied votes result in no action being taken. Depending on how your Membership is constituted, this could result in one Member or group of Members being able to control events by voting in a manner that creates a tie and thereby preventing any action from being taken. If you want something different, a short tie-breaking clause would be helpful here. Something to the effect of “In the event that a tied vote occurs, Members shall agree to flip a coin to resolve the disagreement.”

Flipping a coin is a suggestion to illustrate the point; you and the other Members should agree on a tie-breaking mechanism.]

(5) Membership Voting: Except as otherwise may be required by the Articles of Organization, Certificate of Formation, or a similar organizational document; other provisions of this Operating Agreement; or the laws of this state, each Member shall vote on any matter submitted to the Membership for approval in proportion to the Member’s percentage interest in this LLC. Further, unless defined otherwise for a particular provision of this Operating Agreement, the phrase “majority of Members” means the vote of Members whose combined votes equal more than 50% of the votes of all Members in this LLC.

[### II.6) Be careful about editing this paragraph. Direct payments to Members as compensation for management duties could cause some problematic federal and state tax consequences. The better option is to pay them a salary as a W-2 employee for the management work, if that is the arrangement.]

(6) Compensation: Members shall not be paid as Members of the LLC for performing any duties associated with such Membership, including management of the LLC. Members may be paid, however, for any services rendered to the LLC in any other capacity, whether as officers, employees, independent contractors, or other.

[### II.7) Formal meetings can be useful for even the smallest of companies. For example, you may need to prove that a bank loan has been discussed by the Membership as a condition of receiving the funds. There needs to be some mechanism for calling meetings. Remember that state law often governs if you don’t address a situation in your Operating Agreement. The result of deleting this Paragraph could be that you *must* hold meetings regularly or risk losing your liability protection for failing to meet organizational formalities.]

(7) Members’ Meetings: The LLC shall not provide for regular Members’ meetings. However, any Member may call a meeting by communicating his or her wish to schedule a meeting to all other Members. Such notification may be in person or in writing, or by telephone, facsimile machine, or other form of electronic communication reasonably expected to be received by a Member, and the other Members shall then agree, either personally, in writing, or by telephone, facsimile machine or other form of electronic communication to the Member calling the meeting, to meet at a mutually acceptable time and place. Notice of the business to be transacted at the meeting need not be given to Members by the Member calling the meeting, and any business may be discussed and conducted at the meeting.

If all Members cannot attend a meeting, it shall be postponed to a date and time when all Members can attend, unless all Members who do not attend have agreed in writing to the holding of the meeting without them. If a meeting is postponed, and the postponed meeting cannot be held either because all Members do not attend the postponed meeting or the non-attending Members have not signed a written consent to allow the postponed meeting to be held without them, a second postponed meeting may be held at a date and time announced at the first postponed meeting. The date and time of the second postponed meeting shall also be communicated to any Members not attending the first postponed meeting.

The second postponed meeting may be held without the attendance of all Members as long as a majority of the percentage interests of the Membership of this LLC is in attendance at the second postponed meeting. Written notice of the decisions or approvals made at this second postponed meeting shall be mailed or delivered to each non-attending Member promptly after the holding of the second postponed meeting.

Written minutes of the discussions and proposals presented at a Members’ meeting, the votes taken, and matters approved at such meeting, shall be taken by one of the Members or a person designated at the meeting. A copy of the minutes of the meeting shall be placed in the LLC’s records book after the meeting.

[### II.8) Membership certificates are physical representations of an ownership stake. Sometimes you will need them in your personal life. A common example is if you use your ownership percentage as security for something like a home mortgage. The bank will likely want a physical certificate representing your Membership percentage. To authorize their issuance, you need a paragraph saying so in the Operating Agreement.]

(8) Membership Certificates: This LLC shall be authorized to obtain and issue certificates representing or certifying membership interests in this LLC. Each certificate shall show the name of the LLC and the name of the Member, and shall state that the person named is a Member of the LLC and is entitled to all the rights granted Members of the LLC under this Operating Agreement, provisions of law, and the Articles of Organization, Certificate of Formation or similar organizational document. Each membership certificate shall be consecutively numbered and signed by one or more officers of this LLC. The certificates shall include any additional information considered appropriate for inclusion by the Members on membership certificates. In addition to the above information, all membership certificates shall bear a prominent legend on their face or reverse side stating, summarizing, or referring to any transfer restrictions that apply to memberships in this LLC under the Articles of Organization, Certificate of Formation or similar organizational document and/or this operating agreement, and the address where a Member may obtain a copy of these restrictions upon request from this LLC. The records book of this LLC shall contain a list of the names and addresses of all persons to whom certificates have been issued, show the date of issuance of each certificate, and record the date of all cancellations or transfers of membership certificates.

[### II.9) This paragraph is here because the “duty of loyalty” owed by Members to the LLC is often defined in case law and will vary considerably from state to state. Clarifying it in this paragraph is safer than risking a surprise.]

(9) Other Business by Members: Each Member shall agree not to own an interest in, manage, or work for another business, enterprise, or endeavor, if such ownership or activities would compete with this LLC’s business goals, mission, profitability, or productivity, or would diminish or impair the Member’s ability to provide maximum effort and performance in managing the business of this LLC.

**III. TAX AND FINANCIAL PROVISIONS** 

[### III.1) Please refer to chapter 7 in the QuickStart Guide text for a discussion about your options regarding tax status. If this is a Single-Member LLC, you will probably insert “disregarded entity” or “S Corporation” in the blank below. If you have multiple Members, it may be “partnership” or “S Corporation.”]

(1) Tax Classification of LLC: The Members of this LLC intend that this LLC be initially classified as a [INSERT TAX STATUS] for federal and, if applicable, state income tax purposes. It is understood that all Members may agree to change the tax treatment of this LLC by signing, or authorizing the signature of, IRS Form 8832, and filing it with the IRS and, if applicable, the state tax department within the prescribed time limits.

[### III.2) Most people have no idea what accrual accounting is, but it is the default option for businesses. Essentially, you are taxed when you earn the rights to the money *even if* you have not been paid yet. For example, if I completed a project for a client on Dec. 31 and she paid me the fee on Jan. 1 of the next year, I would owe tax on the fee in the tax year covering Dec. 31 if I used the accrual accounting method. If I used the cash accounting method—the default option for most *individual* income tax returns—then I would owe the tax in the tax year for Jan. 1, because that’s when I received the money.

Regardless of which option you choose, you must 1) file the appropriate forms if you choose cash accounting and 2) stick with your chosen method consistently.

Also, please note that there are other accounting methods, but most are industry-specific and used by a small number of companies. Cash and accrual accounting are generally the main choices for new businesses.]

(2) Tax Year and Accounting Method: The tax year of this LLC shall be the calendar year. The LLC shall use the [CASH or ACCRUAL] method of accounting. Both the tax year and the accounting period of the LLC may be changed with the consent of all Members if the LLC qualifies for such change and may be effected by the filing of appropriate forms with the IRS and state tax authorities.

(3) Tax Matters Partner: If this LLC is required under Internal Revenue Code provisions or regulations, it shall designate from among its Members a "tax matters partner" in accordance with Internal Revenue Code Section 6231(a)(7) and corresponding regulations, who will fulfill this role by being the spokesperson for the LLC in dealings with the IRS as required under the Internal Revenue Code and Regulations, and who will report to the Members on the progress and outcome of these dealings.

(4) Annual Income Tax Returns and Reports: Within 60 days after the end of each tax year of the LLC, a copy of the LLC's state and federal income tax returns for the preceding tax year shall be mailed or otherwise provided to each Member of the LLC, together with any additional information and forms necessary for each Member to complete his or her individual state and federal income tax returns. If this LLC is classified as a partnership for income tax purposes, this additional information shall include a federal (and, if applicable, state) Form K-1 (Form 1065 - Partner's Share of Income, Credits, Deductions) or equivalent income tax reporting form. This additional information shall also include a financial report, which shall include a balance sheet and profit and loss statement for the prior tax year of the LLC.

(5) Bank Accounts: The LLC shall designate one or more banks or other institutions for the deposit of the funds of the LLC, and shall establish savings, checking, investment and other such accounts as are reasonable and necessary for its business and investments. One or more Members of the LLC shall be designated with the consent of all Members to deposit and withdraw funds of the LLC, and to direct the investment of funds from, into, and among such accounts. The funds of the LLC, however and wherever deposited or invested, shall not be commingled with the personal funds of any Members of the LLC.

(6) Title to Assets: All personal and real property of this LLC shall be held in the name of the LLC, not in the names of individual Members.

**IV. CAPITAL PROVISIONS** 

[### IV.1) In this section, make sure to include *all* capital contributions made to your LLC. This includes all property, money, and services provided to the LLC. If you spend 10 hours reading this QuickStart Guide and you believe your labor is valued at $10/hour, you should create a time log and include that $100 as a Capital Contribution. Failing to contribute an appropriate amount of capital—known as “undercapitalization”—is one of the factors taken into consideration by a court when someone sues and wants to get around an LLC’s liability shield.

Also, if you choose to make all Members equal partners, as discussed above in the notes for Section II.4, make sure the percentages listed here in Section IV.1 reflect this. List here what each Member is contributing.]

(1) Capital Contributions by Members: Members shall make the following contributions of cash, property, or services as shown next to each Member’s name below. Unless otherwise noted, cash and property described below shall be paid or delivered to the LLC on or by [DATE#/#/#]. The fair market values of items of property or services as agreed between the LLC and the contributing Member are also shown below. The percentage interest in the LLC that each Member shall receive in return for his or her capital contribution is indicated for each Member.

**NAME & ADDRESS** **CONTRIBUTION** **% INTEREST IN LLC**

[MEMBER NAME] [AMOUNT] 100%

[STREET ADDRESS]

[CITY/STATE/ZIP]

[### IV.2) There will be times when you need Members to contribute additional capital beyond what they have already contributed. This provision authorizes you to make that requirement. Absent such a provision, some states do not give the LLC power to *require* additional contributions.]

(2) Additional Contributions by Members: The Members may agree, from time to time by unanimous vote, to require the payment of additional capital contributions by the Members, on or by a mutually agreed-on date.

(3) Failure to Make Contributions: If a Member fails to make a required capital contribution within the time agreed for a Member’s contribution, the remaining Members may, by unanimous vote, agree to reschedule the time for payment of the capital contribution by the late-paying Member, setting any additional repayment terms, such as a late payment penalty, rate of interest to be applied to the unpaid balance, or other monetary amount to be paid by the delinquent Member, as the remaining Members decide. Alternatively, the remaining Members may, by unanimous vote, agree to cancel the Membership of the delinquent Member, provided any prior partial payments of capital made by the delinquent Member are refunded promptly by the LLC to the Member after the decision is made to terminate the Membership of the delinquent Member.

(4) No Interest on Capital Contributions: No interest shall be paid on funds or property contributed as capital to this LLC, or on funds reflected in the capital accounts of the Members.

(5) Capital Account Bookkeeping: A capital account shall be set up and maintained on the books of the LLC for each Member. It shall reflect each Member’s capital contribution to the LLC, increased by each Member’s share of profits in the LLC, decreased by each Member’s share of losses and expenses of the LLC, and adjusted as required in accordance with applicable provisions of the Internal Revenue Code and corresponding income tax regulations.

(6) Consent to Capital Contribution Withdrawals and Distributions: Members shall not be allowed to withdraw any part of their capital contributions or to receive distributions, whether in property or cash, except as otherwise allowed by this Agreement and, in any case, only if such withdrawal is made with the written consent of all Members.

(7) Allocations of Profits and Losses: No Member shall be given priority or preference with respect to other Members in obtaining a return of capital contributions, distributions, or allocations of the income, gains, losses, deductions, credits, or other items of the LLC. The profits and losses of the LLC, and all items of its income, gain, loss, deduction, and credit shall be allocated to Members according to each Member’s percentage interest in this LLC.

(8) Allocation and Distribution of Cash to Members: Cash from LLC business operations, as well as cash from a sale or other disposition of LLC capital assets, may be distributed from time to time to Members in accordance with each Member’s percentage interest in the LLC, as may be decided by all the Members.

(9) Allocation of Noncash Distributions: If proceeds consist of property other than cash, the Members shall decide the value of the property and allocate such value among the Members in accordance with each Member’s percentage interest in the LLC. If such noncash proceeds are later reduced to cash, such cash may be distributed among the Members as otherwise provided in this agreement.

(10) Allocation and Distribution of Liquidation Proceeds: Regardless of any other provision in this Agreement, if there is a distribution in liquidation of this LLC, or when any Member’s interest is liquidated, all items of income and loss shall be allocated to the Members’ capital accounts, and all appropriate credits and deductions shall then be made to these capital accounts before any final distribution is made. A final distribution shall be made to Members only to the extent of, and in proportion to, any positive balance in each Member’s capital account.

**V. MEMBERSHIP WITHDRAWAL AND TRANSFER PROVISIONS** 

[### V.1) Absent some kind of mechanism for removal, some states require that an LLC be dissolved before a Member can withdraw from membership. List your preferred number of days here and spell out the number immediately afterward. Ask yourself how much notice you would want to receive if one of your business partners decided to walk away.]

(1) Withdrawal of Members: A Member may withdraw from this LLC by givingwritten notice to all other Members at least [2 - NUMBER] ([two - NUMBER WRITTEN OUT]) days before the date thewithdrawal is to be effective.

[### V.2) This is important. Chances are, you don’t want to go into business with just anyone. You also don’t want a bank or some other entity to own part of your business. Absent a paragraph like this one, you risk other Members selling, giving, or otherwise transferring their ownership to someone else without your agreement.]

(2) Restrictions on the Transfer of Membership: A Member shall not transfer hisor her Membership in the LLC unless all non-transferring Members in the LLC firstagree to approve the admission of the transferee into this LLC. Further, no Membermay encumber a part or all of his or her Membership in the LLC by mortgage, pledge,granting of a security interest, lien, or otherwise, unless the encumbrance has firstbeen approved in writing by all other Members of the LLC. Notwithstanding theabove provision, any Member shall be allowed to assign an economic interest in his orher Membership to another person without the approval of the other Members. Suchan assignment shall not include a transfer of the Member’s voting or managementrights in this LLC, and the assignee shall not become a Member of the LLC.

**VI. DISSOLUTION PROVISIONS**

(1) Events That Trigger Dissolution of the LLC: The following events shall trigger dissolution of the LLC, except as provided:

1. the death, permanent incapacity, bankruptcy, retirement, resignation, or

expulsion of a Member, except that within thirty (30) days of the happening

of any of these events, all remaining Members of the LLC may vote to

continue the legal existence of the LLC, in which case the LLC shall not

dissolve;

1. the expiration of the term of existence of the LLC if such term is specified in

the Articles of Organization, Certificate of Formation or a similar

organizational document, or this Operating Agreement;

1. the written agreement of all Members to dissolve the LLC;
2. entry of a decree of dissolution of the LLC under state law.

**VII. GENERAL PROVISIONS**

[### VII. Most of these provisions are here to either a) give Membership flexibility or b) cover situations where conflict between Members might occur.]

(1) Officers: The LLC may designate one or more officers, such as President, Vice President, Secretary, and Treasurer. Persons who fill these positions need not be Members of the LLC. Such positions may be compensated or compensated according to the nature and extent of the services rendered for the LLC as a part of the duties of each office. Ministerial services only as a part of any officer position will normally not be compensated, such as the performance of officer duties specified in this agreement, but any officer may be reimbursed by the LLC for out-of-pocket expenses paid by the officer in carrying out the duties of his or her office.

(2) Records: The LLC shall keep at its principal business address a copy of all proceedings of Membership meetings, as well as books of account of the LLC's financial transactions. A list of the names and addresses of the current Membership of the LLC also shall be maintained at this address, with notations on any transfers of Members' interests to non-Members or persons being admitted into Membership in the LLC.

Copies of the LLC's Articles of Organization, Certificate of Formation or a similar organizational document, a signed copy of this Operating Agreement, and the LLC's tax returns for the preceding three tax years shall be kept at the principal business address of the LLC. A statement also shall be kept at this address containing any of the following information that is applicable to this LLC:

* the amount of cash or a description and value of property contributed or agreed to be contributed as capital to the LLC by each Member;
* a schedule showing when any additional capital contributions are to be made by Members to this LLC;
* a statement or schedule, if appropriate, showing the rights of Members to receive distributions representing a return of part or all of Members’ capital contributions; and
* a description of, or date when, the legal existence of the LLC will terminate under provisions in the LLC’s Articles of Organization, Certificate of Formation or a similar organizational document, or this Operating Agreement.

If one or more of the above items is included or listed in this operating agreement, it will be sufficient to keep a copy of this agreement at the principal business address of the LLC without having to prepare and keep a separate record of such item or items at this address. Any Member may inspect any and all records maintained by the LLC upon reasonable notice to the LLC. Copying of the LLC’s records by Members is allowed, but copying costs shall be paid for by the requesting Member.

(3) All Necessary Acts: The Members and officers of this LLC are authorized to perform all acts necessary to perfect the organization of this LLC and to carry out its business operations expeditiously and efficiently. The Secretary of the LLC, or other officers, or all Members of the LLC, may certify to other businesses, financial institutions, and individuals as to the authority of one or more Members or officers of this LLC to transact specific items of business on behalf of the LLC.

[### VII.4) “Indemnification” simply means that the LLC will repay, defend, or otherwise assume responsibility for something. For example, if a Member has a car accident in a company vehicle while performing work-related duties, the LLC agrees to take responsibility for damages related to the accident.]

(4) Indemnification: The LLC shall indemnify the Member and those authorized officers, agents, and employees of the LLC identified in writing by the Member as entitled to being indemnified under this section for all costs, losses, liabilities, and damages paid or accrued by the Member (as the Member or officer, agent, or employee) or any such officer, agent, or employee in connection with the business of the LLC, except to the extent prohibited by the laws of the state that governs this Agreement. In addition, the LLC may advance costs of defense of any proceeding to the Member or any such officer, agent, or employee upon receipt by the LLC of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that the person is not entitled to be indemnified by the LLC.

[### VII.5) VERY IMPORTANT! Most of my clients do not want their dirty laundry aired in public if there is a disagreement between business partners. This is why this clause exists. If you prefer to go exclusively through a court instead, you can delete this clause and change the numbers of each Paragraph after this one.

“Mediation” is an informal meeting with a third party who essentially aids in getting a deal together with everyone. It is very inexpensive—often less than $1,000 altogether—and can be effective in resolving disputes between members. If no agreement is reached, there is no change.

“Arbitration” is a trial held in a confidential manner overseen by an arbitrator instead of a judge. Often, the arbitrator is an attorney or a retired judge. A decree from an arbitration proceeding has the same binding effect as a court order. For this reason, an arbitration process should be treated with the same seriousness as a trial.]

(5) Mediation and Arbitration of Disputes Among Members: In any dispute over the provisions of this Operating Agreement and in other disputes among the Members, if the Members cannot resolve the dispute to their mutual satisfaction, the matter shall be submitted to mediation. The terms and procedure for mediation shall be arranged by the parties to the dispute. If good-faith mediation of a dispute proves impossible or if an agreed-upon mediation outcome cannot be obtained by the Members who are parties to the dispute, the dispute may be submitted to arbitration in accordance with the rules of the American Arbitration Association. Any party may commence arbitration of the dispute by sending a written request for arbitration to all other parties to the dispute. The request shall state the nature of the dispute to be resolved by arbitration, and, if all parties to the dispute agree to arbitration, arbitration shall be commenced as soon as practical after such parties receive a copy of the written request. All parties shall initially share the cost of arbitration, but the prevailing party or parties may be awarded attorney fees, costs and other expenses of arbitration.

All arbitration decisions shall be final, binding and conclusive on all the parties to arbitration, and legal judgment may be entered based upon such decision in accordance with applicable law in any court having jurisdiction to do so.

[### VII.6) The “Governing Law” can be any state law you wish. Some clients choose Delaware because of its Chancery Court and well-documented statutory business laws. I prefer to use the law of the state of formation because it is less complicated.]

(6) Governing Law: This Agreement shall be governed by, and interpreted and enforced in accordance with, the substantive laws of the State in which the LLC was formed, without reference to the conflicts of law rules of that or any other jurisdiction.

[### VII.7) This paragraph means that if you agreed to something but it’s not included in this Agreement, it doesn’t count. Like any contract, this Operating Agreement can be modified, but this paragraph stipulates that any modifications must be made in writing in order to be valid.]

(7) Entire Agreement: This Operating Agreement represents the entire agreement among the Members of this LLC, and it shall not be amended, modified, or replaced except by a written instrument executed by all the parties to this Agreement who are current Members of this LLC as well as any and all additional parties who become Members of this LLC after the adoption of this agreement. This Agreement replaces and supersedes all prior written and oral agreements among any and all Members of this LLC.

[### VII.8) State laws change, and a change might cause one or more clauses in the agreement to become void or unenforceable. A “severability” clause ensures the Operating Agreement survives in such a situation. Without this clause, the entire Agreement would be void if such a situation occurred.]

(8) Severability: If any provision of this agreement is determined by a court or arbitrator to be invalid, unenforceable, or otherwise ineffective, that provision shall be severed from the rest of this agreement, and the remaining provisions shall remain in effect and enforceable.

**VIII. SIGNATURES OF MEMBERS**

Execution of Agreement: In witness whereof, the members of this LLC sign and adopt this agreement as the Operating Agreement of this LLC.

Date: [TYPE OUT DATE]

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Printed Name: [NAME], Member

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Printed Name: [NAME], Member

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Printed Name: [NAME], Member