

LLC Operating Agreement (Two Members)

The operating agreement for a limited liability company managed by its two members. Template v1.0.

Date of this agreement: _____

Company (the LLC): _____

First member: _____

Second member: _____

The two members named above (the Members) agree to run the Company on the terms below.

1. Formation and purpose

State of formation: _____

Date of formation: _____

Principal office: _____

Purpose: _____

The Company was formed by filing with the state named above. The Members may move the principal office by agreement.

2. Contributions and ownership

First member's contribution: _____

First member's ownership percentage: _____

Second member's contribution: _____

Second member's ownership percentage: _____

The two percentages add up to 100. No Member has to contribute more, and no contribution earns interest, unless both Members agree in writing. The Company keeps a capital account for each Member.

3. Profits, losses and distributions

Profits and losses are allocated to the Members in proportion to their ownership percentages. The Company makes distributions only when the Members decide, and then in proportion to their ownership percentages. No distribution may be made if it would leave the Company unable to pay its debts as they fall due or would break the law of the state of formation.

4. Management and decisions

The Company is managed by its Members. Each Member may act for the Company in its ordinary business. Other decisions are made by Members holding more than half of the ownership percentages. Where each Member holds 50 percent, this means both must agree.

These major decisions always need the written consent of both Members:

- (a) Selling, leasing or mortgaging all or most of the Company's assets.

- (b) Borrowing money or giving a guarantee outside the ordinary course of business.
- (c) Admitting a new member or issuing any new ownership interest.
- (d) Changing this agreement or the Company's formation documents.
- (e) Merging, converting or dissolving the Company.
- (f) Any deal between the Company and a Member, or a Member's relative or affiliate.

5. Duties and conflicts

Each Member will act in good faith and in the best interests of the Company. A Member must tell the other about any personal interest in a matter the Company is deciding. A Member may have other business interests, but may not compete with the Company or take a Company opportunity for itself without the other Member's written consent.

6. Books and records

The Company keeps complete books and records at its principal office. It holds its money in accounts in its own name, separate from each Member's money. Each Member may inspect and copy the books and records at any reasonable time.

7. Tax treatment

The Company is treated as a partnership for federal and state income tax purposes, unless the Members agree to elect another treatment. The Members will name one of them as partnership representative for tax matters. Each Member is responsible for tax on its own share of the Company's income.

8. Transfers and new members

A Member may not sell, give or pledge any part of its interest without the other Member's written consent. If a Member receives a genuine written offer from an outsider and wants to accept it, it must first offer the interest to the other Member on the same terms. The other Member has 30 days to accept. If it does not, the selling Member may sell to that outsider within 90 days on terms no better for the buyer. The buyer becomes a member only with the other Member's written consent. Until then, the buyer receives only the profits and distributions that belong to the interest.

A new member may be admitted only with the written consent of both Members and after signing this agreement.

9. Death or withdrawal

A Member may withdraw by giving the other at least 90 days of written notice. If a Member dies, withdraws or can no longer manage its own affairs, the other Member may buy that Member's interest at its fair market value. If the parties cannot agree on the value within 60 days, an independent appraiser chosen by both sets it. If the other Member does not agree to buy the interest within 120 days of the event, the Company is dissolved.

10. Dissolution and winding up

The Company is dissolved when both Members agree in writing, under Section 9, or when the law requires. The Members then wind up its affairs. They sell assets as needed, pay or provide for all debts, and distribute anything left to the Members in proportion to their capital accounts. They then file whatever the state requires to end the Company.

11. Liability and indemnity

No Member is personally liable for the Company's debts only because it is a Member. The Company

will indemnify each Member against losses and costs from acting for the Company in good faith. This does not cover fraud, willful misconduct, a knowing breach of law or a breach of this agreement. Indemnity is paid only from Company assets.

12. General

This agreement is governed by the law of the state of formation named in Section 1. It is the whole agreement between the Members about the Company. A change is valid only in writing signed by both Members. If a term cannot be enforced, the rest still applies. It may be signed electronically and in counterparts.

Second member

Signature

Name

Date

First member

Signature

Name

Date