LLC Operating Agreement (Single Owner)

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The following pages contain a sample **Operating Agreement** for a limited liability company (LLC). This document serves as the internal rulebook for your business, outlining how it will be managed and operated. In many states, an operating agreement is legally required, and most financial institutions will request a signed copy before allowing you to open a business bank account.

This template is designed specifically for **single-owner companies** (often called single-member LLCs). If your business has more than one owner, you’ll need a version tailored for multiple members, which includes more complex provisions.

Once you’ve customized this template with your company’s details, make sure to sign and keep the executed agreement in a secure and accessible place for future reference.

**OPERATING AGREEMENT**

**Company Name**

A State Name Limited Liability Company

This OPERATING AGREEMENT is made on Date (the “Effective Date”) by the sole Member of Company Name.

**ARTICLE I**

**Organization of Company**

1.1 **Name.** The name of the limited liability company is Company Name, (“the “Company”). Other names as may be registered as fictitious names under appropriate filings. The Company is a limited liability company organized under the Limited Liability Company Act of the State of State Name (the “Act”).

1.2 **Registered Agent and Office.** The Company’s registered agent in State Name is: Registered Agent Name, Registered Name Address. The members may designate other registered agents or offices at any time in this state or, if necessary, in other states.

1.3 **Principal Place of Business.** The Company’s principal place of business is Business Address. The Company may establish additional offices at any time.

1.4 **Term.** The Company’s term of existence will begin with the filing date of its Articles of Organization and will continue until the dissolution and termination of the Company as provided in Article 7 of this Agreement.

1.5 **Purpose.** The purpose of the Company is to engage in any lawful business or activity for which a limited liability company may be organized under the Act.

**ARTICLE 2**

**Membership and Capital**

2.1 **Members.** The names and addresses of the initial members of the Company are included in **Exhibit A**, attached to this Agreement.

2.2 **Rights and Duties of Members.** Subject to the provisions of Article 3, members will have all of the rights and powers of members as provided under the Act and as otherwise provided by law.

2.3 **New or Substituted Members.** New members will be admitted to the Company only upon a unanimous vote of the members and only upon executing a copy of this Agreement, agreeing to its terms.

2.4 **Ownership Interests.** The ownership interest of each member of the Company will be expressed in terms of a percentage that is set out in **Exhibit A**, attached and made part of this Agreement. The total ownership interests of all members will always equal one-hundred percent (100%). The existing members will determine the ownership interest of any new members prior to admission to the Company.

2.5 **Capital Contributions.** A member’s capital contributions to the Company may consist of cash, property (including intellectual property), services rendered, or a written promise to contribute cash, property or services in the future. The members will determine the value of all capital contributions. A member will not be entitled to withdraw a capital contribution without the consent of all other members. A member will not be entitled to interest on or with respect to any capital contribution. Additional capital contributions may be made by a member only with the consent of all other members. The capital contributions required of new members will be determined by the existing members. The initial capital contributions of the initial members of the Company are set forth on **Exhibit A**, attached and made part of this Agreement.

2.6 **Capital Accounts.** The Company will maintain a capital account for each member. A member’s capital account will consist of the total amount of the member’s capital contributions to the Company, plus any net income or gain allocated to the member by the Company, plus the amount of any Company liability assumed or secured by the member, less the value of any money or property distributed to the member by the Company, less any net losses allocated to the member by the Company, less the amount of any liabilities of the member assumed or secured by the Company.

2.7 **Additional Capital Contributions.** Members will not be required to make additional capital contributions.

**ARTICLE 3**

**Management**

3.1 **Management by Members.** Subject to the provisions of Article 3.2 and the other rights expressly granted to members under this Agreement and by law, the overall management and control of the Company will be vested in the members, who have the right, duty, and authority to conduct and make the decisions relating to the day-to-day operations of the Company. The members agree that they will execute any further instruments and that they will perform any acts which are, or may become, necessary to effectuate this Agreement and to carry on the Company.

3.2 **Authority to Delegate.** The members have authority to: (1) designate one or more members to act alone in respect of any Company matter, and (2) delegate to third parties ministerial authority to conduct day-to-day operations of the Company.

3.3 **Term of Members.** Members will perform their duties until they: (1) resign, (2) withdraw, (3) retire, or (4) die. There will always be at least one member. If a member is the sole member at the time his or her membership ends, that member must elect a successor member or the Company will be dissolved in accordance with Article 7.

3.4 **Conflicts of Interest.** The members will not be required to devote full time to their duties to the Company, but will devote reasonable time and effort to ensuring the success of the business. Any member may engage independently or with others in other business ventures of any nature, unless the ventures are illegal, competitive with the Company, or directly detrimental to the Company’s operations.

**ARTICLE 4**

**Allocations and Distributions**

4.1 **Allocation of Income and Loss.** The net income or losses of the Company will be allocated to the members at the end of each accounting period in proportion to their respective ownership interests in the Company. The gains, losses, deductions and other income tax items of the Company will be allocated to the members in the same manner, except as otherwise provided in this Article.

4.2 **Federal and State Tax Provision.** If there is a single member of the Company, the Company will be treated as disregarded entity for federal and state income tax purposes, unless otherwise changed by the Sole Member.

4.3 **Distributions.** All distributions by the Company will be made to the members in proportion to their respective ownership interests as shown in the books and records of the Company. Distributions will be made in the amount and at times as are approved by the members. All distributions will be by cash or Company check unless the members approve a different form of distribution.

4.4 **Restriction on Distribution.** The Company will not make a distribution to the members unless immediately after giving effect to the distribution, all liabilities of the Company do not exceed the fair value of the Company assets. Liabilities do not include liabilities to the members on account of their interest in the Company and liabilities to which creditors’ recourse is limited to specified property of the Company. The fair value of any property that is subject to a liability to which creditors’ recourse is limited will be included in the Company assets only to the extent that the fair value of the property exceeds the liability.

**ARTICLE 5**

**Accounting, Books and Records**

5.1 **Accounting Practices and Tax Year.** The Company will keep its books and records and prepare its financial statements in accordance with generally accepted accounting principles and will prepare its income tax returns using such methods of accounting. The Company tax year will be the calendar year ending December. The Company will be on a cash basis for both tax and accounting purposes. The members may delegate accounting and bookkeeping functions of the Company to the Company’s designated accountant or other third parties. Sole Member Name is designated as the “Tax Matters Partner” (as such term is defined in Article 6231(a)(7) of the Internal Revenue Code), or the equivalent representative for the Company.

5.2 **Location and Inspection.** Proper and complete books of account and records of the business of the Company will be kept at the Company’s principal office and at other places as may be designated by the members. Notice will be given to each member of any changes in the location of the Company books and records. The Company books and records will be open to inspection, audit and copying by any member, or the designated representative of a member, upon reasonable notice at any time during business hours for any purpose reasonably related to the member’s interest in the Company. Any information obtained or copied will be kept and maintained in strict confidence except as otherwise required by law.

5.3 **Bank Accounts; Title to Business Property.** The funds of the Company will be deposited in bank accounts, or invested in interest-bearing or non-interest-bearing investments in the Company’s name, as will be determined by the members. The funds of the Company will not be commingled with the funds of any other person. The members will not employ, or permit any other person to employ such funds in any manner except for the benefit of the Company. Title to business property will be held, and conveyances will be made, in the name of the Company.

5.4 **Reliance on Books and Records.** A member will be fully protected in relying in good faith upon the records and books of account of the Company and upon information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits or losses of the Company, or any other facts pertinent to the existence and amount of assets from which distributions to members might properly be paid if the records and information are presented to the member by the Company or any of its agents, or by any other person selected by the Company, as to matters which the member reasonably believes are within the person’s field of expertise. No audit of Company books and records will be required unless a member requests the same and agrees to pay the cost of the audit.

5.5 **Reports and Tax Returns.** A copy of the Company annual financial statement and report will be transmitted to the members within fifteen (15) days after completion or by March 1st following the end of the tax year, whichever is earlier. The Company will, within time required by law, file a federal income tax return and transmit to each member a schedule showing the member’s distributive share of the Company’s income, losses, deductions and credits. The Company will further provide to each member information regarding all state and local income tax returns.

**ARTICLE 6**

**Indemnification and Limitation of Liability**

6.1 **Indemnification of Members.** No member will be liable, responsible, or accountable in damages or otherwise to the Company or to the members for any action taken or failure to act on behalf of the Company unless the action or omission was an intentional breach of this Agreement or constituted gross negligence, bad faith, or wanton or willful misconduct (collectively “Misconduct”). Except with respect to Misconduct, the Company will, to the fullest extent permitted under the Act, indemnify and hold harmless the members from any loss, damage, liability, or expense incurred or sustained by them by reason of any act performed or any omission for or on behalf of the Company, including any judgment, award, settlement, reasonable attorneys’ fees, and other costs and expenses (which may be advanced by the Company), incurred in connection with the defense of any actual or threatened action, proceeding, or claim.

6.2 **Indemnification of Company by Members.** Each member agrees to indemnify and hold the Company and every other member harmless from any liability, cost, or damage that any indemnified party may incur (including reasonable legal and other expenses incurred in defending against such liability, cost, or damage) as a result of the indemnifying member’s Misconduct. No amount paid under this provision will be treated as a capital contribution by the member making the payment.

6.3 **Liability for Company Debts and Obligations.** No member will be personally liable for any of the expenses, liabilities, or obligations of the Company except to the extent expressly provided in this Agreement, or in an agreement executed by such member evidencing his or her agreement to be personally liable for any expense, liability, or obligation.

**ARTICLE 7**

**Dissolution**

7.1 **Dissolution.** The Company will be dissolved upon the first to occur of the following events:

(1) The expiration of the term or period of existence, if any, set forth in its Articles of Organization and any amendments.

(2) The unanimous written consent of the members to dissolve the Company.

(3) The death, retirement, resignation, withdrawal, expulsion, bankruptcy or dissolution of a sole remaining member of the Company.

(4) The entry of a decree of judicial dissolution as provided in the Act.

7.2 **Winding Up.** Upon dissolution, the members will marshal the Company assets, pay the Company creditors, distribute the Company assets, and otherwise wind up the business and affairs of the Company upon dissolution. The members will have the authority to continue to conduct the business and affairs of the Company after dissolution to the extent reasonably necessary to effect an orderly and profitable winding up of the Company’s business and affairs.

A member appointed by a vote of members collectively holding a majority interest in the Company (the “Winding Up Member”), will be responsible for overseeing the winding up and liquidation of the Company. The Winding Up Member will take full account of the Company’s liabilities and the business property, cause the Business Property to be liquidated as promptly as is consistent with obtaining the fair value of the property, and will cause the proceeds and any other assets and funds of the Company (collectively, the “Dissolution Proceeds”), to the extent they are sufficient, to be applied and distributed in the following order:

(1) First, to the payment of all unpaid secured indebtedness of the Company to the extent of the lesser of the value of the secured property or the amount of the secured indebtedness;

(2) Second, to the payment of the Company’s then outstanding indebtedness with respect to which any member is subject to personal liability as a guarantor or under a master lease or similar agreement, but if the amount available will be insufficient, then on a pro rata basis;

(3) Third, to the payment of the Company’s remaining indebtedness (excluding liabilities for distributions to members), but if the amount available will be insufficient, then on a pro rata basis;

(4) Fourth, return of any positive capital account balance to each member;

(5) Fifth, the balance, if any, will be distributed to the members pro rata in accordance with their ownership percentages.

7.3 **Liquidation and Termination.** Upon dissolution of the Company, the Company will continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, and satisfying claims of its creditors and members and no member will take any action that is inconsistent with, or not necessary to, winding up the Company’s business and affairs. To the extent not inconsistent with this provision, all covenants and obligations in this Agreement will continue in full force and effect until the time the dissolution proceeds have been distributed pursuant to Article 7.1 and the Company has filed articles of termination.

**ARTICLE 8**

**Miscellaneous**

8.1 **Assignment of Intellectual Property.** As consideration for the member’s interest in and participation in the Company, the member sells, transfers, assigns and conveys, to the Company, and its successors and assigns, the Purchaser’s entire right, title and interest in Intellectual Property Rights as set forth in the Intellectual Property Contribution and Assignment Agreement in the form attached to this Agreement as **Exhibit B**.

8.2 **Amendment.** This Agreement may be amended at any time by a majority vote of the members at a special meeting duly called for that purpose, except that any provision of this Agreement that provides for a membership vote, approval or consent of greater than a majority may be amended only by a membership vote that is equal to that specified in the provision sought to be amended.

8.3 **Governing Law.** This Agreement will be governed by the Act and other laws of the state of State Name, as such Act and laws may from time to time be amended, without regard to the state’s conflicts of laws rules. Any actions to enforce the terms of this Agreement will be brought in the courts of the city or county where the principal office of the Company is located.

8.4 **Ratification.** The acts and deeds of the organizers and of the members performed prior to the effective date of this Agreement are approved and ratified by the members.

8.5 **Entire Agreement.** This Agreement constitutes the entire agreement among the members with respect to the Company and the operation of its business. Any amendments to this Agreement must be in writing and signed by each member.

8.6 **Severability.** If any term, provision, covenant or condition of this Agreement is held to be invalid, void or unenforceable, the remaining terms and provisions of this Agreement will remain in full force and effect and will in no way be affected, impaired or invalidated. All terms are to be interpreted according to State Name law.

8.7 **Headings.** The headings in this Agreement are for convenience only and will not be used to interpret or construe any provision of this Agreement.

8.8 **Binding Effect.** This Agreement will be binding upon, and inure to the benefit of, the Company, the members and their respective transferees, successors, assigns and legal representatives.

8.9 **Agreement for the Benefit of Members.** None of the provisions of this Agreement will be for the benefit of, or enforceable by, creditors of the Company.

The members have subscribed their names to this Agreement as of the Effective Date above.

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Sole Member Name, Sole Member