

# OPERATING AGREEMENT FOR LIMITED LIABILITY COMPANY

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## THE FOLLOWING ARE AREAS THAT YOU SHOULD REVIEW FOR AN OPERATING AGREEMENT FOR A LIMITED LIABILITY COMPANY FORMED IN COLORADO.

### 1. PURPOSE OF LIMITED LIABILITY COMPANY

State whether the purpose of the limited liability company is limited or whether the purpose is all lawful activity. \_\_\_\_\_

If the purpose is limited, state the limited purpose. \_\_\_\_\_

\_\_\_\_\_

### 2. MANAGEMENT OF LIMITED LIABILITY COMPANY

State whether the management of the limited liability company will be by the manager(s) or the member(s) (owners of the limited liability company). \_\_\_\_\_

### 3. INITIAL MANAGERS

List the names of the managers of limited liability company:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### 4. TERM OF MANAGERS

What will be the length of the term for the managers? \_\_\_\_\_

### 5. SUCCESSORS OF MANAGERS

If successor managers are necessary, who will be the successor managers, or will they be voted upon by the other managers or by the members if the need arises? \_\_\_\_\_

\_\_\_\_\_

### 6. MEMBERS

List the names of the members of the limited liability company:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**7. CONTRIBUTIONS BY MEMBERS FOR OWNERSHIP**

<u>Name</u>	<u>Contribution</u> (Money, property, or services)
_____	_____
_____	_____
_____	_____
_____	_____

**8. PERCENTAGE OF OWNERSHIP OF LIMITED LIABILITY COMPANY**

<u>Name</u>	<u>Percentage</u>
_____	_____
_____	_____
_____	_____
_____	_____

**9. BREAKDOWN OF AMOUNT FROM A MEMBER BETWEEN A CONTRIBUTION AND A LOAN**

The amount paid from a member should be reviewed to determine if part will be a contribution and part will be a loan to the limited liability company.

**10. PROFITS AND LOSSES**

How will the profits and losses of the limited liability company be reported by the members?

Will profits and losses be based upon the percentage of ownership? \_\_\_\_\_

**11. ADDITIONAL CONTRIBUTIONS**

Will members be required to make additional capital contributions? \_\_\_\_\_

If so, what is the process used to determine how much the additional contributions are; what percentage must vote for the additional contributions (is the unanimous written consent of the members required or a majority of the members); and what are the remedies and consequences if a member does not make his or her contribution (will the membership interest be terminated or will the membership interest be diluted if one of the other members makes a contribution over and above the required cash call amount for the member who does not make the cash call).

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## 12. LOANS TO THE LIMITED LIABILITY COMPANY BY MEMBERS

For initial loans to the limited liability company by the members, or for loans made at any subsequent time by the members, proper documentation must be prepared to make sure the loan is a secured loan.

The documentation for the loan should be a promissory note; security agreement; UCC-1 which should be immediately recorded in the Colorado Secretary of State's office; a deed of trust if real property is collateral which should be immediately recorded in the clerk and recorder's office where the real property is located; and immediately place a lien on the face of the title of the vehicle if a vehicle is collateral.

## 13. LOANS TO THE LIMITED LIABILITY COMPANY BY THIRD PARTIES

If loans are necessary to the limited liability company from a third party, what is the process used to determine how much the loan will be; what percentage must vote for the loan (is the unanimous written consent of the members required or a majority of the members or does it depend upon the amount of the loan); and what will be the collateral for the loan? \_\_\_\_\_

\_\_\_\_\_

## 14. NOTICES FOR MEETINGS

How much notice must be given for meetings for members and for managers? \_\_\_\_\_  
Should certain types of meetings require more notice? \_\_\_\_\_

\_\_\_\_\_

## 15. QUORUM AND VOTING AT MEETINGS FOR MEMBERS

What constitutes a quorum for voting purposes for members?

- G 51% of the members
- G 75% of the members
- G 100% of the members

How will the votes be counted?

- G Members have votes equal to the percentage of their ownership interest
- G Members have votes equal to the amount of money in their capital account
- G All members have one vote

**16. QUORUM AND VOTING AT MEETINGS FOR MANAGERS**

What constitutes a quorum for voting purposes for managers?

- G 51% of the managers
- G 75% of the managers
- G 100% of the managers

**17. COMPENSATION FOR MANAGEMENT OF THE LIMITED LIABILITY COMPANY**

Will any of the managers or members be compensated for the work they perform managing the limited liability company? \_\_\_\_\_

If so, state for what work, the amount of the compensation, and how the compensation will be paid. \_\_\_\_\_

\_\_\_\_\_

**18. RESTRICTED POWERS FOR MANAGEMENT OF LIMITED LIABILITY COMPANY**

Are there any restrictions on the powers of the managers of the limited liability company?

If so, state the restrictions. \_\_\_\_\_

Examples of certain important actions that may require approval of a certain percentage of members include borrowing money above a certain amount; selling or transferring ownership of assets other than in the ordinary course of business; and expenditures above a certain amount.

**19. BANK ACCOUNTS**

State the name of bank where the limited liability company will have its bank account.

Names of members and/or managers who will be authorized signatories of the limited liability company's bank account \_\_\_\_\_

\_\_\_\_\_

**20. DISTRIBUTIONS**

Will there be required distributions? \_\_\_\_\_

If so, how will the amount of the distribution be determined? \_\_\_\_\_

Will distributions be mandatory to cover the income tax consequences for the profits that are required to be reported by each member? \_\_\_\_\_

## 21. MODIFICATION OF OPERATING AGREEMENT

What percentage of the members must approve modifications to the operating agreement?

Do certain provisions of the operating agreement require a higher percentage approval of the members to modify the operating agreement? \_\_\_\_\_

If so, what provisions and what is the percentage? \_\_\_\_\_

## 22. ADDITIONAL MEMBERS

In order to add additional members, in the unanimous written consent of all members required or a majority of the members? \_\_\_\_\_

## 23. PREEMPTIVE RIGHTS

Will members have a preemptive right to purchase additional interests before such interests are offered to other nonmembers? \_\_\_\_\_

## 24. RESTRICTIONS ON TRANSFERABILITY OF OWNERSHIP OF LIMITED LIABILITY COMPANY

### Lifetime

Are the membership interests freely transferable or is the transfer restricted during a member's lifetime? \_\_\_\_\_

If restricted, what are the restrictions? \_\_\_\_\_

If restricted, are there any carve-outs for family members? \_\_\_\_\_

### Death

Are the membership interests freely transferable or is the transfer restricted upon a member's death? \_\_\_\_\_

If restricted, what are the restrictions? \_\_\_\_\_

If restricted, are there any carve-outs for family members? \_\_\_\_\_

## 25. DISABILITY

Are there any provision that should be inserted in the operating agreement if someone becomes disabled? \_\_\_\_\_

## 26. NONCOMPETITION

Should there be provisions to prevent managers and/or members from competing with the limited liability company? \_\_\_\_\_

If so, state the proposed restrictions, including the type of activity restricted, the duration of the restriction, and the geographical area of the restriction. \_\_\_\_\_

## 27. TAX YEAR

Should the tax year be a fiscal year or a calendar year? \_\_\_\_\_ (A CPA may need to help make this decision).

## 28. ARBITRATION

Should an arbitration paragraph be inserted in the operating agreement? \_\_\_\_\_

## 29. OTHER PROVISIONS

Are there any other provisions that should be inserted in the operating agreement?

If so, what are they? \_\_\_\_\_

## 30. TAX ISSUES

Are there any income tax issues that should be reviewed by a CPA? \_\_\_\_\_

If so, a CPA should be consulted. If you don't know, you should consult a CPA.

**THE ABOVE LIST IS NOT COMPREHENSIVE AND SOME AREAS MAY NOT APPLY TO YOUR SITUATION. IT IS INTENDED TO PROVIDE YOU WITH A LIST OF MATTERS THAT YOU SHOULD CONSIDER.**

**YOU SHOULD CONSULT WITH AN ATTORNEY AND RECEIVE LEGAL ADVICE AS IT RELATES TO YOUR OWN BUSINESS SITUATION.**