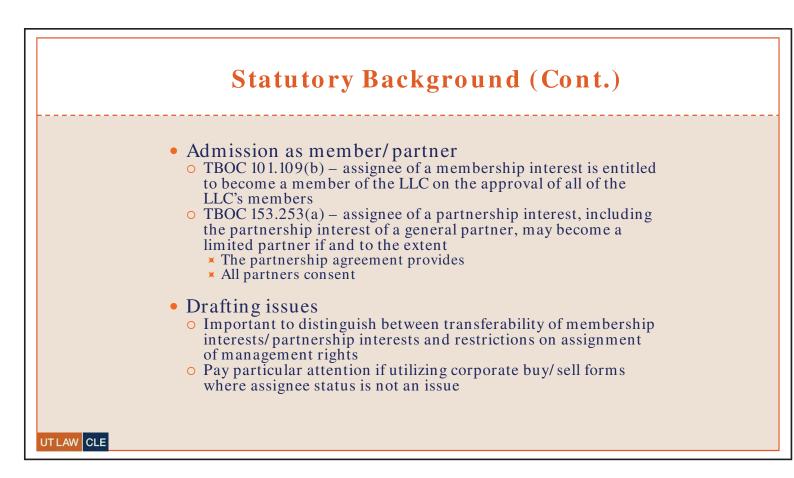
Breaking Up Is Hard to Do... Without Good Documents

TRENTON HOOD BROOKSHIRE GROCERY COMPANY, TYLER, TX



	Statutory Background
	 Definitions Membership Interest – TBOC 1.002(54) – includes a member's share of profits and losses or similar items and the right to receive distributions, but does not include a member's right to participate in management. Partnership Interest – TBOC 1.002(68) – includes a partner's share of profits and losses or similar items and the right to receive distributions, but does not include a partner's right to participate in management.
UT LAW CLE	 Drafting issues Important to distinguish between membership interests/partnership interests and rights as a member/partner. May want to include definitions in buy/ sell document

Statutory Background (Cont.)
 Transferability TBOC 101.108
 Membership interest may be wholly or partly assigned
 Does not entitle assignee to: Participate in management and affairs of LLC
• Become a member of LLC
 Exercise any rights of a member of LLC TBOC 153.251
Partnership interest is assignable wholly or partly
Does not entitle the assignee to become, or exercise rights of, a partner
 Entitles assignee to be allocated income, gain, loss, deduction, credit, or similar items and to receive distributions to the extent assigned



Right of First Refusal
 Opportunity for non-selling owners to match offer received by selling owner from third party Advantages Takes advantage of transferability of ownership interests Simplifies issues related to valuation by allowing third party transaction to set price
 Disadvantages Requires there to be a third-party market for the interests Affected by control and assignee issues Is a right of first offer an alternative? Raises issues on how to match the third party offer Consideration Collateral
 Raises issues on how to match the third party offer Consideration

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Also available as part of the eCourse <u>Drafting Ownership Exit Agreements for LLCs and Partnerships</u>

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