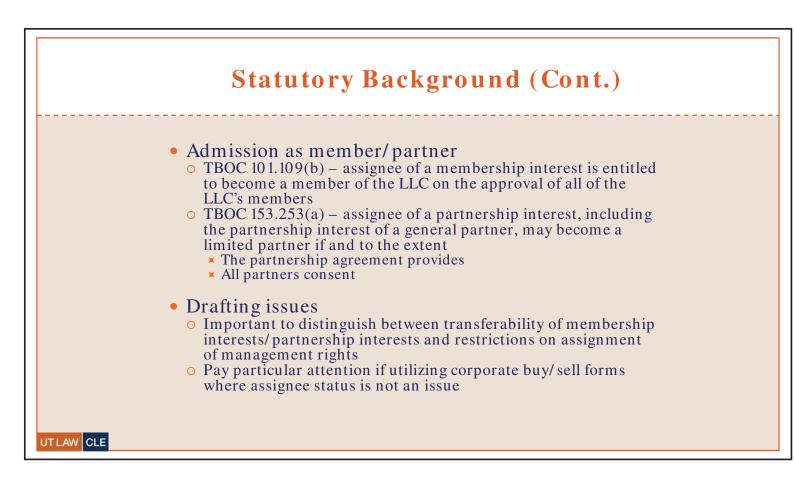
## Breaking Up Is Hard to Do... Without Good Documents

TRENTON HOOD BROOKSHIRE GROCERY COMPANY, TYLER, TX



	Statutory Background
	<ul> <li>Definitions</li> <li>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.</li> <li>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.</li> </ul>
UT LAW CLE	<ul> <li>Drafting issues</li> <li>Important to distinguish between membership interests/partnership interests and rights as a member/partner.</li> <li>May want to include definitions in buy/ sell document</li> </ul>

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



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

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## Title search: Breaking Up is Hard to Do...Without Good Documents

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

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