

# Drafting Issues in Partnership and LLC Agreements

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1

## Overview

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- Capital contributions (initial and additional) and the failure to make them
- Allocations and substantial economic effect rules
- Avoiding phantom income
- Management
- Transfer Restrictions
- Exit strategies
- Dispute resolution
- Force majeure and Frustration under Texas law

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2

## Why Provisions/Agreements Don't Achieve Intended Result (And How to Avoid)

### Why Provisions Don't Achieve Intended Results

- A. The Issue Wasn't Dealt With at Drafting Stage
- B. Not Clear
- C. Time
- D. Not Enforceable
- E. Bankruptcy
- F. Insolvency

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3

3

## Capital Contributions and Consequences of the Failure to Make Them

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4

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## Capital Contributions and Consequences of the Failure to Make Them

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### Initial Capital Contributions

- A. Require at Closing
- B. Agree on Fair Market Value of All Property Contributed to the Partnership

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5

5

## PLANNING TOOL

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**If You are the Non-General Partner, You May Need Right to Demand Additional Capital Contributions**

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6

6

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[2020 LLCs, LPs, and Partnerships eConference](#)

First appeared as part of the conference materials for the  
29<sup>th</sup> Annual LLCs, LPs and Partnerships session

"Ambiguous, Omitted, and Inconsistent Provisions in Partnership and Company Agreements:  
Approaches and Examples (Plus Bonus Discussion: Force Majeure in Texas)"