

MODEL COMPANY AGREEMENTS FOR CLOSELY HELD LLCs

Cliff Ernst

McGinnis Lochridge LLP

Elizabeth S. Miller

M. Stephen and Alyce A. Beard Chair in Business and Transactional Law

Baylor University School of Law

The University of Texas School of Law

31st Annual LLCs, LPs and Partnerships

July 13-15, 2022

1

New Texas Business Entity Filings

	<u>2020</u>	<u>2021</u>	<u>% Change</u>
For-Profit Corporations	22,249	25,102	+12.82
Professional Corporations	518	565	+9.07
Professional Associations	268	254	-5.22
Limited Liability Companies	257,294	350,146	+36.09
Limited Partnerships	4,134	5,722	+38.41
Limited Liability Partnerships (initial registrations)	454	478	+5.29

2

2

Texas Business Entity Filings (A Look Back)

	<u>2013</u>	<u>2021</u>	<u>% Change</u>
For-Profit Corporations	22,803	25,102	+10.08
Professional Corporations	846	565	-33.21
Professional Associations	833	264	-68.31
Limited Liability Companies	108,815	350,146	+221.78
Limited Partnerships	7,441	5,722	-23.10
Limited Liability Partnerships (initial registrations)	754	364	-51.72

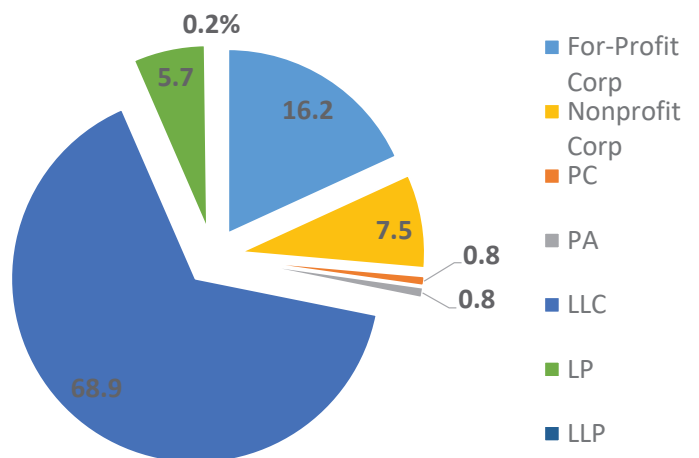
3

3

SOS Census January 1, 2022

For-Profit Corp	363,404
Nonprofit Corp	168,335
Prof. Corp	17,069
Prof. Ass'n	17,872
LLC	1,547,639
LP	127,958
LLP	4,030

Active Domestic Entities



4

4

Introduction and Overview

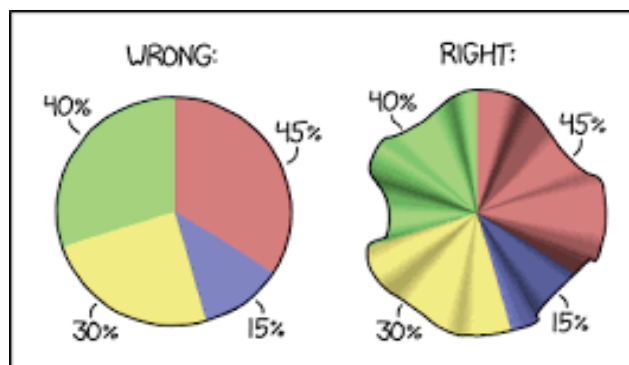
- Anecdotal evidence and analogies to IRS statistics indicate most LLCs have one or two members
- Program materials
 - Agreements for “simple” LLCs may not be so simple to draft; models are not forms to copy and fill in blanks
 - Narrative discussion of drafting issues and explanation of provisions in model agreements
 - Three model agreements:
 - Manager-managed, multi-member
 - Member-managed, multi-member
 - Member-managed, single-member
 - Models are not forms to copy and fill in the blanks

5

Members, Percentages, and Assignees

There are three kinds of people in this world, those that are good at math and those that are not.

(Member A has 40%, member B has 45%, member C has 30%, member D has 15%...)



HOW TO MAKE A PIE CHART IF YOUR PERCENTAGES DON'T ADD UP TO 100

6

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

Title search: Model Company Agreements for Closely Held LLCs

Also available as part of the eCourse

[Answer Bar: LLCs and Partnerships Formation](#)

First appeared as part of the conference materials for the
31st Annual LLCs, LPs and Partnerships session

"Updated Model LLC Agreements"