

# 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

**31<sup>st</sup> 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)

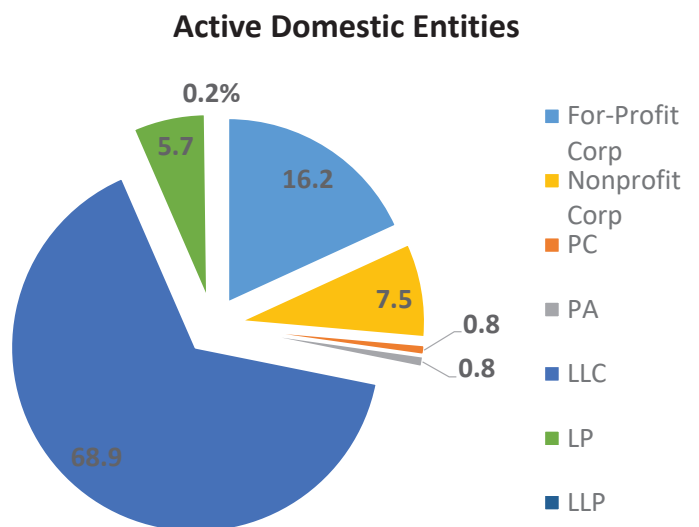
	<u>2013</u>	<u>2021</u>	<u>% Change</u>
For-Profit Corporations	22,803	25,102	+10.08
Professional Corporations	846	565	-33.21
Professional Associations	833	264	-68.31
Limited Liability Companies	108,815	350,146	+221.78
Limited Partnerships	7,441	5,722	-23.10
Limited Liability Partnerships (initial registrations)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



4

4

## Introduction and Overview

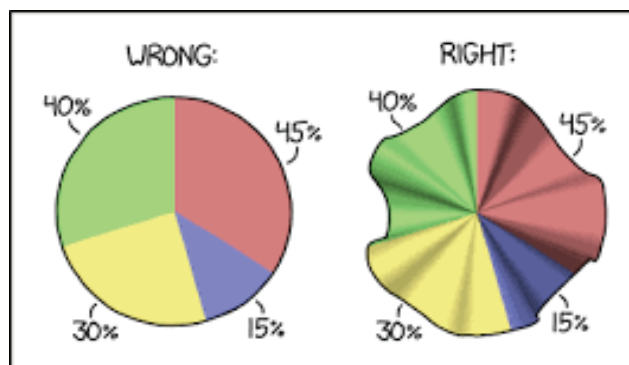
- Anecdotal evidence and analogies to IRS statistics indicate most LLCs have one or two members
- Program materials
  - Agreements for “simple” LLCs may not be so simple to draft; models are not forms to copy and fill in blanks
  - Narrative discussion of drafting issues and explanation of provisions 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 \(utcle.org/elibrary\)](https://utcle.org/elibrary)

Title search: Model Company Agreements for Closely Held LLCs

Also available as part of the eCourse

[2022 LLCs, LPs and Partnerships eConference](#)

First appeared as part of the conference materials for the

31<sup>st</sup> Annual LLCs, LPs and Partnerships session

"Updated Model LLC Agreements"