



When you have a smaller business, it's more asset protection language. You get to make a lot of these rules, and if you don't, they're made for you by statute.



## K-NOTES

# Build a Successful Small Business with LLC Agreements



## Navigating Business Relationships with LLC Agreements

### How a Well-Drafted LLC Agreement Fosters Good Business

The LLC, or Limited Liability Company, is a unique business entity that has many financial and social benefits. Falling somewhere between a general partnership and a more formal corporation, the LLC creates a layer of protection for individual members and offers great tax incentives. For these reasons, an LLC is a common way to structure small businesses with more than one owner.



## Key Takeaways

### ➔ Managing Member

We'll have a member-manager situation in which the actual owner, the person in charge of day-to-day operations, makes all of the decisions. In some cases, we may encounter manager jealousy and at that point, it's best to appoint someone to make all decisions on behalf of the LLC.

### ➔ Capital Contribution

If you say you don't have the authority to pull that money, the manager has the authority to pull that money out, and they won't because it would defeat the business purpose. It would make doing business more difficult.

### ➔ Series of the Company

There is a parent company at the top, but it is possible to split off and form "cells" beneath the parent company. These cells are similar to an LLC. They are protected from liability and the other cells adjacent to them.

### ➔ Alternative Dispute Mechanisms or Courthouses

A courthouse is an expensive place for us to air our emotions. If we can get those out in mediation, which we have seen time and again, businesses that have a major dispute go to mediation in the end rekindle things, and are ready to move forward. That is one of the most important provisions.

## Keaton Frieberg Attorney



When advising clients remember that you want to limit someone's ability to give away decision-making capabilities but not their economic interest."