

How to complete a LLC Operating Agreement in Texas

Member-managed LLC operating agreement template with state-specific clauses.

What this form is for

This form establishes the internal rules and ownership structure for your Texas LLC. You'll use it when forming a new LLC or updating an existing one to document how members share profits, make decisions, and handle day-to-day operations.

Before you start

- Full legal names and addresses of all LLC members
- Percentage ownership for each member
- Your LLC's exact legal name and Texas Secretary of State filing number
- Federal Employer Identification Number (EIN) from the IRS
- Initial capital contributions from each member (cash amounts and property descriptions if applicable)

Step-by-step

1. Complete the header section with your LLC's legal name, principal business address in Texas, and the effective date of the agreement.
2. Fill in Article I with each member's full name, address, ownership percentage, and initial capital contribution. Verify percentages add to exactly 100 percent.
3. In Article II (Management), confirm member-managed structure and specify voting rights. Texas default is one-member-one-vote, but you can allocate votes by ownership percentage if members agree.
4. Complete Article III (Meetings) by setting annual meeting requirements and notice periods. Texas law doesn't mandate specific frequencies, so choose what works for your business.
5. Document profit and loss allocation in Article IV. Most LLCs distribute proportionally to ownership percentages, but you can specify alternative arrangements if members agree in writing.
6. Fill out Article V (Capital Accounts) showing each member's starting capital balance and rules for additional contributions or withdrawals.
7. Complete Article VI (Transfer Restrictions) detailing whether members can sell their interests and any right-of-first-refusal provisions. Banks want to see clear transfer restrictions.
8. In Article VII (Dissolution), specify events triggering dissolution and how you'll distribute assets. Texas requires you to pay creditors before distributing to members.

9. Add state-specific provisions in Article VIII, including Texas franchise tax reporting responsibilities and registered agent information.

10. Have all members sign and date in the signature section. Texas doesn't require notarization for operating agreements, but some lenders prefer it.

What lenders look for

- Banks scrutinize capital contribution records closely. Document every member contribution with dates and amounts, including non-cash assets with independent appraisals. Undocumented contributions raise red flags about business capitalization.

- Lenders want clear decision-making authority. If you're borrowing, specify which members or percentage vote is required to incur debt, pledge assets, or sign loan documents.

- Keep your operating agreement current. Amendments for new members or ownership changes must be documented. Outdated agreements showing inactive members can delay or kill loan approvals.