LIMITED LIABILITY COMPANY BUY-SELL AGREEMENT ORGANIZER

# (MULTIPLE MEMBER LLC)

**(Use for business and investment LLCs with two or more Members)**

**LLC BUY-SELL AGREEMENT PROVISION ORGANIZER**

# Transferability of Membership Interests:

Whether a transfer of a membership interest will be permitted, restricted, or prohibited generally depends upon the identity of the transferee and the nature of the rights obtained by the transferee.

Please place in each cell of the following table the appropriate number from the list below to reflect how each type of transfer should be handled in the case of each possible category of transferee:

|  |  |
| --- | --- |
|  | Categories of Possible Transferees |
| Other Members | Descendants of Members | Spouses of Members | Employees of the LLC | Anyone |
| Lifetime Gift |  |  |  |  |  |
| Lifetime Sale |  |  |  |  |  |
| Involuntary Transfers1 |  |  |  |  |  |
| Death |  |  |  |  |  |

Possible consequences of proposed transfer:

1. Permitted
2. Permitted subject to right of first refusal held by company and other members (applicable only to sales)
3. Permitted subject to option to buy-back for specified price by Company and other Members
4. Permitted, but transferee has an option to sell interest back to Company for specified price (generally applicable only in event of death)
5. Permitted subject to consent of members (what percentage vote required for consent? %)
6. Not permitted - Triggers obligation to buy-back for specified price
7. Not permitted – Void

Should transfers to a revocable trust for which the member is the Trustee and

Trustor be permitted? Yes No

Should transfers in trust for a spouse or child be permitted (assuming transfers to

the spouse or child would be permitted)? Yes No

In the case of death of a member, should the applicable transfer restriction be triggered by:

 event of death

 the transfer from the deceased Member’s estate to the beneficiary

1 Lifetime Involuntary transfers include bankruptcy, execution by judgment creditor, transfer to spouse incident to divorce, etc.

# Purchase Price and Terms:

If a purchase is triggered for a specified price, select from the following choices of how the purchase price be determined and what will be the payment terms:

 Formula:

 Pro rata share of business value per appraisal

 Pro rata share of business book value per financial statements

 Value of membership interest per appraisal (after minority and lack of marketability discounts)

 Periodic agreement of members

Will there be life insurance to fund a death-time purchase? Yes No

If so, will the company or the other members own the life insurance? Will the payment terms be cash at closing or seller financing? If seller financing, describe the payment terms (interest rate, amortization,

payment amount, payment frequency, collateral, due date):

# Exit Mechanisms:

In a few cases we include options to sell (Put Option) or buy (Call Option) Membership Interests not triggered by the transfer of membership interests. Should we include any Put

Options or Call Options? Yes No

* Put Option: Should a member under any circumstance (e.g., termination of employment with the LLC or deadlock among the members) have an option to sell a membership interest to the company or the other members? Yes No

If yes, explain:

* Call Option: Should a member under any circumstances (e.g., termination of employment of another Member, unauthorized attempt to transfer, or deadlock among the members) have an option to purchase a membership

interest to the other members? Yes No

If yes, explain: What will be the price and terms in the case of a Put or Call Option?

* Deadlock: Should a mechanism be included that permits a member to trigger the forced purchase or sale of a membership interest? Yes No

 . Must a deadlock precede the triggering of the mechanism? Yes No . Such a mechanism is a good way to ensure that a clean break can be achieved, but generally all parties must have the financial strength to participate.

If applicable, select from the following mechanisms:

 Show Down: Any member may make an offer to one or more of the other members to buy an interest at a specified price and

terms. The offeree has a specified period to turn the table and buy the offeror’s interest for the specified price and terms, or must sell at the specified price and terms.

 Bidding: A member may make an offer to one or more of the other members to buy an interest at a specified price and terms. The offeree has a specified period to bid higher (with a specified minimum increment) to purchase the offeror’s interest or the offeree must accept the offer and sell the interest.

The payment terms under either of these mechanisms must be cash or be clearly specified in the agreement.

# Business Sales:

The controlling member is frequently granted the right to sell the entire business. Under such a provision, the controlling member would have the right to “pull along” the other members in the sale transaction. If a pull-along right is granted, the non-controlling members typically have the right to “tag along” if the pull along right is not exercised.

Should we include Pull Along/Tag Along rights? Yes No

If yes, what percentage should be used to define controlling membership? %