

LLC Ownership – Operating Agreements



RI Business Services

Did you know...

the RI Department of State **does not** record business ownership information? An operating agreement can help you establish and prove ownership of an LLC.

What is an operating agreement?



An operating agreement is a legal document that LLCs use to outline important financial and structural details about the LLC and its owner(s). After each member (owner) signs the document, the operating agreement becomes an official contract that governs the operations of the business. This important legal document is held in the private records of the business.

What is usually included in an operating agreement?

Your operating agreement will be unique to your business; however, most operating agreements include these elements:

- The capital contributions and ownership percentage of each member.
- The responsibilities of each member.
- How the LLC will be managed.
- How key decisions will be made.
- How the LLC's profits and losses will be distributed.
- How members may be added or removed.
- How the operating agreement can be amended.
- When and how the LLC may be dissolved.

What are the benefits of having an operating agreement?

An operating agreement will help you:

- Establish a **clear separation between you and your business**, protecting your **personal assets from the business's liabilities**.
- Engage in business with **financial institutions, funders, and other resource organizations**.
- Govern the business to your liking without having to rely solely on the RI Limited Liability Company Act (R.I. Gen. Laws § 7-16), which may not be **sufficient for your specific business needs**.
- Avoid unnecessary conflict and confusion about each **member's rights and responsibilities**.

Where can I get more information?

Rhode Island Small Business Development Center (SBDC)

web.uri.edu/risbdc/

SCORE Rhode Island

score.org/ri



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