

# ALABAMA LLC OPERATING AGREEMENT

## 1. 1. Parties and Formation

This Limited Liability Company Operating Agreement (the "Agreement") is made effective as of [EFFECTIVE DATE] by and among [COMPANY NAME], a limited liability company organized under the laws of the State of [FORMATION STATE] (the "Company"), and the persons listed on Exhibit A as members of the Company (each a "Member" and collectively the "Members"). Articles of organization for the Company were filed with the [FILING OFFICE, e.g., Secretary of State] on [FORMATION DATE]. This Agreement governs the internal affairs of the Company and, to the fullest extent permitted by the [FORMATION STATE] Limited Liability Company Act, replaces the default provisions of that Act. Where a provision of this Agreement conflicts with a non-waivable provision of applicable law, the law controls and the rest of this Agreement remains in effect.

## 2. 2. Name, Purpose, Principal Office, and Term

The Company will operate under the name [COMPANY NAME] and may adopt one or more assumed names on approval under Section 8. The principal office is located at [PRINCIPAL OFFICE ADDRESS], and the registered agent for service of process in the state of formation is [REGISTERED AGENT NAME AND ADDRESS]. The purpose of the Company is to engage in [BUSINESS PURPOSE] and any lawful act or activity for which a limited liability company may be organized in the state of formation. The Company begins on the date its articles of organization were filed and continues perpetually unless dissolved under Section 13. The fiscal year of the Company ends on [FISCAL YEAR END].

## 3. 3. Members, Units, and Percentage Interests

The membership interests of the Company are divided into units (the "Units"). The name of each Member, the number of Units held, and the resulting Percentage Interest are listed on Exhibit A, which the Company will update whenever Units are issued, transferred, or redeemed. The Units are of a single class with identical rights unless the Company creates additional classes under Section 8, in which case the rights, preferences, and restrictions of each class must be stated in a written amendment to this Agreement. No Member has any right to specific Company property, and a membership interest is personal property. No Member is entitled to compensation for acting as a Member except as expressly provided in this Agreement or approved under Section 8.

## 4. 4. Capital Contributions and Capital Accounts

Each Member has contributed the cash, property, or services described on Exhibit A in exchange for the Units listed there, valued as stated on that exhibit. No Member is required to make any additional capital contribution, and no Member has any personal liability for the debts of the Company solely by reason of being a Member. If the Company needs additional capital, the Members may approve a capital call under Section 8, and any Member who declines to fund a capital call will have the Percentage Interest of that Member diluted proportionally as the sole consequence. The Company will maintain a capital account for each Member, increased by contributions and allocated profits and decreased by distributions and allocated losses. No Member is entitled to interest on a capital account or to demand the return of a capital contribution.

## 5. 5. Allocations of Profits and Losses

For each fiscal year, the net profits and net losses of the Company will be allocated among the Members in proportion to the Percentage Interests held during that year, adjusted for any Units issued or transferred during the year using a method permitted by applicable tax rules. Losses will not be allocated to a Member to the extent the allocation would create or increase a deficit capital account balance beyond any obligation of that Member to

restore it, and any excess will be reallocated to the Members with positive balances. The Company intends its allocations to have substantial economic effect under the applicable federal income tax regulations, and the Members authorize the Company to make the technical adjustments necessary to achieve that result.

## **6.6. Distributions**

Distributions of available cash will be made to the Members in proportion to the Percentage Interests at the times and in the amounts determined under Section 8, after retaining reserves the Company reasonably considers necessary for operations, debt service, and anticipated liabilities. The Company will use commercially reasonable efforts to make tax distributions sufficient to cover the estimated income tax liability of each Member on allocated Company income, calculated at an assumed rate of [ASSUMED TAX RATE] and paid within [TAX DISTRIBUTION TIMING, e.g., 75 days after the end of each fiscal year]. No distribution will be made if, after giving effect to it, the Company would be unable to pay its debts as they come due or the total liabilities of the Company would exceed the fair value of its assets. Distributions in kind require approval under Section 8.

## **7.7. Management Structure: Member-Managed or Manager-Managed**

The Company is [SELECT ONE: MEMBER-MANAGED / MANAGER-MANAGED]. If the Company is member-managed, each Member is an agent of the Company for the purpose of its business and may bind the Company in transactions in the ordinary course, subject to the limits in Section 8. If the Company is manager-managed, management is vested exclusively in [MANAGER NAME(S)] (each a "Manager"), the Members have no authority to act for or bind the Company by reason of being Members, and only a Manager may execute contracts on behalf of the Company. A Manager serves until resignation, removal by [MANAGER REMOVAL THRESHOLD, e.g., Members holding a majority of the Percentage Interests], or death or incapacity, and a successor Manager is appointed by the same threshold. A Manager may but need not be a Member and may be compensated as approved under Section 8.

## **8.8. Voting, Meetings, and Reserved Matters**

Except where this Agreement requires otherwise, matters submitted to the Members are decided by the affirmative vote of Members holding more than [ORDINARY VOTE THRESHOLD, e.g., 50 percent] of the Percentage Interests. The following actions require the approval of Members holding at least [SUPERMAJORITY THRESHOLD, e.g., 75 percent] of the Percentage Interests: amending this Agreement or the articles of organization; admitting a new Member or issuing additional Units; approving a capital call; selling, leasing, or pledging substantially all of the assets of the Company; incurring indebtedness above [DEBT LIMIT]; merging, converting, or dissolving the Company; changing the tax classification of the Company; and any transaction with a Member or an affiliate of a Member. Meetings may be called by [MEETING CALL RIGHT, e.g., any Member holding at least 20 percent of the Percentage Interests] on [MEETING NOTICE, e.g., 10 days] written notice, may be held by any means allowing simultaneous communication, and any action that may be taken at a meeting may instead be taken by written consent signed by the Members holding the required Percentage Interests.

## **9.9. Tax Treatment and Tax Matters**

The Company will be treated as [TAX CLASSIFICATION, e.g., a partnership / a disregarded entity / an S corporation] for federal income tax purposes, and no Member will take a position inconsistent with that classification without approval under Section 8. The Company will designate [PARTNERSHIP REPRESENTATIVE NAME] as its partnership representative where the applicable federal rules require one, and that person is authorized to act for the Company in tax examinations and proceedings within the limits set by the Members. The Company will deliver to each Member the tax information necessary to prepare individual returns, including any applicable schedule, no later than [TAX INFORMATION DEADLINE, e.g., March 15] following

the end of each fiscal year. Each Member is responsible for the tax on the allocated share of that Member whether or not cash is distributed.

#### **10. 10. Books, Records, and Information Rights**

The Company will maintain at its principal office complete books and records, including this Agreement and all amendments, the articles of organization, Exhibit A as updated, financial statements for the last [RECORD RETENTION PERIOD, e.g., six] fiscal years, and tax returns. Each Member may inspect and copy those records for a purpose reasonably related to the interest of that Member on [INSPECTION NOTICE, e.g., five business days] written notice during normal business hours, at the expense of the requesting Member. The Company will deliver [FINANCIAL REPORTING FREQUENCY, e.g., quarterly and annual] financial statements to the Members within [REPORTING DEADLINE] after the end of each period. Company funds will be held in accounts in the name of the Company and will never be commingled with the personal funds of any Member or Manager.

#### **11. 11. Transfer Restrictions and Right of First Refusal**

No Member may sell, assign, pledge, or otherwise transfer any Unit except as this Section permits, and any attempted transfer in violation of this Section is void. A Member who receives a bona fide written offer from a third party must first offer the Units to the Company, and if the Company declines within [COMPANY ELECTION PERIOD, e.g., 30 days], to the other Members pro rata for a further [MEMBER ELECTION PERIOD, e.g., 30 days], in each case on the same price and terms. If the rights are not fully exercised, the selling Member may complete the sale to the named third party on terms no more favorable to the buyer within [CLOSING WINDOW, e.g., 90 days], after which the restrictions apply again. A transferee who is not approved as a Member under Section 8 receives only the economic rights of the transferred Units and has no voting, management, or information rights. Permitted transfers to [PERMITTED TRANSFEREES, e.g., a revocable trust for estate planning] are exempt from the right of first refusal but remain subject to this Agreement.

#### **12. 12. Withdrawal, Death, Disability, and Buyout of a Member**

A Member may withdraw from the Company by giving [WITHDRAWAL NOTICE, e.g., 90 days] written notice, but a withdrawing Member is not entitled to any payment except as this Section provides. On the withdrawal, death, permanent disability, bankruptcy, or divorce-related transfer affecting a Member (each a "Triggering Event"), the Company has the option, and if it declines the other Members have the option, to purchase all Units held by or attributable to that Member. The purchase price is determined by [VALUATION METHOD, e.g., an agreed value updated annually by the Members, or if none, an independent appraisal] and is payable [BUYOUT PAYMENT TERMS, e.g., 20 percent at closing and the balance over 48 monthly installments with interest at the applicable federal rate]. If neither the Company nor the other Members purchase the Units within [PURCHASE ELECTION PERIOD], the transferee holds only economic rights as described in Section 11. The Company may maintain life or disability insurance to fund a purchase under this Section.

#### **13. 13. Dissolution, Winding Up, and Indemnification**

The Company will be dissolved on the approval of the Members under Section 8, the sale of substantially all of its assets, or the entry of a judicial decree of dissolution. The death, withdrawal, or bankruptcy of a Member does not dissolve the Company. On dissolution, the assets will be liquidated and the proceeds applied first to creditors other than Members, then to Members for loans made to the Company, then to the Members in proportion to positive capital account balances, and any remainder in proportion to the Percentage Interests. The Company will indemnify each Member and Manager against losses and reasonable expenses incurred in connection with the business of the Company, except for acts constituting fraud, intentional misconduct, a knowing violation of law, or

a transaction from which the person derived an improper personal benefit, and may advance expenses on receipt of an undertaking to repay if indemnification is later found unavailable.

#### **14. 14. Governing Law and General Provisions**

This Agreement is governed by the laws of the State of [GOVERNING STATE], without regard to conflict of laws principles, and any dispute will be brought exclusively in the courts located in [VENUE COUNTY AND STATE] after the Members have attempted resolution through direct discussion and then mediation in [MEDIATION LOCATION]. This Agreement is the entire agreement among the Members regarding the Company and supersedes all prior understandings. Amendments require the approval stated in Section 8 and must be in writing. If any provision is held unenforceable, the remaining provisions stay in effect and that provision will be limited only to the extent necessary. The failure to enforce a provision on one occasion does not waive the right to enforce it later, and this Agreement binds and benefits the permitted successors and assigns of the Members.

#### **15. 15. Signatures**

By signing below, each Member acknowledges having read this Agreement, understanding it, and agreeing to be bound by it as of the Effective Date. COMPANY: [COMPANY NAME]. By: \_\_\_\_\_. Printed Name: [SIGNER NAME]. Title: [MEMBER OR MANAGER]. Date: [DATE]. MEMBER: [MEMBER 1 NAME]. Signature: \_\_\_\_\_. Units Held: [NUMBER]. Date: [DATE]. MEMBER: [MEMBER 2 NAME]. Signature: \_\_\_\_\_. Units Held: [NUMBER]. Date: [DATE]. This Agreement may be executed in counterparts, and electronic signatures have the same effect as original signatures on a single document.

#### **16. Alabama LLC Act Highlights**

An Alabama LLC is formed by filing a Certificate of Formation with the Alabama Secretary of State, and filings that once went through the county probate judge are now handled at the state level. The certificate itself is short: name, registered agent, and a few structural details, with the real operating rules left to this agreement. If the members do not adopt an operating agreement, Alabama default rules fill the gap — generally equal management rights per member, unanimous consent for major decisions, and restrictions on transferring more than an economic interest. Those defaults can be changed by agreement on most points, including allocation of profits by capital contribution rather than by head count, manager-managed governance, and buyout mechanics on death or withdrawal. Alabama does place outer limits on what an agreement can do, such as eliminating the duty of good faith and fair dealing outright, though the standards for measuring it can be spelled out. Single-member LLCs are common and fully recognized in Alabama, and a written agreement is still worth having for a single owner as evidence that the company is a separate entity.

#### **17. Filing and Compliance in Alabama**

Formation documents and name reservations are handled by the Alabama Secretary of State Business Entities Division, which accepts online filings. Alabama LLCs must maintain a registered agent with a physical address in the state, and a change of agent is filed with the Secretary of State. Beyond formation, the recurring obligations for Alabama LLCs are primarily tax-side rather than corporate-side, including business privilege tax filings administered by the Alabama Department of Revenue, whose thresholds for small entities have been adjusted in recent years. Because filing fees and privilege tax rules change, confirm the current fee schedule and filing calendar with the Secretary of State and the Department of Revenue rather than relying on any figure quoted online. Keep the signed operating agreement with your internal records — it is not filed with the state.

#### **18. Alabama Official Resources**

For current statutes and official guidance, consult the Alabama Secretary of State, Business Entities Division (<https://www.sos.alabama.gov>). State law changes — verify any deadline, cap, or disclosure requirement against the current official text before relying on it.

## **19. Disclaimer**

This template is provided for general informational purposes only and is not legal advice. LLC statutes differ meaningfully from state to state, particularly on default management rules, fiduciary duties, charging orders, and the effect of a member withdrawal, and the tax elections referenced here carry consequences that should be modeled before they are made. Review and adapt this document for your own facts, and consult a licensed attorney and a tax advisor in your state before relying on it. Use of this template does not create an attorney-client relationship with ScanContract.

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