



KLF Legal Briefs

SPECIAL POINTS OF INTEREST:

- LLC's are fast becoming the preferred business structure for many small businesses.
- PA's Entity Transactions Law went into effect July 1, 2015.
- Mahomes Magic Crunch cereal sold out within days of its release.

INSIDE THIS ISSUE:

Members' Agreements for LLC's 1

PA's Entity Transactions Law 1

Endorsement Agreements 2

VOLUME 7, ISSUE 1

FALL 2019 EDITION

The Importance of an LLC Members' Agreement

So you and a partner decide to go into business together and form a limited liability company (LLC). You use some online legal service to file your certificate of organization because you are lead to believe through slick advertising that cheaper is better. Maybe you also get some form of stock operating agreement out of the deal that isn't even tailored to your type of partnership.

Over the years the business is doing great and growing significantly. The opening of additional locations is being planned. And a nice retirement looks like a given a few

more years down the road. Then you get a call in the middle of the night that your partner of the past ten years suffered a massive heart attack and died. Shortly after the funeral you get a call from the attorney handling your deceased partner's estate informing you that he left his 50% of the business to his wife, someone who you don't get along with. You are now faced with being her partner in a business she knows nothing about. Could this have been avoided?

The answer is yes. Had you and your former partner consulted with an experienced business

attorney, you more than likely would have been advised that you also needed a Members' Agreement for just such a contingency as the death of a partner. A properly drafted Members' Agreement would contain certain "Buy/Sell" and "Right of First Refusal" provisions that would permit the surviving partner to have the first option to buy out the deceased partner's membership interest in the LLC. And the cost of the buy-out could have been underwritten through life insurance policies taken out on each partner. As a business attorney, I always recommend a Members' Agreement to my multi-member LLC clients.

Pennsylvania's Entity Transactions Law

On July 1, 2015 Pennsylvania's Entity Transactions Law went into effect, bringing PA in line with many other states that allow for simpler entity conversions. Previously, Pennsylvania did not have a simple statutory process to allow one type entity, such as a corporation, partnership, or LLC, to change into another type of entity. For example, prior to the new law, if one partner left a two-person partnership, the remaining partner would need to formally dissolve the partnership and form a new entity if he or she wanted to continue on with the business.

Under the new law, the former partnership can now convert to another form of business entity, such as a corporation or LLC. The converting entity will then be treated as if it is the same business, just in a different legal form, with little to no interruption in its business. As such, the rights and obligations along with the debts and liabilities of the converting entity continue as the rights, obligations, debts and liabilities of the converted entity.

If you are considering an entity conversion, consult with an experienced business attorney as well as a CPA to discuss the legal and tax considerations of such conversion.



Koeberle Law Firm, LLC

Koeberle Law Firm, LLC

2 Penn Center West
Suite 115
Pittsburgh, PA 15276
Phone: 412-788-9554
Fax: 412-788-9553
brian@koeberlelaw.com
www.koeberlelaw.com
www.yoursportslawyer.com

“Your Success is Our Business!”



The Koeberle Law firm is a boutique law firm catering to the legal needs of small businesses and individuals. We concentrate our practice in the following areas:

- Small Business Representation
- Estate Planning/Wills & Trusts
- Real Estate Law/Community Association Law
- Sports & Entertainment Law

For further information, please contact us at 412-788-9554 or brian@koeberlelaw.com.

Recent Athlete Endorsement Agreements



This newsletter is intended for general informational purposes only and is not intended to provide specific legal advice. If you have a specific legal issue or question, you should consult with an attorney licensed to practice law in your state or jurisdiction.