

FOR CONTRACTORS · OWNERSHIP

The 2026 LLC Operating Agreement Guide

Write or update the operating agreement of your contracting LLC: every article in plain English, a succession plan your family and crew can follow, the six mistakes we found in our own draft, and AI prompts that prepare a draft for your attorney.

14 chapters | Planner (Word) | Six-mistakes check | AI drafting prompts

Vision Flooring LLC · Everett, Washington
visionflooringllc.com

What's inside

Read chapters 1 to 3 first, then work through 4 to 12 with the **Operating Agreement Planner** (Word file) open beside you. Chapter 13 and the **AI Drafting and Review Prompts** turn your decisions into a draft for your attorney.

01 **Why your LLC needs a current written agreement**
Default rules, and when to write or update yours

02 **Gather the facts first**
Documents, numbers and the questions only you can answer

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About this guide

This guide was written by Alex Babko, owner of Vision Flooring LLC in Everett, Washington: 20+ years of running a contracting business since 2006, first remodeling and now flooring, with 3,800+ clients behind us. It is not theory. It is how we run our own company today, what we tried and dropped, and what we would do first if we started over, written so you can use it in yours.

In 2026 we rewrote our own company's operating agreement: an old document that had not kept up with how the company was taxed, run and planned to continue. We gathered the facts, rebuilt it article by article, planned for death and incapacity, and then reviewed the finished draft against the statutes before signing, which is where we found the six problems in Chapter 11. This guide is that process, written for any contracting LLC. Washington State law, our home state's, is used for labelled examples; your state's law will differ in the details.

> ⚠ **General business information, not legal, tax or financial advice**
> Laws, platform rules and prices differ by state and change over time. Where this guide touches contracts, lending, taxes, employment or advertising rules, it explains how things usually work and the questions to ask; your attorney, accountant, licensing agency and each platform's current rules come first. Check the sources at the back for the latest versions.

How to use it

- Read it once start to finish, then work through it in order: each chapter builds on the one before. Every chapter starts with **"The short version"**.
- Boxes marked **AI prompt** are ready to copy into Claude, ChatGPT, Gemini or any other assistant. The same prompts are in the files that came with this guide, so you don't have to retype them.
- Words in [square brackets] are placeholders: replace them with your own facts. Never let a tool fill them in with guesses.

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CHAPTER

01

Why your LLC needs a current written agreement

An operating agreement is the rulebook of your company: who owns it, who decides, how money moves, and what happens when something changes. Without one, or with one written years ago, your state's default rules write those answers for you, and they were not written with your family or your crew in mind.

THE SHORT VERSION

- Your state's LLC law has default rules for everything your agreement doesn't say. Some defaults are harsh for a one-owner company.
- Banks, partners, insurers and courts look at the agreement when it matters most: a loan, a dispute, a death.
- Update it whenever ownership, taxes, family, management or related companies change, and look at it every year.
- This guide prepares you for an attorney. You make the decisions; the attorney makes them work in your state.

What happens without one

Every state has an LLC act with default rules. They apply when your agreement is silent, missing or contradicts itself. A few examples of what the defaults can decide:

SITUATION	WHAT A DEFAULT RULE MAY SAY	WHAT YOU MIGHT WANT
The only owner dies	The company may dissolve unless someone acts within a short deadline; heirs may get only the economic rights	The company continues with a named successor
The owner can't work for months	Nobody has clear authority to sign, pay or hire	A named person runs day-to-day work; bigger decisions follow your power of attorney
You add a partner	Equal votes regardless of who put in what	Votes and profits that match the deal you made
A partner wants out, divorces or goes bankrupt	Unclear what happens to the share, or who can buy it	A buy-sell plan with a price formula and payment terms

SITUATION	WHAT A DEFAULT RULE MAY SAY	WHAT YOU MIGHT WANT
A creditor or court looks at the company	Mixed personal and company dealings weaken your liability protection	Written rules that you follow: separate money, records, decisions

When to write or update yours

- [ ] You have no written agreement, or can't find it
- [ ] It is more than five years old
- [ ] You elected, or plan to elect, S corporation taxes
- [ ] You married, divorced or had children since it was signed
- [ ] You added, promised or plan a partner or key employee share
- [ ] You started a related company (equipment, office or management company)
- [ ] You lent the company money, or put in a vehicle or equipment
- [ ] You moved the office, changed the registered agent, or changed what the company does
- [ ] Your bank, bonding company or a large client asked for it
- [ ] Nobody but you could run the company tomorrow

How we got here

Our own agreement was written years ago and rarely read since. When we updated it in 2026, we found what most owners would find: an old address, a registered agent who had long since changed, clauses that no longer matched how the company was taxed and run, and two serious gaps. The company would have ended if the owner died, and its disability clause handed control to a manager the agreement never appointed. We rebuilt it article by article, then reviewed the new draft before signing and found six more problems, the subject of Chapter 11. This guide is everything we learned, without our private details.

> ⚠ **This guide is not a substitute for an attorney**
> LLC law, tax law, family law and estate law all meet in this one document, and each differs by state. Use this guide to understand every part, make your decisions and prepare a draft; then have a licensed attorney in your state review it before you sign. An hour of review costs far less than an hour of discovery, and much less than a court deciding for you.

What you will have at the end

PART	CHAPTER
A fact sheet of everything your agreement must reflect	2
An understanding of every article, in plain English	3–7
A succession plan for death and for incapacity, with backups	8–9

PART	CHAPTER
Your spouse's consent handled correctly, if your state requires care	10
Your draft checked for the six mistakes we found in ours	11
Buy–sell terms if you have, or plan, a partner	12
A first draft written with AI, verified, and ready for your attorney	13
A signed agreement, stored and given to the right people, with a yearly check	14

The documents that work together

The operating agreement is one of several documents that decide what happens to your company. They must say the same thing, so plan them together:

DOCUMENT	WHAT IT DECIDES	WHO PREPARES IT
Operating agreement	Ownership, money, management, succession inside the company	You and your business attorney
Will or trust	Who inherits what you own, including your share; who manages it for minors	Your estate attorney
Durable power of attorney	Who acts for you, including as owner, if you can't	Your estate attorney
Consent of spouse	Your spouse agrees to the agreement and the succession plan	Your attorney (Chapter 10)
Buy–sell agreement (with partners)	Who buys a share, at what price, after death, disability, divorce or departure	Often part of the operating agreement (Chapter 12)
Agreements with related companies	What one of your companies provides to another, and for how much	You and your attorney (Chapter 7)
Tax elections (Form 2553, Form 8832)	How the company is taxed	Your accountant (Chapter 5)

CHAPTER

02

Gather the facts first

Most of the work in an operating agreement is getting the facts right: the company's exact name and state number, when it was formed, what you put into it, which tax election is in effect, who signs at the bank. Gather them before you write a word, and every later step is faster and cheaper.

THE SHORT VERSION

- Pull your formation papers, state and federal ID numbers, tax elections, old agreement and related agreements into one folder.
- List what you put into the company (money, vehicles, tools) and any loans, with titles and dates.
- Note every related company and every agreement between them.
- The planner (Word file) has a fact sheet with every line; fill it in from documents, not memory.

The documents

DOCUMENT	WHERE TO GET IT	WHAT YOU NEED FROM IT
Certificate of formation (some states: articles of organization)	Your state's business filing office (Secretary of State or similar), online	Exact legal name, formation date, state ID number, original registered agent
Annual reports	Same office	Current registered agent, principal office, governors or managers on file
Federal tax ID (EIN) letter	Your records or the IRS	The EIN and the name it was issued to
Tax election forms (Form 2553 for S corporation, Form 8832 if filed)	Your accountant or IRS acceptance letter	Which election, effective date, who signed the consent
Your current operating agreement	Your files, your attorney or the person who formed the LLC	What it says now, signed when and by whom
Agreements with related companies	Your files	Who provides what to whom, for how much, since when
Vehicle titles and equipment lists	Department of licensing, your records	Which property is titled to the company, and what you contributed
Loan papers (owner loans, bank loans, guarantees)	Your records, the bank	Amounts, terms, who guaranteed what

DOCUMENT	WHERE TO GET IT	WHAT YOU NEED FROM IT
Contractor license, insurance and bond	Your licensing agency and agent	Numbers, names insured, renewal dates
Bank signature cards	Your bank	Who can sign today, and what the bank needs if that changes
Your will, trust and powers of attorney	Your estate attorney	Whether they match what the agreement will say

The questions only you can answer

- [ ] Who owns the company today, in what percentages? Has anyone been promised a share, even informally?
- [ ] What did each owner put in (cash, vehicles, tools), and when? Is the property titled to the company?
- [ ] Has any owner lent the company money? On what terms? Is it written down?
- [ ] Which tax treatment applies (default, S corporation)? Since when? Is payroll set up for owners?
- [ ] Who decides what today? Who signs contracts, checks and loans?
- [ ] Which related companies exist, and what do they do for this one?
- [ ] Who should run the company if you can't, for a week, a year, or forever? Who is the backup?
- [ ] Who should own the company if you die? Are any of them under 18?
- [ ] Are you married? Do you live in a community property state?
- [ ] Would you ever sell, add a partner, or hand the company to an employee?

Facts from documents, not memory

Our own update found an address that had changed twice and a registered agent who no longer served. Both were in the old agreement because someone typed them from memory years earlier. Take every name, number and date from a document, and write which document in your fact sheet.

AI PROMPT

Build my fact sheet from my documents

I am updating the operating agreement of my LLC. Below is the text of my company documents (formation certificate, annual report, tax election letters, my current operating agreement). Build a fact sheet with these lines, taking each value ONLY from the documents and saying which document it came from:

Legal name · State of formation · Formation date · State ID number · Federal EIN · Principal office · Registered agent on file · Members and percentages · Management (member- or manager-managed) · Tax treatment and election date · Capital contributions listed · Loans listed · Related companies mentioned · Signing authority · What happens on death · What happens on incapacity · Date of the current agreement and who signed it.

Where documents disagree, show both values. Where a value is missing, write `[Owner to confirm]`. Do not fill anything from general knowledge.

Documents:
`[paste the text of the documents]`

END OF THE FREE SAMPLE

The 2026 LLC Operating Agreement Guide

You just read a few pages. The complete version has everything below, with every worksheet and the spreadsheet.

- ✓ Why a single-owner contracting LLC still needs a written agreement, and when to update yours
- ✓ The facts to gather first: formation papers, state ID numbers, tax elections, equipment you put in, loans, related companies
- ✓ Every article explained: ownership, money in and out, taxes, management and signing authority, records, keeping the company separate, related companies, transfers
- ✓ S corporation owners: the clauses that protect the election and the reasonable wage question for your accountant
- ✓ Succession: who runs the company if you can't, who owns it if you die, minor children, custodians, backups and keeping the LLC alive
- ✓ Spouses and community property states, and when a spouse's consent belongs in the agreement
- ✓ The six mistakes we found in our own draft, and how to check yours for them

Get the full guide →

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Questions first? Text 425-218-4234; a real person answers.