

Contents

PART I ORGANIZATION

CHAPTER 1: INTRODUCTION TO CONNECTICUT LLCS AND THEIR TAX CLASSIFICATION.....	1-1
1.1. Nature and Use of this Practice Manual	1-3
1.2. Comparison of the LLC with Other Entities.....	1-7
1.3. History of the LLC as a Form of Business	1-7
1.4. Classification of the LLC for Federal Income Tax Purposes.....	1-8
1.4.1. Introduction.....	1-8
1.4.2. History of LLC Taxation.....	1-14
1.4.3. The Pre-1997 Classification Rules	1-15
1.4.3.1. Limited Liability.....	1-16
1.4.3.2. Centralized Management	1-16
1.4.3.3. Continuity of Life.....	1-17
1.4.3.4. Free Transferability of Interests.....	1-18
1.4.4. The Check-the-Box Regulations	1-19
1.4.4.1. Entities Eligible to Check-the-Box.....	1-19
1.4.4.2. Classification of Eligible Entities That Do Not Check a Box (“Default Rules”).....	1-21
1.4.4.3. Transition to Check-the-Box (“Grandfather Rules”).....	1-22
1.4.4.4. Mechanics of Checking the Box.....	1-22
1.4.4.5. Employer Identification Number (“EIN”) and Employment Tax Classification	1-24
1.4.5. Changes in Classification	1-25
1.4.5.1. Elective Change in Classification (Form 8832).....	1-26
1.4.5.1.1. Partnership to Corporation.....	1-27
1.4.5.1.2. Corporation to Partnership	1-28
1.4.5.1.3. Corporation to Disregarded Entity	1-28
1.4.5.1.4. Disregarded Entity to Corporation.....	1-29

CONTENTS

1.4.5.2. Change in Number of Members 1-29
1.4.5.2.1. Disregarded Entity to
Partnership 1-30
1.4.5.2.2. Disregarded Entity to
Disregarded Entity 1-30
1.5. Liability Shield of the LLC. 1-31

CHAPTER 2: FORMATION AND ORGANIZATION 2-1

2.1. Introduction 2-3
2.2. Reservation of Name. 2-4
Form 2-1. Application for Reservation of Name 2-5
Form 2-2. Transfer of Reserved Name 2-7
2.3. Pre-Formation Matters 2-8
Form 2-3. Memorandum Attendant to the
Execution and Filing of Certificate of
Organization 2-8
Form 2-4. Letter Directing Execution and
Filing of Certificate of Organization 2-9
2.3.1. Disclosure of Name of Initial Member or
Manager. 2-9
2.3.2. Pre-Formation Transactions. 2-9
2.4. Certificate of Organization 2-10
2.4.1. Basic Requirements. 2-10
Form 2-5. Certificate of Organization 2-14
2.4.2. Optional Provisions. 2-18
2.5. Certificates of Change of Registered Agent’s Residence or
Business Address and Appointment of New Registered Agent 2-18
Form 2-6. Certificate of Change of Agent’s
Residence or Business Address 2-19
Form 2-7. Change of Agent 2-21
2.6. Resignation of Registered Agent 2-24
Form 2-8. Notification to Secretary of the
State of Resignation of Statutory
Agent 2-24
2.7. Change of Location of Principal Office 2-24
Form 2-9. Change of Business Address 2-25
2.8. Designation of Address for Mailings from
Secretary of the State 2-26
Form 2-10. Designation of Address 2-26
2.9. Amendment of Certificate of Organization. 2-27
Form 2-11. Unanimous Consent of Members 2-27

2.9.1.	Amendment and Restatement of Certificate of Amendment	2-31
	Form 2-12. Certificate of Amendment	2-31
2.10.	Trade Name Filings	2-33
2.11.	Service of Process	2-33
2.12.	Correction of and Liability for Inaccurate Information	2-34
	Form 2-13. Statement of Correction	2-34
2.13.	Federal Corporate Transparency Act Reporting of Beneficial Ownership	2-35
	Form 2-14. Corporate Transparency Act (Short Form)	2-36
	Form 2-15. Corporate Transparency Act (Long Form)	2-36

**PART II
OPERATIONS**

CHAPTER 3:	THE OPERATING AGREEMENT	3-1
3.1.	In General	3-2
3.2.	“Operating Agreement” Defined	3-4
3.3.	Flexibility of LLC Form	3-5
3.4.	Form of Operating Agreement	3-5
	3.4.1. Varying Members’ Duties	3-8
	3.4.2. Binding Authority of Operating Agreement and Amendments	3-9
3.5.	Formality of Adoption	3-9
3.6.	Amendment to Operating Agreement	3-10
	Form 3-1. General Form of Amendment to Operating Agreement	3-10
	Form 3-2. General Form of Amendment and Restatement of Operating Agreement	3-12
3.7.	Form Operating Agreements	3-12
3.8.	LLC as Vehicle for Family Business or Investments	3-13
3.9.	LLCs as a Buy-Sell Life Insurance Holding Company Tool	3-14
3.10.	Use of LLCs to Hold Vacation Homes	3-14
CHAPTER 4:	ORGANIZATION	4-1
4.1.	Drafting LLC Organization Provisions	4-3
4.2.	Introductory Paragraph	4-4
	Form 4-1. Introductory Paragraph with Names of Parties	4-4
	Form 4-2. Introductory Paragraph without Names of	

CONTENTS

	Parties.	4-4
4.3.	Background to Agreement	4-4
	Form 4-3. Explanatory Statement.	4-5
4.4.	Confirmation of Agreement	4-5
	Form 4-4. Confirmation of Agreement.	4-5
4.5.	Definitions.	4-5
	4.5.1. “Transferable Interest” Compared to “Membership Interests”.	4-5
	4.5.2. “Transferee” Compared to “Member”.	4-6
	Form 4-5. General Definitions.	4-7
	4.5.3. Issuance of Units	4-8
	Form 4-6. Units	4-9
4.6.	Organization of the LLC.	4-9
	Form 4-7. General Agreement to Organize LLC	4-9
	Form 4-8. Organizational Provision Confirming That Articles of Organization Have Been Filed.	4-10
4.7.	Name.	4-10
	Form 4-9. Name Provision for Member-Managed LLC	4-11
	Form 4-10. Name Provision for Manager-Managed LLC	4-11
4.8.	Purpose	4-11
	Form 4-11. Any Lawful Purpose	4-12
	Form 4-12. Specific Purpose.	4-12
	Form 4-13. Purpose Limited to Real Estate	4-12
4.9.	Term	4-13
	Form 4-14. Perpetual Term.	4-14
	Form 4-15. Definite Term.	4-14
4.10.	Principal Office	4-14
	Form 4-16. Principal Office of LLC Managed by Members	4-14
	Form 4-17. Principal Office of LLC Managed by Managers	4-15
4.11.	Registered Agent.	4-15
	Form 4-18. Designation of Registered Agent	4-15
4.12.	Members	4-15
	Form 4-19. Schedule of Members Set Forth in Exhibit	4-16
	Form 4-20. Schedule of Members Set Forth in Text of Agreement	4-16
	Form 4-21. Schedule of Members (without Percentages)	4-17

Form 4-22.	No Preemptive Rights	4-17
Form 4-23.	Short-Form of Grant of Preemptive Rights	4-18
Form 4-24.	Long-Form of Grant of Preemptive Rights	4-18
4.13.	Miscellaneous Provisions	4-20
Form 4-25.	Miscellaneous Provisions	4-20
4.14.	Arbitration	4-23
Form 4-26.	Arbitration Provision	4-23
4.15.	Post-Organization Communications with Clients	4-23
Form 4-27.	Form of Post-Organization Reporting Letter to Client	4-23
 CHAPTER 5: SINGLE-MEMBER LLCs		5-1
5.1.	Introduction	5-2
5.1.1.	Elimination of Liability in Limited Partnerships or Joint Ventures	5-2
5.1.2.	Estate Planning — Probate Proceedings	5-3
5.1.3.	Tax Planning Using Single-Member LLCs	5-3
5.1.4.	Like-Kind Exchanges	5-3
5.1.5.	Corporate Divisions	5-4
5.1.6.	Corporate Reorganizations Involving Single-Member LLCs	5-4
5.1.7.	Using Single-Member LLCs as a Substitute for Consolidated Returns	5-5
5.2.	Operating Agreement	5-6
5.2.1.	Why Have an Operating Agreement	5-6
5.2.2.	Drafting the Operating Agreement	5-8
5.3.	Tax Treatment of the Single-Member LLC	5-9
5.3.1.	Tax Aspects of Admission of New Member to Single-Member LLC	5-10
5.3.2.	Tax Aspects of Conversion of Multi-Member LLC to Single-Member LLC	5-11
5.3.3.	A Disregarded Entity May be “Regarded” for Some Tax Purposes	5-12
5.3.3.1.	Connecticut Tax	5-12
5.3.3.2.	Federal Employment and Excise Tax	5-12
5.3.3.3.	Other Federal Tax Purposes	5-14
5.3.4.	Taxpayer Identification Number	5-15
5.4.	Determining the Number of Members	5-16
5.5.	Conversions of Sole Proprietorships to Single-Member LLCs	5-17
5.6.	Conclusion	5-17

CHAPTER 6:	LIMITED LIABILITY COMPANY	
	CAPITAL	6-1
6.1.	Drafting Capital Provisions.	6-3
6.2.	Initial Capital Contributions	6-3
	Form 6-1. Initial Capital Contributions in Cash	6-4
	Form 6-2. Initial Capital Contributions—Partly in Cash and Partly in Property	6-4
	Form 6-3. Representation in Connection with Contribution of Property	6-5
	Form 6-4. Contribution Agreement	6-5
6.3.	Additional Capital Contributions	6-7
	Form 6-5. Additional Capital Contributions at Discretion of Manager—Limit on Amount	6-7
	Form 6-6. Additional Capital Contributions of Manager.	6-8
	Form 6-7. Additional Capital Contributions at Discretion of Members—Limit on Amount.	6-8
	Form 6-8. No Liability Beyond Initial Capital Contribution	6-9
	Form 6-9. No Liability Beyond Additional Capital Contributions	6-9
6.4.	Default in Payment of Contributions	6-9
	Form 6-10. Remedy of Reduction of Member’s Interest in Event of Failure to Make Contribution to Manager-Managed LLC	6-10
6.5.	Interest on Capital Contributions	6-10
	Form 6-11. No Interest on Capital Contributions.	6-10
	Form 6-12. Interest on Capital Contributions.	6-11
6.6.	Return of Capital Contributions	6-11
	Form 6-13. Return of Capital Contributions.	6-12
6.7.	Form of Distribution	6-12
	Form 6-14. Form of Distribution—No Right to Receive Anything but Cash	6-12
	Form 6-15. Form of Distribution—Form of Distribution is at Discretion of Manager in Manager-Managed LLC.	6-13
6.8.	Capital Accounts	6-13
	Form 6-16. Capital Accounts Maintained in Accordance with Code Section 704.	6-13
6.9.	Loans.	6-13

Form 6-17.	Loans—General Authority of LLC to Borrow Money from Members on Terms to Be Agreed Upon in Future	6-14
Form 6-18.	Loans—Authority to Make Specific Loan with General Authority to Borrow Money from Members on Terms to Be Agreed upon in Future.	6-14
Form 6-19.	Certificate of Authority to Borrow from Lender	6-15
6.10.	Member Advances and Services	6-17

CHAPTER 7: ALLOCATION AND DISTRIBUTION PROVISIONS. 7-1

7.1.	Taxation of the LLC	7-3
7.2.	General Allocation and Distribution Concepts	7-3
7.3.	Distribution Restrictions Under the Act	7-4
7.4.	Allocation Restrictions — Code § 704(b)	7-4
7.4.1.	Overview.	7-4
7.4.2.	The Three Alternative Allocation Tests	7-5
7.4.2.1.	The First Test: Partners’ Interests.	7-5
7.4.2.2.	The Second Test: Substantial Economic Effect and Capital Accounts	7-6
7.4.2.3.	The Third Test: Nonrecourse Debt	7-7
7.4.3.	Allocations to Interest Holders	7-8
7.5.	Definitions	7-9
7.5.1.	Distribution-Related Definitions	7-9
Form 7-1.	Distribution Definitions	7-9
7.5.2.	Allocation-Related Definitions	7-10
Form 7-2.	Tax Definitions	7-10
7.6.	Basic Distribution Provisions	7-13
7.6.1.	In General	7-13
7.6.2.	Cash Flow from Operations	7-14
Form 7-3.	Distributions of Cash Flow No Priority Return	7-14
7.6.3.	Distribution of Capital Proceeds	7-14
Form 7-4.	Distribution of Capital Proceeds	7-15
7.6.4.	Liquidation Proceeds.	7-15

CONTENTS

	Form 7-5.	Liquidation and Dissolution	7-16
	Form 7-6.	Liquidation and Dissolution — Deficit Restoration Obligation	7-16
7.7.		Basic Allocation Provisions	7-17
	7.7.1.	Basic Allocations of Income and Loss	7-17
		Form 7-7. Profit or Loss.	7-17
	7.7.2.	Qualified Income Offset and Minimum Gain Chargeback	7-18
		Form 7-8. Qualified Income Offset and Minimum Gain Charge Back	7-19
	7.7.3.	Other Regulatory Allocations	7-20
		Form 7-9. Regulatory Allocations	7-20
	7.7.4.	General Provisions	7-21
		Form 7-10. General Provisions	7-21
7.8.		Complex and Disproportionate Distribution and Allocation Provisions	7-22
	7.8.1.	Distribution Preferences	7-22
		Form 7-11. Distribution Preference	7-23
	7.8.2.	Membership Units and Preferences.	7-24
		7.8.2.1. Membership Units	7-24
		7.8.2.2. Definitions	7-25
		Form 7-12. Definition of Units— Multiple Classes	7-25
		Form 7-13. Definition of Units— Voting Units.	7-26
		Form 7-14. Definition of Percentage Interest.	7-26
		7.8.2.3 Distribution Preferences	7-26
		Form 7-15. Distribution Preferences	7-27
		Form 7-16. Distribution Preferences— Tax Allocations	7-29
	7.8.3.	Disproportionate Allocation of Losses	7-30
		Form 7-17. Disproportionate Allocation of Loss	7-30
	7.8.4.	Flip-Flops	7-31
		Form 7-18. Flip-Flop on Sale.	7-32
7.9.		The New LLC Act	7-32
	7.9.1.	Distributions	7-32

7.9.2.	Restrictions on Making Distributions	7-33
7.9.3.	Liability for Distributions that Violate the Act’s Provisions.	7-34
CHAPTER 8: MANAGEMENT PROVISIONS		8-1
8.1.	Drafting LLC Management Provisions.	8-3
8.1.1.	General Flexibility under the Act	8-3
8.1.2.	Typical Approaches	8-4
8.1.3.	Managers.	8-4
8.1.4.	Designation of Officers	8-5
8.1.5.	Tax Aspects	8-5
8.2.	Member-Managed LLC Provisions	8-6
	Form 8-1. Simple Member-Management Provision	8-7
8.3.	Representative Management	8-7
8.3.1.	Management by a “General Partner”- Like Manager	8-8
	Form 8-2. Manager with “General Partner”- Like Authority	8-8
	Form 8-3. Manager with “General Partner”- Like Authority - Alternate Form	8-10
8.3.2.	Management by Management Committee	8-11
	Form 8-4. Management Committee	8-11
8.4.	Replacement of Managers.	8-13
	Form 8-5. Removal of Manager for Any Reason	8-13
	Form 8-6. Removal of Manager for Only Specified Reasons	8-14
	Form 8-7. Replacement of Manager with Designated Successor	8-14
8.5.	Meetings of Members or Managers	8-15
	Form 8-8. Procedure for Calling and Holding Meetings	8-15
8.6.	Action of Members Without a Meeting; Form of Member Consents	8-16
	Form 8-9. Action without a Meeting	8-16
	Form 8-10. Form of Consent of Members	8-16
8.7.	Deadlock and Resolution	8-17
	Form 8-11. Arbitration of Deadlock.	8-18
	Form 8-12. Buy-Sell in the Event of Deadlock	8-19
8.8.	Compensation and Reimbursement	8-22
8.8.1	Compensation of Members	8-22

CONTENTS

Form 8-13. No Arrangement for Compensation (Member-Managed) 8-22

Form 8-14. Compensation (Manager-Managed) 8-22

Form 8-15. Extraordinary Compensation 8-23

8.8.2 Compensation of Employees 8-23

8.9. Standard of Care and Degree of Loyalty; Interested Transactions 8-24

Form 8-16. Standard of Care and Degree of Loyalty 8-25

8.10. Judicial Actions 8-26

8.11. Indemnification 8-27

Form 8-17. Liability and Indemnification of Members (Manager-Managed) 8-27

Form 8-18. Liability and Indemnification of Members (Member-Managed) 8-28

Form 8-19. Indemnity and Contribution Agreement 8-28

8.12. Power of Attorney 8-34

Form 8-20. Power of Attorney 8-34

8.13. The New LLC Act. 8-35

8.13.1. Members as Agents of an LLC 8-35

8.13.2. Liability of Members 8-36

8.13.3. Voting Requirements 8-36

8.13.4. Managers 8-36

8.13.5. Member, Manager, and Officer Liability Protection 8-36

8.13.6. Duty of Care and Loyalty to an LLC. 8-37

CHAPTER 9: COMPENSATION STRATEGIES FOR THE LLC 9-1

9.1. Introduction 9-3

9.2. Code Section 83: Stock Grants and Options 9-4

9.2.1. Code Section 409A 9-7

9.2.2. Proposed 83 Guidance 9-12

9.3. Capital and Profit Interests 9-15

9.3.1. Tax Consequences for Transfers of Interests Prior to Effective Date under Proposed 83 Guidance 9-15

9.3.2. Tax Consequences for Transfers of Interests if Proposed 83 Guidance is Adopted 9-21

9.3.3. Code Section 409A 9-24

9.4. LLC (Partnership) vs. Corporation Compensation Methods 9-26

9.4.1.	Corporation Context.....	9-26
9.4.1.1.	Stock Grants.....	9-26
9.4.1.2.	Stock Options.....	9-27
9.4.1.3.	Phantom Stock Plans.....	9-28
9.4.2.	The LLC Context.....	9-29
9.4.2.1.	“Full” Equity Interest.....	9-30
9.4.2.2.	Point System or Unit Compensation.....	9-31
9.4.2.2.1.	Code Section 409A.....	9-32
9.4.2.3.	The Importance of Member Involvement.....	9-33
9.4.2.4.	Debt Guarantees.....	9-34
9.4.2.5.	Equity Interest vs. Non-equity Incentive Compensation.....	9-34
9.4.2.5.1.	Code Section 409A.....	9-35
9.4.3.	Compensation Comparison Chart.....	9-36
9.5.	Phantom Income and Distributions.....	9-39
9.5.1.	Tax Distributions.....	9-39
9.5.1.1.	Separate Calculations for Each Member.....	9-40
9.5.1.2.	Standard Distribution Rate.....	9-41
9.5.1.3.	Highest Marginal Tax Rate.....	9-42
9.5.2.	Self-Employment Tax.....	9-43
9.5.2.1.	Calculating Self-Employment Income.....	9-44
9.5.2.2.	Application of Self-Employment Tax to LLC Members.....	9-45
9.6.	Fiduciary Duties, Inspection Rights, and Other Duties to Equity Holders.....	9-45
9.7.	Securities Law Issues.....	9-46
9.8.	Equity and Non-Equity-Based LLC Compensation Plans and Grants.....	9-46

CHAPTER 10: TRANSFER, BUY-SELL, AND REDEMPTION PROVISIONS..... 10-1

10.1.	The Act’s Default Rules for Transfers.....	10-4
10.2.	Tax Aspects of Transfer Restrictions.....	10-4
10.2.1.	Partnership Classification.....	10-4
10.2.2.	“Technical” Termination of the LLC.....	10-5

CONTENTS

10.2.3.	Basis Issues	10-5
10.3.	Preliminary Drafting Considerations	10-6
Form 10-1.	Definitional Provision — Transfer.	10-6
Form 10-2.	Definitional Provisions — Economic Interest and Membership Interest	10-7
10.4.	Drafting Transfer Provisions that Follow the Act’s Default Rules.	10-7
Form 10-3.	Transfer Provision Following Act’s Default Rules	10-8
Form 10-4.	Assignment of Membership Interest	10-8
10.5.	Drafting Transfer Provisions that Permit Free Transferability of Interests	10-9
Form 10-5.	Free Transferability of Interests and Rights	10-9
10.6.	Drafting Transfer Provisions that Absolutely Prohibit Transfers of Any Kind.	10-9
Form 10-6.	Absolute Prohibition of Transfers	10-10
10.7.	Drafting Transfer Provisions that Permit Transfers Only on Certain Conditions	10-10
10.7.1.	In General	10-10
Form 10-7.	Transfer Permitted on Satisfaction of Certain Conditions	10-11
10.7.2.	First Refusal Rights.	10-12
Form 10-8.	Right of First Refusal; LLC Purchases; Installments Allowed.	10-12
Form 10-9.	Right of First Refusal; Member’s Purchase Payment Terms Matched	10-14
Form 10-10.	Right of First Offer; LLC Purchases; Cash Purchase.	10-15
10.7.3.	Admission of Transferee as a Member	10-17
Form 10-11.	Transferee Not Admitted as Member Without Consent of Majority in Interest of the Non-Transferring Members	10-17
Form 10-12.	Transferee Automatically Admitted as Member.	10-17
10.7.4.	Transfers to Members’ Affiliates and Family	10-18
Form 10-13.	Definitional Provision— Family	10-18
Form 10-14.	Transfers to Affiliates and Family.	10-18

10.7.5.	Taking a Security Interest in a Membership Interest	10-18
	Form 10-15. Pledge Agreement	10-21
10.8.	Withdrawal Under the Act	10-26
10.8.1.	Voluntary Withdrawal	10-26
	Form 10-16. Voluntary Withdrawal Defined	10-27
	Form 10-17. Voluntary Withdrawal — Not Permitted	10-27
	Form 10-18. Withdrawn Member’s Payment of Bank Debt	10-27
10.8.2.	Involuntary Withdrawal	10-28
	Form 10-19. Involuntary Withdrawal Defined (Long Form)	10-29
	Form 10-20. Involuntary Withdrawal Defined (Short Form)	10-30
10.9.	Consequences of Dissociation in General	10-30
	Form 10-21. Limitation on Withdrawn Member’s Right to Distributions	10-31
10.10.	Creating Buy-Out Rights	10-31
	Form 10-22. Option to Purchase a Dissociated Member’s Membership Interest	10-32
	Form 10-23. Mandatory Buy-Out; Members Buy; Installments Permitted	10-33
10.11.	Valuation Provisions	10-34
	Form 10-24. Agreed Value	10-34
	Form 10-25. Book Value	10-34
	Form 10-26. Appraised Value	10-35
10.12.	Installment Buy-outs	10-36
	Form 10-27. Installment Buy-Outs	10-36
10.13.	Buy-Sell Provisions	10-36
	Form 10-28. Shot-Gun Buy-Sell Provision	10-37
	Form 10-39. Deadlock; Buy-Sell	10-39
	Form 10-30. “Put-Call” Buyout Provision	10-40
10.14.	Stand-Alone Restricted Interest Agreements	10-41
10.15.	Redemption Agreements	10-41
	Form 10-31. Redemption Agreement	10-41
	Form 10-32. Membership Interest Redemption Agreement	10-43
	Form 10-33. Membership Interest Redemption Agreement (Alternative Form)	10-46

CONTENTS

10.16. The New LLC Act. 10-55

 10.16.1. Transferable Interests 10-55

 10.16.2. Wrongful Dissociation 10-56

 10.16.3. Member Withdrawal or Expulsion 10-56

 10.16.4. Judicial Expulsion of a Member 10-56

 10.16.5. Effect of Member’s Dissociation. 10-57

CHAPTER 11: DISSOLUTION 11-1

11.1. Overview of LLC Dissolution. 11-3

11.2. The Act’s Dissolution Provisions 11-3

11.3. Events of Dissolution 11-4

 Form 11-1. Dissolution—Requires Majority of Percentages Held by Members 11-4

 Form 11-2. Events of Dissolution Affecting Only Managers 11-5

11.4. Judicial Dissolution. 11-5

11.5. Articles of Dissolution 11-6

 Form 11-3. Articles of Dissolution Signed by Member 11-6

 Form 11-4. Articles of Dissolution Signed by Manager 11-7

11.6. Procedure for Winding Up and Distribution of Assets 11-7

 Form 11-5. Procedure for Winding Up in Member-Managed LLC 11-8

 Form 11-6. Procedure for Winding Up in Manager-Managed LLC 11-9

 Form 11-7. Procedure for Winding Up in Member-Managed LLC; Reference to Another Section of Operating Agreement for Manner of Distribution to Members 11-9

 Form 11-8. Procedure for Winding Up in Manager-Managed LLC; Reference to Another Section of Operating Agreement for Manner of Distribution to Members 11-9

 Form 11-9. Procedure for Winding Up and Distribution of Assets in Manager-Managed LLC—Manager Acts as Liquidating Trustee 11-10

11.7. Dissolution by Forfeiture 11-10

11.8.	Dissolution Authority	11-11
11.9.	Claims in Dissolution	11-11
	Form 11-10. Notice to Creditors of Dissolution.	11-12
11.10.	Reinstatement	11-13
11.11.	The New LLC Act.	11-14
	11.11.1. Winding Up a Dissolved LLC.	11-14
	11.11.2. Reinstatement	11-15
	11.11.3. Distributions from a Dissolved LLC.	11-15
 CHAPTER 12: BOOKS, RECORDS, AND ACCOUNTING. . . .		12-1
12.1.	Introduction.	12-3
12.2.	Records	12-3
	Form 12-1. Maintenance of Records — Member-Managed LLC.	12-4
	Form 12-2. Maintenance of Records — Manager-Managed LLC (Short Form)	12-4
	Form 12-3. Maintenance of Records — Manager-Managed LLC (Long Form).	12-5
12.3.	Banking.	12-5
	Form 12-4. Bank Accounts.	12-6
12.4.	Accounting Decisions	12-6
	Form 12-5. Accounting Decisions	12-6
12.5.	Accounting Periods	12-6
	Form 12-6. Calendar Year Accounting Period Specified	12-6
	Form 12-7. Fiscal Year Accounting Period Specified	12-7
	Form 12-8. Year to Be Determined by Members	12-7
	Form 12-9. Annual Accounting Period Established by Managers.	12-7
12.6.	Reports	12-7
	Form 12-10. Preparation of Reports (Short Form) for Member-Managed or Manager-Managed LLC	12-8
	Form 12-11. Preparation of Reports (Long Form) for Manager-Managed LLC	12-8
12.7.	“Tax Matters Partner”	12-9
	Form 12-12. Tax Matters Partner (Short Form)	12-9
	Form 12-13. Tax Matters Partner (Long Form)	12-10
12.8.	Tax Elections.	12-10
	Form 12-14. Generally Applicable Tax Election for Use in Manager-Managed LLC	12-10

CONTENTS

Form 12-15. Tax Elections — Applies to Code § 754 Only — for Use in Either Member- Managed or Manager-Managed LLC	12-11
Form 12-16. Tax Classification Election on Form 8832	12-12
12.9. Title to Property	12-12
Form 12-17. Title to Property — In Company Name.	12-12
Form 12-18. Title to Company Property — Use of Nominee Permitted.	12-13
12.10. Annual Reports and Interim Reports	12-13
12.11. The New LLC Act.	12-14
12.11.1. Access to LLC Information.	12-14
12.11.2. Harm Caused by Inaccurate Records	12-16
12.11.3. Annual Report	12-16

**PART III
MISCELLANEOUS**

CHAPTER 13: REORGANIZATION OF THE LLC: ADMISSION, CONVERSION AND MERGER	13-1
13.1. In General	13-3
13.2. Admission of New Members	13-3
13.2.1. Acquisition of Interest from Company	13-3
Form 13-1. Simple Subscription Agreement for LLC Membership Interest	13-4
Form 13-2. Long Form Subscription Agreement for LLC Membership Interest.	13-5
Form 13-3. First Amendment to Operating Agreement Admitting Assignee of Interest as a Member	13-9
Form 13-4. Agreement of Sale and Purchase	13-11
13.2.2. Acquisition of Interest from Another Member	13-17
Form 13-5. Consent to Be Bound by Operating Agreement	13-18

13.3.	Transformative Transactions Among Existing Business	
	Entities and LLCs	13-19
13.3.1.	In General	13-19
	Form 13-6. Certificate of Change of Name	13-20
	13.3.2. Connecticut Entity Transactions Act	13-20
13.4.	Merger of an LLC with Another Entity	13-21
13.5.	Interest Exchange Between an LLC and Another Entity.	13-23
13.6.	Conversion of an LLC to or from Another Entity	13-24
	Form 13-7. Explanatory Statement— Conversion of General Partnership into LLC	13-25
	Form 13-8. Term is Continuation of Term of Partnership	13-26
	Form 13-9. Initial Capital Contributions— Partnership to LLC Conversion	13-26
13.7.	Domestication of an LLC	13-26
13.8.	Mergers of Two or More LLCs.	13-28
	Form 13-10. Plan of Merger of Connecticut LLCs	13-30
	Form 13-11. Merger of Two Connecticut LLCs	13-32
13.9.	Tax Considerations	13-34
	13.9.1. Conversion of General or Limited Partnership into LLC	13-34
	13.9.2. Conversion of Corporation into LLC	13-35
	13.9.3. Conversion of LLC into Corporation	13-36
	13.9.4. Tax Consequences and Planning Strategies with Cross-Entity Mergers	13-38
13.10.	Recapitalizing the LLC.	13-39
13.11.	The New LLC Act.	13-39
	13.11.1. Admission of Members	13-39
	13.11.2. LLC Mergers and Interest Exchanges.	13-40
	13.11.3. Professional Service LLCs	13-41
	13.11.4. Mergers	13-41
	13.11.5. Authorized Interest Exchanges	13-42
CHAPTER 14:	DOING INTERSTATE BUSINESS	14-1
14.1.	Foreign LLCs Doing Business in Connecticut	14-2
	14.1.1. Governing Law	14-2
	14.1.2. Transacting Business.	14-3
	14.1.3. Procedure for Applying for Certificate of Registration	14-4

CONTENTS

Form 14-1. Application for Registration of Name of a Foreign Limited Liability Company	14-6
14.1.4. Issuance of Registration	14-8
14.1.5. Amendment of Foreign Registration Statement	14-8
Form 14-2. Amendment of Foreign Registration Statement.	14-11
14.1.6. Subsequent Change of Statutory Agent.	14-14
Form 14-3. Change of Agent – Foreign.	14-15
14.1.7. Statement of Withdrawal of Registration	14-18
Form 14-4. Statement of Withdrawal of Registration.	14-19
14.1.8. Transacting Business without Registration.	14-21
14.1.9. Annual Reports	14-21
14.2. Connecticut LLCs Doing Business Outside of Connecticut	14-22
14.2.1. New York	14-22
14.2.2. Rhode Island	14-23
14.2.3. Massachusetts	14-24
14.2.4. Delaware	14-25
14.3. The New LLC Act.	14-26
14.3.1. Registered Foreign LLC	14-26
14.3.2. Registered after Merger.	14-27
14.3.3. Service after Withdrawing Registration	14-27

**CHAPTER 15: PROFESSIONAL LLCs,
LIMITED LIABILITY PARTNERSHIPS (LLPS)
AND LIMITED LIABILITY
LIMITED PARTNERSHIPS (LLLPS) 15-1**

15.1. Introduction.	15-2
15.1.1. Enumerated Professional Services	15-2
15.1.2. Comparison of Entity Types	15-3
15.2. Professional LLCs.	15-4
15.2.1. Practice Requirements.	15-4
15.2.2. Liability of Members of a Professional Service LLC	15-5
15.3. Limited Liability Partnerships (LLPs)	15-6
15.3.1. Overview of Connecticut LLPs.	15-6
15.3.2. Procedure for Electing LLP Status	15-7
Form 15-1. Certificate of Limited Liability Partnership	15-8

15.3.3. Registration of Foreign LLPs 15-10
 Form 15-2. Certificate of Authority Foreign
 Limited Liability Partnership 15-11

15.4. Comparison of LLPs and LLCs 15-13
 15.4.1. Income Tax 15-13
 15.4.2. Self-Employment Tax 15-14
 15.4.3. Power to Bind the Entity 15-16

15.5. The New LLC Act. 15-16

CHAPTER 16: CONNECTICUT TAXATION OF LIMITED LIABILITY COMPANIES. 16-1

16.1. Introduction 16-2

16.2. Conformity with Federal Treatment of LLCs 16-2
 16.2.1. Connecticut Income Tax Treatment 16-2
 16.2.1.1. Income Taxes Applicable to Connecticut
 LLCs. 16-2
 16.2.1.2. Connecticut Income Tax
 Withholding on Non-Resident Members . 16-3

 16.2.2. Income Tax Treatment in Other States 16-5

 16.2.3. Other Connecticut Taxes 16-6
 16.2.3.1. Conveyance Tax Issues 16-6

CHAPTER 17: USE OF LLCs BY EXEMPT ORGANIZATIONS. 17-1

17.1. Introduction. 17-2

17.2. Uses of LLCs by Exempt Organizations. 17-2
 17.2.1. Use of a Connecticut LLC as a Wholly-Owned
 Subsidiary of an Exempt Organization to
 Carry Out a “Business” Purpose 17-2

 17.2.2. Use of a Connecticut LLC as the
 Wholly-Owned Subsidiary of an Exempt
 Organization to Carry Out an Exempt
 Purpose 17-4

 Form 17-1. Articles of Organization of
 Single-Member LLC Organized
 to Carry Out an Exempt Purpose
 of a Tax-Exempt Parent. 17-7

 Form 17-2. Operating Agreement of
 Single-Member LLC
 Organized to Carry Out an
 Exempt Purpose of a Tax-Exempt
 Parent 17-10

CHAPTER 18: BANKRUPTCY ISSUES CONCERNING LLCS.....	18-1
18.1. Overview.....	18-3
18.1.1. Bankruptcy Terms and Key Bankruptcy Code Sections	18-3
18.2. Eligibility of LLCs for Voluntary Relief under the Bankruptcy Code	18-4
18.3. Property of the LLC’s Estate	18-5
Form 18-1. Operating Agreement Provision — Limitation on Obligation to Make Additional Capital Contributions.....	18-6
18.4. May a Member Commence an Involuntary Case Against an LLC?	18-7
18.5. What Authority Is Needed to Approve the Filing of a Voluntary Case by an LLC?	18-8
Form 18-2. Operating Agreement Provision — Unanimous Consent of Members to Filing a Voluntary Case	18-10
Form 18-3. Operating Agreement Provision — Consent of Majority of Members to Filing a Voluntary Case	18-11
Form 18-4. Operating Agreement Provision — Manager Vote Required for Filing a Voluntary Case.....	18-11
Form 18-5. Operating Agreement Provision — Member and Manager Vote Required for Filing a Voluntary Case	18-12
Form 18-6. Resolutions of Members in Member- Managed LLC — Consenting to Filing a Voluntary Case under Chapter 7	18-13
Form 18-7. Resolutions of Board of Directors in Director-Managed LLC — Consent to Filing a Voluntary Case under Chapter 11	18-14
18.6. LLC Interest as Property of a Bankrupt Member’s Estate	18-15
18.7. Right of the LLC or Remaining Members to Terminate Management Rights of a Bankrupt Member.....	18-15
18.8. Member’s Bankruptcy as an Event of Dissolution	18-21
18.9. Buyout of a Member’s Interest in the Event of the Member’s Bankruptcy.....	18-23
18.10. The New LLC Act.....	18-23
18.10.1. Charging Orders	18-23

**PART IV
APPENDICES**

APPENDIX A: MEMBER-MANAGED OPERATING AGREEMENT OF _____ LIMITED LIABILITY COMPANY A-1

APPENDIX A1: SINGLE-MEMBER OPERATING AGREEMENT OF _____ LIMITED LIABILITY COMPANY A1-1

APPENDIX B: MANAGER-MANAGED OPERATING AGREEMENT OF _____ LIMITED LIABILITY COMPANY B-1

APPENDIX B1: OPERATING AGREEMENT OF THE _____ FAMILY INVESTMENT COMPANY, LLC..... B1-1

APPENDIX B2: OPERATING AGREEMENT OF BRAD, LLC B2-1

APPENDIX B3: OPERATING AGREEMENT OF LIMITED LIABILITY COMPANY WHICH OWNS A VACATION HOME..... B3-1

APPENDIX C: PROFESSIONAL SERVICES OPERATING AGREEMENT OF _____ LIMITED LIABILITY COMPANY C-1

APPENDIX D: THE CONNECTICUT UNIFORM LIMITED LIABILITY COMPANY ACT, EFFECTIVE AS OF JULY 1, 2017 D-1

APPENDIX E: OLR BILL SUMMARY OF THE CULLCA E-1

APPENDIX F: PROVISIONS FROM PUBLIC ACT 17-108, AMENDING THE CULLCA AND OLR F-1

APPENDIX G: INTERNAL REVENUE SERVICE REVENUE RULING 94-79 G-1

APPENDIX H: CHECK-THE BOX REGULATIONS..... H-1

APPENDIX I: CONNECTICUT SECRETARY OF STATE FORMS I-1

CONTENTS

APPENDIX I1: FEE SCHEDULE	II-1
APPENDIX J: CHAPTER 614 CONNECTICUT UNIFORM PARTNERSHIP ACT. LIMITED LIABILITY PARTNERSHIP (EFFECTIVE JULY 1, 1997) ..	J-1
APPENDIX K: IRS FORM 8832	K-1
APPENDIX L: DEPARTMENT OF REVENUE SERVICES POLICY STATEMENT ON LIMITED LIABILITY COMPANIES.....	L-1
APPENDIX M: EXCERPTS FROM SPECIAL NOTICE 98(3) DEALING WITH CONNECTICUT'S ADOPTION OF THE APPROACH TAKEN BY THE CHECK-THE-BOX REGULATIONS	M-1
APPENDIX N: EQUITY INTEREST PLAN: UNIT GRANT AGREEMENT.....	N-1
APPENDIX O: NON-EQUITY PLAN: COMMUNICATIONS, LLC	O-1
APPENDIX P: COMPARISON OF STATE LLC FEES AND OTHER INFORMATION.....	P-1
APPENDIX Q: PUBLIC ACT NO. 01-188.....	Q-1
APPENDIX R: RESTRICTED INTEREST AGREEMENT.....	R-1
APPENDIX R1: SAMPLE PROFITS INTEREST GRANT AGREEMENT.....	R1-1
APPENDIX S: PROVISIONS OF PA 03-18 DEALING WITH CROSS-ENTITY MERGERS OF LLCs	S-1
APPENDIX T: EXCERPTED SECTION 7701 REGULATIONS	T-1
APPENDIX U: IP 2006(22) PASS-THROUGH ENTITY WITHHOLDING	U-1
APPENDIX V: SUMMARY OUTLINE OF THE PROVISIONS OF CULLCA C.G.S. §§ 34-255 THROUGH 34-255I (PART IV OF CHAPTER 613A)	V-1

**APPENDIX W: SUMMARY OF IMPORTANT OPERATING
AGREEMENT DRAFTING CONSIDERATIONS
UNDER CULLCA..... W-1**

**PART V
INDICES**

Table of Connecticut Laws INDEX-1
Table of Cases INDEX-14
Subject Index INDEX-17
Forms Index INDEX-36