

# Contents

## PART I ORGANIZATION

### CHAPTER 1: NATURE AND USE OF THIS PRACTICE MANUAL . . . . .

		<b>1-1</b>
1.1.	Nature and Use of This Practice Manual . . . . .	1-3
1.2.	Summary of the Pennsylvania Uniform Limited Liability Company Act of 2016 and Comparison of the LLC with Other Entities . . . . .	1-4
1.2.1.	Summary of the Pennsylvania LLC Act. . . . .	1-4
1.2.1.1.	The LLP . . . . .	1-4
1.2.1.2.	The LLC . . . . .	1-4.2
1.2.1.3.	The RPC . . . . .	1-4.3
1.2.1.4.	Miscellaneous . . . . .	1-4.5
1.2.1.5.	General . . . . .	1-4.5
1.2.1.6.	Limited Liability Companies . . . . .	1-4.6
1.2.1.7.	Restricted Professional Company ("RPC") . . . . .	1-4.13
1.2.1.8.	Registered Limited Liability Partnerships . . . . .	1-4.15
1.2.2.	Comparison of the LLC with Other Entities . . . . .	1-4.17
	Table 1. Comparison of Limited Liability Companies, Limited Liability Partnerships, Limited Partnerships, S Corporations, and C Corporations . . . . .	1-5
	Table 2. Comparison of State LLC Fees and Other Information . . . . .	1-8
1.3.	History of the LLC . . . . .	1-8.25
1.4.	Classification of the LLC as a Partnership for Federal Income Tax Purposes . . . . .	1-8.25
1.4.1.	Adoption of Federal Check-the-Box Regulations . . . . .	1-10
1.4.2.	Tax History of The LLC . . . . .	1-10
1.4.3.	Federal Check-the-Box Regulations . . . . .	1-12
1.4.3.1.	Check-the-Box Regulations in General . . . . .	1-12
1.4.3.2.	Check-the-Box Classification Rules— Introduction . . . . .	1-14
1.4.3.3.	Check-the-Box Classification Rules— LLC Organized on or after January 1, 1997 . . . . .	1-15

CONTENTS

1.4.3.4.	Check-the-Box Classification Rules— LLCs Organized before January 1, 1997, for Periods before January 1, 1997 . . . . .	1-16
1.4.3.5.	Check-the-Box Classification Rules— LLCs Organized before January 1, 1997, for Periods after January 1, 1997 . . . . .	1-17
1.4.3.6.	Elections. . . . .	1-18
1.4.4.	Number of Members . . . . .	1-20
1.5.	Pennsylvania Tax Considerations. . . . .	1-20
1.5.1.	Taxation as an S Corporation . . . . .	1-20
1.5.2.	Prior Law . . . . .	1-22
1.6.	The Pennsylvania Uniform Limited Liability Company Act of 2016—An Overview. . . . .	1-24
1.7.	The Tax Cuts and Jobs Act of 2017 . . . . .	1-26
1.7.1.	2017 Tax Act’s Impact on the Choice of Entity . . . .	1-27
1.7.2.	Section 199A – Deduction for Qualified Business Income. . . . .	1-28
1.7.3.	Section 1061 – Carried Interests . . . . .	1-32
1.7.4.	Section 163(j) – Limitation on Interest Deduction. . .	1-33
1.7.5.	Section 708 – Repeal of Technical Termination of Partnership. . . . .	1-34
1.7.6.	Section 461(l) – Limitation on Excess Business Losses of Non-Corporate Taxpayers . . . . .	1-35

<b>CHAPTER 2:</b>	<b>FORMATION AND ORGANIZATION . . . . .</b>	<b>2-1</b>
2.1.	Introduction . . . . .	2-2
2.2.	Pre-Formation Matters . . . . .	2-2
	Form 2-1. Memorandum Attendant to the Execution and Filing of Certificate of Organization . . . . .	2-3
2.2A.	Matters to Be Considered in Connection with the Formation of an LLC . . . . .	2-3
	Form 2-2. Letter Directing Execution and Filing of Certificate of Organization . . . . .	2-6
2.3.	Certificate of Organization. . . . .	2-7
2.3.1.	Basic Requirements . . . . .	2-7
2.3.2.	Optional Provisions . . . . .	2-8
	Form 2-3. Certificate of Organization. . . . .	2-10
	Form 2-4. Optional Provisions of Certificate of Organization. . . . .	2-10.2
2.4.	Statement of Correction . . . . .	2-10.3

	Form 2-5. Exhibit to Statement of Correction of Certificate of Organization . . . . .	2-11
2.5.	Certificate of Amendment . . . . .	2-11
	Form 2-6. Unanimous Consent of Members to Amend Certificate of Organization . . . . .	2-12
	Form 2-7. Consent of Members to Amend Certificate of Organization Where Operating Agreement Does Not Require Unanimity . . . . .	2-13
	Form 2-8. Certificate of Amendment . . . . .	2-15
2.6.	Reservation of Name . . . . .	2-18

## PART II OPERATIONS

<b>CHAPTER 3:</b>	<b>THE OPERATING AGREEMENT . . . . .</b>	<b>3-1</b>
3.1.	In General. . . . .	3-2
3.2.	“Operating Agreement” Defined . . . . .	3-2
3.3.	Flexibility of the LLC Form. . . . .	3-3
3.4.	Form of the Operating Agreement . . . . .	3-3
3.5.	Formality of Adoption . . . . .	3-3
3.6.	Amendment . . . . .	3-3
3.7.	Form Operating Agreements . . . . .	3-4
<b>CHAPTER 4:</b>	<b>ORGANIZATION . . . . .</b>	<b>4-1</b>
4.1.	Drafting LLC Organization Provisions . . . . .	4-3
4.2.	Introductory Paragraph. . . . .	4-3
	Form 4-1. Introductory Paragraph—Names Parties. . . . .	4-3
	Form 4-2. Introductory Paragraph—Does Not Name Parties . . . . .	4-4
4.3.	Background to Agreement . . . . .	4-4
	Form 4-3. Explanatory Statement . . . . .	4-4
4.4.	Confirmation of Agreement . . . . .	4-4
	Form 4-4. Confirmation of Agreement. . . . .	4-5
4.5.	Definitions . . . . .	4-5
	4.5.1. “Interest” Compared to “Membership Rights” . . . . .	4-5
	4.5.2. “Interest Holder” Compared to “Member” . . . . .	4-6
	Form 4-5. General Definitions . . . . .	4-7
4.6.	Agreement to Organize LLC . . . . .	4-8.1
	Form 4-6. General Agreement to Organize LLC . . . . .	4-8.1
	Form 4-7. Organizational Provision Confirming That Certificate of Organization Has Been Filed . . . . .	4-9
4.7.	Name . . . . .	4-9

CONTENTS

	Form 4-8.	Name Provision for Member-Managed LLC . . . . .	4-9
	Form 4-9.	Name Provision for Manager-Managed LLC . . .	4-10
4.8.	Purpose . . . . .		4-10
	Form 4-10.	Any Lawful Purpose . . . . .	4-10
	Form 4-11.	Specific Purpose . . . . .	4-10
	Form 4-12.	Purpose Limited to Real Estate . . . . .	4-11
4.9.	Term . . . . .		4-11
	Form 4-13.	Term Commences on Date of Filing of Articles . . . . .	4-12
	Form 4-14.	Term Commences upon Execution of Operating Agreement . . . . .	4-12
4.10.	Registered Office; Principal Office . . . . .		4-12
	Form 4-15.	Principal Office of LLC Managed by Members . . . . .	4-12
	Form 4-16.	Principal Office of LLC Managed by Managers . . . . .	4-13
4.11.	Registered Office Provider . . . . .		4-13
	Form 4-17.	Registered Office Provider . . . . .	4-13
4.12.	Members . . . . .		4-14
	Form 4-18.	Schedule of Members Set Forth in Exhibit . . . .	4-14
	Form 4-19.	Schedule of Members Set Forth in Text of Agreement . . . . .	4-15
	Form 4-20.	Schedule of Members (without Percentages) . . .	4-16
4.13.	Miscellaneous Provisions . . . . .		4-16
	Form 4-21.	Miscellaneous Provisions . . . . .	4-17
4.14.	Post-Organization Communication with Clients . . . . .		4-21
	Form 4-22.	Form of Post-Organization Reporting Letter to Client . . . . .	4-22
	Form 4-23.	Alternate Form of Letter to New LLC Regarding Operational and Other Post-Formation Matters . . . . .	4-24
<b>CHAPTER 5: CAPITAL PROVISIONS . . . . .</b>			<b>5-1</b>
5.1.	Drafting Capital Provisions . . . . .		5-3
5.2.	Initial Capital Contributions . . . . .		5-3
	Form 5-1.	Initial Capital Contributions in Cash . . . . .	5-3
	Form 5-2.	Initial Capital Contributions—Partly in Cash and Partly in Services . . . . .	5-4
	Form 5-3.	Initial Capital Contributions—Partly in Cash and Partly in Property . . . . .	5-4
	Form 5-4.	Representation in Connection with Contribution of Property . . . . .	5-5
5.3.	Additional Capital Contributions . . . . .		5-5

	Form 5-5.	Additional Capital Contributions at Discretion of Manager—Limit on Amount. . . . .	5-5
	Form 5-6.	Additional Capital Contributions at Discretion of Members—Limit on Amount . . . . .	5-6
	Form 5-7.	Limitation of Liability. . . . .	5-6
5.4.	Default in Payment of Contributions . . . . .		5-7
	Form 5-8.	Remedy of Reduction of Member’s Interest in Event of Failure to Make Contribution to Manager-Managed LLC . . . . .	5-7
5.5.	Interest on Capital Contribution. . . . .		5-8
	Form 5-9.	No Interest on Capital Contributions. . . . .	5-8
	Form 5-10.	Interest on Capital Contribution . . . . .	5-9
5.6.	Return of Capital Contribution. . . . .		5-9
	Form 5-11.	Return of Capital Contribution—Unanimous Consent of Members and Compliance with Act Required . . . . .	5-9
5.7.	Form of Distribution. . . . .		5-10
	Form 5-12.	Form of Distribution—No Right to Receive Anything but Cash. . . . .	5-10
	Form 5-13.	Form of Distribution—Form of Distribution Is at Discretion of Manager in Manager-Managed LLC . . . . .	5-11
5.8.	Capital Accounts . . . . .		5-11
	Form 5-14.	Capital Accounts Maintained in Accordance with IRC Section 704 . . . . .	5-11
5.9.	Loans . . . . .		5-11
	Form 5-15.	Loans—General Authority of LLC to Borrow Money from Members on Terms to Be Agreed upon in Future. . . . .	5-12
	Form 5-16.	Loans—Authority to Make Specific Loan with General Authority to Borrow Money from Members on Terms to Be Agreed Upon in Future . . . . .	5-12

## CHAPTER 6: ALLOCATION AND DISTRIBUTION PROVISIONS. . . . .

			<b>6-1</b>
6.1.	Taxation of the LLC. . . . .		6-3
6.2.	General Allocation and Distribution Concepts . . . . .		6-3
6.3.	Distribution Restrictions Under the Act. . . . .		6-4
6.4.	Allocation Restrictions—IRC Section 704(b) . . . . .		6-4.1
	6.4.1.	Overview . . . . .	6-4.1
	6.4.2.	The Three Alternative Allocation Tests . . . . .	6-5
		6.4.2.1.	The First Test: Partners’ Interest . . . . . 6-6
		6.4.2.2.	The Second Test: Substantial Economic

## CONTENTS

	Effect and Capital Accounts. . . . .	6-6
	6.4.2.3. The Third Test: Nonrecourse Debt. . . . .	6-7
	6.4.3. Allocation to Interest Holders . . . . .	6-8
6.5.	Definitions . . . . .	6-9
	6.5.1. Distribution-Related Definitions . . . . .	6-9
	Form 6-1. Distribution Definitions . . . . .	6-10
	6.5.2. Allocation-Related Definitions. . . . .	6-11
	Form 6-2. Tax Definitions. . . . .	6-11
6.6.	Basic Distribution Provisions. . . . .	6-13
	6.6.1. In General . . . . .	6-13
	6.6.2. Cash Flow from Operations . . . . .	6-14
	Form 6-3. Distributions of Cash Flow . . . . .	6-15
	6.6.3. Distributions of Capital Proceeds. . . . .	6-15
	Form 6-4. Distributions of Capital Proceeds . . . . .	6-15
	6.6.4. Liquidation Proceeds . . . . .	6-16
	Form 6-5. Liquidation and Dissolution. . . . .	6-16
	Form 6-6. Liquidation and Dissolution—Deficit Restoration Obligation. . . . .	6-17
6.7.	Basic Allocation Provision. . . . .	6-18.1
	6.7.1. Basic Allocations of Income and Loss . . . . .	6-18.1
	Form 6-7. Profit or Loss . . . . .	6-18.1
	6.7.2. Qualified Income Offset and Minimum Gain Chargeback. . . . .	6-19
	Form 6-8. Qualified Income Offset and Minimum Gain Chargeback . . . . .	6-20
	6.7.3. Other Regulatory Allocations. . . . .	6-20
	Form 6-9. Regulatory Allocations. . . . .	6-22
	6.7.4. General Provisions . . . . .	6-23
	Form 6-10. General Provisions. . . . .	6-23
6.8.	Complex and Disproportionate Distribution and Allocation Provisions. . . . .	6-25
	6.8.1. Distributions Preferences . . . . .	6-25
	Form 6-11. Distributions Preferences. . . . .	6-25
	6.8.2. Disproportionate Allocation of Losses. . . . .	6-27
	Form 6-12. Disproportionate Allocation of Loss . . . . .	6-27
	6.8.3. Flip-Flops . . . . .	6-28
	Form 6-13. Flip-Flop on Sale . . . . .	6-29
	6.8.4. An Alternative Approach . . . . .	6-30
<b>CHAPTER 6A: LLCs ELECTING TO BE TAXED AS S CORPORATIONS. . . . .</b>		<b>6A-1</b>
6A.1.	General Considerations . . . . .	6A-2
	6A.1.1. Perceived Benefits of an LLC Electing S Corp Status . . . . .	6A-2

6A.1.1.1.	Reducing Self-Employment Taxes . . . . .	6A-2
6A.1.1.2.	Corporate Financial and Tax Accounting May be Less Expensive . . . . .	6A-3
6A.1.1.3.	Ability to Revert to Partnership Tax Status . . . . .	6A-3
6A.1.2.	Offsets to Perceived Benefits of an LLC Electing S Corp Status . . . . .	6A-4
6A.1.2.1.	Risk of Salary Being Challenged by IRS as Unreasonable . . . . .	6A-5
6A.1.2.2.	Loss of Disregarded Entity Status . . . . .	6A-5
6A.1.2.3.	Prohibition of Multiple Classes of Stock . . . . .	6A-5
6A.1.2.4.	Restriction on Certain Types of Members . . . . .	6A-6
6A.2.	Electing Out of S Corp Status . . . . .	6A-6
6A.3.	Comparison of Net after Tax Results to Owners in an LLC Taxed as an S Corp, and the Same Entity Taxed as a Partnership . . . . .	6A-7
6A.3.1.	Hypothetical Situation . . . . .	6A-7
6A.3.2.	Chart of Employment Taxes for the Year 2017 (Federal) . . . . .	6A-8
6A.3.3.	Tax on Investment Earnings . . . . .	6A-9
6A.3.4.	Partner Above-the-Line Deduction for SE Tax . . . . .	6A-9
6A.4.	Why Use an LLC for S Corp Treatment? . . . . .	6A-9
6A.4.1.	Overview . . . . .	6A-9
6A.4.2.	Advantages Associated with Using the LLC Form. . . . .	6A-9
6A.4.3.	Disadvantages Associated with Using the LLC Form. . . . .	6A-11
6A.5.	Procedures for LLC Electing S Corp Status . . . . .	6A-12
6A.5.1.	Operating Agreement; Ownership Interests . . . . .	6A-12
6A.5.2.	Protecting the Election . . . . .	6A-12
6A.5.3.	Making the Election . . . . .	6A-13
6A.5.4.	Operating Agreement . . . . .	6A-13

<b>CHAPTER 7:</b>	<b>MANAGEMENT . . . . .</b>	<b>7-1</b>
7.1.	Drafting LLC Management Provisions . . . . .	7-3
7.1.1.	General Flexibility under the Act . . . . .	7-3
7.1.2.	Typical Approaches . . . . .	7-8
7.1.3.	Officers, Managers, and Authorized Persons . . . . .	7-8
7.2.	Member-Managed Provisions . . . . .	7-8

CONTENTS

	Form 7-1.	Simple Member-Management Provision. . . . .	7-9
	Form 7-2.	Member-Management but with Appointment of Ministerial Manager . . . . .	7-9
7.3.		Representative Management . . . . .	7-10
7.3.1.		Management by a Statutory Manager . . . . .	7-10.1
	Form 7-3.	Manager with Statutory Authority . . . . .	7-10.1
	Form 7-4.	Manager with Statutory Authority—Alternate Form . . . . .	7-10.4
7.3.2.		Management by Committee of Managers . . . . .	7-11
	Form 7-5.	Committee of Managers. . . . .	7-11
7.4.		Replacement of Managers . . . . .	7-13
	Form 7-6.	Removal of Manager for Any Reason . . . . .	7-14
	Form 7-7.	Removal of Manager for Only Specified Reason . . . . .	7-14
7.4A.		Classes of Interests. . . . .	7-14
7.5.		Meetings of Members . . . . .	7-14.1
	Form 7-8.	Procedure for Calling and Holding Meetings . . . . .	7-15
	Form 7-8A.	Rules for the Conduct of a Meeting . . . . .	7-16
7.6.		Action of Members Without Meeting; Form of Member Consents . . . . .	7-16.1
	Form 7-9.	Actions Without Meeting . . . . .	7-16.1
	Form 7-10.	Consent of Members . . . . .	7-17
7.7.		Unanimous Consent . . . . .	7-19
	Form 7-11.	Reserved . . . . .	7-19
	Form 7-12.	Unanimous Consent (Vote of Less than All Members). . . . .	7-19
7.8.		Deadlock and Resolution . . . . .	7-19
	Form 7-13.	Arbitration . . . . .	7-20
	Form 7-14.	Russian Roulette in the Event of Deadlock. . . . .	7-20.2
7.9.		Compensation and Reimbursement . . . . .	7-23
	Form 7-15.	No Arrangement for Compensation (Member-Managed). . . . .	7-23
	Form 7-16.	Compensation (Manager-Managed) . . . . .	7-23
	Form 7-17.	Extraordinary Compensation. . . . .	7-24
7.10.		Standard of Care and Degree of Loyalty . . . . .	7-24
	Form 7-18.	Standard of Care and Degree of Loyalty. . . . .	7-27
7.11.		Indemnification . . . . .	7-27
	Form 7-19.	Liability and Indemnification of Members (Manager-Managed) . . . . .	7-28
	Form 7-20.	Liability and Indemnification of Members (Member-Managed). . . . .	7-28
	Form 7-20A.	Liability and Indemnification of Members (Manager-Managed) . . . . .	7-28.1
7.12.		Power of Attorney . . . . .	7-31



Form 7-21.	Power of Attorney . . . . .	7-31
<b>CHAPTER 8:</b>	<b>TRANSFER AND BUY-SELL PROVISIONS . . .</b>	<b>8-1</b>
8.1.	The Act's Default Rules for Transfers . . . . .	8-3
8.2.	Tax Aspects of Transfer Restrictions . . . . .	8-3
8.2.1.	Partnership Classification . . . . .	8-3
8.3.	Drafting Operating Agreements That Modify the Act's Default Rules: Preliminary Considerations . . . . .	8-4
Form 8-1.	Definitional Provisions—Transfer. . . . .	8-4
Form 8-2.	Definitional Provisions—Interest and Membership Rights . . . . .	8-4
8.4.	Drafting Operating Agreements That Modify the Act's Default Rules: Imposing Additional Restrictions . . . . .	8-5
8.4.1.	Absolute Restrictions . . . . .	8-5
Form 8-3.	Absolute Prohibition of Transfers . . . . .	8-5
Form 8-4.	Prohibition of Transfers Except as Permitted by Operating Agreement . . . . .	8-8
8.4.2.	Special Conditions of Transfer Restrictions . . . . .	8-8
Form 8-5.	Definitional Provision—Conditions of Transfer . . . . .	8-9
Form 8-6.	Transfer of Interests Subject to Specific Restrictions . . . . .	8-10
8.5.	Drafting Operating Agreements That Modify the Act's Default Rules: Creating Free or Partial Transferability . . . . .	8-10
8.5.1.	Free Transferability . . . . .	8-10
Form 8-7.	Free Transferability of Interests and Rights . . . . .	8-10
8.6.	Drafting Operating Agreements That Modify the Act's Default Rules . . . . .	8-11
Form 8-8.	Permitted Transfers of Interests and Rights . . . . .	8-11
Form 8-9.	Definitional Provisions—Affiliate and Family . . . . .	8-11
8.7.	Drafting Operating Agreements That Modify the Act's Default Rules: Restricted Free Transferability. . . . .	8-12
Forms 8-10.	Transfer of Rights Subject to Specific Restrictions . . . . .	8-12
8.8.	Drafting Operating Agreements That Modify the Act's Default Rules: First Refusal Rights . . . . .	8-12
Form 8-11.	Right of First Refusal; LLC Purchases; Installments Allowed . . . . .	8-13
Form 8-12.	Right of First Refusal; Member's Purchase Payment Terms Matched . . . . .	8-14
Form 8-13.	Right of First Option; LLC Purchases; Cash Purchase . . . . .	8-16
Form 8-13A.	Right of First Refusal; Tag-Along Rights; Drag-Along Rights . . . . .	8-18

CONTENTS

8.9.	Withdrawal under the Act. . . . .	8-19
8.9.1.	Voluntary Withdrawal. . . . .	8-19
	Form 8-14. Voluntary Dissociation—Not Permitted . . . . .	8-19
8.9.2.	Involuntary Dissociation. . . . .	8-19
	Form 8-15. Involuntary Dissociation Defined (Long Form). . . . .	8-20
	Form 8-16. Involuntary Dissociation Defined (Short Form). . . . .	8-22.1
8.10.	Consequences of Dissociation in General . . . . .	8-22.1
	Form 8-17. Successor of Withdrawn Member Continues as Unadmitted Assignee. . . . .	8-22.1
8.11.	Creating Redemption Rights . . . . .	8-22.2
	Form 8-18. Optional Redemption; Company Buys; Cash Purchase . . . . .	8-22.2
	Form 8-19. Mandatory Buy-Out; Members Buy; Installments Permitted . . . . .	8-23
8.12.	Valuation Provisions. . . . .	8-24
	Form 8-20. Agreed Value . . . . .	8-24
	Form 8-21. Book Value . . . . .	8-25
	Form 8-22. Appraised Value. . . . .	8-26
8.13.	Miscellaneous Transfer Provisions . . . . .	8-27
	Form 8-23. Installment Buy-Outs . . . . .	8-27
	Form 8-24. Insolvency Form . . . . .	8-27
	Form 8-25. Members Not Required to Assume Company's Obligations . . . . .	8-28
8.14.	Creating Preemptive Rights . . . . .	8-28
	Form 8-26. Creating Preemptive Rights. . . . .	8-29
<b>CHAPTER 9: DISSOLUTION . . . . .</b>		<b>9-1</b>
9.1.	Tax Aspects of LLC Dissolution . . . . .	9-2
9.2.	Overview of the Act's Dissolution Provisions . . . . .	9-2
9.3.	Events of Dissolution . . . . .	9-3
	Form 9-1. Dissolution—Comprehensively Describes All Events of Dissolution; Requires Unanimity of Members to Continue if Dissolution is Due to Dissolution of Member . . . . .	9-4
	Form 9-2. Dissolution When Less than All Events of Withdrawal Result in Dissolution; Requires Unanimity of Members to Continue if Dissolution Is Due to Dissociation of Member . . . . .	9-5
	Form 9-3. Dissolution—Refers to Events of Withdrawal under Another Section; Requires Unanimity of Members to Continue if Dissolution Is Due to Dissociation of Member . . . . .	9-5

9.4.	Vote Required in Order to Continue after Event of Dissolution . . . . .	9-6
	Form 9-4. Less than Unanimous Vote Required to Continue after Dissolution . . . . .	9-6
	Form 9-5. Sample Resolutions Approving Continuation of Business after Dissolution . . . . .	9-7
9.5.	Procedure for Winding Up and Distribution of Assets. . . . .	9-8
	Form 9-6. Procedure for Winding Up in Member- Managed LLC . . . . .	9-11
	Form 9-7. Procedure for Winding Up in Manager- Managed LLC . . . . .	9-11
	Form 9-8. Procedure for Winding Up in Member-Managed LLC; Reference to Another Section of Operating Agreement for Manner of Distribution to Members . . . . .	9-11
	Form 9-9. Procedure for Winding Up in Manager-Managed LLC; Reference to Another Section of Operating Agreement for Manner of Distribution to Members . . . . .	9-12
9.6.	Certificate of Termination . . . . .	9-12
	Form 9-10. Certificate of Dissolution . . . . .	9-14
	Form 9-11. Certificate of Termination . . . . .	9-16
9.7.	Termination; Effect of Filing of Certificate of Termination . . . . .	9-18
<b>CHAPTER 10: BOOKS, RECORDS, AND ACCOUNTING. . . .</b>		<b>10-1</b>
10.1.	Introduction . . . . .	10-2
10.2.	Banking . . . . .	10-3
	Form 10-1. Bank Accounts. . . . .	10-3
10.3.	Records. . . . .	10-3
	Form 10-2. Maintenance of Records—Member-Managed LLC (Short Form) . . . . .	10-4
	Form 10-3. Maintenance of Records—Manager-Managed LLC (Short Form) . . . . .	10-4
	Form 10-4. Maintenance of Records—Manager-Managed LLC (Long Form) . . . . .	10-4
10.4.	Accounting Period . . . . .	10-5
	Form 10-5. Calendar Year Accounting Period Specified . . . .	10-5
	Form 10-6. Fiscal Year Accounting Period Specified. . . . .	10-5
	Form 10-7. Year to Be Determined by Members. . . . .	10-6
	Form 10-8. Annual Accounting Period Established by Managers . . . . .	10-6
10.5.	Reports . . . . .	10-6
	Form 10-9. Preparation of Reports—Short Form for Member-Managed or Manager-Managed LLC . . . . .	10-7

CONTENTS

	Form 10-10. Preparation of Reports—Long Form for Manager-Managed LLC . . . . .	10-7
10.6.	Tax Matters Partner . . . . .	10-7
	Form 10-11. Tax Matters Partner (Short Form) . . . . .	10-8
	Form 10-12. Tax Matters Partner (Long Form) . . . . .	10-8
10.7.	Tax Elections . . . . .	10-9
	Form 10-13. Tax Elections . . . . .	10-9
	Form 10-14. Tax Elections—Applies to IRC Section 754 Only—For Use in Either Member-Managed or Managed-Managed LLC . . . . .	10-9
10.8.	Title to Property . . . . .	10-10
	Form 10-15. Title to Property—In Company Name . . . . .	10-10
	Form 10-16. Title to Company Property—Use of Nominee Permitted . . . . .	10-10

**PART III  
MISCELLANEOUS**

<b>CHAPTER 11:</b>	<b>REORGANIZATION OF THE LLC . . . . .</b>	<b>11-1</b>
11.1.	In General . . . . .	11-3
11.2.	Admission of New Members . . . . .	11-3
11.2.1.	Acquisition of Interest from Company . . . . .	11-3
	Form 11-1. Simple Subscription Agreement for LLC Membership Interest . . . . .	11-6
	Form 11-2. Long-Form Subscription Agreement for LLC Membership Interest . . . . .	11-7
	Form 11-3. First Amendment to Operating Agreement Admitting New Member . . . . .	11-12
11.2.2.	Acquisition of Interest from Another Member . . . . .	11-14
	Form 11-4. Joinder Agreement . . . . .	11-15
11.3.	Conversion of an Existing Entity into an LLC . . . . .	11-15
11.3.1.	In General . . . . .	11-15
11.3.2.	Conversion of General Partnership to LLC . . . . .	11-16
	Form 11-5. Explanatory Statement—Conversion of General Partnership into LLC . . . . .	11-17
	Form 11-6. Term Is Continuation of Term of Partnership . . . . .	11-18
	Form 11-7. Initial Capital Contributions—In Property Consisting of Partnership Interests in LLC's Predecessor . . . . .	11-19
	Form 11-8. Assignment of General Partnership Interests to LLC . . . . .	11-19
	Form 11-9. Resolutions of Members Approving Liquidation of Partnership into LLC . . . . .	11-20

11.3.3.	Conversion of Limited Partnership into LLC . . . . .	11-20
11.3.4.	Conversion of Corporation into LLC . . . . .	11-21
11.4.	Conversion of LLC into Corporation . . . . .	11-23
11.5.	Recapitalizing the LLC . . . . .	11-24
	Form 11-10. Form of Amendment of Operating Agreement . .	11-25
11.6.	Mergers and Consolidations Involving a Pennsylvania LLC . . .	11-26
	Form 11-11. Merger of Three Pennsylvania LLCs . . . . .	11-29
	Form 11-12. Notice of Special Meeting of Members . . . . .	11-30
	Form 11-13. Statement of Merger—Limited Liability Company . . . . .	11-32
	Form 11-14. Plan of Merger . . . . .	11-39
11.7.	Statutory Division . . . . .	11-45
	Form 11-15. Plan of Division of a Pennsylvania LLC . . . . .	11-46.1
	Form 11-16. Statement of Division—Limited Liability Company . . . . .	11-46.3
	Form 11-17. Statement and Plan of Division to Create a Holding Company . . . . .	11-46.9
11.8.	Classes of Interests . . . . .	11-51
	Form 11-18. Multi-Vote Interests . . . . .	11-51
	Form 11-19. Classes of Managers . . . . .	11-51
	Form 11-20. Non-Voting Interests . . . . .	11-52
<b>CHAPTER 12:</b>	<b>DOING INTERSTATE BUSINESS . . . . .</b>	<b>12-1</b>
12.1.	Foreign LLCs Doing Business in Pennsylvania . . . . .	12-2
	12.1.1. Governing Law . . . . .	12-2
	12.1.2. Definitions . . . . .	12-2
	12.1.2.1. Doing Business . . . . .	12-2
	12.1.3. Procedure for Registration . . . . .	12-3
	Form 12-1. Foreign Registration Statement . . . . .	12-5
	12.1.4. Filing Fee and Docketing Statement . . . . .	12-10
	12.1.5. Issuance and Cancellation of Registration . . . . .	12-10
	12.1.6. Domestication of a Foreign LLC . . . . .	12-10
	Form 12-2. Statement of Domestication of a Foreign Limited Liability Company . . . . .	12-11
12.2.	Pennsylvania LLCs Doing Business Outside of Pennsylvania . . . . .	12-16
	12.2.1. Doing Business in Other States . . . . .	12-17
<b>CHAPTER 13:</b>	<b>RESTRICTED PROFESSIONAL COMPANIES . . . . .</b>	<b>13-1</b>
13.1.	Definition of Restricted Professional Companies (“RPC”) . . . . .	13-2
13.2.	Qualification and Creation of a Restricted Professional Company . . . . .	13-3

## CONTENTS

Form 13-1.	Provision for Certificate of Organization of a Restricted Professional Company . . . . .	13-3
Form 13-2.	Limitations on Restricted Professional Company Practicing Law . . . . .	13-5
13.3.	Annual Registration . . . . .	13-6
13.4.	Election of Restricted Professional Company Status by Domestic and Foreign Limited Liability Companies. . . . .	13-6
13.5.	Termination of Restricted Professional Company Status. . . . .	13-7
13.6.	Taxation of Restricted Professional Companies. . . . .	13-8
13.7.	Qualified Foreign Restricted Professional Companies . . . . .	13-8

## CHAPTER 14: REGISTERED LIMITED LIABILITY

	<b>PARTNERSHIPS. . . . .</b>	<b>14-1</b>
14.1.	Origin of Registered Limited Liability Partnership. . . . .	14-2
14.2.	Nature of a Registered Limited Liability Partnership . . . . .	14-2
14.3.	Qualification of a Registered Limited Liability Partnership—Registration . . . . .	14-4
Form 14-1.	Statement of Registration—Domestic Registered Limited Liability Partnership . . . . .	14-5
14.4.	Insurance Requirement. . . . .	14-8
14.5.	Name . . . . .	14-8
14.6.	Termination of Status of Partner and of Registered Limited Liability Partnership. . . . .	14-9
14.7.	Foreign Registered Limited Liability Partnerships . . . . .	14-10
14.8.	Extraterritorial Application of Pennsylvania Law . . . . .	14-10
14.9.	Taxation of Registered Limited Liability Partnerships . . . . .	14-12

## CHAPTER 14A: EQUITY-BASED COMPENSATION

	<b>STRATEGIES . . . . .</b>	<b>14A-1</b>
14A.1.	Introduction . . . . .	14A-3
14A.2.	IRC Section 83. . . . .	14A-4
14A.3.	Profits Interest vs. Capital Interest. . . . .	14A-5
14A.4.	LLC (Partnership) vs. Corporate Compensation Methods. . . . .	14A-9
14A.4.1.	Corporate Context . . . . .	14A-9
14A.4.1.1.	Stock Grants. . . . .	14A-10
14A.4.1.2.	Stock Options. . . . .	14A-10
14A.4.1.3.	Phantom Stock Plans . . . . .	14A-11
14A.4.2.	The LLC Context . . . . .	14A-12
14A.4.2.1.	Equity Interests . . . . .	14A-12
14A.4.2.1.1	“Full Equity Interest” . . . . .	14A-12
14A.4.2.2.	Point System Compensation . . . . .	14A-14
14A.4.2.3.	The Importance of Member Involvement . . . . .	14A-15
14A.4.2.4.	Loss Allocation and Debt Guarantees . . . . .	14A-16

14A.4.2.5.	Equity Interest vs. Non-Equity Incentive Compensation. . . . .	14A-16
14A.4.3.	Compensation Comparison Chart . . . . .	14A-18
14A.5.	Phantom Income and Distributions . . . . .	14A-20
14A.5.1.	Tax Effected Distributions . . . . .	14A-20
14A.5.1.1.	Separate Calculations for Each Member. . . . .	14A-21
14A.5.1.2.	Standard Distribution Rate. . . . .	14A-21
14A.5.1.3.	Highest Incremental Tax Rate . . . . .	14A-22
14A.5.2.	Self-Employment Tax. . . . .	14A-22
14A.5.2.1.	Calculating Self-Employment Income . . . . .	14A-23
14A.5.2.2.	Application of Self-Employment Tax to LLC Members. . . . .	14A-24
14A.6.	Fiduciary Duties, Inspection Rights and Other Duties to Equity Holders . . . . .	14A-24
14A.7.	Securities Law Issues. . . . .	14A-24
14A.8.	Employee/Member Exit Strategies: Buyout Arrangements . . . .	14A-25
14A.9.	Forms: Equity- and Non-Equity-Based LLC Compensation Plans and Other Related Documents . . . . .	14A-25
	Form 14A-1. Unit Grant Agreement. . . . .	14A-26
	Form 14A-2. Employee Incentive Compensation Plan. . . . .	14A-33
	Form 14A-3. Interest Appreciation Rights Agreements . . . . .	14A-41

**CHAPTER 14B: OPTIONS AND CONVERTIBLE INTERESTS  
FOR LLCs TAXED AS PARTNERSHIPS . . . . . 14B-1**

14B.1.	Introduction: Noncompensatory Call Options and Convertible Preferred Interests. . . . .	14B-3
14B.2.	Noncompensatory Call Options: Defined and Example . . . . .	14B-3
14B.2.1.	Tax Consequences of Issuance and Exercise of Call Option . . . . .	14B-4
14B.2.1.1.	Partnership . . . . .	14B-8
14B.2.1.2.	Option Holder . . . . .	14B-10
14B.2.2.	Tax Consequences of Lapse of Call Option . . . . .	14B-11
14B.2.2.1.	Partnership . . . . .	14B-11
14B.2.2.2.	Option Holder . . . . .	14B-12
14B.2.3.	Tax Consequences of Exercise of Option. . . . .	14B-13
14B.2.3.1.	Option Holder . . . . .	14B-13
14B.2.3.2.	Partnership . . . . .	14B-14
14B.2.4.	Drafting Considerations in the Partnership Agreement . . . . .	14B-25
14B.2.4.1.	Capital Account Maintenance under Code Section 704(b) . . . . .	14B-26
14B.2.4.1.1.	Book-Up . . . . .	14B-30

## CONTENTS

	14B.2.4.1.2. No Book-Up . . . . .	14B-33
	14B.2.4.2. Code Section 704(c). . . . .	14B-35
	14B.2.4.3. Tax Distributions . . . . .	14B-35
14B.2.5.	Ancillary Tax Considerations . . . . .	14B-36
	14B.2.5.1. Code Section 704(c). . . . .	14B-36
	14B.2.5.2. Code Section 752 . . . . .	14B-37
	14B.2.5.3. Code Section 751 . . . . .	14B-38
	14B.2.5.4. Holding Period. . . . .	14B-38
	14B.2.5.5. Original Issue Discount . . . . .	14B-39
	14B.2.5.6. Code Section 708 . . . . .	14B-39
	14B.2.5.7. Disregarded Entities. . . . .	14B-39
14B.3.	Convertible Preferred Membership Interests . . . . .	14B-39
	14B.3.1. Description of Convertible Preferred Interests. . . . .	14B-39
	14B.3.2. Example: Convertible Preferred Interests . . . . .	14B-40
	14B.3.3. Real Deals . . . . .	14B-41
	14B.3.4. Tax Consequences of Issuance and Exercise of Convertible Preferred Interests . . . . .	14B-42
	14B.3.4.1. Tax Consequences of Issuance of Convertible Preferred Interests . . . . .	14B-42
	14B.3.4.1.1. Preferred Holder as a Partner. . . . .	14B-42
	14B.3.4.1.2. Partnership, A and B. . . . .	14B-43
	14B.3.4.1.3. Tax Consequences of Partnership Operations Prior to Conversion. . . . .	14B-44
	14B.3.4.2. Tax Consequences for the Exercise of the Conversion Right of the Preferred Convertible Interest . . . . .	14B-45
	14B.3.4.2.1. Capital Accounts . . . . .	14B-45
	14B.3.4.2.2. Tax Consequences of Capital Account Adjustments . . . . .	14B-48
	14B.3.4.2.3. Code Section 752 . . . . .	14B-50
	14B.3.4.2.4. Code Section 704(c). . . . .	14B-52
	14B.3.4.2.5. Code Section 708 . . . . .	14B-54
	14B.3.4.2.6. Code Section 705 . . . . .	14B-55
	14B.3.4.2.7. Nonrecourse Deductions . . . . .	14B-55
	14B.3.4.2.8. Excess Nonrecourse Liabilities . . . . .	14B-56
14B.3.5.	Drafting Issues for Convertible Interests . . . . .	14B-57
	14B.3.5.1. Form 14B-1 Revaluation . . . . .	14B-63
	14B.3.5.2. Tax Distributions . . . . .	14B-64



Form 14B-1. Selected Provisions  
Applicable to Allocations  
and Distributions . . . . . 14B-64

<b>CHAPTER 15:</b>	<b>RESERVED . . . . .</b>	<b>15-1</b>
<b>CHAPTER 16:</b>	<b>RESERVED . . . . .</b>	<b>16-1</b>
<b>CHAPTER 17:</b>	<b>SINGLE MEMBER LLCs . . . . .</b>	<b>17-1</b>
17.1.	Introduction . . . . .	17-2
17.2.	What Is a Single Member LLC? . . . . .	17-2
17.3.	Some Uses for Single Member LLCs . . . . .	17-4
17.3.1.	Firewalls . . . . .	17-4
17.3.2.	Creation of Single Purpose Bankruptcy Remote Entities . . . . .	17-6
17.3.3.	Avoidance of Sales and Transfer Taxes . . . . .	17-9
17.3.4.	Like-Kind Exchanges . . . . .	17-9
17.3.5.	Avoidance of Ancillary Probate . . . . .	17-10
17.3.6.	Use as Entity of Choice for Corporate Subsidiaries . . . . .	17-10
17.3.7.	Mergers Involving Single Member LLCs . . . . .	17-11
	Form 17-1. Plan of Merger of Target Corporation into Single-Member LLC . . . . .	17-12
	Form 17-2. Plan of Merger of Target Corporation into Single Corporate Member LLC . . . . .	17-15
17.4.	Income Tax Conversion Issues . . . . .	17-18
17.4.1.	Conversion of a One Member LLC into a Multi-Member LLC . . . . .	17-19
17.4.2.	Conversion of a Multi-Member LLC into a One Member LLC . . . . .	17-19
17.5.	Payment of Employment Taxes with Respect to Disregarded Entities . . . . .	17-20
<b>CHAPTER 18:</b>	<b>BANKRUPTCY ISSUES CONCERNING LLCS . . . . .</b>	<b>18-1</b>
18.1.	Overview . . . . .	18-3
18.2.	Eligibility of LLCs for Voluntary Relief under the Bankruptcy Code . . . . .	18-3
18.3.	Property of the LLC's Estate . . . . .	18-4
	Form 18-1. Operating Agreement Provision — Limitation on Obligation to Make Additional Capital Contributions . . . . .	18-5
18.4.	May a Member Commence an Involuntary Case Against an LLC? . . . . .	18-5

CONTENTS

18.5.	What Approval Is Needed to Approve the Filing of a Voluntary Case by an LLC? . . . . .	18-6
Form 18-2.	Operating Agreement Provision — Unanimous Consent of Members to Filing Voluntary Case . . . . .	18-7
Form 18-3.	Operating Agreement Provision — Consent of Majority of Members to Filing a Voluntary Case . . . . .	18-8
Form 18-4.	Operating Agreement Provision — Manager Vote Required for Filing a Voluntary Case . . . . .	18-8
Form 18-5.	Operating Agreement Provision — Member and Manager Vote Required for Filing a Voluntary Case . . . . .	18-9
Form 18-6.	Resolutions of Members in Member-Managed LLC — Consenting to Filing a Voluntary Case Under Chapter 7 . . . . .	18-10
Form 18-7.	Resolutions of Board of Directors in Manager-Managed LLC — Consenting to Filing a Voluntary Case under Chapter 11 . . . . .	18-11
18.6.	Creating Limitations on the Ability of an LLC to Commence a Voluntary Case — Single-Purpose Bankruptcy Remote LLCs . . . . .	18-12
Form 18-8.	Operating Agreement Provision — Purpose Clause for an SPBR LLC . . . . .	18-14
Form 18-9.	Operating Agreement Provision — Management of Business and Affairs of the Company . . . . .	18-15
Form 18-10.	Operating Agreement Provision — Transfers . . . . .	18-19
Form 18-11.	Operating Agreement Provision — Dissolution of the Company . . . . .	18-20
Form 18-12.	Operating Agreement Provision — Special Amendment Provision . . . . .	18-21
18.7.	LLC Interest as Property of a Bankrupt Member's Estate . . . . .	18-21
18.8.	Right of the LLC or Remaining Members to Terminate Management Rights of a Bankrupt Member . . . . .	18-22
18.9.	Member's Bankruptcy as an Event of Dissolution . . . . .	18-24
18.10.	Buyout of a Member's Interest in the Event of the Member's Bankruptcy . . . . .	18-25

<b>CHAPTER 19:</b>	<b>USE OF LLCs BY EXEMPT ORGANIZATIONS . . . . .</b>	<b>19-1</b>
19.1.	Introduction . . . . .	19-1
19.2.	Uses of LLC by Exempt Organizations . . . . .	19-1
19.2.1.	Use of a Pennsylvania LLC as a Wholly-Owned Subsidiary of an Exempt Organization to Carry Out a “Business” Purpose . . . . .	19-1
19.2.2.	Use of a Pennsylvania LLC as the Wholly-Owned Subsidiary of an Exempt Organization to Carry out an Exempt Purpose . . . . .	19-4
	Form 19-1. Certificate of Organization of Single-Member LLC Organized to Carry out an Exempt Purpose of a Tax-Exempt Parent XYZ Charity LLC . . . . .	19-4
<b>CHAPTER 20:</b>	<b>LLCS FORMED FOR SPECIFIC PURPOSES . . . . .</b>	<b>20-1</b>
20.1.	Introduction . . . . .	20-2
20.2.	Special Purpose Entity LLCs (“SPE”) . . . . .	20-2
20.3.	Special Purpose LLC Example . . . . .	20-2
<b>CHAPTER 21:</b>	<b>ASSET PURCHASE OF AN LLC . . . . .</b>	<b>21-1</b>
21.1.	Introduction . . . . .	21-2
21.2.	Form of Asset Purchase Agreement . . . . .	21-2
21.3.	Form of Representations and Warranties for Inclusion in the Asset Purchase Agreement . . . . .	21-2
21.4.	Form of Definitions from the ABA Model Stock Purchase Agreement . . . . .	21-2
21.5.	Form of Miscellaneous, Formal and Final Clauses for an Asset Purchase Agreement . . . . .	21-2
21.6.	Buyer’s Acquisition Checklist . . . . .	21-2
21.7.	Letters of Intent and Confidentiality Agreement . . . . .	21-3
21.7.1.	Introduction . . . . .	21-3
21.7.2.	Reasons to Use a Letter of Intent . . . . .	21-3
21.7.3.	Reasons Not to Use a Letter of Intent . . . . .	21-5
	Form 21-1. Letter of Intent . . . . .	21-6
21.7.4.	Confidentiality Agreement . . . . .	21-11
	Form 21-2. Confidentiality Agreement . . . . .	21-11
<b>CHAPTER 22:</b>	<b>MEMBERS’ AGREEMENTS. . . . .</b>	<b>22-1</b>
22.1.	Introduction . . . . .	22-2
22.2.	Form of Members’ Agreement . . . . .	22-2
22.3.	Identifying the Client . . . . .	22-2
22.4.	Purposes of a Members’ Agreement . . . . .	22-3

CONTENTS

22.5.	Parties to the Agreement . . . . .	22-4
22.6.	Buy/Sell Arrangements — Purposes . . . . .	22-5
22.7.	Buy/Sell Agreements — Triggering Events . . . . .	22-6
22.8.	Rights of First Refusal and First Offer Compared . . . . .	22-8
22.9.	Exceptions to Triggering Events . . . . .	22-10
22.10.	Buy/Sell Arrangements — Purchase Price . . . . .	22-10
22.11.	Buy/Sell Arrangements — Identity of Purchasers and their Obligations . . . . .	22-13
22.12.	Buy/Sell Arrangements — Obligations of Sellers . . . . .	22-14
22.13.	Buy/Sell Arrangements — Payment, Notes and Related Terms . . . . .	22-15
22.14.	Use of Insurance . . . . .	22-16
22.15.	Buy/Sell Obligation — Sequential Triggering Events . . . . .	22-16
22.16.	Buy/Sell Arrangements — Tag-Along and Drag-Along Rights . . . . .	22-17
22.17.	Restrictions on Transfer . . . . .	22-17
22.18.	Termination of Members' Agreements . . . . .	22-18
22.19.	Dispute Resolution Mechanisms . . . . .	22-19
22.20.	Shoot-Out Provisions . . . . .	22-19
22.21.	Voting Rights . . . . .	22-19
22.22.	Management . . . . .	22-20
22.23.	Assuring Distributions . . . . .	22-20
22.24.	Provisions Need Not Be Reciprocal or Symmetrical . . . . .	22-21
22.25.	Tax Consequences . . . . .	22-22
22.26.	Provisions in Governing Documents and Other Agreements . . . . .	22-22
22.27.	Important Note with Respect to Domestic Relations Consideration . . . . .	22-22
	Form 22-1. Letter to Client on Domestic Relations Issues . . . . .	22-24

**CHAPTER 23: PURCHASE OF INTERESTS OF AN LLC . . . . 23-1**

23.1.	Introduction . . . . .	23-2
23.2.	Form of Agreement to Purchase LLC Interests . . . . .	23-2
23.3.	Form of Representations and Warranties for Inclusion in the Agreement to Purchase LLC Interests . . . . .	23-2
23.4.	Form of Definitions from the ABA Model Stock Purchase Agreement . . . . .	23-2
23.5.	Form of Miscellaneous, Formal and Final Clauses for an Agreement To Purchase LLC Interests . . . . .	23-2
23.6.	Buyer's Acquisition Checklist . . . . .	23-2
23.7.	Form of Assignment and Assumption of Membership Interests . . . . .	23-3

23.8.	Letter of Intent and Confidentiality Agreement .....	23-3
<b>CHAPTER 24:</b>	<b>LENDING TO AN LLC .....</b>	<b>24-1</b>
24.1.	Opinion Letters .....	24-2
	Form 24-1. Form of Opinion Letter in Connection with a Bank Loan to an LLC.....	24-2
24.2.	Guarantees of LLC Debt .....	24-12
	Form 24-2. Guaranty and Suretyship Agreement .....	24-12
24.3.	Pledges of LLC Interests .....	24-20
	Form 24-3. Collateral Assignment of Membership Interest and Security Agreement.....	24-20
	Form 24-4. Amendment to “Opt-In” to Article 8.....	24-31
	Form 24-5. LLC’s Acknowledgement and Consent to Be Governed by Article 8 of UCC .....	24-33
	Form 24-6. Operating Agreement Provision that LLC Will Not “Opt-Out” of Article 8 .....	24-34
	Form 24-7. Operating Agreement Provision that LLC Interests Will Be General Intangibles .....	24-34
	Form 24-8. Form of Control Agreement .....	24-35
	Form 24-9. Financing Statement .....	24-38
24.4.	Alternative Dispute Resolution .....	24-40
	Form 24-10. Alternative Dispute Resolution .....	24-40
<b>CHAPTER 25:</b>	<b>ASSOCIATION TRANSACTIONS ACT .....</b>	<b>25-1</b>
25.1.	Introduction .....	25-2
25.2.	New Definitions .....	25-2
25.3.	The Entity Transactions Law (Chapter 3) .....	25-5
25.4.	Names (Chapter 2) .....	25-5
25.5.	Foreign Associations (Chapter 4).....	25-5
25.6.	Other Provisions of the Act .....	25-6
<b>CHAPTER 26:</b>	<b>BENEFIT COMPANIES.....</b>	<b>26-1</b>
26.1.	Introduction .....	26-2
26.2.	Applicable Law .....	26-2
26.3.	New Definitions .....	26-2
26.4.	Benefit Company Status.....	26-5
26.5.	Purposes .....	26-6
26.6.	Standards of Conduct.....	26-6
26.7.	Right of Action .....	26-6
26.8.	Annual Report .....	26-6
<b>CHAPTER 27:</b>	<b>DEVELOPMENTS CONCERNING TAX MATTERS PARTNERS AND IRS AUDITS.....</b>	<b>27-1</b>
27.1.	Letter to Clients .....	27-2

27.2. Operating Agreement Provisions ..... 27-2

**PART IV  
APPENDICES**

**APPENDIX A: MEMBER-MANAGED OPERATING  
AGREEMENT OF LIMITED LIABILITY  
COMPANY ..... APP A-1**

**APPENDIX A1: ALTERNATIVE MEMBER-MANAGED  
OPERATING AGREEMENT OF LIMITED  
LIABILITY COMPANY ..... APP A1-1**

**APPENDIX A2: ALTERNATIVE PROVISIONS FOR THE  
OPERATING AGREEMENT IN APPENDIX  
A1 PROVIDING FOR PRIORITY  
CASH DISTRIBUTIONS TO “CLASS A”  
MEMBERS ..... APP A2-1**

**APPENDIX B: MANAGER-MANAGED OPERATING  
AGREEMENT OF LIMITED LIABILITY  
COMPANY ..... APP B-1**

**APPENDIX B1: MANAGER-MANAGED OPERATING  
AGREEMENT OF LIMITED LIABILITY  
COMPANY ..... APP B1-1**

**APPENDIX B2: MANAGER-MANAGED OPERATING  
AGREEMENT OF LIMITED LIABILITY  
COMPANY ..... APP B2-1**

**APPENDIX B3: MANAGER-MANAGED OPERATING  
AGREEMENT OF \_\_\_\_\_ LLC ..... APP B3-1**

**APPENDIX C: THE PENNSYLVANIA UNIFORM LIMITED  
LIABILITY COMPANY ACT OF 2016:  
PENNSYLVANIA CONSOLIDATED STATUTES  
TITLE 15—CORPORATIONS AND  
UNINCORPORATED ASSOCIATIONS,  
CHAPTERS 81, 82, 88 AND 89..... APP C-1**

**APPENDIX D: OPERATING AGREEMENT (FOR USE IF  
S CORPORATION TAX TREATMENT IS TO  
BE ELECTED) ..... APP D-1**

**APPENDIX E: RELEVANT PENNSYLVANIA  
DEPARTMENT OF STATE  
FORMS IN USE ..... APP E-1**

<b>APPENDIX F:</b>	<b>SINGLE-MEMBER LIMITED LIABILITY COMPANY OPERATING AGREEMENT ...</b>	<b>APP F-1</b>
<b>APPENDIX G:</b>	<b>ALTERNATIVE SINGLE-MEMBER LIMITED LIABILITY COMPANY OPERATING AGREEMENT .....</b>	<b>APP G-1</b>
<b>APPENDIX H:</b>	<b>OPERATING AGREEMENT OF A LIMITED LIABILITY COMPANY WHICH IS A SUBSIDIARY OF A TAX-EXEMPT ENTITY AND IS USED FOR TAX-EXEMPT PURPOSES .....</b>	<b>APP H-1</b>
<b>APPENDIX I:</b>	<b>OPERATING AGREEMENT FOR A BANKRUPTCY-REMOTE ENTITY .....</b>	<b>APP I-1</b>
<b>APPENDIX J:</b>	<b>DEED OF TRUST FOR SPECIAL PURPOSE ENTITY .....</b>	<b>APP J-1</b>
<b>APPENDIX K:</b>	<b>ASSET PURCHASE AGREEMENT .....</b>	<b>APP K-1</b>
<b>APPENDIX L:</b>	<b>REPRESENTATIONS AND WARRANTIES FOR INCLUSION IN ASSET PURCHASE AGREEMENT AND IN AGREEMENT TO PURCHASE LLC INTERESTS .....</b>	<b>APP L-1</b>
<b>APPENDIX M:</b>	<b>DEFINITIONS FROM ABA MODEL STOCK PURCHASE AGREEMENT .....</b>	<b>APP M-1</b>
<b>APPENDIX N:</b>	<b>MISCELLANEOUS, FORMAL AND FINAL CLAUSES. ....</b>	<b>APP N-1</b>
<b>APPENDIX O:</b>	<b>MEMBERS' AGREEMENT OF MEMBER-MANAGED LIMITED LIABILITY COMPANY .....</b>	<b>APP O-1</b>
<b>APPENDIX O1:</b>	<b>MEMBERS' AGREEMENT OF MEMBER-MANAGED LIMITED LIABILITY COMPANY WITH CROSS-PURCHASE BUY-OUT. ....</b>	<b>APP O1-1</b>
<b>APPENDIX P:</b>	<b>AGREEMENT TO PURCHASE LLC INTERESTS .....</b>	<b>APP P-1</b>
<b>APPENDIX P1:</b>	<b>FORM OF ASSIGNMENT AND ASSUMPTION OF MEMBERSHIP INTEREST .....</b>	<b>APP P1-1</b>
<b>APPENDIX Q:</b>	<b>BUYER'S ACQUISITION CHECKLIST .....</b>	<b>APP Q-1</b>

CONTENTS

**APPENDIX Q1: TARGET’S ACQUISITION CHECKLIST ... APP Q1-1**

**APPENDIX R: LIMITED LIABILITY COMPANY  
FORMATION WORKSHEET ..... APP R-1**

**APPENDIX S: ASSOCIATION TRANSACTIONS ACT..... APP S-1**

**APPENDIX T: WHAT’S NEW IN THE PENNSYLVANIA  
UNIFORM LIMITED LIABILITY COMPANY  
ACT OF 2016 (“ULLCA”). ..... APP T-1**

**APPENDIX U: LETTER RELATING TO TAX MATTERS  
PARTNER AND IRS AUDITS ..... APP U-1**

**APPENDIX U1: OPERATING AGREEMENT PROVISIONS  
RELATING TO TAX MATTERS PARTNERS  
AND IRS AUDITS ..... APP U1-1**

**PART V  
INDICES**

Cumulative Table of Internal Revenue Code Citations. .... INDEX-1

Cumulative Table of Treasury Regulations..... INDEX-4

Cumulative Table of Revenue Rulings and Revenue Procedures ... INDEX-7

Cumulative Table of Pennsylvania Limited Liability  
Company Act Sections ..... INDEX-9

Table of Cases..... INDEX-16

References..... INDEX-18

Subject Index ..... INDEX-20

Forms Index ..... INDEX-38