Contents

PART I ORGANIZATION

CHA	PTER 1	INTROI	OUCTION	1-1
1.1.	Nature a	nd Use of T	This Practice Manual	1-3
1.2.	Compari	Comparison of the LLC with Other Entities		
1.3.	History (of the LLC		1-4
1.4.	Classific	ation of the	LLC for Federal Income	
	Tax Purp	oses		1-7
	1.4.1.	Introduct	ion	1-7
	1.4.2.	Tax Histo	ory of the LLC	1-8
	1.4.3.	Classifica	ntion Rules Prior to 1997—	
		Understa	nding the Categorization Rules	1-10
		1.4.3.1.	Limited Liability	1-10
		1.4.3.2.	Centralized Management	1-11
		1.4.3.3.	Continuity of Life	1-13
		1.4.3.4.	Free Transferability of Interests	1-15
	1.4.4.	Federal C	Check-the-Box Regulations	1-16
		1.4.4.1.	Check-the-Box Regulations	
			in General	1-16
		1.4.4.2.	Check-the-Box Classification	
			Rules—LLCs Organized on or	
			after January 1, 1997	1-19
		1.4.4.3.	Check-the-Box Classification	
			Rules—LLCs Organized before	
			January 1, 1997, for Periods before	
			January 1, 1997	1-20
		1.4.4.4.	Check-the-Box Classification	
			Rules—LLCs Organized before	
			January 1, 1997, for Periods after	
			January 1, 1997	1-20
		1.4.4.5.	Elections	1-21
		1.4.4.6.	Why Use an LLC Taxed as an	
			S Corporation?	1-23
		1.4.4.7.	Tax Consequences of Conversions	1-24.5
		1.4.4.8.	Impact of Check-the-Box	
			Regulations	1-24.5
	1 4 5	Employer	r Identification Number	1_25

	1.4.6.	Self-Emp	loyment Tax	1-26
1.5.	Wisconsin Tax Treatment of the LLC			
	1.5.1.		tion for Wisconsin Tax Purposes	1-30
	1.5.2.		n Franchise and Income Tax	
			t of LLCs	1-30
		1.5.2.1.	Formation of an LLC	1-30
		1.5.2.2.	Filing Requirements	1-31
		1.5.2.3.	Treatment of Wisconsin Tax	101
		1.0.2.0.	Credits	1-31
		1.5.2.4.	Economic Development Surcharge	1-31
	1.5.3.	11012111	n Tax Treatment of Members of	1 31
	1.5.5.		assified as Partnerships	1-32
		1.5.3.1.	Full-Year Wisconsin Residents	1-32
		1.5.3.1.	Non-residents	1-32
		1.5.3.3.	Part-Year Wisconsin Residents	1-34
		1.5.3.4.	LLC Members That Are	1-34
		1.3.3.4.		1 25
		1525	Corporations	1-35
		1.5.3.5.	LLC Members That Are	1 26
	1.5.4.	Ta Tu a a 4	Partnerships	1-36
	1.5.4.		ment of Members of LLCs	1 20
	1.5.5		l as Corporations	1-36
	1.5.5.		ment of Members of LLCs	1 27
1.6	T1 XX		led as Separate Entities	1-37
1.6.			ited Liability Company	1 20
	Act—Ai	n Overview		1-39
CHA	PTER 2	FORMA	TION AND ORGANIZATION	2-1
2.1.	Introduc	tion		2-2
2.2.	Preform	ation Matter	rs	2-2
	Form 2-		ons of the Company's Organizer	2-3
2.3.	Articles		ation	2-3
	Form 2-	_	cles of Organization	2-6
	Form 2-		respondence Forwarding Filed	
			cles of Organization	2-8
	2.3.1.		quirements	2-9
	2.0.11	2.3.1.1.	Name	2-9
		2.3.1.2.	Registered Office and Registered	- /
		2.3.1.2.	Agent	2-10
			Form 2-3. Statement of Change	2-11
		2.3.1.3.	Filing Requirements	2-11
		2.3.1.3.	Annual Report	2-12
2.4.	Statama		tion	2-14
∠.4.	Form 2-		ement of Correction.	2-10
2.5.				2-17
<i>2.</i> 3.	Form 2		nent	2-18 2 ₋ 10

	Form 2-6	. Consent Resolution to Amend	
		Articles of Organization	2-20.1
2.6.	Electronic	c Filing and Correspondence with	
	Departme	ent	2-20.2
2.7.	Confirmi	ng the Client When Organizing LLCS	2-21
	Form 2-7		2-23
	Form 2-8	<u> -</u>	2-24
	Form 2-9		2-24
		PART II	
		OPERATIONS	
CHAI	PTER 3	THE OPERATING AGREEMENT	3-1
3.1.	In Genera	al	3-2
3.2.	Operating	g Agreement Defined	3-2
	Form 3-1	. Integration Clause	3-5
3.3.	Flexibility	y of LLC Form	3-5
3.4.		Operating Agreement	3-5
3.5.	Formality	of Adoption	3-6
3.6.		ent	3-6
3.7.	LLC as a	Party to the Operating Agreement	3-7
3.8.		erating Agreements	3-7
3.9.	Form Cov	ver Letter for Forwarding Operating Agreement	3-8
	Form 3-2	. Cover Letter Forwarding Draft of	
		Operating Agreement	3-8
3.10.	Form Pos	st-Organization Letter	3-13
	Form 3-3	Post-Organization Letter	3-13
CHAI	PTER 4	ORGANIZATIONAL PROVISIONS OF THE	
		OPERATING AGREEMENT	4-1
4.1.		LLC Organization Provisions	4-3
4.2.		ory Paragraph	4-3
	Form 4-1	, e i	
		Members	4-3
	Form 4-2	,	
		Member Names	4-4
4.3.		and Confirmation of the Agreement	4-4
	Form 4-3	ϵ	4-4
4.4	Form 4-4		4-5
4.4.	20111111101	ns	4-5
	4.4.1.	Interest Defined	4-6
	4.4.2.	"Transferee" versus "Member"	4-7
1.5	F	Form 4-5. Definitions	4-8
4.5.	Formation	n	4-18.1

	Form 4-6	. Form	nation		4-19
	Form 4-7	. Form	nation		4-19
4.6.	Intent				4-19
	Form 4-8	Inter	nt		4-20
4.7.	Name				4-20
	Form 4-9	. Nam	e		4-20
4.8.	Purpose.				4-20
	Form 4-1	0. Purp	ose		4-21
4.9.	Term				4-22
	Form 4-1	1. Term	—Articles Not	Filed Yet	4-22
	Form 4-1	2. Term	–Articles Alre	ady Filed	4-23
4.10.	Registere	ed Office an	d Registered Ag	gent	4-23
	Form 4-1	3. Regi	stered Agent and	d Registered	
		Offic	e		4-23
4.11.	Principal	Office			4-23
	Form 4-1	4. Princ	cipal Office		4-24
4.12.	Member			Obligations, and	
	Other Inf	ormation R	eporting		4-24
	4.12.1.	Member (Contributions		4-24
		Form 4-15	5. Members	; Capital Contributions;	
			Percentag	e Interest	4-24
		Form 4-15	5A. Initial Cap	pital Contributions	4-24.1
	4.12.2.	Members	Rights and Obli	gations	4-25
		Form 4-16	6. Rights an	d Obligations of Members .	4-25
	4.12.3.	Beneficial	Owner Informa	ation Reporting	4-28
		4.12.3.1.	Introduction to	Beneficial Owner	
			Information Ro	eporting	4-28
		4.12.3.2.	Reporting Con	npany Definition	4-30
		4.12.3.3.	Beneficial Ow	ner Definition	4-30
		4.12.3.4.	Company App	licant Definition	4-31
		4.12.3.5.	Beneficial Ow	ner Information to be	
			Reported		4-31
		4.12.3.6.	Violating Repo	orting Requirements	4-34
		4.12.3.7.	Drafting for B	eneficial Owner	
			Information R	eporting Requirements	4-34
			Form 4-16A.	Beneficial Ownership	
				Reporting Requirement	4-35
			Form 4-16B.	Engagement Letter—	
				Beneficial Ownership	
				Information	4-35
4.13.	Miscella	neous Provi	sions		4-36
	Form 4-1			sions	4-36
				ce Permitted)	4.40

CHAPTER 5		LIMITED LIABILITY COMPANY			
		CAPITA	L	5-1	
5.1.	Drafting	Capital Pro	ovisions	5-3	
5.2.	Initial C	pital Contr	ributions	5-4	
	5.2.1	Contribut	ions Generally	5-4	
		Form 5-1.	Initial Capital Contributions in Cash		
			for Percentage Interests	5-4	
		Form 5-2.	Initial Capital Contributions in Cash		
			and/or Property	5-4.1	
		Form 5-2.	A. Initial Capital Contributions	5-5	
	5.2.2		ions of Appreciated Property	5-6	
		Form 5-3.	Representation in Connection with		
			Contribution of Property	5-6	
		Form 5-4.	Representations, Warranties, and		
			Indemnification in Connection with		
			Contribution of Operating Businesses	5-7	
	5.2.3	Contribut	ions of Services	5-10	
		Form 5-4.	A. Capital Interests and Profits		
			Interests	5-11	
5.3.	Addition	al Capital (Contributions	5-12	
	Form 5-	. Add	itional Capital Contributions at		
			cretion of Manager—Limit on		
		Amo	ount	5-12	
	Form 5-0		itional Capital Contributions at		
		Disc	cretion of Members—Limit on		
		Amo	ount	5-13	
	Form 5-0		itional Capital Contributions Approved by		
			nbers; Non-Contributing Members		
			med to Have Received a Loan from		
			tributing Members	5-14	
	Form 5-		Additional Capital Contributions	5-15	
	Form 5-8		Liability beyond Initial Capital		
			tribution without Vote	5-15	
	Form 5-9		Liability beyond Additional Capital		
			tributions	5-16	
5.4.			of Contributions	5-16	
	Form 5-		nitions Relating to Member		
			aulting on Capital Contributions	5-16	
	Form 5-		uction of Member's Interests		
			Failure to Make Contribution	5-17	
	Form 5-		rnative Remedies upon Failure		
			Take Contribution to Manager-Managed	,	
			· · · · · · · · · · · · · · · · · · ·	5-19	
5.5.	Interest of	on Capital (Contributions	5-20	

	Form 5-1	3. No Interest on Capital C	ontributions	5-20.1
	Form 5-1			5-21
5.6.	Return o	Capital Contributions		5-21
	Form 5-1	5. Return of Capital Contri	butions	5-22
5.7.	Form of	Distribution		5-23
	Form 5-1	6. Form of Distribution—N	lo Right to	
		Receive Anything but M		5-23
	Form 5-1			
		Is at Discretion of Manag		
		Manager-Managed LLC		5-23
5.8.		ecounts		5-24
	Form 5-1	Capital Accounts (Simpl	e Definition)	5-24
5.9.				5-24
	Form 5-1		•	
		to Borrow Money from I		
		Terms to Be Agreed upor		5-25
	Form 5-2	2		
		Loan with General Author	•	
		Money from Members o		
		Agreed upon in Future .	• • • • • • • • • • • • • • • • • • • •	5-25
СНА	PTER 6	ALLOCATION AND DIST	RIBUTION	
		PROVISIONS		6-1
6.1.	Taxation	of the LLC		6-3
6.2.		Illocation and Distribution Con		6-3
6.3.	Distribut	on Restrictions under the Act.	*	6-4
6.4.		n Restrictions—Code Section 7		6-4
	6.4.1.	Overview		6-4
	6.4.2.	The Three Alternative Allocat	ion Tests	6-5
		6.4.2.1. The First Test: Par	tners'	
		Interests in the Par	tnership	6-6
		6.4.2.2. The Second Test: S	Substantial	
		Economic Effect a	nd Capital	
				6-6
		6.4.2.3. The Third Test: No		
				6-7
	6.4.3.	Allocations to Interest Holder		6-9
6.5.		ıs		6-10
	6.5.1.	Distribution-Related Definition		6-10
		Form 6-1. Definitional P		
		Distribution-F		
				6-10
	652	Allogation Polated Definition	0	6 11

		Form 6-2.	Definitional Provision—			
			Tax-Related Definitions	6-11		
6.6.	Basic Di	stribution Provi	sions	6-15		
	6.6.1.	6.6.1. In General				
	6.6.2.	Cash Flow fro	om Operations	6-16		
		Form 6-3.	Distributions of Cash from			
			Operations	6-16		
		Form 6-3A.	Manager Determination of			
			Distributions	6-16		
	6.6.2A.	Distributions	to Fund Tax Liabilities	6-16		
		Form 6-3B.	Distributions to Pay Taxes	6-16.1		
		Form 6-3C.	Tax Distributions	6-16.2		
		Form 6-3D.	Tax Payment Loans	6-16.3		
	6.6.3.	Distribution of	of Capital Proceeds	6-16.4		
		Form 6-4.	Distribution of Capital			
			Proceeds	6-16.5		
	6.6.4.	Liquidation P	roceeds	6-17		
		Form 6-5.	Liquidation and Dissolution	6-17		
		Form 6-6.	Liquidation and Dissolution—			
			Deficit Restoration Obligation	6-18		
5.7.			ons	6-18		
	6.7.1.	Basic Allocat	ions of Income and Loss	6-18		
		Form 6-7.	Profit or Loss	6-19		
	6.7.2.	Qualified Inco	ome Offset and Minimum			
		Gain Chargeb	oack	6-20		
		Form 6-8.	Qualified Income Offset and			
			Minimum Gain Chargeback	6-20		
	6.7.3.		tory Allocations	6-22		
		Form 6-9.	Regulatory Allocations	6-23		
	6.7.4.		isions	6-26		
		Form 6-10.	General Provisions	6-26		
5.8.			tionate Distribution and			
				6-27		
	6.8.1.		Preferences	6-27		
		Form 6-11.	Definitional Provision—Distribution			
			Preference	6-27		
		Form 6-12.	Distribution Preference—Allocation			
			and Distribution Provisions	6-28		
	6.8.2.		nate Allocation of Losses	6-30		
		Form 6-13.	Disproportionate Allocation			
			of Loss	6-31		
	6.8.3.		• • • • • • • • • • • • • • • • • • • •	6-32		
		Form 6-14	Flin-Flon on Sale	6-32		

		Form 6-15	·	op Distribution in	6 22
		Form 6-16		tion with Liquidation ocation Provisions	6-33
		TOTHI O TO		Connection with	
				pp	6-34
СНА	PTER 7	MANAG	EMENT PRO	OVISIONS	7-1
7.1.	_			sions	7-4
	7.1.1.		-	er the Act	7-4
		7.1.1.1.			7-4
		7.1.1.2.	_	t	7-4
		7.1.1.3.		Variation Internation 1	7-6
			Form 7-A.	Voting Interests and	7.0
	7.1.2.	Typical A.	nnragahas ta l	Non-Voting Interests	7-9 7-10.2
7.2.				Management	7-10.2
1.2.	Form 7-1.			sions—Member	7-10.2
	101111 /-1				7-10.3
	Form 7-2.			per-Management	7 10.3
	101111 / 2				7-10.3
	Form 7-3.			per-Management	,
					7-10.4
7.3.	Represent				7-10.6
	7.3.1.	Managem	ent Provisions	S	7-10.6
		7.3.1.1.	Managemen	t by Board of	
			Directors an	d Officers	7-10.6
			Form 7-4.	Definitional Provisions— Board of Directors and	
				Officers	7-10.7
			Form 7-5.	Election of Board of	
				Directors and	
				Appointment of	
				Officers	7-10.8
		7.3.1.2.	_	t by One or More	
			_		7-15
			Form 7-6.	Manager-Managed	7.15
	7.2.2	T	C A .1	Provision	7-15
	7.3.2.			y of Manager	7-18
		Form 7-7.		ion of Authority of	7 10
		Form 7-7 <i>A</i>	_	er in Manager-Managed LLC . ion of Manager's Authority	7-18
		TOITH /-/F		espect to "Significant	
				"	7-20
		Form 7-7E		ers' Authority Where There	, 20
		, , -		Than One Manager	7-21

		Form 7-7C.	Manager Granted Broad	
			Discretion	7-21
	7.3.3.	Duties of the N	Manager	7-22
		Form 7-7D.	Manager's Duties Regarding	
			Personal Profits	7-24
		Form 7-7E.	Manager Right to Engage in Other	
			Business Opportunities	7-24
		Form 7-8.	Duties of the Manager in	
			Manager-Managed LLC	7-25
7.4.	Election,	Resignation, an	d Replacement of Managers	7-26
	Form 7-9	. Manager	Qualifications, Resignation,	
			, and Other Provisions—	
			-Managed LLC	7-27
7.5.	Meetings			7-29
	Form 7-1		nd Meetings—No Annual	
		_	Requirement	7-30
	Form 7-1	_	nd Meetings—Annual Meeting	
				7-33
	Form 7-1		Joint Ownership Interests	7-33
	Form 7-1	_	rovision Prohibiting Split Votes	7-34
7.6.	Informal		bers; Form of Member Consents	7-34
	Form 7-1		Resolution—Unanimous Consent	7-34.1
7.7.	Compens			7-34.2
	Form 7-1		gement for Compensation	
			-Managed)	7-34.2
	Form 7-1		sation (Manager-Managed)	7-34.3
	Form 7-1		inary Compensation	7-34.3
	Form 7-1		eed Payment" for Personal	
				7-34.4
7.8.	Expenses			7-34.4
	_		Reimbursement to Members	7-34.5
7.9.			• • • • • • • • • • • • • • • • • • • •	7-34.5
	7.9.1.		es	7-34.5
			ty of Loyalty	7-34.5
			ty of Care	7-34.6
			ditional Statutory Duty Provisions	7-34.6
	7.9.2.		Fiduciary Duties	7-34.7
	7.9.3.		ember Duties in the Operating	
				7-34.10
		Form 7-18.	Duties of the Members	
		Form 7-18A.	Additional Member Duties	
		Form 7-18B.	Member Noncompetition	
		· · · · · · · · · · · · · · · · · · ·	Agreement	7-34.13
		Form 7-18C.	Members' Right to Engage in Other	
				7-34.15

		Form 7-18	D. Members' Duties Regarding	
			Personal Profits	7-34.16
7.10.	Indemni	fication		7-34.17
	Form 7-	Inden	nnification	7-35
7.11.	Deadloc	k and Resolu	tion	7-36
	Form 7-2	20. Arbitı	ration of Deadlock	7-36
	Form 7-2	20A. Deadl	ock Procedures Requiring a Meeting	
			e Alternative Dispute Resolutions	7-37
	Form 7-2		ock Resolution—I Cut, You Choose	7-38
7.12.	Authorit	y to Sue on E	Behalf of the LLC	7-41
	Form 7-2	•	to Bring Action	7-45
CHAI	TER 8	DISSOCI	ATION, WITHDRAWAL, REMOVAL,	
		SALE, TE	RANSFER, AND BUY-SELL	
		PROVISI	ONS	8-1
8.1.			wal, and Removal of Members	
	under th	e Act		8-5
	8.1.1.	Dissociation	on, Withdrawal, and Removal	
		of Member	s under the Act in General	8-5
	8.1.2.	Voluntary V	Withdrawal	8-8
		Form 8-1.	Voluntary Withdrawal Defined	8-10
		Form 8-2.	Voluntary Withdrawal—Not	
			Permitted	8-10
		Form 8-3.	Voluntary Withdrawal—	
			Breach of Agreement	8-10
		Form 8-3A	. Voluntary Withdrawal—Treated as	
			Involuntary Withdrawal	8-10
		Form 8-3B	. Voluntary Withdrawal—	
			Retirement	8-11
	8.1.3.	Involuntary	Withdrawal	8-13
		Form 8-4.	Involuntary Withdrawal	
			Defined (Short Form)	8-15
		Form 8-5.	Involuntary Withdrawal	
			Defined (Long Form)	8-15
		Form 8-6.	Bankrupt or Bankruptcy	
			Defined (Short Form)	8-16
		Form 8-6A	. Bankrupt Defined (Long Form)	8-17
		Form 8-7.	Change in Control Provisions	8-17
	8.1.4.	Expulsion	and Removal	8-19
		8.1.4.1.	Removal under Prior Act	8-19
			Form 8-8. Removal Prohibited	8-19
			Form 8-9. Removal of a Member	8-20
		8.1.4.2.	Expulsion	8-20
			Form 8-9A. Expulsion Prohibited	8-20.2

		For	rm 8-9B. Expulsion for Cause	8-20.2		
	8.1.5.		of Dissociation in General	8-20.3		
		8.1.5.1 Pri	or Act Dissociation Consequences	8-20.3		
		Form 8-10.	Successor of Withdrawn Member			
			Continues as Unadmitted Assignee;			
			No Right to Fair Value	8-20.4		
		Form 8-11.	Optional Purchase by LLC upon			
			Involuntary Withdrawal	8-20.5		
		Form 8-11A.	Options to Purchase upon			
			Involuntary Withdrawal—			
			with Discounts	8-20.6		
		Form 8-11B.	Company Option to Purchase			
			upon Involuntary Withdrawal—			
			(Short Form)	8-20.8		
		8.1.5.2. Res	stated Act Dissociation			
			nsequences	8-20.8		
8.2.	Sale and		rests	8-20.9		
	8.2.1.		of Interests by LLC	8-20.9		
		Form 8-12.	Sale and Issuance of Additional			
			Interest by LLC	8-20.10		
	8.2.2.	The Act's Default Rules for Transfers of				
			• • • • • • • • • • • • • • • • • • • •	8-20.11		
			Member Personal Liability			
			Upon Dissociation	8-20.12		
	8.2.3.	Tax Aspects of	Transfer Restrictions	8-21		
		8.2.3.1.	Termination of the LLC	8-21		
		8.2.3.2.	Basis Issues	8-22		
	8.2.4.	Transfer Provi	sions—Preliminary Drafting			
			S	8-23		
		Form 8-13.	Definitional Provision—			
			Transfer	8-23		
		Form 8-13A.	Pledge of Interests	8-24		
		Form 8-14.	Definitional Provision—Marital			
			Property Rights Not a Transfer	8-24		
		Form 8-14A.	Substantive and Definitional			
			Provisions—Marital Property			
			Rights	8-25		
		Form 8-15.	Definitional Provision—			
			Interest	8-27		
		Form 8-16.	Definitional Provisions—	o - .		
		1011110 101	Interest and Membership			
			Rights	8-27		
		Form 8-17.	Definitional Provisions—	3 27		
		_ 01111 0 171	Additional Member, Interest			
			Holder, and Member	8-28		
			1101001, 4110 1110111001	5 20		

xxi

	Form 8-1	7A. Alternate	Definition of Member	8-28.1			
8.2.5.	Drafting	Transfer Provisi	ons That Follow the				
	Act's De	fault Rules		8-28.1			
	Form 8-1	8. Transfer	Provision Following				
		Act's Det	fault Rules	8-28.1			
8.2.6.	Drafting '	Transfer Provisi	ons That Permit				
	Transfera	bility of Membe	ership Rights	8-29			
	Form 8-1	9. Transfer	Provision Allowing				
		Some Fre	ee Transferability of				
		Members	ship Rights	8-29			
	Form 8-2	0. Transfer	Provision Granting				
		Members	hip on Less than				
			us Vote	8-30			
	Form 8-2	1. Transfer	Provision Allowing				
		Free Tran	sferability	8-30			
8.2.7.		Drafting Transfer Provisions That Absolutely					
	Prohibit 7	Transfers of Any	Kind	8-30			
	Form 8-2	2. Absolute	Prohibition of				
		Transfers		8-31			
8.2.8.	Drafting Transfer Restrictions Allowing						
	Transfers on Certain Conditions						
	8.2.8.1.	In General		8-31			
		Form 8-23.	Transfers Prohibited				
			Except as Provided				
			by Agreement	8-32			
	8.2.8.2.	Transfers bety	Transfers between Members or to				
		Related Person	Related Persons				
		Form 8-24.	Transfers of Interests				
			between Members	8-32			
		Form 8-25.	Definition of Related				
			Person	8-33			
		Form 8-25A.	Permitted Transferees	8-34			
		Form 8-25B.	Transfers by Members				
			with Permitted Transferee				
			Provisions	8-35			
	8.2.8.3.		Refusal	8-36			
		Form 8-26.	Right of First Refusal	8-36			
		Form 8-27.	Lifetime Transfers—				
			Right of First Refusal				
			(Alternative Provision)	8-37			
		Form 8-28.	Right of First Refusal				
			upon Grant of Security				
			Interest	8-39			

			For	m 8-29.	Right of First Offer;	
					LLC Purchases; Cash	
					Purchase	8-41
			For	m 8-29A.	Bring Along and Tag	
					Along Rights	8-43
	8.2.9.	Adn	nission of	Transferee	as a Member	8-44.1
			n 8-30.		e Not Admitted as	
					without Consent of	
						8-45
		Forr	n 8-31.		e Automatically	
					as Member	8-45
	8.2.10.	Dra	fting Provi		archase of an Interest on	0 .0
	0.2.10.		_		on Default	8-46
			n 8-32.		y Buy-out upon	0 10
		1 011	n o 52.		Member	8-47
		For	n 8-33.		Purchase upon	0 17
		1 011	11 0 33.		Member	8-47
		For	n 8-34.		Company to Purchase	0 47
		1 011	11 0-27.	_	n Unavoidable	
						8-49
		For	n 8-34A.			8-50
			n 8-34A.		of Disability	0-30
		FOII	II 6-34D.		Upon A Member's	8-50.1
		Form	n 8-35.		Mambar and Company	6-30.1
		гоп	11 6-33.	_	Member and Company	
					se Interest on Transfer	8-50.2
		E	n 8-35A.		rital Property Law	
				_	Consent	8-52
		FOII	n 8-36.	_	Company to Purchase	0.52
0.2	X 7.1	D	• . •		n Default of Member	8-53
8.3.				D. II. 11 1	8-53	
	Form 8-3	_			Be Used Instead	0.54
	F 0.26P				"Fair Value"	8-54
		Form 8-36B.			nining Agreement Value	8-55
	Form 8-3				ed	8-55
	Form 8-3					8-55
	Form 8-3	Form 8-39.			vith Reference to	0 -
			Appraisa	l		8-56
	Form 8-4				nd Appraisal Procedures	8-56
	Form 8-4				Defined	8-57
8.4.					hase and Sale	8-58
	Form 8-4	Form 8-42. Payn			urchase Price for	
						8-58
	Form 8-4				and Sale of Interest	8-60
8.5.	Miscellar	neous	Transfer F	Provisions.		8-60

	Form 8-4	4. General Restrictions and Related	
		Matters	8-60.1
	Form 8-4:	5. Membership Interest Transfer Agreement	8-62
	Form 8-46		8-65
	Form 8-4'		
		Employee	8-70
	Form 8-4		8-73
	Form 8-49	_	8-84
	Form 8-50	, , , , , , , , , , , , , , , , , , ,	8-90
	Form 8-5	ž	8-94
_	PTER 9	DISSOLUTION	9-1
9.1.		cts of LLC Dissolution	9-2
9.2.	Overview	of the Act's Dissolution Provisions	9-2
9.3.	Events of	Dissolution	9-3
	9.3.1.	In General	9-3
	9.3.2.	Drafting Provisions Following or	
		Modifying Events of Dissolution	
		Provided for in the Act	9-4
		Form 9-1. Dissolution—Affirming Default	
		Provisions with Modifications	9-4
	9.3.3.	Judicial Dissolution	9-5
	9.3.4.	Administrative Dissolution and Reinstatement	9-5
9.4.	Procedure	es for Winding Up the LLC Business	9-6
· · · ·	Form 9-2		
	1011117 2	Manager-Managed LLC	9-8
	Form 9-3.	<u> </u>	, (
	101111 / 3	Member-Managed LLC	9-8
9.5.	Dietributi	on of Assets and Proceeds of LLC upon)-(
9.5.		on of Assets and Proceeds of LLE upon	9-9
	Form 9-4.		2-2
	1'01111 9-4.	Complete Liquidation of Manager-Managed	
		LLC	9-10
	Form 9-5		9-10
	FOIII 9-3.		
		Complete Liquidation of Member-Managed	0.11
0.6	G	LLC	9-11
9.6.		t of Dissolution or Termination	9-12
	Form 9-6.	8	
		Dissolution or Termination	
	_	of Manager-Managed LLC	9-13
	Form 9-7.	E	
		Dissolution or Termination	
		of Member-Managed LLC	0_13

CHAI	PTER 10	BOOKS, RE	CORDS, AND ACCOUNTING	10
10.1.	Introducti		• • • • • • • • • • • • • • • • • • • •	10-
10.2.	Banking.			10-
	Form 10-1	l. Bank Ac	counts	10-
10.3.	Records.			10-
	10.3.1.	Member-Man	aged LLCs	10-
	10.3.2.		aged LLCs	10-
	10.3.2.	-	ersons	10-
	10.3.4		osts	10-
	10.3.5		n Availability and	10
	10.5.5		ation	10-
		Form 10-2.	Maintenance of Records—	10
		101111 10 2.	Member-Managed	
			LLC (Short Form)	10-
		Form 10-3.	Maintenance of Records—	10-
		101111 10-3.	Manager-Managed	
			LLC (Short Form)	10-
		Form 10-4.	Maintenance of Records—	10
		10111110-4.	Manager-Managed	
			LLC (Long Form—Prior Act)	10-
		Form 10-4A.	Company Information—	10-
		F01111 10-4A.	Manager-Managed LLC	
			(Long Form—Restated Act)	10.0
		Form 10-4B.		10-8
		FOIII 10-4 D .	Alphabetical List of Each Past and	10-8
10.4	A	. Davis d	Present Member and Manager	
10.4.		-	Voor Accounting David	10-
			Year Accounting Period	10-
	Form 10-6		1	10-
	Form 10-7		ear Accounting Period Specified	10-
	romi 10-7		Year to Be Determined by	10
	Earn 10 6		S	10-
	Form 10-8		Accounting Period Established	10
10.5	Mathada		gers	10-
10.5.	Form 10-9		of A accounting Established by	10-1
	FORM 10-9		of Accounting Established by	10.1
	F 10 1		S	10-1
	Form 10-1		of Accounting Established by	10.1
10.6	D		'S	10-1
10.6.			Constant Con	10-1
	Form 10-1		ion of Reports for Member-Managed	10.1
10.7	m		ger-Managed LLC	10-1
10.7.	Tax Audit	Procedures		10-1

	10.7.1.	Introduction	10-11
	10.7.2.	Tax Matters Partner	10-12
		Form 10-12. Tax Matters Member (Short Form)	10-13
		Form 10-13. Tax Matters Member (Long Form)	10-13
	10.7.3.	BBA Partnership Audit Procedures	10-14
		Form 10-13A. Partnership Audit Procedures	10-18
	10.7.4	Estate Planning after the BBA	10-21
		Form 10-13B. TOD Designation to Trust for LLC	
		Certificate	10-21
		Form 10-13C. TOD Designation to Trust for LLC	10.22
10.0	T. F1	Certificate	
10.8.		etions	
	Form 10	8	
	Form 10		10-22
	Form 10	1.1	
		Only—For Use in Either Member-Managed	10.22
		or Manager-Managed LLC	10-23
		PART III MISCELLANEOUS	
		MISCELLANEOUS	
_	PTER 11	REORGANIZATION OF THE LLC	
11.1.		al	
11.2.		on of New Members	11-3
	Form 11		
	Б 11	for LLC Membership Interest	11-4
	Form 11		
		Agreement for LLC Membership	11.6
	F 11	Interest	11-6
	Form 11	1 &	
		Agreement Admitting Assignee of Interest as a Member	11 10
	11.2.1.	Acquisition of Interest from Another Member	
	11,2,1,	Form 11-4. Simple Assignment of LLC	11-13
		Membership Right	11-14
		Form 11-5. Long Form Assignment of LLC	11-14
		Membership Right	11-16
		Form 11-6. Joinder Agreement	
		Form 11-6A. Joinder Agreement—Long Form	
11.3.	Conversi	ion of an Existing Entity into an LLC	
11.5.	11.3.1.	In General	
	11.3.1.	Conversion of General Partnership to LLC	
	· · · · · · ·		

		Form 11-7.	Agreement to Convert General	
			Partnership to Limited Liability	
			Company	11-25
		Form 11-8.	Explanatory Statement—Conversion	
			of General Partnership into LLC	11-27
		Form 11-9.	Term Is Continuation of Term of	
			Partnership	11-28
		Form 11-10.	Initial Capital Contributions—In	
			Property Consisting of Partnership	
			Interests in LLC's Predecessor	11-28
		Form 11-11.	Assignment of General Partnership	
			Interests to LLC	11-29
		Form 11-12.	Resolutions of Members Approving	
			Liquidation of Partnership into LLC.	11-29
	11.3.3.	Conversion of	f Limited Partnership into LLC	11-30
	11.3.4.	Conversion of	f Corporation into LLC	11-30
11.4.	Conversi	on of LLC into	Corporation	11-34
11.5.				11-35
	Form 11-		Amendment of Operating	
		Agreeme	ent	11-36
11.6.	Mergers	_	sconsin LLC	11-37
	Form 11-	14. Plan of I	Merger for Two Wisconsin LLCs	11-38.1
CHAI	PTER 12	DOING INT	TERSTATE BUSINESS	12-1
12.1.	Foreign I	LLCs Doing Bu	siness in Wisconsin	12-2
	12.1.1.	Governing La	w	12-2
	12.1.2.	Definitions		12-2
		12.1.2.1. Do	oing Business	12-2
		12.1.2.2. Int	terstate Business	12-3
	12.1.3.	Procedure for	Registration	12-3
	12.1.4.			12-4
	12.1.5.		Withdrawal, and Termination of	
		Registration .		12-4
	12.1.6.		Susiness without Registration	12-6
	12.1.7.	_		12-7
12.2.	Wisconsi		Business outside of Wisconsin	12-7
	12.2.1.	_		12-7
	12.2.2.			12-9
	12.2.3.	_		12-10
	12.2.4.			12-11
	. =			
CHAI	PTER 13	THE SINGL	LE-MEMBER LLC	13-1
13.1.				13-3
13.2	Tay Treat			13_3

	13.2.1.	Default as	a Disregarded	Entity	13-3		
	13.2.2.	"Single-N	Iember" LLC (Owned by Spouses in			
				tes	13-4		
13.3.	Potential	Uses			13-4.1		
	13.3.1.	Overview	of Single-Men	nber LLC Uses	13-4.1		
	13.3.2.	Single-M	ember LLCs In	Lieu of Consolidated			
		Returns			13-4.2		
	13.3.3.	Corporate	Reorganization	ns Involving			
		Single-Mo	ember LLCs		13-5		
	13.3.4.			Like-Kind Exchanges	13-8		
	13.3.5.	Bankrupto	Bankruptcy Remote Entities—Giving Management				
		Rights to	Another Party .		13-9		
		13.3.5.1.			13-10		
		13.3.5.2.		rs LLC Control and			
			•	Interests	13-10		
		13.3.5.3.		Lender LLC Control in			
			_		13-10.2		
			Form 13-1.	Operating Agreement			
				Provision – Purpose Clause	;		
				for an SPE LLC			
			Form 13-2.	Operating Agreement			
				Provision – SPE			
				Management Provisions	13-10.3		
			Form 13-3.	Operating Agreement			
				Provision – Limit on			
				Dissolution	13-10.4		
			Form 13-4.	Operating Agreement			
				Provision – Limits on			
				Bankruptcy	13-10.4		
			Form 13-5.	Operating Agreement	10 101.		
			1 01111 10 01	Provision – Special			
				Amendment Provision	13-10 5		
13.4.	Organiza	ntion					
13.5.					13-11		
13.3.	Form 13			rding Draft of Simple	13 11		
	1 01111 13			erating Agreement	13-12		
13.6.	Charging			ember LLC	13-12		
13.7				iber LLC	13-15		
13.7	Adding a	i Member u	a Single-Men	idei LLC	13-13		
CHAI	PTER 14	COMPE	NSATION ST	RATEGIES FOR			
					14-1		
14.1.	Introduc				14-3		
14.2.					14-4		
14.3.					14-6		
14.4.				Compensation Methods	14-9		
	,						

	14.4.1.	Corporatio	on Context	14-9
		14.4.1.1.	Stock Grants	14-9
		14.4.1.2.	Stock Options	14-10
		14.4.1.3.	Phantom Stock Plans	14-11
	14.4.2.	The LLC	Context	14-11
		14.4.2.1.	Equity Interests	14-12
			14.4.2.1.1. "Full Equity Interest"	14-12
		14.4.2.2.	Point System or Unit Compensation	14-13
		14.4.2.3.	The Importance of Member	
			Involvement	14-14
		14.4.2.4.	Debt Guarantees	14-15
		14.4.2.5.	Equity Interest vs. Non-Equity Incentive	
			Compensation	14-15
	14.4.3.	Compensa	tion Comparison Chart	14-16
14.5.		_	Distributions	14-20
			butions	14-20
		14.5.1.1.	Separate Calculations for Each Member	14-20
		14.5.1.2.	Standard Distribution Rate	14-22
		14.5.1.3.		14-23
	14.5.2.	Self-Empl	oyment Tax	14-24
		14.5.2.1.		
			Income	14-25
		14.5.2.2.	Application of Self-Employment Tax	
			to LLC Members	14-26
14.6.	Fiduciary 1	Duties, Ins	spection Rights and Other Duties	
				14-26
14.7.			s	14-27
14.8.			ies: Buyout Arrangements	14-27
14.9.			mpete	14-28
14.10.			Non-Equity-Based LLC Compensation	
	Plans			14-28.2
	Form 14-1	. Intere	est Grant Agreement	14-28.2
	Form 14-2		ne], LLC Employee Incentive	
		Com	pensation Plan	14-34
	Form 14-2		tom Ownership/Conversion to	
			ty Agreement	14-44
14.11.	Membersh	ip Interest	Options	14-52.2
	Form 14-3	. Addi	tional Definitions	14-53
	Form 14-4	. Revis	sed Definitions	14-56
	Form 14-5	. Capi	tal Contributions	14-57
	Form 14-6		nptive Rights	14-58
	Form 14-7		est on Capital Contributions	14-60
	Form 14-8	Lege	nd on Certificates	14-61
	Form 14-9		B Interest	14-62
	Form 14-1	0. Profi	t and Loss; Distributions	14-64

Form 14-1	1. Qualified Income Offset 14-67
Form 14-1	=
Form 14-1	3. Limitation of Authority of Manager 14-69
Form 14-1	4. Number; Tenure and Qualification;
	Initial Managers
Form 14-1	5. Right to Bring Action
Form 14-1	6. Meetings and Voting
Form 14-1	7. Withdrawal
Form 14-1	
Form 14-1	9. Dissolution
Form 14-2	0. Miscellaneous
	PART IV
	APPENDICES
APPENDIX A	WISCONSIN STATUTES CHAPTER 183
AFFENDIAA	LIMITED LIABILITY COMPANIES APP A-1
A DDENDIN A 4	
APPENDIX A1	CHAPTER 183 LIMITED LIABILTY
	COMPANIES, ARCHIVED 19-20 CHAPTER 183
A DDENDIN D	
APPENDIX B	CHECK-THE-BOX REGULATIONS APP B-1
APPENDIX C	TREASURY DECISION 8697 1997-2,
	I.R.B. 11, DECEMBER 18, 1996 APP C-1
APPENDIX D	IRS FORM 8832 APP D-1
APPENDIX E	COMPARISON OF LIMITED LIABILITY
	COMPANIES, LIMITED PARTNERSHIPS,
	S CORPORATIONS, C CORPORATIONS,
	AND LIMITED LIABILITY
	PARTNERSHIPS APP E-1
APPENDIX F1	SINGLE-MEMBER OPERATING
	AGREEMENT - SHORT FORM APP F1-1
APPENDIX F2	SINGLE-MEMBER OPERATING
	AGREEMENT OWNED BY SPOUSES IN
	COMMUNITY PROPERTY STATES -
	SHORT FORM APP F2-1
APPENDIX F3	LIMITED LIABILITY COMPANY
	OPERATING AGREEMENT OF, LLC,
	A SINGLE-MEMBER WISCONSIN
	LIMITED LIABILITY COMPANY APP F3-1

APPENDIX G	AGREEMENT OF, LLC, A SINGLE- MEMBER WISCONSIN LIMITED LIABILITY COMPANY MANAGED BY A BOARD OF DIRECTORS
	MEMBER-MANAGED OPERATING AGREEMENT OF LLCAPP H1-1
APPENDIX H2	OPERATING AGREEMENT OF, LLC, A MANAGER-MANAGED LLCAPP H2-1
APPENDIX H3	OPERATING AGREEMENT OF [NAME,] LLC A MANAGER-MANAGED LLC TAXED AS A PARTNERSHIP
APPENDIX I	MANAGER-MANAGED OPERATING AGREEMENT OF, LLC, A LIMITED LIABILITY COMPANY WITH PRIORITY RETURNS APP I-1
APPENDIX J	MANAGER-MANAGED OPERATING AGREEMENT OF, LLC, A LIMITED LIABILITY COMPANY APP J-1
APPENDIX K	, LLC, A LIMITED LIABILITY COMPANY MEMBERSHIP INTEREST OPTION PLAN
APPENDIX L	, LLC, A LIMITED LIABILITY COMPANY MEMBERSHIP INTEREST OPTION AGREEMENT APP L-1
APPENDIX M	STATES WITH SERIES LLC STATUTES APP M-1
APPENDIX N	MANAGER-MANAGED OPERATING AGREEMENT OF, LLC, A LIMITED LIABILITY COMPANY TAXED AS AN S CORPORATION APP N-1
APPENDIX O	MEMBER-MANAGED OPERATING AGREEMENT OF, LLC, A LIMITED LIABILITY COMPANY TAXED AS AN S CORPORATION APP O-1
	PART V LLP AND LLC CASES
IIP and IIC Cas	LLC Cases_1

PART VI INDICES

Cumulative Table of Internal Revenue Code Citations	INDEX-1
Cumulative Table of Treasury Regulations	INDEX-4
Cumulative Table of Private Letter Rulings, Revenue	
Procedures, and Revenue Rulings	INDEX-6
Cumulative Table of Miscellaneous State and Other	
Acts and Statutes	INDEX-8
Cumulative Table of Wisconsin Acts and Statutes	INDEX-10
Cumulative Table of Wisconsin Limited Liability Company	
Act Sections	INDEX-12
Table of Cases	INDEX-18
Subject Index	INDEX-20
Forms Index	INDEX-38