

Alberty.com - Fall 1999 Newsletter

We're sending this newsletter to you, as a customer of Alberty Publishing LLC, to bring you up to date on what is happening on our web site and to bring you news about developments in the law of limited liability companies.

What's New

We have recently completed our first year of online operation and want to thank you for making this past year a success. If you were one of the people affected by the occasional technical difficulties we have experienced as a new e-business, we apologize for any inconvenience and want to let you know that we are working hard to make your next visit to www.alberty.com a more pleasant and efficient experience.

We are also working to update and expand the collection of forms available from our web site. Four to six forms are being updated each month, and five new forms have been added since our site went live. Be sure to check out the What's New page the next time you visit our web site for a report on the latest developments.

LLC Law Changes

Earlier this year, the IRS issued two rulings dealing with the conversion of a single member LLC to a two member LLC and vice versa. While the results of the rulings are not surprising, the rulings are important because they indicate that the IRS is continuing to take a practical approach to LLCs and because they clarify the tax results of some transactions that will become increasingly common as the use of LLCs expands.

In Revenue Ruling 99-5, the IRS ruled that if an existing member of a single member LLC sells part of his or her interest to another person and then continues to participate in the operation of the business as part of a two member LLC, the transaction will be treated as a taxable sale by the existing member of an undivided interest in all of the assets of the LLC to the new member followed by a nontaxable contribution by both members of their interests in the assets to a new entity taxed as a partnership. If, on the other hand, the new member purchases an interest in the existing single member LLC from the LLC itself, the transaction will be treated as a nontaxable contribution by the existing member of the assets of the LLC to a new entity taxed as a partnership and a nontaxable contribution by the new member of the purchase price to the new entity.

In Revenue Ruling 99-6, the IRS ruled that if one member of a two member LLC buys the other member's interest and continues to operate the business as a single member LLC, the transaction will be treated as a dissolution and liquidation of the LLC followed by a purchase by one member of the other member's interest in the assets distributed in the liquidation. If both members sell their interests in a two member LLC to a third person, and the purchaser continues to operate the business as a single member LLC, the transaction will be treated as a sale by the members of their interests in an entity taxed as a partnership. From the purchaser's standpoint, the transaction will be treated as purchase of the assets of the LLC.

New Forms

We've added several new forms since the site first went live.

Security Agreement with LLC Member's Interest as Collateral (Form 5)

- Can be used when a member's interest is pledged as security for a loan or installment purchase
- Provides for consent of other members for the pledge and the secured party's taking possession in a default
- Faster than revising a stock pledge agreement to work with collateral not represented by a stock certificate or to revise a security agreement to work with intangible collateral

Bill of Sale (Form 9.1)

- Designed for use by a member contributing tangible personal property to the capital of an LLC
- Versatile form that can be used whether the member is an individual or entity and whether the LLC has one or more members

Bill of Sale and Assignment (Form 9.2)

- Provides for transfer of a business previously operated as a sole proprietorship to an LLC
- Conveys both the tangible and intangible personal property of the business to the LLC and provides for assumption of the liabilities of the business by the LLC

Assignment of Contract (Form 9.3)

- Designed for use in transferring an agreement to purchase real estate to an LLC in exchange for a membership interest, but can be also used to transfer other types of contractual rights
- Useful in the common situation in which one member of a proposed LLC enters an agreement to buy property for the LLC prior to its formation

Assignment of Lease (Form 9.4)

- Transfers the lessee's interest in a real or personal property lease to an LLC
- Includes forms for consent by the lessor and by the holder of a security interest in the lessor's interest

Subscription Info

As a customer of Alberty.com, we'd like to continue sending you updates on the law of LLCs and about useful forms that can enhance your practice. If you'd rather not receive our newsletters, just let us know by replying to this e-mail or to a future e-mail containing an issue of the newsletter. A human being will be reading your e-mail, so just ask us to take you off our mailing list – no magic words are needed in the subject line.

We welcome your input or feedback about this newsletter. Please feel free to reply with any thoughts or requests. Thank you.

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