

Fact Sheet:

Cook Islands Limited Liability Company



Cook Islands Limited Liability Companies are a flexible planning tool that can enhance wealth protection

Cook Islands Limited Liability Company

Background	1
General Features	1
Constitution	1
Members	1
Management	1
Liability	1
Dissolution	1
Re-domiciliation	1
Asset Protection Focus	1 - 2
Registration	2
Structure Diagram	2

Background

The Cook Islands Limited Liability Company (“CILLC”) is an important component in the suite of wealth planning tools the Cook Islands offers to professional service providers and their clients. The CILLC, whilst addressing concerns US attorneys face when using domestic US LLCs, appeals to an international client base due to the flexibility, certainty and enhanced protection it provides when structuring and managing wealth. Through its legislation, the Cook Islands has developed a wealth protection framework by focussing on this essential aspect of wealth planning. In this regard, the Cook Islands Limited Liability Companies Act 2008 (the “Act”) contains several specific features designed to provide and enhance the protection afforded to a client’s wealth when holding, managing and investing assets through a CILLC.

General Features

The general features of a Cook Islands Limited Liability Company include:

Constitution: A CILLC must file articles of organisation with the Registrar containing its name, business address, period of duration which may be perpetual and the specific events, if any, which will lead to the dissolution of the CILLC. In addition, the members may put in place an operating agreement as to the affairs of the CILLC and the conduct of its business.

Members A CILLC can have one or more members who can be individuals or entities. Each member’s liability will be limited to the amount of the capital contribution agreed with the CILLC.

Management: The CILLC’s operating agreement can vest management in one or more managers who do not need to be members thereby allowing separation of control and ownership.

Liability: Members and managers will not be personally liable for the debts and obligations of the CILLC.

Dissolution: A CILLC can be dissolved upon the happening of an event specified in its operating agreement or articles of organisation or upon the written agreement of all managers and members.

Re-domiciliation: A foreign limited liability company may, subject to the provisions of the Act, transfer its domicile to the Cook Islands provided the laws of the foreign domicile do not prohibit such transfer. Similarly, a CILLC may become domiciled in a foreign jurisdiction.

Asset Protection Focus

- The sole and exclusive remedy for a creditor against a membership interest in a CILLC is the right to apply for a charging order.
- A charging order only entitles a creditor to distributions, as and when made by the CILLC, in relation to the membership interest. It is not to be construed as a lien on or assignment of a membership interest or entitle the creditor to exercise any membership rights in relation to that interest.

“A foreign limited liability company may ... transfer its domicile to the Cook Islands ...”

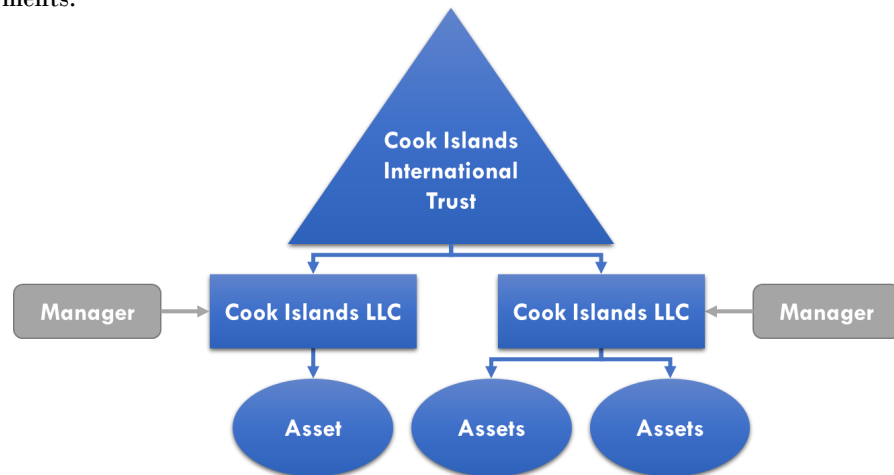
Fact Sheet: Cook Islands Limited Liability Company

- The person in whose favour a charging order has been issued shall have no right to interfere in the management of the CILLC, seize or liquidate its assets or effect its dissolution.
- Contribution calls made by the CILLC on members can be paid by the company from capital or income otherwise payable to members as distributions. This is also the case where a charging order has been issued upon a member's interest. In such circumstances as the distribution will never reach the member, the creditor has no claim to it.
- Foreign judgments seeking to deprive a member of a CILLC of any membership interest or rights will not be recognized in the Cook Islands courts.

Registration

Each CILLC lodges its articles of association with the Registrar and is formed and able to obtain the benefits of the Act upon the Registrar's confirmation the articles conform with the requirements of the Act. Details of the members and managers are not provided to the Registrar but are held with the trust company responsible for filing the CILLC's documents.

See our factsheet "Cook Islands Wealth Protection" to see how a CILLC can be integrated with a Cook Islands International Trust to provide an enhanced wealth protection structure.



Structure Diagram: Cook Islands LLCs owned by a Cook Islands International Trust

A CILLC gives its members the opportunity to implement a management and ownership structure best suited to hold and invest both their liquid and illiquid assets. The flexibility offered by a CILLC through the adoption of a carefully drafted operation agreement, and the certainty afforded by provisions in the Act determining the rights of creditors, provides a robust vehicle that can stand alone or form part of a client's wealth management plan.

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