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SB 1353

Derived from State Bar LLC Subcommittee

REFERENCE TITLE: limited liability company act; revisions

State of Arizona Senate  
Fifty-third Legislature Second Regular  
Session 2018

S. B. 1353

Introduced by Senators Worsley: Brophy McGee, Pratt

AN ACT

AMENDING SECTIONS 10-122.01 AND 10-130, ARIZONA REVISED STATUTES;  
REPEALING TITLE 29, CHAPTER 4, ARIZONA REVISED STATUTES; AMENDING  
TITLE 29, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 7; RELATING TO  
LIMITED LIABILITY COMPANIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 10-122.01, Arizona Revised Statutes, is amended effective from and after August 31, 2019, to read:

10-122.01. Public access fund: purpose: exemption: money on deposit account

A. THE public access fund is established. The commission shall administer the fund.

The fund consists of monies received pursuant to:

1. Section 10-122, subsections E, F, G, H and K.
2. Section 10-3122, subsections I and K.
3. Section 29-851, subsections E and F.
4. SECTION 29-3213, SUBSECTIONS E AND F.

B. Except as provided in subsection C of this section:

1. Monies in the fund are subject to legislative appropriation.
2. The commission shall spend monies in the fund for a part of the general administrative and legal expenses of the commission and to purchase, install and maintain an improved data processing system on the premises of the commission. The data processing system shall be designed to allow direct online access by any person at a remote location to all public records that are filed with the commission pursuant to this title and title 29, chapter 4.

3. When sufficient monies have been collected pursuant to section 10-122, subsections F, G and H, section 10-3122, subsection I and section 29-851, subsection E to pay for the purchase and installation of the data processing system, the commission shall not charge and collect the fees prescribed in section 10-122, subsection H or section 10-3122, subsection H.

4. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations, except that any unencumbered monies in excess of two hundred thousand dollars at the end of each fiscal year revert to the state general fund.

C. The money on deposit account is established in the public access fund as a separate account consisting of monies received pursuant to section 10-122, subsection K, section 10-3122, subsection K and section 29-851, subsection F. Monies in the money on deposit account:

1. Are held in trust by the commission.

2. May be withdrawn by the commission only:

- (a) To cover fees that are due pursuant to this title or title 29, chapter 4 on delivery of documents for filing or on a request for services by a person who advanced monies to the commission pursuant to section 10-122, subsection K, section 10-3122, subsection K or section 29-851, subsection F.

- (b) To refund the monies advanced in subdivision (a) of this paragraph if the person who requested services pursuant to subdivision (a) of this paragraph requests the refund.

- (c) For the disposition of unclaimed property pursuant to title 44, chapter 3.

3. Are not subject to either:

- (a) Legislative appropriation.

- (b) Reversion to the state general fund.

Sec. 2. Section 10-130, Arizona Revised Statutes, is amended effective from and after August 31, 2019, to read:

10-130. POWERS: DUTIES: DATABASE

A. The commission has the power and authority reasonably necessary to enable it to administer this title efficiently and to perform the duties imposed on it by this title, including the power and authority to make rules for those purposes.

B. The commission shall establish and maintain a database for documents filed pursuant to sections 10-203, 10-1006, 10-1007, 10-1008, 10-1105, 10-1403, 10-1503, 10-1520,

10-2077, 10-2143, 10-3203, 10-11006, 10-11007, 10-11008, 10-11105, 10-11403, 10-11503, 10-11520, 29-633, 29-635, 29-754, 29-3201, 29-3202, AND 29-4005. The database shall only include documents that are filed for a corporation with a known place of business that is located in a county with a population of more than eight hundred thousand persons and for a limited liability company whose statutory agent's street address is located in a county with a population of more than eight hundred thousand persons. The commission shall post the database on its website to allow the public to search for business information, including an entity's name, approval date and county of the known place of business. The information must be maintained in the database for at least ninety days. The commission may charge a fee to any entity for information entered into the database pursuant to this subsection.

Sec. 3. Delayed repeal

Title 29, chapter 4, Arizona Revised Statutes, is repealed from and after August 31, 2020.

Sec. 4. Title 29, Arizona Revised Statutes, is amended effective from and after August 31, 2019, by adding chapter 7, to read:

CHAPTER 7

ARIZONA LIMITED LIABILITY COMPANY ACT

ARTICLE 1. GENERAL PROVISIONS

29-3101. SHORT TITLE

This chapter may be cited as the "Arizona limited liability company act".

29-3102. DEFINITIONS

In this chapter, unless the context otherwise requires:

1. "Articles of organization" means the articles required by section 29-3201. Articles of organization includes the articles as amended or restated.
2. "Commission" means the corporation commission.
3. "Contribution" means property or a benefit described in section 29-3402 that is provided by a person to a limited liability company to become a member or in the person's capacity as a member.
4. "Debtor in bankruptcy" means a person that is the subject of either of the following:
  - (a) An order for relief under title 11 of the united states code or a comparable order under a successor statute of general application.
  - (b) A comparable order under federal, state or foreign law governing insolvency.
5. "Designating foreign company" means, with respect to any foreign series, the foreign limited liability company that designated or otherwise established the foreign series in accordance with the law of its jurisdiction of formation.
6. "Distribution":
  - (a) Means a transfer of money or other property from a limited liability company to a person on account of a transferable interest or in the person's capacity as a member.
  - (b) Includes both of the following:
    - (i) A redemption or other purchase by a limited liability company of a transferable interest.
    - (ii) A transfer to a member in return for the member's relinquishment of any right to participate as a member in the management or conduct of the company's activities and affairs or to have access to records or other information concerning the company's activities and affairs.
  - (c) Does not include amounts constituting reasonable compensation for present or past service or payments made in the ordinary course of business under a bona fide retirement plan or another bona fide benefits program.

7. “Foreign limited liability company” means an unincorporated entity that is formed under the law of a jurisdiction other than this state and that would be a limited liability company if the unincorporated entity were formed under the law of this state and includes a foreign series for the purposes of this article.

8. “Foreign series” means a series of a foreign limited liability company that has been established as such in accordance with the law of a jurisdiction other than this state.

9. “Jurisdiction”, when used to refer to a political entity, means the united states, a state, a foreign country or a political subdivision of a foreign country.

10. “Jurisdiction of formation” means the jurisdiction whose law governs the internal affairs of an entity.

11. “Limited liability company”, except when used in the phrase foreign limited liability company and in article 10 of this chapter:

(a) means an entity that is formed under this chapter or that becomes subject to this chapter under article 10 of this chapter or section 29-3110.

(b) includes a limited liability company with a single member.

12. “Majority in interest of the members” means, at any particular time, one or more members that hold in the aggregate a majority of the interests in the limited liability company’s profits held at that time by all members, disregarding any profit interests held by persons that are not members. The members’ respective interests in the company’s profits are in proportion to their rights to share in distributions that exceed the repayment of their contributions on dissolution and winding up of the company.

13. “Manager” means a person that under the operating agreement of a manager-managed limited liability company is responsible, alone or in concert with others, for performing the management functions stated in section 29-3407, subsection C.

14. “Manager-managed limited liability company” means a limited liability company that qualifies under section 29-3407, subsection A.

15. “Member” means a person that both:

(a) Has become a member of a limited liability company under section 29-3401 or was a member in a company when the company became subject to this chapter under section 29-3110.

(b) Has not dissociated under section 29-3602.

16. “Member-managed limited liability company” means a limited liability company that is not a manager-managed limited liability company.

17. “Operating Agreement” means the agreement, whether or not referred to as an operating agreement and whether oral, implied, in a record or in any combination thereof, of all the members of a limited liability company, including a sole member, concerning the matters described in section 29-3105, subsection A. Operating agreement includes the agreement as amended or restated.

18. “Organizer” means a person that acts under section 29-3201 to form a limited liability company.

19. “Person” means an individual, business corporation, nonprofit corporation, partnership, limited partnership, limited liability company, general cooperative association, limited cooperative association, unincorporated nonprofit association, statutory trust, business trust, common-law business trust, estate, trust, association, joint venture, public corporation or government or governmental subdivision, agency or instrumentality or any other legal or commercial entity.

20. “Principal address” means the mailing address of a limited liability company or foreign limited liability company, whether or not located in this state.

21. "Property" means all property, whether real, personal or mixed or tangible or intangible, or any right or interest therein.

22. "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and that is retrievable in a perceivable form.

23. "Registered foreign limited liability company":

(a) means a foreign limited liability company that is registered to do business in this state pursuant to a statement of registration filed by the commission.

(b) includes a registered foreign series for the purposes of this article.

24. "Registered Foreign Series" means a foreign series that is registered to do business in this state pursuant to a statement of registration filed by the commission.

25. "Sign" means with present intent to authenticate or adopt a record, to either:

(a) Execute or adopt a tangible symbol.

(b) Attach to or logically associate with the record an electronic symbol, sound or process.

26. "State" means a state of the united states, the District of Columbia, Puerto Rico, the United States Virgin Islands or any territory or insular possession subject to the jurisdiction of the united states.

27. "Statutory agent" means the agent of a limited liability company or foreign limited liability company that is authorized to receive service of any process, notice or demand required or permitted by law to be served on the company.

28. "Transfer" includes:

(a) An assignment.

(b) A conveyance.

(c) A sale.

(d) A lease.

(e) An encumbrance, including a mortgage or security interest.

(f) A gift.

(g) A transfer by operation of law.

29. "Transferable Interest" means the right, as initially owned by a person in the person's capacity as a member, to receive distributions from a limited liability company, whether or not the person remains a member or continues to own any part of the right, and applies to any fraction of the interest, by whomever owned.

30. "Transferee":

(a) Means a person to which all or part of a transferable interest has been transferred, whether or not the transferor is a member.

(b) Includes a person that owns a transferable interest under section 29-3603, subsection A, paragraph 3.

#### 29-3103. KNOWLEDGE: NOTICE

A. A person knows a fact if the person either:

1. Has actual knowledge of the fact.

2. Is deemed to know the fact under law other than this chapter.

B. A person has notice of a fact if the person either:

1. Has reason to know the fact from all of the facts known to the person at the time in question.

2. Is deemed to have notice of the fact under subsection D of this section.

C. Subject to section 29-3210, subsection F, a person notifies another person of a fact by taking steps reasonably required to inform the other person in ordinary course, whether or not those steps cause the other person to know the fact.

D. A person that is not a member is deemed to have notice of a limited liability company's:

1. Dissolution ninety days after a notice of winding up under section 29-3702, subsection B, paragraph 2, subdivision (a) becomes effective.
2. Termination ninety days after the articles of termination under section 29-3702, subsection B, paragraph 2, subdivision (f) become effective.
3. Participation in a merger, interest exchange, conversion, domestication or division ninety days after a statement of merger, interest exchange, conversion, domestication or division under article 10 of this chapter become effective.

#### 29-3104. GOVERNING LAW

The law of this state governs both of the following:

1. The internal affairs of a limited liability company.
2. The liability of a member as member and a manager as manager for a debt, an obligation or another liability of a limited liability company.

#### 29-3105. OPERATING AGREEMENT: SCOPE, FUNCTION AND LIMITATIONS

A. Except as otherwise provided in subsections C and D of this section:

1. The operating agreement governs all of the following:
  - (a) Relations among the members as members and between the members and the limited liability company.

- (b) The rights and duties under this chapter of a person in the capacity of manager.

- (c) The activities and affairs of the company and the conduct of those activities and affairs.

- (d) The means and conditions of amending the agreement.

2. The operating agreement may contain any provision that is not contrary to law.

3. In the event of a conflict between a provision of the operating agreement and this chapter, the provision of the operating agreement governs.

B. To the extent the operating agreement does not provide for a matter described in subsection A of this section, this chapter governs the matter.

C. An operating agreement may not:

1. Vary the law applicable under section 29-3104.

2. Vary a limited liability company's capacity under section 29-3109 to sue and be sued in the limited liability company's own name.

3. Vary any requirement, procedure or other provision of this chapter pertaining to:

- (a) Statutory agents.

- (b) The commission, including provisions pertaining to records authorized or required to be delivered to the commission for filing under this chapter.

4. Vary the provisions of section 29-3204.

5. Eliminate the contractual obligation of good faith and fair dealing or the duty to refrain from wilful or intentional misconduct under section 29-3409.

6. Limit or eliminate a person's liability for any violation of the contractual obligation of good faith and fair dealing or conduct involving wilful or intentional misconduct.

7. Unreasonably restrict the duties and rights of members and managers under section 29-3410, but the operating agreement may impose reasonable restrictions on the availability and use of information obtained under section 29-3410 and may define appropriate remedies, including liquidated damages, for a breach of any reasonable restriction on use.

8. Vary the causes of dissolution specified in section 29-3701, subsection A, paragraph 4, subdivision (b) and section 29-3701, subsection A, paragraph 5.

9. Unreasonably restrict the right of a member to maintain an action under article 8 of this chapter, except that the operating agreement may require a member maintaining a direct action under section 29-3801 to plead and prove an actual or threatened injury that is not solely the result of any injury suffered or threatened to be suffered by the company.

10. Vary the provisions of section 29-3805, but the operating agreement may provide that the company may not have a special litigation committee.

11. Vary the required contents of a plan of merger, a plan of interest exchange, a plan of conversion, a plan of domestication or a plan of division under article 10 of this chapter.

12. Except as otherwise provided in section 29-3106 and section 29-3107, subsection B, restrict the rights under this chapter of a person other than a member or manager.

13. Reduce or eliminate the restrictions on distributions under section 29-3405, subsection A.

D. Subject to subsection C, paragraphs 5 and 6 of this section, without limiting other terms that may be included in an operating agreement, the following apply:

1. To the extent that, at law or in equity, a member or manager or other person has duties, including the duty of care, the duty of loyalty and any other fiduciary duty, to a limited liability company, to another member or manager or to another person that is a party to or is otherwise bound by an operating agreement, the member's, manager's or other person's duties may be expanded, limited or eliminated by the operating agreement.

2. An operating agreement may provide for the limitation or elimination of any or all liabilities for breach of the operating agreement or breach of duties, including the duty of care, the duty of loyalty and any other fiduciary duty, as expanded, limited or eliminated in the operating agreement, of a member, manager or other person to a company or to another member or manager or another person that is a party to or is otherwise bound by the operating agreement.

3. An operating agreement may specify a method by which a specific act, omission or transaction, or a specific category of acts, omissions or transactions, that would otherwise violate a duty, including the duty of care, the duty of loyalty and any other fiduciary duty, as expanded, limited or eliminated in the operating agreement, may be authorized or ratified. A general provision in an operating agreement that provides for management by one or more members or managers, without more, is not sufficient to specify a method for authorization or ratification under this paragraph.

4. An operating agreement may specify a method by which a member, manager or other person may be reimbursed, indemnified or held harmless, or by which the liability of a member, manager or other person may be limited or eliminated, for a specific act, omission or transaction, or a specific category of acts, omissions or transactions, that would otherwise violate a duty, including the duty of care, the duty of loyalty and any other fiduciary duty, as expanded, limited or eliminated in the operating agreement. A general provision in an operating agreement that provides for management by one or more members or managers, without more, is not sufficient to specify a method for reimbursing, indemnifying or holding harmless a person or limiting or eliminating a person's liability under this paragraph.

E. Subject to the limitations of subsection C, paragraphs 5 and 6 of this section, an operating agreement may define some or all of the fiduciary duties of a member, manager or other person that is a party to or is otherwise bound by an operating agreement to be the same as the fiduciary duties of a director, officer or shareholder of a corporation formed under the laws of this state, in which case, unless the operating agreement provides otherwise, all laws of evidence and evidentiary presumptions and other laws that apply to the fiduciary duties of a director, officer or shareholder of a corporation formed under the laws of this state apply to such duties.

29-3106. OPERATING AGREEMENT: EFFECT ON LIMITED LIABILITY COMPANY AND PERSONS BECOMING MEMBERS: PREFORMATION AGREEMENT

A. A limited liability company is bound by and may enforce the operating agreement, whether or not the company has itself manifested assent to the operating agreement.

B. A person that becomes a member is deemed to assent to the operating agreement.

C. Two or more persons intending to become the initial members of a limited liability company may make an agreement providing that on the formation of the company the agreement will become the operating agreement. One person intending to become the initial member of a limited liability company may assent to terms providing that on the formation of the company the terms will become the operating agreement.

29-3107. OPERATING AGREEMENT: AMENDMENT: EFFECT ON THIRD PARTIES AND RELATIONSHIP TO RECORDS EFFECTIVE ON BEHALF OF LIMITED LIABILITY COMPANY

A. An operating agreement may specify that its amendment requires the approval of a person that is not a party to the agreement or the satisfaction of a condition. An amendment is ineffective if its adoption does not include the required approval or satisfy the specified condition.

B. The obligations of a limited liability company and its members to a person in the person's capacity as a transferee or a person dissociated as a member are governed by the operating agreement. Subject to section 29-3409, subsections D and I, an amendment to the operating agreement made after a person becomes a transferee or is dissociated as a member:

1. Is effective with regard to any debt, obligation or other liability of the limited liability company or its members to the person in the person's capacity as a transferee or person dissociated as a member.

2. Is not effective to the extent the amendment imposes a new debt, obligation or other liability on the transferee or person dissociated as a member.

C. If a record delivered by a limited liability company to the commission for filing becomes effective and contains a provision that would be ineffective under section 29-3105, subsection D if contained in the operating agreement, the provision is ineffective in the record.

D. Subject to subsection C of this section, if a record delivered by a limited liability company to the commission for filing becomes effective and conflicts with a provision of the operating agreement:

1. The agreement prevails as to members, persons dissociated as members, transferees and managers.

2. The record prevails as to other persons to the extent they reasonably rely on the record.

29-3108. NATURE, PURPOSE AND DURATION OF LIMITED LIABILITY COMPANY

A. A limited liability company is an entity distinct from its member or members.

B. Except as provided in subsections C and D of this section, a limited liability company may have any lawful purpose, regardless of whether the purpose is for profit.

C. A limited liability company may not engage in the business of banking.

D. A limited liability company may not be an insurer as defined in section 20-104 unless as a title insurance agent as defined in section 20-1562 or as a pure captive insurer as defined in section 20-1098 that is expressly authorized by the director of the department of insurance pursuant to title 20. For the purposes of title insurance transactions or pure captive insurance business. The members of the company are individually responsible, equally and



ratably, and not one for another, for all contracts, debts and engagements of the company, to the extent of the amount of each member's initial investment in the company.

E. A limited liability company has perpetual duration.

#### 29-3109. POWERS

A limited liability company has the capacity to sue and be sued in its own name and the power to do all things necessary or convenient to carry on its activities and affairs.

#### 29-3110. APPLICATION TO EXISTING RELATIONSHIPS

A. Before September 1, 2020, this chapter applies only to the following:

1. A limited liability company that is formed, converted or domesticated on or after September 1, 2019 or a registered foreign limited liability company that is registered in this state on or after September 1, 2019.

2. A limited liability company that is formed, converted or domesticated before September 1, 2019 and that elects, in the manner provided in its operating agreement or by law for amending the operating agreement, to be subject to this chapter.

B. On and after September 1, 2020, this chapter applies to all limited liability companies and foreign limited liability companies.

C. For the purposes of applying this chapter to:

1. a limited liability company formed before September 1, 2019, the company's known place of business is deemed to be its principal address.

2. a registered foreign limited liability company registered in this state before September 1, 2019, the address of the foreign company specified in the foreign company's certificate of registration is deemed to be its principal address.

D. This chapter does not affect the validity or enforceability of any provision of an operating agreement that was valid or enforceable under any prior statute that was in effect at the time the provision became part of the operating agreement.

#### 29-3111. SUPPLEMENTAL PRINCIPLES OF LAW AND EQUITY

Unless displaced by particular provisions of this chapter, the principles of law and equity supplement this chapter.

#### 29-3112. PERMITTED NAMES

A. The name of a limited liability company must contain the phrase "limited liability company" or "limited company" or the abbreviation "L.L.C.", "LLC", "L.C." or "LC" in uppercase or lowercase letters.

B. Except as otherwise provided in subsection D of this section, the name of a limited liability company and the name under which a foreign limited liability company may register to do business in this state must be distinguishable on the records of the commission or the secretary of state from any of the following:

1. The name of an existing person whose formation required the filing of a record by the commission or the secretary of state and that is not at the time administratively dissolved.

2. The name under which a person is registered to do business in this state by the filing of a record by the commission or the secretary of state.

3. The name reserved under section 29-3113 or any other law of this state providing for the reservation of a name by the filing of a record by the commission or the secretary of state.

4. The name registered under section 29-3114 or any other law of this state providing for the registration of a name by the filing of a record by the commission or the secretary of state.

5. The name registered under section 44-1460.

C. If a person consents in a record to the use of the person's name and submits an undertaking in a form satisfactory to the commission to change the person's name to a name that

is distinguishable on the records of the commission or the secretary of state from any name in any category of names in subsection B of this section. The name of the consenting person may be used by the person to which the consent was given.

D. Except as otherwise provided in subsection E of this section. In determining whether a name is the same as or not distinguishable on the records of the commission or the secretary of state from the name of another person. Words. Phrases or abbreviations indicating a type of person. Such as “corporation”, “corp.”, “incorporated”. “Inc.”, “professional corporation”, “P.C.”, “PC”, “professional association”, “P.A.”, “PA”, “Limited”, “Ltd.”, “Limited Partnership”, “L.P.”, “LP”, “Limited Liability Partnership”, “L.L.P.”, “LLP”, “registered limited liability partnership”, “R.L.L.P.”, “RLLP”, “Limited Liability Limited Partnership”, “L.L.L.P.”, “LLL”, “Registered Limited Liability Limited Partnership”, “R.L.L.L.P.”, “RLLL”, “Limited Liability Company”, “L.L.C.”, “LLC”, “Limited Cooperative Association”, “Limited Cooperative”, “L.C.A.” or “LCA”, may not be taken into account.

E. The name of a limited liability company or foreign limited liability company may not contain the words “association”, “corporation” or “incorporated” or an abbreviation of these words. The name of a limited liability company or foreign limited liability company may not contain the words “bank”, “deposit”, “credit union”, “trust” or “trust company” separately or in combination to indicate or convey the idea that the company is engaged in banking, credit union or trust business unless the company is to be and becomes actively and substantially engaged in the banking, credit union or trust business or the company is a holding company holding substantial interest in companies actively and substantially engaged in the banking, credit union or trust business. A limited liability company or foreign limited liability company may use a conflicting name that is not distinguishable from a name described in subsection B of this section if the company delivers to the commission a certified copy of a final judgement of a court of competent jurisdiction establishing the right of the company to use the name in this state.

F. The name of a foreign series registering to do business in this state must include the word “series”.

#### 29-3113. RESERVATION OF NAME

A. A person may reserve the exclusive use of a name that complies with section 29-3112 by delivering an application to the commission for filing. The application must state the name and address of the applicant and the name to be reserved. If the commission finds that the name is available. The commission shall reserve the name for the applicant’s exclusive use for one hundred twenty days.

B. The owner of a reserved name may transfer the reservation to another person by delivering to the commission a signed notice in a record of the transfer that states the name and address of the person to which the reservation is being transferred.

#### 29-3114. REGISTRATION OF NAME

A. A foreign limited liability company not registered to do business in this state under article 9 of this chapter may register its name, or an alternate name adopted pursuant to section 29-3906, if the name is distinguishable on the records of the commission or the secretary of state from the names that are not available under section 29-3112.

B. To register its name or an alternate name adopted pursuant to section 29-3906, a foreign limited liability company must deliver to the commission for filing an application stating the company’s name, the jurisdiction and the date of its formation and any alternate name adopted pursuant to section 29-3906. If the commission finds that the name applied for is available, the commission shall register the name for the applicant’s exclusive use.

C. The registration of a name under this section is effective for one year after the date of registration.

D. A foreign limited liability company whose name registration is effective may renew the registration for successive one-year periods by delivering, not earlier than three months before the expiration of the registration, to the commission for filing a renewal application that complies with this section. When filed, the renewal application renews the registration for a succeeding one-year period.

E. A foreign limited liability company whose name registration is effective may register as a foreign limited liability company under the registered name or consent in a signed record to the use of that name by another person that is not an individual.

#### 29-3115. STATUTORY AGENT

A. Each limited liability company and each registered foreign limited liability company shall designate and maintain a statutory agent in this state. Unless the statutory agent signed the document making the appointment, the appointment of a statutory agent is not effective until the agent or the company delivers a record to the commission signed by the agent accepting the appointment.

B. A statutory agent for a limited liability company or registered foreign limited liability company must have a place of business or residence in this state. A statutory agent must be either an individual resident of this state, a domestic corporation, a limited liability company, a foreign corporation or a foreign limited liability company authorized to transact business in this state.

C. The only duties under this chapter of a statutory agent that has complied with this chapter are:

1. To forward to the limited liability company or registered foreign limited liability company at the address most recently supplied to the agent by the company or foreign company any process, notice or demand pertaining to the company or foreign company that is served on or received by the agent.

2. If the statutory agent resigns, to provide the notice required by section 29-3117, subsection C to the company or foreign company at the address most recently supplied to the agent by the company or foreign company.

3. To keep current the information with respect to the agent in the articles of organization or foreign registration statement.

#### 29-3116. STATEMENT OF CHANGE

A. A limited liability company or registered foreign limited liability company may change its statutory agent, its principal address, the address of one or more of its managers or members or the address of its statutory agent by delivering to the commission for filing a statement of change that states both of the following:

1. The name of the company or foreign company.

2. The information that is to be in effect as a result of the filing of the statement of change.

B. The members or managers of a limited liability company are not required to approve the delivery to the commission for filing of either:

1. A statement of change under this section.

2. A similar filing changing the statutory agent or principal address, if any, of the company in any other jurisdiction.

C. Unless the successor statutory agent signed the statement of change, the appointment of a successor statutory agent is not effective until the successor statutory agent, the limited liability company or the registered foreign limited liability company delivers a record to the commission signed by the successor statutory agent accepting the change or the appointment.

D. As an alternative to using the procedure in this section, a limited liability company may amend its articles of organization or a registered foreign limited liability company may file an amendment of foreign registration statement under section 29-3904.

#### 29-3117. RESIGNATION OF STATUTORY AGENT

A. A statutory agent may resign as an agent for a limited liability company or registered foreign limited liability company by delivering to the commission for filing a statement of resignation that states all of the following:

1. The name of the company or foreign company.
2. The name of the agent.
3. That the agent resigns from serving as statutory agent for the company or foreign company.
4. The address of the company or foreign company to which the agent will send the notice required by subsection C of this section.

B. A statement of resignation takes effect on the earlier of:

1. The thirty-first day after the day on which the statement of resignation is filed by the commission.
2. The designation of a new statutory agent for the limited liability company or registered foreign limited liability company.

C. A statutory agent promptly shall furnish to the limited liability company or registered foreign limited liability company notice in a record of the date on which a statement of resignation was filed.

D. When a statement of resignation takes effect, the statutory agent ceases to have responsibility under this chapter for any matter thereafter tendered to the statutory agent as agent for the limited liability company or registered foreign limited liability company. The resignation does not affect any contractual rights that the company or foreign company has against the agent or that the agent has against the company or foreign company.

E. A statutory agent may resign with respect to a limited liability company or registered foreign limited liability company whether or not the company or foreign company is in good standing.

#### 29-3118. CHANGE OF NAME OR ADDRESS BY STATUTORY AGENT

A. If a statutory agent changes its name or address, the agent may deliver to the commission for filing a statement of change that states all of the following:

1. The name of the limited liability company or registered foreign limited liability company represented by the statutory agent.
2. The name of the agent as currently shown in the records of the commission for the company or foreign company.
3. If the name of the agent has changed, its new name.
4. If the address of the agent has changed, its new address.

B. A statutory agent promptly shall furnish notice to the represented limited liability company or registered foreign limited liability company of the filing by the commission of the statement of change and the changes made by the statement.

#### 29-3119. SERVICE OF PROCESS, NOTICE OR DEMAND

A. A limited liability company or registered foreign limited liability company may be served with any process, notice or demand required or permitted by law by serving its statutory agent.

B. If a limited liability company or registered foreign limited liability company ceases to have a statutory agent, or if its statutory agent cannot with reasonable diligence be served, the company or foreign company may be served by registered or certified mail, return

receipt requested, or by a similar commercial delivery service, addressed to the company or foreign company at its principal address. The principal address must be as shown on the company's or foreign company's most recent filing with the commission. Service is effected under this subsection on the earliest of any of the following:

1. The date the company or foreign company receives the mail or delivery by the commercial delivery service.

2. The date shown on the return receipt, if signed by the company or foreign company.

3. Five days after the mail or delivery is deposited with the United States postal service or with the commercial delivery service, if correctly addressed and with sufficient postage or payment.

C. If process, notice or demand cannot be served on a limited liability company or registered foreign limited liability company pursuant to subsection A or B of this section, service may be made by handing a copy to the individual in charge of any regular place of business or activity of the company or foreign company if the individual served is not a plaintiff in the action.

D. Service of process, notice or demand on a statutory agent must be in a written record.

E. Service of process, notice or demand may be made by other means under law other than this chapter.

#### 29-3120. DELIVERY OF RECORD

A. Except as otherwise provided in this chapter, permissible means of delivery of a record include delivery by hand, mail, conventional commercial practice and electronic transmission.

B. Delivery to the commission is effective only when a record is received by the commission.

#### 29-3121. RESERVATION OF POWER TO AMEND OR REPEAL

The legislature of this state has the power to amend or repeal all or any part of this chapter at any time, and all limited liability companies and foreign limited liability companies subject to this chapter are governed by the amendment or repeal.

#### 29-3122. POWERS OF COMMISSION

The commission has the power reasonably necessary to administer this chapter efficiently and to perform the duties imposed on the commission under this chapter.

#### 29-3123. TAXATION

A limited liability company established or a foreign limited liability company transacting business in this state pursuant to this chapter shall pay the taxes that are imposed by the laws of this state or any political subdivision of this state on domestic and foreign limited partnerships on an identical basis, except that, for the purposes of title 23, chapter 4 and title 43, a company or foreign company and its members shall be taxed as if the company or foreign company is either a partnership or a corporation or is disregarded as an entity as determined pursuant to the internal revenue code as defined in section 43-105.

### ARTICLE 2. FORMATION; ARTICLES OF ORGANIZATION AND OTHER FILINGS

#### 29-3201. FORMATION OF LIMITED LIABILITY COMPANY; ARTICLES OF ORGANIZATION

A. One or more persons may act as organizers to form a limited liability company by delivering to the commission for filing the articles of organization.

B. The articles of organization must state all of the following:

1. The name of the limited liability company that complies with section 29-3112.

2. The principal address, which may be the same as the mailing address of the company's statutory agent.

3. The name and street and mailing addresses in this state of the company's statutory agent.

4. Whether the company is a manager-managed limited liability company or a member-managed limited liability company and either of the following:

(a) If the company is a manager-managed limited liability company, the name and address of each manager and the name and address of each member who owns a twenty percent or greater interest in the capital or profits of the company.

(b) If the company is a member-managed limited liability company, the name and address of each member of the company.

C. The articles of organization may contain statements as to matters other than those required by subsection B of this section but may not vary or otherwise affect the provisions specified in section 29-3105, subsections C and D in a manner inconsistent with section 29-3105.

D. A limited liability company is formed when the articles of organization become effective.

E. A parent limited liability company and its subsidiary limited liability companies may be formed at the same time.

F. The filing of the articles of organization by the commission is conclusive proof that all conditions precedent that are required to be performed by the organizers have been satisfied and that the limited liability company has been legally organized and formed under this chapter.

G. Within sixty days after the commission files the articles of organization. Either of the following must occur:

1. A notice of the filing of the articles shall be published in a newspaper of general circulation in the county of the statutory agent's street address for three consecutive publications containing the information required in subsection B of this section. An affidavit evidencing the publication may be filed with the commission.

2. The commission shall input the information regarding the approval into the database as prescribed by section 10-130 if the statutory agent's street address is in a county with a population of more than eight hundred thousand persons.

#### 29-3202. AMENDMENT OR RESTATEMENT OF ARTICLES OF ORGANIZATION

A. The articles of organization may be amended or restated at any time, including to:

1. Change the name of the limited liability company.

2. Change from a member-managed limited liability company to a manager-managed limited liability company or from a manager-managed limited liability company to a member-managed limited liability company.

B. The articles of organization shall be amended if there is a statement in the articles that was false or erroneous when it was made or within thirty days after the occurrence of any of the following:

1. A member-managed limited liability company has a change in members.

2. A manager-managed limited liability company has a change in managers or a change in members owning twenty percent or greater interest in the capital or profits of the company.

C. The articles of organization shall be amended or a statement of change shall be filed within thirty days after the occurrence of any of the following:

1. The limited liability company changes its statutory agent.

2. The limited liability company changes its principal address.

3. The address of one or more of the limited liability company's managers or members changes.

4. The address of the statutory agent changes.

D. To amend its articles of organization, a limited liability company must deliver to the commission for filing an amendment stating both of the following:

1. The name of the company.

2. The text of the amendment.

E. To restate its articles of organization without amendment, a limited liability company must deliver to the commission for filing the restated articles, designated as such in the heading, stating both of the following:

1. The name of the company.

2. The text of the restated articles.

F. To amend and restate its articles of organization, a limited liability company must deliver to the commission for filing the amended and restated articles, designated as such in the heading, stating both of the following:

1. The name of the company.

2. The text of the amended and restated articles.

G. If a member of a member-managed limited liability company or a manager of a manager-managed limited liability company knows that any information in the filed articles of organization was inaccurate when the articles were filed or has become inaccurate due to changed circumstances, the member or manager shall promptly do either of the following:

1. Cause the articles to be amended.

2. If appropriate, deliver to the commission for filing a statement of change under section 29-3116 or a statement of correction under section 29-3209.

H. Within sixty days after the commission approves the filing, either of the following must occur:

1. A copy of the amendment, restated articles of organization or amended and restated articles of organization shall be published in a newspaper of general circulation in the county of the statutory agent's street address for three consecutive publications. An affidavit evidencing the publication may be filed with the commission.

2. The commission shall input the information regarding the approval into the database as prescribed by section 10-130 if the statutory agent's street address is in a county with a population of more than eight hundred thousand persons.

I. Publication or posting pursuant to subsection H of this section is not required if the amendments to the articles of organization change only any of the following:

1. The names or addresses of members or managers.

2. The company's principal address.

3. The name or address of the statutory agent.

J. A limited liability company that has not amended its articles of organization as required by this section may not maintain an action on or on account of a contract or transaction made in the name of the company in any court of this state until it has amended its articles as required by this section.

#### 29-3203. SIGNING OF RECORDS TO BE DELIVERED FOR FILING TO THE COMMISSION

A. A record delivered to the commission for filing pursuant to this chapter must be signed as follows:

1. Except as otherwise provided in paragraphs 2 and 3 of this subsection, a record signed by a limited liability company, foreign limited liability company or foreign series must be signed by a person authorized by the company, foreign company or foreign series.

2. A company's initial articles of organization must be signed by at least one person acting as an organizer. The organizer or organizers may be, but are not required to be, managers or members of the company.

3. A record delivered on behalf of a dissolved limited liability company that has no member must be signed by the person winding up the company's activities and affairs under section 29-3702, subsection C or a person appointed under section 29-3702, subsection D to wind up the activities and affairs.

4. Any other record delivered on behalf of a person to the commission for filing must be signed by that person.

B. A record delivered for filing under this chapter may be signed by an agent. Whenever this chapter requires a particular individual to sign a record and the individual is deceased or incompetent, the record may be signed by a legal representative of the individual.

C. A person that signs a record as an agent or legal representative affirms as a fact that the person is authorized to sign the record.

#### 29-3204. SIGNING AND FILING PURSUANT TO JUDICIAL ORDER

A. If a person required by this chapter to sign a record or deliver a record to the commission for filing under this chapter does not do so, any other person that is aggrieved may petition a court of competent jurisdiction to order any of the following:

1. The person to sign the record.
2. The person to deliver the record to the commission for filing.
3. The commission to file the record unsigned.

B. If a petitioner under subsection A of this section is not the limited liability company, foreign limited liability company or foreign series to which the record pertains, the petitioner shall make the company, foreign company or foreign series a party to the action.

C. A record filed under subsection A, paragraph 3 of this section is effective without being signed.

#### 29-3205. LIABILITY FOR INACCURATE INFORMATION IN FILED RECORD

A. If a record that is delivered to the commission for filing under this chapter and that is filed by the commission contains inaccurate information, a person that suffers loss by reliance on the information may recover damages for the loss from:

1. A person that signed the record, or caused another to sign it on the person's behalf, and knew the information to be inaccurate at the time the record was signed.

2. Subject to subsection B of this section, a member of a member-managed limited liability company or a manager of a manager-managed limited liability company if both of the following apply:

- (a) The record was delivered for filing on behalf of the company.
- (b) The member or manager knew or had notice of the inaccuracy for a reasonably sufficient time before the information was relied on so that, before the reliance, the member or manager reasonably could have done any of the following:
  - (i) Effected an amendment under section 29-3202.
  - (ii) Filed a petition under section 29-3204.
  - (iii) Delivered to the commission for filing a statement of change under section 29-3116 or a statement of correction under section 29-3209.

B. To the extent the operating agreement of a member-managed limited liability company expressly relieves a member of responsibility for maintaining the accuracy of



information contained in records delivered on behalf of the company to the commission for filing under this chapter and imposes that responsibility on one or more other members, the liability stated in subsection A, paragraph 2 of this section applies to those other members and not to the member that the operating agreement relieves of the responsibility.

C. An individual who signs a record authorized or required to be filed under this chapter affirms under penalty of perjury that, to that individual's knowledge, the information stated in the record is accurate.

D. A person that signs a record, or causes another to sign it on the person's behalf, knowing that the record contains inaccurate information at the time it is signed, is liable to the limited liability company and to each member of the company for damages resulting from the inaccurate information.

E. The prevailing party in an action to recover damages under this section is entitled to an award for its costs and reasonable attorney fees.

#### 29-3206. FILING REQUIREMENTS

A. To be filed by the commission pursuant to this chapter, a record must be received by the commission, comply with this chapter and satisfy the following:

1. The filing of the record must be required or allowed by this chapter.

2. The record must be physically delivered in written form unless the commission allows electronic delivery of records. If the commission allows electronic delivery of records, the records may be electronically delivered only to the extent the commission allows.

3. The words in the record must be in English and numbers must be in Arabic or roman numerals, but the name of an entity is not required to be in English if the name is written in English letters or Arabic or roman numerals.

4. The record must be signed by a person authorized or required under this chapter to sign the record.

5. The record must state the name and capacity, if any, of each individual who signed it, either on behalf of the individual or the person authorized or required to sign the record, but is not required to contain a seal, attestation, acknowledgment or verification.

B. If a law other than this chapter prohibits the disclosure by the commission of information contained in a record delivered to the commission for filing, the commission shall file the record if the record otherwise complies with this chapter but may redact the information.

C. When a record is delivered to the commission for filing, any fee or penalty required to be paid under this chapter must be paid in a manner allowed by the commission.

D. The commission may require that a record delivered in written form be accompanied by an identical or conformed copy.

E. The commission may provide forms for filings required or allowed to be made by this chapter, but, except as otherwise provided in subsection F of this section, their use is not required.

F. The commission may require that a cover sheet for a filing be on a form prescribed by the commission.

#### 29-3207. EFFECTIVE DATE AND TIME

A. Except as otherwise provided in section 29-3208 and subject to section 29-3209, subsection D, a record filed under this chapter is effective:

1. On the date and at the time of its delivery to the commission, as provided in subsection B of this section or section 29-3210, subsection B.

2. On the date and at the time specified in the record as its effective time, if later than the date and time under paragraph 1 of this subsection.

3. At a specified delayed effective date and time, which may not be more than ninety days after the date of delivery.

4. If a delayed effective date is specified, but no time is specified, at 12:01 a.m. mountain standard time on the date specified, which may not be more than ninety days after the date of delivery.

B. If the commission is unable to make a determination that the record complies with all filing requirements of this chapter at the time the record is delivered for filing, the record is deemed to have been filed at the time of delivery if the commission subsequently determines either that:

1. The record as delivered conforms to the filing requirements of this chapter.

2. Within thirty days after notification of nonconformance is given by the commission to the person that delivered the record for filing or the person's representative, the record is brought into conformance.

#### 29-3208. WITHDRAWAL OF FILED RECORD BEFORE EFFECTIVENESS

A. Except as otherwise provided in sections 29-2204, 29-2304, 29-2404, 29-2504 and 29-2604, a record delivered to the commission for filing may be withdrawn before it takes effect by delivering to the commission for filing a statement of withdrawal.

B. A statement of withdrawal must comply with all of the following:

1. Be signed by each person that signed the record being withdrawn, except as otherwise agreed by those persons.

2. Identify the record to be withdrawn.

3. If signed by fewer than all the persons that signed the record being withdrawn, state that the record is withdrawn in accordance with the agreement of all the persons that signed the record.

C. On filing by the commission of a statement of withdrawal, the action or transaction evidenced by the original record does not take effect.

#### 29-3209. CORRECTING FILED RECORD

A. A person on whose behalf a filed record was delivered to the commission for filing may correct the record if any of the following applies:

1. The record at the time of filing was inaccurate.

2. The record was defectively signed.

3. The electronic transmission of the record to the commission was defective.

B. To correct a filed record, a person on whose behalf the record was delivered to the commission must deliver to the commission for filing a statement of correction.

C. A statement of correction:

1. May not state a delayed effective date.

2. Must be signed by the person correcting the filed record.

3. Must specifically identify the filed record to be corrected or be accompanied by an attached copy of the filed record.

4. Must specify the inaccuracy or defect to be corrected.

5. Must correct the inaccuracy or defect.

D. A statement of correction is effective as of the effective date of the filed record that it corrects except for the purposes of section 29-3103, subsection D and as to persons that relied on the uncorrected filed record and that are adversely affected by the correction. For those purposes and as to those persons, the statement of correction is effective when filed.

29-3210. DUTY OF COMMISSION TO FILE: REFUSAL TO FILE: DELIVERY OF RECORD BY COMMISSION

A. The commission shall file a record that is delivered to the commission for filing and that satisfies this chapter. The duty of the commission under this section is ministerial.

B. When the commission files a record, the commission shall record the record as filed on the date and at the time of its delivery. After filing a record, the commission shall deliver to the person that submitted the record an acknowledgment of the date and time of filing.

C. If the commission refuses to file a record, the commission shall both:

1. Return the record or notify the person that submitted the record of the refusal.
2. Provide a brief explanation in a record of the reason for the refusal.

D. If the commission refuses to file a record, the person that submitted the record may petition a court of competent jurisdiction to compel filing of the record. The record and the explanation of the commission of the refusal to file must be attached to the petition. The court may decide the matter in a summary proceeding.

E. The filing of or refusal to file a record does not do either of the following:

1. Affect the validity or invalidity of the record in whole or in part.
2. Create a presumption that the information contained in the record is correct or incorrect.

F. Except as otherwise provided by section 29-3119 or by a law other than this chapter, the commission may deliver any record to a person by delivering the record in any of the following manners:

1. In person to the person that submitted the record.
2. To the address of the person's statutory agent.
3. To the principal address of the person.
4. To another address or e-mail address that the person provides to the commission

for delivery.

29-3211. CERTIFICATE OF GOOD STANDING OR REGISTRATION

A. On request of any person, and after payment of the requisite fee, the commission shall issue a certificate of good standing for a limited liability company or a certificate of registration for a registered foreign limited liability company or a registered foreign series if the facts under subsection B of this section are true as of the date of the certificate.

B. A certificate under subsection A of this section shall be issued if:

1. In the case of a limited liability company, all of the following apply:

- (a) The articles of organization have been filed and have taken effect.
- (b) A statement of administrative dissolution or articles of termination have not been

filed.

(c) The records of the commission do not otherwise reflect that the company has been dissolved or terminated.

(d) A proceeding is not pending under section 29-3708.

(e) All fees, taxes, interest and penalties owed to the commission by the limited liability company have been paid.

2. In the case of a registered foreign limited liability company or registered foreign series. All of the following apply:

(a) The foreign company or foreign series is registered to do business in this state.

(b) A notice of termination has not been sent under section 29-3910.

(c) All fees, taxes, interest and penalties owed to the commission by the foreign limited liability company or foreign series have been paid.

C. Subject to any qualification stated in the certificate, a certificate issued by the commission under subsection A of this section may be relied on as conclusive evidence of the facts stated in the certificate.

**29-3212. INTERROGATORIES BY THE COMMISSION: INFORMATION DISCLOSED BY INTERROGATORIES**

A. The commission may propound to any limited liability company, registered foreign limited liability company, designating foreign company or registered foreign series and to any member or manager of the company or series interrogatories as may be reasonably necessary and proper to enable the commission to ascertain whether the company or series complied with all applicable provisions of this chapter. The interrogatories shall be answered within thirty days after the mailing of the interrogatories or within an additional time fixed by the commission, and the answers to the interrogatories shall be full and complete and shall be made in writing and under penalty of perjury. If the interrogatories are directed to an individual, they shall be answered by the individual, and if directed to a company or foreign series they shall be answered by a member, if the company or foreign series is a member-managed company or foreign series, or by a manager, if the company or foreign series is a manager-managed company or foreign series. The commission is not required to file any document to which the interrogatories relate until the interrogatories have been answered as provided in this section or if the answers to the interrogatories disclose that the document is not in conformity with this chapter. The commission shall certify to the attorney general, for such action as the attorney general deems appropriate, all interrogatories and answers to the interrogatories that disclose a violation of any of the provisions of this chapter.

B. Interrogatories propounded by the commission and the answers to the interrogatories are not open to public inspection and the commission may not disclose any facts or information obtained from the interrogatories and answers, except that such interrogatories, answers, facts or information may be made open to public inspection or disclosed if the commission's official duty requires the facts or information to be made public or if the interrogatories or the answers are required for evidence in any criminal proceeding or in any other action by this state.

**29-3213. FEES: FILING SERVICES: DEFINITION**

A. The commission shall collect and deposit, pursuant to sections 35-146 and 35-147, the following nonrefundable fees when the following documents are delivered to the commission:

1. The initial articles of organization, fifty dollars.
2. A foreign registration statement, one hundred fifty dollars.
3. An amendment to the articles of organization, twenty-five dollars.
4. Articles of termination, thirty-five dollars.
5. A certificate for any purpose not otherwise provided for, ten dollars.
6. A statement of merger, interest exchange, conversion, domestication or division if the entity responsible for filing the statement is a limited liability company, fifty dollars.
7. Written information on any limited liability company, ten dollars.
8. A copy of any document or instrument, five dollars plus fifty cents per page.
9. An application for the reservation of a name, a notice of the transfer of any name reservation, an application for the registration of a name or alternate name by a foreign limited liability company or a renewal application for the registration of a name or alternate name by a foreign company, ten dollars.
10. A statement of change, five dollars.
11. A statement of correction, twenty-five dollars.

12. An application for reinstatement, in addition to other fees and penalties due, one hundred dollars.

B. The commission shall provide for and establish an expedited service for the filing of all documents and services provided pursuant to this chapter as follows:

1. The expedited filing shall be a priority service to be completed as soon as possible after the documents are delivered to the commission.

2. In addition to any other fee required by this section or any other law, the commission shall charge a nonrefundable fee for expedited services. The fee shall be determined by a supermajority vote of the commissioners.

C. The commission may provide for and establish same-day and next-day services for the filing of any documents and services provided pursuant to this chapter as follows:

1. The commission shall suspend same-day or next-day service if the commission determines that it does not have the necessary resources to perform the service within the established time period.

2. In addition to any other fee required by this section or any other law. The commission may charge a nonrefundable fee for the same-day or next-day service. Or both. The fee shall be determined by a supermajority vote of the commissioners.

D. The commission shall publicly post the current wait times for processing regular and expedited services.

E. All monies received pursuant to subsections B and C of this section shall be deposited. Pursuant to sections 35-146 and 35-147, in the public access fund established by section 10-122.01.

F. The commission may allow any person to advance monies to the commission to pay fees required pursuant to this section for future filings and services. All monies received pursuant to this subsection shall be deposited, pursuant to sections 35-146 and 35-147, in the money on deposit account in the public access fund established by section 10-122.01.

G. For the purposes of this section, "supermajority" means an affirmative vote of at least four commissioners.

### ARTICLE 3. RELATIONS OF MEMBERS AND MANAGERS TO PERSONS DEALING WITH LIMITED LIABILITY COMPANY

#### 29-3301. AGENCY POWER OF MEMBER AND MANAGER

A. In a member-managed limited liability company, both of the following apply:

1. Each member is an agent of the company for the purpose of conducting the company's activities and affairs in the ordinary course.

2. The act of each member done in the ordinary course of the company's activities and affairs binds the company unless the acting member has in fact no authority to act for the company in the particular matter and the person with whom the member is dealing has knowledge of the fact that the member has no such authority.

B. In a manager-managed limited liability company, all of the following apply:

1. A member is not an agent of the company solely by reason of being a member except to the extent that authority has been delegated to the member by the manager or managers or by the provisions of an operating agreement.

2. Each manager is an agent of the company for the purpose of conducting the company's activities and affairs in the ordinary course.

3. The act of each manager done in the ordinary course of the company's activities and affairs binds the company unless the acting manager has in fact no authority to act for the company in the particular matter and the person with whom the manager is dealing has knowledge of the fact that the manager has no such authority.

29-3302. [reserved]

29-3303. [reserved]

29-3304. LIABILITY OF MEMBERS AND MANAGERS

A. A debt, obligation or other liability of a limited liability company is solely the debt, obligation or other liability of the company. A member or manager is not personally liable, directly or indirectly, by way of contribution or otherwise, for a debt, obligation or other liability of the company or for the acts or omissions of any other member, manager, agent or employee of the company, solely by reason of being or acting as a member or manager. This subsection applies regardless of the dissolution of the company.

B. The failure of a limited liability company to observe formalities relating to the exercise of its powers or management of its activities and affairs is not a ground for imposing liability on a member or manager for a debt, obligation or other liability of the company.

ARTICLE 4. RELATIONS OF MEMBERS TO EACH  
OTHER AND TO LIMITED LIABILITY COMPANY

29-3401. BECOMING A MEMBER: TRANSFERABLE INTEREST: OWNERSHIP OF  
INTEREST IN LIMITED LIABILITY COMPANY

A. At the time of formation, a limited liability company must have at least one member. If a company is to have only one member on formation, the person becomes a member by agreeing to be a member and by being identified as the member in the articles of organization. The member and the organizer may be, but are not required to be, different persons. If the member and organizer are different persons, the organizer acts on behalf of the initial member.

B. If a limited liability company is to have more than one member on formation, those persons become members as agreed by the persons before the formation of the company. The organizer acts on behalf of the persons in forming the company and may be, but is not required to be, one of the persons.

C. After formation of a limited liability company, a person becomes a member by any of the following:

1. As provided in the operating agreement.
2. As the result of a transaction effective under article 10 of this chapter.
3. By agreeing to become a member, with the affirmative vote or consent of all the members.

4. As provided in section 29-3701, subsection A, paragraph 3.

D. A person may become a member without either:

1. Acquiring a transferable interest.
2. Making or being obligated to make a contribution to the limited liability

company.

E. A transferable interest may be held by two or more natural persons as joint tenants with right of survivorship or by a married couple as community property with right of survivorship. Except as otherwise provided in this section. An assignment or issuance of a transferable interest to two or more natural persons creates a tenancy in common, except an assignment or issuance to a married couple.

F. A joint tenancy with right of survivorship is created when a written operating agreement expressly declares that two or more natural persons hold a transferable interest as joint tenants with right of survivorship or in joint tenancy with right of survivorship. A joint tenancy with right of survivorship may also be created by a written assignment of a transferable interest to two or more natural persons, who may include one or more assignors, or by the articles of organization, if the written assignment or the articles have been signed by each joint tenant and

contain the express written declaration that the joint tenants hold the assigned transferable interest as joint tenants with right of survivorship or in joint tenancy with right of survivorship.

G. An estate in community property with right of survivorship is created when a written operating agreement expressly declares that a married couple holds a transferable interest as community property with right of survivorship. An estate in community property with right of survivorship may also be created by a written assignment of a transferable interest to a married couple, who may include one or both assignor spouses, or by the articles of organization, if the written assignment or the articles have been signed by each spouse and contain the express written declaration that the married couple holds the assigned transferable interest as community property with right of survivorship.

H. All co-owners of a transferable interest held as joint tenants with right of survivorship, as community property or as community property with right of survivorship own an equal undivided interest in the transferable interest. Each co-owner of a transferable interest, whether the transferable interest is held as tenants in common, joint tenants with right of survivorship, community property or community property with right of survivorship, shall have only the rights of a transferee with respect to the interest, both during the lifetime and following the death of any other co-owner, unless and until the co-owner becomes a member in accordance with subsection C of this section.

I. If a transferable interest is held by two or more persons in joint tenancy with right of survivorship or by a married couple as community property with right of survivorship, after the death of a co-owner of the transferable interest all of the following apply:

1. The surviving co-owner or co-owners of the transferable interest shall succeed to the ownership of the decedent's interest in the transferable interest without further action by the limited liability company or the other members and shall have only the rights of a transferee with respect to the interest, unless and until the co-owner or co-owners are admitted as a member or members in accordance with subsection C of this section.

2. The decedent's interest in the hands of the surviving co-owner or co-owners shall continue to be subject to all obligations and liabilities to which that interest was subject immediately before the death under the terms of the operating agreement or other agreement among one or more members or third parties.

3. If there is more than one surviving co-owner of a transferable interest held in joint tenancy with right of survivorship, after the death of a co-owner the surviving co-owners shall continue to own the transferable interest in equal shares as joint tenants with right of survivorship.

J. The distribution, voting, approval and other management rights with respect to a transferable interest that is co-owned by two or more persons, whether the transferable interest is held as tenants in common, joint tenants with right of survivorship, community property or community property with right of survivorship, shall be the same as if the interest were held by only one person.

K. Each co-owner of a transferable interest who becomes a member may exercise all voting, approval and other management rights of a member, including the right to approve an amendment to the operating agreement, with respect to an interest held as tenancy in common, joint tenancy with right of survivorship, community property or community property with right of survivorship.

L. The limited liability company is entitled to rely in good faith on the act of a member that purports to be taken in the exercise of any voting, approval or other management right, including the right to approve an amendment to the operating agreement relating to a transferable interest that is co-owned by the member with one or more other persons, whether the

transferable interest is held as tenants in common, joint tenants with right of survivorship, community property or community property with right of survivorship.

M. If a co-owner of a transferable interest held as joint tenants with right of survivorship or community property with right of survivorship transfers part or all of the co-owner's share of the transferable interest, the right of survivorship is extinguished and the co-owners of the transferable interest after the transfer hold their shares of the transferable interest as tenants in common. In the case of community property with right of survivorship, the right of survivorship is also extinguished as provided in section 14-2803 or 14-2804 or on the delivery to the limited liability company, at its principal address, of an affidavit entitled "affidavit terminating right of survivorship" that is executed by either spouse under oath stating the spouse's intent to terminate the right of survivorship and describing the affected transferable interest. The delivery of the affidavit does not extinguish the community property interest of either spouse.

N. A limited liability company is not required to give effect to any creation or extinguishment of a right of survivorship until the company has received written notice of the change in the form of ownership or of the creation or the extinguishment of a right of survivorship at its principal address.

O. With respect to a transferable interest owned in joint tenancy with right of survivorship, tenancy in common or community property with or without right of survivorship, if a charging order from a court of competent jurisdiction is obtained against a co-owner's share of the transferable interest, it shall attach only to that co-owner's share or portion of the transferable interest and not to the share or portion of the other co-owner or co-owners.

#### 29-3402. FORM OF CONTRIBUTION

A contribution may consist of property transferred to, services performed for or another benefit provided to the limited liability company or an agreement to transfer property to, perform services for or provide another benefit to the company.

#### 29-3403. LIABILITY FOR CONTRIBUTIONS

A. A person's obligation to make a contribution to a limited liability company is not enforceable unless the obligation is set forth in a record signed by the person or as otherwise provided in section 29-3502, subsection H. A person's obligation to make a contribution to the company is not excused by the person's death, disability, termination or other inability to perform personally.

B. If a person does not fulfill an obligation to make a contribution other than money, the person is obligated at the option of the limited liability company to contribute monies equal to the value of the part of the contribution that has not been made.

C. The obligation of a person to make a contribution may be compromised only by the affirmative vote or consent of all the members. If a creditor of a limited liability company extends credit or otherwise acts in reliance on an obligation described in subsection A of this section without knowledge or notice of a compromise under this subsection, the creditor may enforce the obligation.

#### 29-3404. SHARING OF AND RIGHT TO DISTRIBUTIONS BEFORE DISSOLUTION

A. Any distribution made by a limited liability company before its dissolution and winding up must be in equal shares among members and persons dissociated as members, except to the extent necessary to comply with a transfer effective under section 29-3502 or charging order in effect under section 29-3503.

A person has a right to a distribution before the dissolution and winding up of a limited liability company only if the company decides to make an interim distribution. A person's dissociation does not entitle the person to a distribution.



B. A person does not have a right to demand or receive a distribution from a limited liability company in any form other than money. Except as otherwise provided in section 29-3707, subsection D, a company may distribute an asset in kind only if each part of the asset is fungible with each other part and each person receives a percentage of the asset equal in value to the person's share of distributions.

C. If a member or transferee becomes entitled to receive a distribution, the member or transferee has the status of, and is entitled to all remedies available to, a creditor of the limited liability company with respect to the distribution. However, the company's obligation to make a distribution is subject to offset for any amount owed to the company by the member or a person dissociated as a member on whose account the distribution is made.

#### 29-3405. LIMITATIONS ON DISTRIBUTIONS

A. A limited liability company may not make a distribution, including a distribution under section 29-3707, if after the distribution either of the following applies:

1. The company would not be able to pay its debts as the debts become due in the ordinary course of the company's activities and affairs.

2. The company's total assets would be less than the sum of its total liabilities.

B. A limited liability company may base a determination that a distribution is not prohibited under subsection A of this section on:

1. Financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances.

2. A fair valuation or other method that is reasonable under the circumstances.

C. Except as otherwise provided in subsection E of this section, the effect of a distribution under subsection A of this section is measured:

1. In the case of a distribution that is a redemption or other purchase by a limited liability company of a transferable interest or that is a transfer to a member in return for the Member's relinquishment of any right to participate as a Member in the management or conduct of the Company's activities and affairs or to have access to records or other information concerning the Company's activities and affairs, as of the earlier of either of the following:

(a) The date that money or other property is transferred or debt is incurred by the limited liability company.

(b) The date that the person entitled to the distribution ceases to own the interest or right being acquired by the company in return for the distribution.

2. In the case of any other distribution of indebtedness, as of the date the indebtedness is distributed.

3. In all other cases, as of the date of either of the following:

(a) The distribution is authorized, if the payment occurs not later than one hundred twenty days after that date.

(b) The payment is made, if the payment occurs more than one hundred twenty days after the distribution is authorized.

D. A limited liability company's indebtedness to a member or transferee incurred by reason of a distribution made in accordance with this section is at parity with the company's indebtedness to its general, unsecured creditors except to the extent subordinated by agreement.

E. A limited liability company's indebtedness, including indebtedness issued as a distribution, is not a liability for the purposes of subsection A of this section if the terms of the indebtedness provide that payment of principal and interest is made only if and to the extent that payment of a distribution could then be made under this section. If the indebtedness is issued as a distribution, each payment of principal or interest is treated as a distribution, the effect of which is measured on the date the payment is made.

F. In measuring the effect of a distribution under section 29-3707, the liabilities of a dissolved limited liability company do not include any claim that has been disposed of under section 29-3704, 29-3705 or 29-3706.

#### 29-3406. LIABILITY FOR IMPROPER DISTRIBUTIONS

A. A person that receives a distribution that violates section 29-3405 is personally liable to the limited liability company but only to the extent that the distribution received by the person exceeded the amount that could have been properly paid to that person under section 29-3405.

B. An action under this section is barred unless commenced not later than three years after the distribution.

#### 29-3407. MANAGEMENT OF LIMITED LIABILITY COMPANY

A. Management of a limited liability company is reserved to its members unless the articles of organization provide that the company is managed by one or more managers.

B. In a member-managed limited liability company, the following apply:

1. Except as expressly provided in this chapter, the management and conduct of the company are vested in the members.

2. Within the ordinary course of the company's activities and affairs, each member has the right to manage and conduct the company's activities and affairs.

3. Except as otherwise provided in this chapter, a majority in interest of the members shall decide any of the following:

(a) Matters that are outside the ordinary course of the company's activities and affairs but within the company's purpose.

(b) Matters on which there exists a known difference among members.

(c) Whether to make an interim distribution before dissolution and winding up.

(d) Whether to make an advance to a member or manager under section 29-3408, subsection C.

4. The affirmative vote or consent of all the members is required to do any of the following:

(a) Undertake, or authorize a member or other person to undertake, an act outside the scope of the company's purpose, as stated in the operating agreement, or that otherwise violates the operating agreement.

(b) Amend the operating agreement.

(c) Authorize an amendment to the articles of organization that changes the company from a member-managed limited liability company to a manager-managed limited liability company.

(d) Issue a transferable interest in the company to any person.

(e) Take any action requiring the approval of all members under this chapter.

C. In a manager-managed limited liability company, the following apply:

1. Except as expressly provided in this chapter, the right to manage the company is vested in the manager or managers.

2. Within the ordinary course of the company's activities and affairs, each manager has the right to manage and conduct the company's activities and affairs.

3. Except as otherwise provided in this chapter, a majority of the managers shall decide any of the following:

(a) Matters that are outside the ordinary course of the company's activities and affairs but within the company's purpose.

(b) Matters on which there exists a known difference among managers.

(c) Whether to make an interim distribution before dissolution and winding up.

(d) Whether to make an advance to a member or manager under section 29-3408, subsection C.

4. The affirmative vote or consent of all members is required to do any of the following:

(a) Undertake, or authorize a manager, member or other person to undertake, an act outside the scope of the company's purpose, as stated in the operating agreement, or that otherwise violates the operating agreement.

(b) Amend the operating agreement.

(c) Authorize an amendment to the articles of organization that changes the company from a manager-managed limited liability company to member-managed limited liability company.

(d) Issue a transferrable interest in the limited liability company to any person.

5. Take any action requiring the approval of all members under this chapter. A manager may be chosen at any time by the affirmative vote or consent of a majority in interest of the members and remains a manager until a successor has been chosen, unless the manager at an earlier time resigns, is removed or dies or, in the case of a manager that is not an individual, terminates. A manager may be removed at any time by the affirmative vote or consent of a majority in interest of the members without notice or cause.

6. A person is not required to be a member to be a manager, but the dissociation of a member that is also a manager removes the person as a manager. If a person that is both a manager and a member ceases to be a manager, that cessation does not by itself dissociate the person as a member.

7. A person's ceasing to be a manager does not discharge any debt, obligation or other liability to the limited liability company or members that the person incurred while a manager.

D. An action requiring the vote or consent of members or managers under this chapter may be taken without a meeting if the action is approved by the minimum number of members or managers required to approve the action. A member may appoint a proxy or other agent to vote, consent or otherwise act for the member by signing an appointing record, personally or by the member's agent.

E. The dissolution of a limited liability company does not affect the applicability of this section. However, a person that wrongfully causes dissolution of the company loses the right to participate in management as a member and a manager and that person may not be included in determining whether a majority in interest of the members or, in the case of a manager-managed limited liability company, a majority of the managers has voted for or consented to any matter or action.

F. A limited liability company shall reimburse a member for an advance to the company beyond the amount of capital the member agreed to contribute.

G. A member is not entitled to remuneration for services performed for a member-managed limited liability company except for reasonable compensation for services rendered in winding up the activities of the company.

29-3408. Reimbursement: indemnification: advancement: insurance

A. A limited liability company shall reimburse a present or former member of a member-managed company or manager of a manager-managed company for any payment made by the member or manager in the course of the member's or manager's activities on behalf of the company if the member or manager complied with sections 29-3405, 29-3407 and 29-3409, in each case as modified by the operating agreement, in making the payment.

B. A limited liability company shall indemnify and hold harmless a person with respect to any claim or demand against the person and any debt, obligation or other liability incurred by the person by reason of the person's former or present capacity as a member or manager if the claim, demand, debt, obligation or other liability does not arise from the person's breach of the operating agreement or section 29-3405, 29-3407 or 29-3409, in each case as modified by the operating agreement.

C. A limited liability company may advance reasonable expenses, including attorney fees and costs, incurred by a person in connection with a claim or demand against the person by reason of the person's former or present capacity as a member or manager, but the person must repay the company if the person ultimately is determined not to be entitled to be indemnified under subsection B of this section.

D. A limited liability company may reimburse, indemnify and hold harmless a present or former member of a member-managed company or manager of a manager-managed company for any payment and with respect to any claim, demand, debt, obligation or other liability, except that the approval of all members, after disclosure of all material facts, is required to reimburse, indemnify or hold harmless a person with respect to any act, omission or transaction by the person that constitutes a violation of the operating agreement or section 29-3405, 29-3407 or 29-3409, in each case as modified by the operating agreement.

E. A limited liability company may purchase and maintain insurance on behalf of a member or manager against liability asserted against or incurred by the member or manager in that capacity or arising from that status even if, under section 29-3105, subsection C, paragraph 6, the operating agreement could not eliminate or limit the person's liability to the company for the conduct giving rise to the liability.

#### 29-3409. STANDARDS OF CONDUCT FOR MEMBERS AND MANAGERS

A. A member of a member-managed limited liability company owes to the company and the other members the duties of loyalty and care stated in subsections B and C of this section.

B. The fiduciary duty of loyalty of a member in a member-managed limited liability company includes the following duties:

1. To account to the company and hold as trustee for the company any property, profit or benefit derived by the member to which the member is not entitled:

- (a) In the conduct or winding up of the company's activities and affairs.
- (b) From a use by the member of the company's property.
- (c) From the appropriation of a company opportunity.

2. To refrain from dealing with the company in the conduct or winding up of the company's activities and affairs as or on behalf of a person having an interest adverse to the company.

3. To refrain from competing with the company in the conduct of the company's activities and affairs before the dissolution of the company.

4. To disclose to each of the other members that are considering or voting on a decision or transaction regarding the company or one or more of the members' interests in the company both of the following:

(a) Any material conflict of interest on the part of the disclosing member with respect to the decision or transaction.

(b) If a material conflict of interest exists. All material facts relating to the decision or transaction that are within the disclosing member's knowledge and not known or reasonably available to the affected members.

C. The duty of care of a member of a member-managed limited liability company in the conduct or winding up of the company's activities and affairs is to refrain from engaging in grossly negligent or reckless conduct or wilful or intentional misconduct.

D. A member shall discharge the duties and obligations under this chapter or under the operating agreement and exercise any right consistently with the contractual obligation of good faith and fair dealing.

E. A member does not violate a duty or obligation under this chapter or under the operating agreement solely because the member's conduct furthers the member's own interest.

F. All the members of a member-managed limited liability company may authorize or ratify, after disclosure of all material facts, a specific act, omission or transaction or specific category of acts, omissions or transactions that otherwise would violate the duty of loyalty, as expanded, limited or eliminated in the operating agreement.

G. It is a defense to a claim under subsection B, paragraph 2 or 4 of this section and any comparable claim in equity or at common law that the transaction or decision was fair to the limited liability company.

H. If, as allowed by subsection F or Q of this section or the operating agreement, a member enters into a transaction with the limited liability company that otherwise would be prohibited by subsection B, paragraph 2 of this section, the member's rights and obligations arising from the transaction are the same as those of a person that is not a member.

I. A manager of a manager-managed limited liability company owes to the company and the members the duties of loyalty and care stated in subsections J and K of this section.

J. The fiduciary duty of loyalty of a manager in a manager-managed limited liability company includes the following duties:

1. To account to the company and hold as trustee for the company any property, profit or benefit derived by the manager to which the manager is not entitled:

- (a) In the conduct or winding up of the company's activities and affairs.
- (b) From a use by the manager of the company's property.
- (c) From the appropriation of a company opportunity.

2. To refrain from dealing with the company in the conduct or winding up of the company's activities and affairs as or on behalf of a person having an interest adverse to the company.

3. To refrain from competing with the company in the conduct of the company's activities and affairs before the dissolution of the company.

4. To disclose to each of the other members and managers who are considering or voting on a decision or transaction regarding the company or one or more of the members' interests in the company both of the following:

(a) Any material conflict of interest on the part of the disclosing manager with respect to the decision or transaction.

(b) If a material conflict of interest exists, all material facts relating to the decision or transaction that are within the disclosing manager's knowledge and not known or reasonably available to the affected members or managers.

K. The duty of care of a manager of a manager-managed limited liability company in the conduct or winding up of the company's activities and affairs is to refrain from engaging in grossly negligent or reckless conduct or wilful or intentional misconduct.

L. A manager shall discharge the duties and obligations under this chapter or under the operating agreement and exercise any right consistently with the contractual obligation of good faith and fair dealing.

M. A manager does not violate a duty or obligation under this chapter or under the operating agreement solely because the manager's conduct furthers the manager's own interest.

N. All the members of a manager-managed limited liability company may authorize or ratify, after disclosure of all material facts, a specific act, omission or transaction or specific category of acts, omissions or transactions that otherwise would violate the duty of loyalty, as expanded, limited or eliminated in the operating agreement.

O. It is a defense to a claim under subsection J, paragraph 2 or 4 of this section and any comparable claim in equity or at common law that the transaction or decision was fair to the limited liability company.

P. If, as allowed by subsection N of this section or the operating agreement, a manager enters into a transaction with the limited liability company that would otherwise be prohibited by subsection J, paragraph 2 of this section, the manager's rights and obligations arising from the transaction are the same as those of a person that is not a manager.

Q. In a manager-managed limited liability company, a member does not have any fiduciary duty to the company or to any other member solely by reason of being a member. Whether and the extent to which a member of a manager-managed limited liability company owes fiduciary duties to the company or the other members depends on the extent to which the member controls or participates in the management or the affairs of the company and shall be determined in accordance with the policies of this section and laws other than this chapter.

R. A conflict of interest is material if the conflict would reasonably be expected to affect a member's or manager's judgment regarding the decision or transaction under consideration.

#### 29-3410. RECORDS TO BE KEPT: RIGHTS TO INFORMATION AND RECORDS OF MEMBER, MANAGER AND PERSON DISSOCIATED AS MEMBER

A. A limited liability company shall keep all of the following:

1. A current list of the full name and last known address of each member and manager.

2. A copy of the articles of organization and all amendments to the articles of organization.

3. A copy of all current and prior written operating agreements and amendments to all current and prior written operating agreements.

4. Any record of a member's obligation to make a capital contribution to the company.

5. A copy of the company's federal, state and local income tax returns and reports, if any, for the three most recent years.

6. A copy of the company's financial statements, if any, for the three most recent years.

B. During regular business hours and at a reasonable location specified by the limited liability company, a member or manager may inspect and copy the records described in subsection A of this section and any other company record regarding the activities, affairs, financial condition and other circumstances of the company as is just and reasonable if all of the following apply:

1. The member or manager seeks the records for a purpose reasonably related to the rights and duties of the member or manager under the operating agreement or this chapter.

2. The member or manager makes a demand in a record received by the company describing with reasonable particularity the records sought and the purpose for seeking the records.

3. The records sought are directly connected to the member's or manager's purpose.

C. Not later than ten days after receiving a demand pursuant to subsection B, paragraph 2 of this section, the limited liability company shall inform in a record the member or manager that made the demand of:

1. The records that the company will make available in response to the demand and when and where the company will make the records available. The time and location may not be unreasonable under the circumstances.

2. The reasons for declining if the company declines to provide any demanded records.

D. Whenever this chapter or the operating agreement provides for a member or manager to vote on or give or withhold consent to a matter, before the vote is cast or consent is given or withheld, the limited liability company, without demand, shall provide the member or manager with all information that is known to the company and all records in the company's possession that are material to the member's or manager's decision except to the extent the company reasonably believes that the member or manager already knows the information or is in possession of the records.

E. To the extent that some or all of a limited liability company's records are maintained by a member or manager, the member or manager shall make those records available to the company as necessary for the company to satisfy its obligations pursuant to this section.

F. Subject to subsection I of this section, on ten days' demand made in a record received by a limited liability company, a person dissociated as a member may have access to the records to which the person was entitled while a member if all of the following apply:

1. The records pertain to the period during which the person was a member.

2. The person seeks the records in good faith.

3. The person satisfies the requirements imposed on a member by subsection B of this section.

G. A limited liability company shall respond to a demand made pursuant to subsection F of this section in the manner provided in subsection C of this section.

H. A limited liability company may charge a person that makes a demand under this section the reasonable costs of copying, limited to the costs of labor and material.

I. A member or person dissociated as a member may exercise the rights under this section through an agent or, in the case of an individual under legal disability, a legal representative. Any restriction or condition imposed by the operating agreement or under subsection K of this section applies both to the agent or legal representative and to the member or person dissociated as a member.

J. Subject to sections 29-3502 and 29-3504, the rights under this section do not extend to a person as transferee.

K. In addition to any restriction or condition stated in its operating agreement, a limited liability company may impose reasonable restrictions and conditions on access to and use of information to be furnished and records to be made available under this section, including designating information and records confidential and imposing nondisclosure and safeguarding obligations on the recipient. In a dispute concerning the reasonableness of a restriction under this subsection, the company has the burden of proving reasonableness.

L. If a dispute arises regarding a member's or manager's right under this section to obtain information or inspect or copy a record, or regarding whether any restriction imposed by the limited liability company on a member's or manager's right to obtain, inspect, copy or use any such information or record is unreasonable, the court may award the successful party reasonable expenses, including reasonable attorney fees and costs.

ARTICLE 5. TRANSFERABLE INTERESTS  
AND RIGHTS OF TRANSFEREES AND CREDITORS

29-3501. NATURE OF TRANSFERABLE INTEREST

A transferable interest is personal property.

29-3502. TRANSFER OF TRANSFERABLE INTEREST

A. A transfer, in whole or in part, of a transferable interest:

1. Is permissible.

2. Does not by itself cause a person's dissociation as a member or a dissolution and winding up of the limited liability company's activities and affairs.

3. Subject to section 29-3504, does not entitle the transferee to either of the following:

(a) Participate in the management or conduct of the company's activities and affairs.

(b) Except as otherwise provided in subsections B and C of this section, have access to records or other information concerning the company's activities and affairs.

B. A transferee has the right to receive, in accordance with the transfer, distributions to which the transferor would otherwise be entitled. Solely for a purpose that is reasonably related to the transferee's right to receive distributions, a transferee has the rights to information under section 29-3410, subsection B.

C. In a dissolution and winding up of a limited liability company, a transferee is entitled to an account of the company's transactions only from the date of dissolution.

D. A transferable interest may be evidenced by a certificate of the interest issued by a limited liability company in a record, and, subject to this section, the interest represented by the certificate may be transferred by a transfer of the certificate. A company may not issue a certificate of the interest in bearer form.

E. A limited liability company is not required to give effect to a transferee's rights under this section until the company knows or has notice of the transfer.

F. A transfer of a transferable interest in violation of a restriction on transfer is ineffective if the intended transferee has knowledge or notice of the restriction at the time of the transfer or if the restriction is set forth in an operating agreement embodied in a signed record.

G. Except as otherwise provided in section 29-3602, paragraph 4, subdivision (b), if a member transfers a transferable interest, the transferor retains the rights of a member other than the transferable interest transferred and retains all the duties and obligations of a member.

H. If a member transfers a transferable interest to a person that becomes a member with respect to the transferred interest, the transferee is liable for the member's obligations under sections 29-3403 and 29-3406 that are known to the transferee when the transferee becomes a member or that are set forth in an operating agreement embodied in a signed record.

29-3503. CHARGING ORDER

A. On application by a judgment creditor of a member or transferee, a court may enter a charging order against the transferable interest of the judgment debtor for the unsatisfied amount of the judgment. A charging order requires the limited liability company to pay over to the person to which the charging order was issued any distribution that otherwise would be paid to the judgment debtor.

B. The member or transferee whose transferable interest is subject to a charging order under subsection A of this section may extinguish the charging order by satisfying the judgment and filing a certified copy of the satisfaction with the court that issued the charging order.

C. A limited liability company or one or more members whose transferable interests are not subject to the charging order may pay to the judgment creditor the full amount due under



the judgment and thereby succeed to the rights of the judgment creditor, including the charging order.

D. This chapter does not deprive any member or transferee of the benefit of any exemption law applicable to the transferable interest of the member or transferee.

E. This section provides the exclusive remedy by which a person seeking in the capacity of judgment creditor to enforce a judgment against a member or transferee may satisfy the judgment from the judgment debtor's transferable interest.

#### 29-3504. POWER OF LEGAL REPRESENTATIVE OF DECEASED MEMBER

If a member dies, the deceased member's legal representative may exercise both of the following:

1. The rights of a transferee provided in section 29-3502, subsection C.
2. For the purposes of settling the estate, the rights the deceased member had under section 29-3410.

### ARTICLE 6. DISSOCIATION

#### 29-3601. POWER TO DISSOCIATE AS MEMBER: WRONGFUL DISSOCIATION

A. A person has the power to dissociate as a member at any time, rightfully or wrongfully, by withdrawing as a member by express will under section 29-3602, paragraph 1.

B. A person's dissociation as a member is wrongful only if the dissociation either:

1. Is in breach of an express provision of the operating agreement.
2. Occurs before the completion of the winding up of the limited liability company

and either:

(a) The person is expelled as a member by judicial order under section 29-3602, paragraph 5.

(b) The person is dissociated under section 29-3602, paragraph 7.

C. A person that wrongfully dissociates as a member is liable to the limited liability company and, subject to section 29-3807, to the other members for damages caused by the dissociation. The liability is in addition to any debt, obligation or other liability of the member to the company or the other members. The company may offset its damages against any amount otherwise distributable to the person.

#### 29-3602. EVENTS CAUSING DISSOCIATION

A person is dissociated as a member if and when:

1. The limited liability company knows or has notice of the person's express will to withdraw as a member, but if the person has specified a withdrawal date later than the date the company knew or had notice, the person is dissociated as a member on that later date.

2. An event stated in the operating agreement as causing the person's dissociation occurs.

3. The person is expelled as a member pursuant to the operating agreement.

4. The person is expelled as a member by the affirmative vote or consent of all the other members if any of the following applies:

(a) It is unlawful to carry on the limited liability company's activities and affairs with the person as a member.

(b) There has been a transfer of all of the person's transferable interest in the company other than either:

(i) A transfer for security purposes.

(ii) A charging order in effect under section 29-3503.

(c) The person is an entity and both of the following apply:

(i) The company notifies the person that the person will be expelled as a member because the person has filed a statement of dissolution or the equivalent, the person has been

**Commented [SA1]:** This is an error in the enacted legislation and will need to be corrected in a conforming legislation bill.

administratively dissolved, the person's charter or the equivalent has been revoked or the person's right to conduct business has been suspended by the person's jurisdiction of formation.

(ii) Not later than ninety days after the notification described in item (i) of this subdivision, the statement of dissolution or the equivalent has not been withdrawn, rescinded or revoked, the person has not been reinstated or the person's charter or the equivalent or right to conduct business has not been reinstated.

(d) The person is an unincorporated entity that has been dissolved and whose activities and affairs are being wound up.

5. On application by the limited liability company or a member in a direct action under section 29-3801, the person is expelled as a member by judicial order because the person does any of the following:

(a) Has engaged or is engaging in wrongful conduct that has affected adversely and materially, or will affect adversely and materially, the company's activities and affairs.

(b) Has committed wilfully or persistently, or is committing wilfully or persistently, a material breach of the operating agreement or a duty or obligation under section 29-3409 as modified by the operating agreement.

(c) Has engaged or is engaging in conduct relating to the company's activities and affairs that makes it not reasonably practicable to carry on the activities and affairs with the person as a member.

6. In the case of an individual, any of the following:

(a) The individual dies.

(b) A guardian or general conservator for the individual is appointed.

(c) A court orders that the individual has otherwise become incapable of performing the individual's duties as a member under this chapter or the operating agreement.

(d) A court of competent jurisdiction enters an order or judgment adjudicating the individual incompetent to manage the individual's person or estate.

7. The person does any of the following:

(a) Becomes a debtor in bankruptcy.

(b) Signs an assignment for the benefit of creditors.

(c) Seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the person or of all or substantially all the person's property.

8. In the case of a person that is a testamentary or inter vivos trust or is acting as a member by virtue of being a trustee of such a trust, the trust's entire transferable interest in the limited liability company is distributed.

9. In the case of a person that is an estate or is acting as a member by virtue of being a personal representative of an estate, the estate's entire transferable interest in the limited liability company is distributed.

10. In the case of a person that is not an individual, the existence of the person terminates.

11. The limited liability company participates in a merger under article 10 of this chapter and either of the following applies:

(a) The company is not the surviving entity.

(b) Otherwise as a result of the merger, the person ceases to be a member.

12. The limited liability company participates in an interest exchange under article 10 of this chapter and, as a result of the interest exchange, the person ceases to be a member.

13. The limited liability company participates in a conversion under article 10 of this chapter.

14. The limited liability company participates in a domestication under article 10 of this chapter and, as a result of the domestication, the person ceases to be a member.

15. The limited liability company participates in a division under article 10 of this chapter and either of the following applies:

- (a) The company is not the surviving entity.
- (b) Otherwise as a result of the division, the person ceases to be a member.

16. The limited liability company dissolves and completes winding up.

#### 29-3603. EFFECT OF DISSOCIATION

A. If a person is dissociated as a member, all of the following apply:

1. The person's right to participate as a member in the management and conduct of the limited liability company's activities and affairs terminates.

2. The person's duties and obligations under section 29-3409 as a member end with regard to matters arising and events occurring after the person's dissociation.

3. Subject to section 29-3504 and article 10 of this chapter, any transferable interest owned by the person in the person's capacity as a member immediately before dissociation is owned by the person solely as a transferee.

B. A person's dissociation as a member does not of itself discharge the person from any debt, obligation or other liability to the limited liability company or the other members that the person incurred while a member.

### ARTICLE 7. DISSOLUTION AND WINDING UP

#### 29-3701. EVENTS CAUSING DISSOLUTION

A. A limited liability company is dissolved, and its activities and affairs must be wound up, on the occurrence of any of the following:

1. An event or circumstance that the operating agreement or articles of organization state causes dissolution.

2. The consent to dissolution is given in a record signed by the number of members specified in the operating agreement or, if none is specified, by a majority in interest of the members and by one or more members that on dissolution of the company and liquidation of its assets would be entitled to receive more than one-half of the value of all assets to be distributed to all members on liquidation.

3. The passage of one hundred eighty consecutive days during which the company has no members unless before the end of the period both of the following occur:

(a) Consent to admit at least one specified person as a member is given in a record signed by one or more transferees that on dissolution of the company and liquidation of its assets would be entitled to receive more than one-half of the value of all assets to be distributed to all transferees at the time the consent is to be effective.

(b) At least one person becomes a member in accordance with the consent.

4. On application by a member, the entry by a court of competent jurisdiction of an order dissolving the company on the grounds that any of the following apply:

(a) The conduct of all or substantially all of the company's activities and affairs is unlawful.

(b) It is not reasonably practicable to carry on the company's activities and affairs in conformity with the articles of organization and the operating agreement.

(c) The members or managers are deadlocked in the management of the company and irreparable injury to the company is threatened or being suffered or the activities and affairs of the company cannot be conducted to the advantage of the members because of the deadlock.

(d) The managers or those members in control of the company do any of the following:

(i) Have acted or are acting in a manner that is illegal or fraudulent with respect to the activities and affairs of the company, causing or threatening a material and adverse effect on the company or the applicant.

(ii) Have wilfully or persistently breached the operating agreement or the duty of loyalty under section 29-3409, as modified by the operating agreement, causing or threatening a material and adverse effect on the company or the applicant.

(iii) Have wasted, misapplied or diverted substantial assets of the company for purposes not related to the activities and affairs of the company, causing or threatening a material and adverse effect on the company.

5. The signing and filing of a statement of administrative dissolution by the commission under section 29-3708.

B. In a proceeding brought under subsection A, paragraph 4 of this section, the court may order a remedy other than dissolution.

#### 29-3702. WINDING UP

A. A dissolved limited liability company shall wind up its activities and affairs and, except as otherwise provided in section 29-3703, the company continues after dissolution only for the purpose of winding up.

B. In winding up its activities and affairs, a limited liability company:

1. Shall discharge the company's debts, obligations and other liabilities, settle and close the company's activities and affairs and marshal and distribute the assets of the company.

2. May do all of the following:

(a) Deliver to the commission for filing a notice of winding up stating the name of the company, that the company has commenced to wind up its activities and affairs and any other statements not prohibited by law.

(b) Preserve the company activities, affairs and property as a going concern for a reasonable time.

(c) Prosecute and defend actions and proceedings, whether civil, criminal or administrative.

(d) Transfer the company's property.

(e) Settle disputes by mediation or arbitration.

(f) Perform other acts necessary or appropriate to the winding up.

C. If a dissolved limited liability company has no members, the last person to have been a member or the legal representative of the last person to have been a member may wind up the activities and affairs of the company as its liquidating agent. If the person does so, the person has the powers of a sole manager under section 29-3407, subsection C and is deemed to be a manager for the purposes of section 29-3304.

D. If the last person to have been a member or legal representative under subsection C of this section does not elect to become the liquidating agent within a reasonable time, another person may be appointed and replaced from time to time as the liquidating agent if the appointment is in a record signed by one or more transferees that on dissolution of the limited liability company and liquidation of its assets would be entitled to receive more than one half of the value of all assets to be distributed to all transferees on liquidation at the time of the appointment. A liquidating agent pursuant to this subsection or subsection C of this section may be replaced at any time by any other person appointed in a record signed by one or more transferees that on dissolution of the company and liquidation of its assets would be entitled to receive more than one half of the value of all assets to be distributed to all transferees on liquidation. A person appointed as the liquidating agent under this subsection has the powers of a

sole manager under section 29-3407, subsection C and is deemed to be a manager for the purposes of section 29-3304.

E. A court of competent jurisdiction may order judicial supervision of the winding up of a dissolved limited liability company, including the appointment or replacement of a person as the liquidating agent to wind up the company's activities and affairs:

1. On the application of a member, if the applicant establishes good cause.  
2. If the company does not have any members, on the application of a transferee if any of the following applies:

(a) The applicant establishes good cause.

(b) The last person to have been a member or the legal representative of the last person to have been a member declines to become the liquidating agent or, having done so, fails to wind up the company's activities within a reasonable time.

(c) Within a reasonable time following the dissolution, a person has not been appointed as the liquidating agent pursuant to subsection D of this section.

3. In connection with a proceeding under section 29-3701, subsection A, paragraph 4.

F. Effective on a person's becoming a liquidating agent, each other person that is then a manager of the limited liability company shall cease to be a manager and the members, if any, shall cease to have management authority except as set forth in an order of judicial supervision.

G. Promptly after becoming a liquidating agent, the liquidating agent shall deliver to the commission for filing an amendment to the company's articles of organization stating all of the following:

1. That the company has no managers.

2. The name and the mailing address of each member or, if the company has no members, that the company has no members.

3. The name and mailing address of the person that has been appointed as the liquidating agent.

4. If applicable, the case number and the name of the court that entered an order of judicial supervision of winding up.

5. Any other statement not prohibited by law.

H. If all of the known property and assets of the limited liability company have been applied and distributed pursuant to this chapter, the articles of termination shall be filed with the commission stating both of the following:

1. The name of the company.

2. That all of the known property and assets of the company have been applied and distributed pursuant to this chapter.

I. After the authorized filing of the articles of termination, the limited liability company's existence continues but only for the purposes of suits, other proceedings and appropriate actions as provided in this chapter, dealing with and disposing of property that was overlooked during the winding up, defending and pursuing claims that were not paid or otherwise discharged before the filing and engaging in activities that are reasonably necessary or appropriate for such purposes. These actions shall be taken without affecting the liability of members and managers and without imposing liability on a liquidating agent. The managers or liquidating agent in office at the time of termination or, if none, the members, may convey or transfer the company's real or personal property discovered after termination and may take other action as necessary on behalf of and in the name of the company to complete the winding up of its activities and affairs and the liquidation and distribution of its assets.

### 29-3703. RESCINDING DISSOLUTION

A. A limited liability company may rescind its dissolution, unless the articles of termination applicable to the company have become effective, a court of competent jurisdiction has entered an order under section 29-3701, subsection A, paragraph 4 dissolving the company or the commission has dissolved the company under section 29-3708.

B. Rescinding dissolution under this section requires all of the following:

1. The affirmative vote or consent of each member or, if the company has no members, the consent of all transferees to the rescission and to the admission of one or more members.

2. If the limited liability company has delivered to the commission for filing a notice of winding up and the notice has not become effective, delivery to the commission for filing of a statement of withdrawal under section 29-3208 that is applicable to the notice of winding up.

3. If the limited liability company has delivered to the commission for filing a notice of winding up and the notice has become effective, delivery to the commission for filing of a statement of correction under section 29-3209 stating the name of the company and that dissolution and winding up have been rescinded under this section.

C. If a limited liability company rescinds its dissolution, all of the following apply:

1. The company resumes carrying on its activities and affairs as if dissolution had never occurred.

2. Subject to paragraph 3 of this subsection, any liability incurred by the company after the dissolution and before the rescission becomes effective is determined as if dissolution had never occurred.

3. The rights of a third party arising out of conduct in reliance on the dissolution before the third party knew or had notice of the rescission may not be adversely affected.

### 29-3704. KNOWN CLAIMS AGAINST DISSOLVED LIMITED LIABILITY COMPANY

A. Except as otherwise provided in subsection D of this section, a dissolved limited liability company may give notice of a known claim under subsection B of this section and the notice has the effect provided in subsection C of this section.

B. A dissolved limited liability company may in a record notify its known claimants of the dissolution. The notice must comply with all of the following:

1. Specify the information required to be included in a claim.

2. State that a claim must be in writing and provide a mailing address to which the claim is to be sent.

3. State the deadline for receipt of a claim, which may not be less than one hundred twenty days after the date the notice is received by the claimant.

4. State that the claim will be barred if not received by the deadline.

C. A claim against a dissolved limited liability company is barred if the requirements of subsection B of this section are met and either of the following occurs:

1. The claim is not received by the specified deadline.

2. The claim is timely received but rejected by the company and both of the following occur:

(a) The company causes the claimant to receive a notice in a record stating that the claim is rejected and will be barred unless the claimant commences an action against the company to enforce the claim not later than ninety days after the claimant receives the notice.

(b) The claimant does not commence the required action within ninety days after the claimant receives the notice.

D. This section does not apply to a claim based on an event occurring after the date of dissolution or a liability that is contingent on the date of dissolution.

E. This section does not affect or prevent the enforcement of any mortgage, pledge or other lien on the limited liability company's property or, to the limits of the insurance protection only, any proceeding to establish liability of the company for which it is protected by liability insurance.

#### 29-3705. OTHER CLAIMS AGAINST DISSOLVED LIMITED LIABILITY COMPANY

A. A dissolved limited liability company that has filed a notice of winding up may require persons having claims against the company to present them in accordance with a notice to claimants in conformity with this section.

B. A notice under subsection A of this section must:

1. Be filed with the commission and published at least once in a newspaper of general circulation in the county in this state in which the dissolved limited liability company's principal address is located or, if the principal address is not located in this state, in the county in which the office of the company's statutory agent is or was last located.

2. Describe the information required to be contained in a claim, state that the claim must be in writing and provide a mailing address to which the claim is to be sent.

3. State that a claim against the company is barred unless an action to enforce the claim is commenced not later than three years after publication of the notice or the date of filing the notice with the commission, whichever is later.

C. If a dissolved limited liability company files and publishes a notice in accordance with subsection B of this section, the claim of each of the following claimants is barred unless the claimant commences an action to enforce the claim against the company not later than three years after the publication of the notice or the date of filing the notice with the commission, whichever is later:

1. A claimant that did not receive notice in a record under section 29-3704.

2. A claimant whose claim was timely sent to the company but not acted on.

3. A claimant whose claim is contingent at, or based on an event occurring after, the date of dissolution.

D. A claim not barred under this section or section 29-3704 may be enforced:

1. Against a dissolved limited liability company to the extent of its undistributed assets.

2. Except as otherwise provided in section 29-3706, if assets of the company have been distributed after dissolution, against a member or transferee to the extent of that person's proportionate share of the claim or of the company's assets distributed to the member or transferee after dissolution, whichever is less, but a person's total liability for all claims under this subsection may not exceed the total amount of assets distributed to the person after dissolution.

E. This section does not affect or prevent the enforcement of any mortgage, pledge or other lien on the limited liability company's property or, to the limits of the insurance protection only, any proceeding to establish liability of the company for which it is protected by liability insurance.

#### 29-3706. COURT PROCEEDINGS

A. A dissolved limited liability company that has filed and published a notice under section 29-3705 may file an application with the superior court in the county where the company's principal address is located or, if the principal address is not located in this state, in the county where the office of its statutory agent is or was last located for a determination of the

amount and form of security to be provided for the payment of claims that are reasonably expected to arise after the date of dissolution based on facts known to the company and that either:

1. At the time of application either:
  - (a) Are contingent.
  - (b) Have not been made known to the company.
2. Are based on an event occurring after the date of dissolution.
- B. Security is not required for any claim that is or is reasonably anticipated to be

barred under section 29-3705.

C. Not later than ten days after the filing of an application under subsection A of this section, the dissolved limited liability company shall give notice of the proceeding to each claimant holding a contingent claim known to the company.

D. In a proceeding under this section. The court may appoint a person to represent all claimants whose identities are unknown. The reasonable fees and expenses of the person, including all reasonable expert witness fees, must be paid by the dissolved limited liability company.

E. A dissolved limited liability company that provides security in the amount and form ordered by the court under subsection A of this section satisfies the company's obligations with respect to claims that are contingent, have not been made known to the company or are based on an event occurring after the date of dissolution and such claims may not be enforced against a member or transferee on account of assets received in liquidation.

#### 29-3707. Disposition of Assets in Winding Up

A. In winding up its activities and affairs, a limited liability company shall apply its assets to discharge the company's obligations to creditors, including members that are creditors.

B. After a limited liability company complies with subsection A of this section, any surplus assets must be distributed in the following order, subject to any charging order in effect under section 29-3503:

1. To each person owning a transferable interest that reflects contributions made and not previously returned, an amount equal to the value of the unreturned contributions.
2. Among persons owning transferable interests in proportion to their respective rights to share in distributions immediately before the dissolution of the company.

C. If a limited liability company does not have sufficient surplus assets to comply with subsection B, paragraph 1 of this section, any surplus must be distributed among the owners of transferable interests in proportion to the value of the respective unreturned contributions.

D. All distributions made under subsections B and C of this section must be paid in money.

#### 29-3708. ADMINISTRATIVE DISSOLUTION

A. The commission may commence a proceeding under subsection B of this section to dissolve a limited liability company administratively if the company does not do any of the following:

1. Pay any fee or penalty required to be paid to the commission not later than sixty days after the fee or penalty is due.
2. Have a statutory agent in this state for at least sixty consecutive days.
3. Have a principal address in this state for at least sixty consecutive days.
4. Notify the commission within sixty days after its statutory agent or principal address has changed or its statutory agent has resigned.
5. Amend its articles of organization or file a statement of change or a statement of correction as required by section 29-3202.



6. Respond to interrogatories as prescribed in section 29-3212.

B. If the commission determines that one or more grounds exist for administratively dissolving a limited liability company, the commission shall deliver to the company a notice in a record of the commission's determination by delivering the notice to the address of the company's statutory agent or, if the company does not have a statutory agent or the statutory agent's address is invalid, to the company's principal address.

C. If a limited liability company, not later than sixty days after delivery of the notice under subsection B of this section, does not cure or demonstrate to the satisfaction of the commission the nonexistence of each ground determined by the commission, the commission shall administratively dissolve the company by issuing a statement of administrative dissolution that recites the grounds for dissolution and the effective date of dissolution. The commission shall file the statement and deliver a copy to the company by delivering the statement to the address of the company's statutory agent or, if the company does not have a statutory agent or the statutory agent's address is invalid, to the company's principal address.

D. A limited liability company that is administratively dissolved continues in existence as an entity but may not carry on any activities except as necessary to wind up its activities and affairs and liquidate its assets under sections 29-3702, 29-3704, 29-3705, 29-3706 and 29-3707 or to apply for reinstatement under section 29-3709.

E. The administrative dissolution of a limited liability company does not terminate the authority of its statutory agent.

#### 29-3709. REINSTATEMENT

A. A limited liability company that is administratively dissolved under section 29-3708 may apply to the commission for reinstatement not later than six years after the effective date of dissolution.

B. If the limited liability company has not applied for reinstatement within six months after the effective date of the administrative dissolution, the commission shall release the company's name for use in accordance with this chapter or by a person intending to register the name as a trademark pursuant to section 44-1460.

C. The application must state all of the following:

1. The name of the company at the time of its administrative dissolution.

2. The name and address of the company's statutory agent and, if different, the principal address of the company.

3. That the grounds for dissolution did not exist or have been cured.

D. If another person has adopted the name of the limited liability company as an entity or partnership name or as a trade name or trademark, the company shall deliver for filing, simultaneously with delivery of the application for reinstatement, articles of amendment that adopt a new name for the company.

E. To be reinstated, a limited liability company must pay all fees and penalties that were due to the commission at the time of the company's administrative dissolution and all fees and penalties that would have been due to the commission while the company was administratively dissolved.

F. If the commission determines that an application under subsection A of this section contains the required information, is satisfied that the information is correct, determines that subsection D of this section has been complied with, if applicable, and determines that all payments required to be made to the commission under subsection E of this section have been made, the commission shall do all of the following:

1. Cancel the statement of administrative dissolution and issue a statement of reinstatement that states the commission's determination and the effective date of reinstatement.

2. File the statement of reinstatement.
3. Deliver a copy of the statement of reinstatement to the limited liability company.
- G. When reinstatement under this section has become effective, the following rules

apply:

1. The reinstatement relates back to and takes effect as of the effective date of the administrative dissolution.
2. The limited liability company resumes carrying on its activities and affairs as if the administrative dissolution had not occurred.
3. The rights of a person arising out of an act or omission in reliance on the dissolution before the person knew or had notice of the reinstatement are not affected.

#### 29-3710. JUDICIAL REVIEW OF DENIAL OF REINSTATEMENT

A. If the commission denies a limited liability company's application for reinstatement following administrative dissolution, the commission shall deliver to the company a notice in a record that explains the reasons for the denial to the address of the company's statutory agent or, if the company does not have a statutory agent or the statutory agent's address is invalid, to the company's principal address.

B. A limited liability company that has been administratively dissolved and that is denied reinstatement by the commission pursuant to this section may bring an action against the commission in superior court to review the commission's refusal to reinstate the company. The action by the company shall be brought within six months after the commission's refusal becomes final. The superior court shall hear and determine the action as a trial de novo. In any such action, the burden of proof shall be on the company.

#### ARTICLE 8. ACTIONS BY MEMBERS

##### 29-3801. DIRECT ACTION BY MEMBER

A member may maintain a direct action against another member, a manager or the limited liability company to enforce the member's rights and protect the member's interests, including rights and interests under the operating agreement or this chapter or arising independently of the membership relationship.

##### 29-3802. DERIVATIVE ACTION

A member may maintain a derivative action to enforce a right of a limited liability company if either of the following applies:

1. The member first makes a demand on the other members in a member-managed limited liability company or the managers of a manager-managed limited liability company that requests that the members or managers cause the company to bring an action to enforce the right and ninety days have expired from the date the demand was made, except that the expiration of ninety days is not necessary if any of the following apply:

- (a) The member has earlier been notified that the demand has been rejected by the company.

- (b) The statute of limitations will expire within the ninety days.

- (c) Irreparable injury to the company would result by waiting for the expiration of the ninety-day period.

2. A demand under paragraph 1 of this section would be futile.

##### 29-3803. PROPER PLAINTIFF

A person may maintain a derivative action to enforce a right of a limited liability company only if the person is a member at the time the action is commenced and either:

1. The person was a member when the conduct giving rise to the action occurred.

2. The person's status as a member devolved on the person by operation of law or pursuant to the terms of the operating agreement from another person that was a member at the time of the conduct.

#### 29-3804. PLEADING

In a derivative action, the complaint must state with particularity either of the following:

1. The date and content of the plaintiff's demand and the response to the demand by the managers or other members.

2. Why the demand should be excused as futile.

#### 29-3805. SPECIAL LITIGATION COMMITTEE

A. If a limited liability company is named as or made a party in a derivative proceeding, the company may appoint a special litigation committee to investigate the claims asserted in the proceeding and determine whether pursuing the action is in the best interests of the company. If the company appoints a special litigation committee, on motion by the committee made in the name of the company, except for good cause shown, the court shall stay the derivative proceeding for the time reasonably necessary to permit the committee to make its investigation, make a determination under subsection D of this section and file with the court a statement of its determination and supporting report under subsection E of this section. This subsection does not prevent the court from either of the following:

1. Enforcing a person's right to information under section 29-3410.

2. Granting extraordinary relief in the form of a temporary restraining order or preliminary injunction.

B. A special litigation committee must be composed of one or more disinterested and independent individuals who may be members.

C. A special litigation committee may be appointed:

1. In a member-managed limited liability company, by either of the following:

(a) The affirmative vote or consent of a majority in interest of the members that are not named as parties in the proceeding.

(b) If all members are named as parties in the proceeding, a majority in interest of the members that are named as defendants.

2. In a manager-managed limited liability company, by either of the following:

(a) A majority of the managers that are not named as parties in the proceeding.

(b) If all managers are named as parties in the proceeding, a majority of the managers that are named as defendants.

D. After appropriate investigation, a special litigation committee may determine that it is in the best interests of the limited liability company that the proceeding:

1. Continue under the control of the plaintiff.

2. Continue under the control of the committee.

3. Be settled on terms approved by the committee.

4. Be dismissed.

E. After making a determination under subsection D of this section, a special litigation committee shall file with the court a statement of its determination and its report supporting its determination and shall serve each party with a copy of the determination and report. The court shall determine whether the members of the committee were disinterested and independent and whether the committee conducted its investigation and made its recommendation in good faith, independently and with reasonable care, with the committee having the burden of proof. If the court finds that the members of the committee were disinterested and independent and that the committee acted in good faith, independently and with reasonable care, the court shall enforce the determination of the committee. Otherwise, the court

shall dissolve the stay of the derivative proceeding entered under subsection A of this section and allow the action to continue under the control of the plaintiff.

**29-3806. PROCEEDS AND EXPENSES: VOLUNTARY DISMISSAL OR SETTLEMENT**

A. Except as otherwise provided in subsection B or C of this section or section 29-3807, both of the following apply:

1. Any proceeds or other benefits of a derivative action, whether by judgment, compromise or settlement, belong to the limited liability company and not to the plaintiff.

2. If the plaintiff receives any proceeds, the plaintiff shall remit them immediately to the company.

B. If a derivative action is successful, in whole or in part, the court may award the plaintiff reasonable expenses, including reasonable attorney fees and costs, from the recovery of the limited liability company.

C. If the court finds that the derivative action was brought without reasonable cause, the court may require the plaintiff to pay to the defendants the defendants' reasonable expenses, including reasonable attorney fees and costs, incurred in the defense of the action.

D. A derivative action on behalf of a limited liability company may not be voluntarily dismissed or settled without the court's approval.

**29-3807. OTHER REMEDIES IN DIRECT AND DERIVATIVE ACTIONS**

The court, in its discretion, at any stage in a direct or derivative proceeding, may:

1. Treat a direct action as a derivative action subject to, or exempt from, any provisions of this article the court chooses and order recovery to be paid to the limited liability company if the court finds that doing so is reasonably necessary to avoid any of the following:

(a) Unfairly exposing the company or the defendants to a multiplicity of actions.

(b) Materially adversely affecting the interests of the company's creditors.

(c) Interfering with a fair distribution of any recovery among interested persons.

2. Treat a derivative action as a direct action subject to, or exempt from, any provisions of this article the court chooses and order recovery to be paid to the plaintiff if the court finds that justice so requires.

**ARTICLE 9. FOREIGN LIMITED LIABILITY COMPANIES**

**29-3901. GOVERNING LAW**

A. Subject to subsection D of this section, the law of the jurisdiction of formation of a foreign limited liability company governs both of the following:

1. The internal affairs of the company.

2. The liability of a member as a member and a manager as a manager for a debt, obligation or other liability of the company.

B. A foreign limited liability company is not precluded from registering to do business in this state because of any difference between the law of its jurisdiction of formation and the law of this state.

C. Registration of a foreign limited liability company to do business in this state does not authorize the foreign company to engage in any activities and affairs or exercise any power that a limited liability company may not engage in or exercise in this state.

D. A foreign limited liability company, its members and managers and its foreign series, if any, have no greater rights and privileges than a domestic limited liability company and its members and managers with respect to transactions in this state and relationships with persons in this state that are not managers or members. A foreign series is liable for the debts, obligations or other liabilities of the designating foreign company and of any other foreign series of that designating foreign company, arising out of transactions in this state or relationships with

persons in this state and a designating foreign company is liable for such debts, obligations or other liabilities of each foreign series of that designating foreign company.

29-3902. REGISTRATION TO DO BUSINESS IN THIS STATE

A. A foreign limited liability company or a foreign series may not do business in this state until the foreign limited liability company or foreign series registers with the commission under this article.

B. A foreign limited liability company or a foreign series doing business in this state may not maintain an action or proceeding in this state unless the foreign limited liability company or foreign series is registered to do business in this state.

C. The failure of a foreign limited liability company or a foreign series to register to do business in this state does not impair the validity of a contract or act of the foreign company or foreign series or preclude it from defending an action or proceeding in this state.

D. A limitation on the liability of a member or manager of a foreign limited liability company or foreign series is not waived solely because the foreign company or foreign series does business in this state without registering to do business in this state.

E. Section 29-3901 applies even if a foreign limited liability company or foreign series fails to register under this article.

29-3903. FOREIGN REGISTRATION STATEMENT

A. To register to do business in this state, a foreign limited liability company must deliver a foreign registration statement to the commission for filing. The statement must state all of the following:

1. The name of the foreign company and, if the name does not comply with section 29-3112, an alternate name adopted pursuant to section 29-3906, subsection A.

2. That the foreign company is a foreign limited liability company.

3. The jurisdiction of formation of the foreign company.

4. The principal address of the foreign company and, if the law of the jurisdiction of formation requires the foreign company to maintain an office in that jurisdiction, the address of the office or, if no office is required to be maintained, the name and the street address of the statutory agent in the jurisdiction of formation.

5. The name and street address of the statutory agent in this state.

6. Either of the following:

(a) That management of the foreign company is vested in a manager or managers.

(b) That management of the foreign company is reserved to the members.

7. The name and address of either of the following:

(a) If management of the foreign company is vested in a manager or managers, each person that is a manager and each member that owns a twenty percent or greater interest in the capital or profits of the foreign company.

(b) If management of the foreign company is reserved to the members, each person that is a member of the foreign company.

B. To register to do business in this state, a foreign series must deliver a foreign registration statement to the commission for filing. The statement must state all of the following:

1. That the registrant is a foreign series.

2. All of the information required in subsection A of this section in connection with the foreign series.

3. All of the information required in subsection A, paragraphs 1, 2, 3, 6 and 7 of this section in connection with the designating foreign company of the foreign series.

C. An application for a foreign registration statement that a foreign limited liability company or foreign series submits to the commission under this section shall include a certified

copy of its organizational documents on file in its jurisdiction of formation and proof that the foreign company or foreign series existed in the state or country in which it organized within sixty days before delivering the application for filing with the commission.

#### 29-3904. AMENDMENT OF FOREIGN REGISTRATION STATEMENT

A registered foreign limited liability company or registered foreign series shall deliver to the commission for filing an amendment to its foreign registration statement if there is a change in any of the information required under section 29-3903, except that the filing of an amendment under this section is not required for a change in the registered foreign limited liability company's or registered foreign series' statutory agent, its principal address, the address of one or more of its managers or members or the address of its statutory agent if the company or series has filed a statement of change under section 29-3116 showing the change.

#### 29-3905. ACTIVITIES NOT CONSTITUTING DOING BUSINESS

A. Activities of a foreign limited liability company or foreign series that do not constitute doing business in this state under this article include any of the following:

1. Maintaining, defending, mediating, arbitrating or settling an action or proceeding.
2. Carrying on any activity concerning its internal affairs, including holding meetings of its members or managers.
3. Maintaining accounts in financial institutions.
4. Maintaining offices or agencies for the transfer, exchange and registration of securities of the foreign company or foreign series or maintaining trustees or depositories with respect to those securities.
5. Selling through independent contractors.
6. Soliciting or obtaining orders by any means if the orders require acceptance outside this state before they become contracts.
7. Creating or acquiring indebtedness, mortgages or security interests in property.
8. Securing or collecting debts or enforcing mortgages or security interests in property securing the debts and holding, protecting or maintaining property.
9. Conducting an isolated transaction that is not in the course of similar transactions.
10. Owning, without more, property.
11. Doing business in interstate commerce.

B. A person does not do business in this state solely by being a member or manager of a foreign limited liability company or foreign series or by being a designating foreign company of a foreign series that does business in this state.

C. This section does not apply in determining the contacts or activities that may subject a foreign limited liability company or foreign series to service of process, taxation or regulation under the laws of this state other than this chapter.

#### 29-3906. NONCOMPLYING NAME OF FOREIGN LIMITED LIABILITY COMPANY

A. A foreign limited liability company or foreign series whose name does not comply with section 29-3112 may not register to do business in this state until it adopts, for the purpose of doing business in this state, an alternate name that complies with section 29-3112. After registering to do business in this state with an alternate name, a foreign company or foreign series shall do business in this state under any of the following:

1. The alternate name.
2. The foreign company's or foreign series' name with the addition of its jurisdiction of formation.
3. A name the foreign company or foreign series is authorized to use under section 44-1460.

B. If a registered foreign limited liability company or foreign series changes its name to one that does not comply with section 29-3112, it may not do business in this state until it complies with subsection A of this section by amending its registration to adopt an alternate name that complies with section 29-3112.

29-3907. [reserved]

#### 29-3908. WITHDRAWAL ON DISSOLUTION

A. A registered foreign limited liability company or registered foreign series that has dissolved and completed winding up or otherwise has ceased to exist shall deliver a statement of withdrawal to the commission for filing. The statement must state all of the following:

1. The name of the foreign company or foreign series.
2. The jurisdiction of formation of the foreign company or foreign series.
3. That the foreign company or foreign series surrenders its registration to do business in this state.
4. That the foreign company or foreign series has dissolved and completed winding up or otherwise has ceased to exist.

B. After a withdrawal under this section has become effective, service of process in any action or proceeding based on a cause of action arising during the time the foreign limited liability company was registered to do business in this state may be made pursuant to section 29-3119.

29-3909. [reserved]

#### 29-3910. TERMINATION OF REGISTRATION

A. The commission may terminate the registration of a registered foreign limited liability company or registered foreign series in the manner provided in subsections B and C of this section if the commission receives a duly authenticated certificate from the secretary of state or other official having custody of the company records in the state or country under whose law the foreign company or foreign series is organized stating that the foreign company or foreign series has ceased to exist, or if the foreign company or foreign series does not do any of the following:

1. Pay, not later than sixty days after the due date, any fee or penalty required to be paid to the commission.
2. Have a statutory agent as required by section 29-3115.
3. Have a principal address for at least sixty consecutive days.
4. Notify the commission within sixty days after its statutory agent or principal address has changed or within sixty days after its statutory agent has resigned.
5. Amend its foreign registration statement as required by section 29-3904.
6. Respond to interrogatories as prescribed in section 29-3212.

B. The commission may terminate the registration of a registered foreign limited liability company or registered foreign series by both of the following:

1. Filing a notice of the termination or noting the termination in the records of the commission.
2. Delivering a copy of the notice or the information in the notation to the statutory agent of the foreign company or foreign series or, if the foreign company or foreign series does not have a statutory agent, to the principal address of the foreign company or foreign series.

C. The notice must state or the information in the notation must include both of the following:

1. The effective date of the termination, which must be at least sixty days after the date the commission delivers the copy of the notice or the information in the notation.
2. The grounds for termination under subsection A of this section.

D. The authority of a registered foreign limited liability company or registered foreign series to do business in this state ceases on the effective date of the notice of the termination or notation under subsection B of this section, unless before that date the foreign company or foreign series cures each ground for termination stated in the notice or notation. If the foreign company or foreign series cures each ground, the commission shall file a record stating that the foreign company or foreign series cured each ground.

#### 29-3911. WITHDRAWAL OF REGISTRATION

A. A registered foreign limited liability company or registered foreign series may withdraw its registration by delivering a statement of withdrawal to the commission for filing. The statement of withdrawal must state all of the following:

1. The name of the foreign company or foreign series, the name of the designating foreign company of the foreign series and the jurisdiction of formation of the foreign company or designating foreign company.
2. That the foreign company or foreign series is not doing business in this state and that it withdraws its registration to do business in this state.
3. That the foreign company or foreign series revokes the authority of its statutory agent to accept service on its behalf in this state.
4. An address to which service of process may be made under subsection B of this section.

B. After the withdrawal of the registration of a foreign limited liability company or foreign series, service of process in any action or proceeding based on a cause of action arising during the time the foreign company or foreign series was registered to do business in this state may be made pursuant to section 29-3119.

#### 29-3912. ACTION BY ATTORNEY GENERAL

The attorney general may maintain an action to enjoin a foreign limited liability company or foreign series from doing business in this state in violation of this article.

### ARTICLE 10. MERGER, INTEREST EXCHANGE, CONVERSION, DOMESTICATION AND DIVISION

#### 29-4001. DEFINITIONS

A. In this article, unless the context otherwise requires:

1. "Plan" means a plan of merger, interest exchange, conversion, domestication or division, as applicable.
2. "Transaction" means a merger, an interest exchange, a conversion, a domestication or a division, as applicable.

B. Except for terms defined in section 29-3102 or unless the context otherwise requires, terms used in this article have the same meanings prescribed in chapter 6 of this title.

#### 29-4002. APPRAISAL RIGHTS

An interest holder of a domestic limited liability company that is a merging, converting, domesticating or dividing entity or the acquired entity in an interest exchange is entitled to contractual appraisal rights in connection with a transaction under this article to the extent provided in the operating agreement or the plan.

#### 29-4003. ENTITY RESTRUCTURING TRANSACTIONS

A. If a plan is approved as provided by section 29-4004, a domestic limited liability company may be a party to or otherwise undertake a transaction by adopting a plan and otherwise complying with this article and:

1. Chapter 6, article 2 of this title for a merger.
2. Chapter 6, article 3 of this title for an interest exchange.
3. Chapter 6, article 4 of this title for a conversion.



4. Chapter 6, article 5 of this title for a domestication.

5. Chapter 6, article 6 of this title for a division.

B. The effective time and date of the transaction are as provided in chapter 6 of this title. Except as expressly set forth in this article, the procedures regarding the effect of and all other aspects of the transaction are governed by chapter 6 of this title.

C. This section does not limit the power of a limited liability company to acquire all or part of the interests of another entity through a voluntary exchange or otherwise.

#### 29-4004. ACTION ON PLAN

If a domestic limited liability company is a merging. Converting, domesticating or dividing entity or the acquired entity in an interest exchange, a plan must be approved by all the members of the company entitled to vote on or consent to any matter.

#### 29-4005. STATEMENT OF MERGER OR OTHER TRANSACTION AS ARTICLES OF TERMINATION: PUBLICATION OR POSTING

A. A statement of merger, conversion, domestication or division shall serve as the articles of termination for a domestic limited liability company that is not the surviving or resulting business entity in a transaction.

B. If a statement of merger includes amendments to the articles of organization of a domestic limited liability company, the document shall be published as provided in section 29-3202, subsection H, paragraph 1 or the commission shall input the information into the database as prescribed by section 29-3202, subsection H, paragraph 2. The document required to be filed and published or posted shall be styled "statement of merger".

### ARTICLE 11. PROFESSIONAL LIMITED LIABILITY COMPANIES

#### 29-4101. DEFINITIONS

In this article, unless the context otherwise requires:

1. "License" means a license, a certificate of registration or any other evidence of the satisfaction of the requirements of a licensing authority for the practice of a professional service.

2. "Licensed person" means a person who is duly licensed by at least one licensing authority to provide at least one of the categories of professional services rendered by the professional limited liability company.

3. "Licensing Authority" means the officer, board, agency, court or other authority empowered by law to license or otherwise authorize the rendition of a professional service.

4. "Professional limited liability company" means a limited liability company organized under this chapter for purposes that include rendering one or more categories of professional services.

5. "Professional Service" means a service that may be lawfully rendered only by a licensed person or person otherwise authorized by a licensing authority to render the service.

#### 29-4102. PROFESSIONAL LIMITED LIABILITY COMPANY FORMATION

A. One or more persons may form a professional limited liability company by filing articles of organization with the commission that, in addition to the information required under section 29-3201, specify both of the following:

1. That the company is a professional limited liability company.

2. The professional service or services that the professional limited liability company is organized to provide.

B. A limited liability company organized under a law of this state other than this article may elect professional limited liability company status by amending its articles of organization pursuant to section 29-3202 to comply with subsection A of this section and with section 29-4106.

#### 29-4103. EXCLUSIONS FROM ARTICLE

A. This article does not alter the right of licensed persons to perform professional services in any other business form allowed by law.

B. This article does not prohibit a professional limited liability company from employing persons who are not licensed to perform professional services that are rendered by the company if all of the following apply:

1. The unlicensed persons work at the direction or under the supervision of licensed persons.

2. The unlicensed persons do not hold themselves out to the public generally as being authorized to perform the professional services rendered by the company.

3. The unlicensed persons are not prohibited by the licensing authority regulating any of the professional services rendered by the professional limited liability company from being so employed.

#### 29-4104. APPLICATION OF GENERAL LIMITED LIABILITY COMPANY LAW

Professional limited liability companies shall be governed by the laws applicable to other limited liability companies except insofar as the laws are limited or enlarged by or contrary to this article in any of which events this article shall be controlling.

#### 29-4105. SPECIAL RESTRICTIONS

A. A professional limited liability company may render a category of professional services in this state only through its members, managers, officers, agents and employees who are themselves licensed persons qualified in this state to perform that category of professional services. This article does not limit or restrict the operation of any limited liability company or its members, including any licensed person, to the extent the company is otherwise authorized under applicable law administered by the licensing authority to render professional services through a limited liability company that is not subject to this article.

B. A professional limited liability company may issue a transferable interest or admit as a member any person unless the company is prohibited from doing so by the licensing authority.

C. A transferable interest in a professional limited liability company may be transferred to any person unless the transfer is prohibited by the licensing authority. A member that transfers a transferable interest in violation of this subsection shall be deemed to have dissociated as a member under section 29-3602.

#### 29-4106. NAME

The name of a professional limited liability company authorized to transact business in this state shall satisfy the requirements of section 29-3112, except that the name shall contain the words "professional limited liability company" or the abbreviation "P.L.L.C.", "P.L.C.", "PLLC" or "PLC" in uppercase or lowercase letters.

#### 29-4107. PROFESSIONAL RELATIONS AND RESPONSIBILITY

This article does not alter any law applicable to the relationship between a person performing professional services and a person receiving those services, including liability arising out of those professional services.

#### 29-4108. DISCIPLINARY POWERS OF REGULATING LICENSING AUTHORITIES

A. A professional limited liability company may not perform any act that is prohibited to be performed by individuals licensed to perform professional services that are rendered by the company.

B. Each member, manager, officer, agent and employee of a professional limited liability company who is a licensed person in the jurisdiction in which the person performs professional services is subject to the rules and regulations adopted by and the disciplinary

powers of the licensing authority or licensing authorities regulating the professional services rendered by the company in the jurisdiction in which the person performs professional services.

#### ARTICLE 12. MISCELLANEOUS PROVISIONS

##### 29-4201. UNIFORMITY OF APPLICATION AND CONSTRUCTION

In applying and construing this uniform act, consideration must be given to the need to promote uniformity of the law with respect to its subject matter among states that enact the uniform act.

##### 29-4202. RELATION TO ELECTRONIC SIGNATURES IN GLOBAL AND NATIONAL COMMERCE ACT

This chapter modifies, limits and supersedes the electronic signatures in global and national commerce act, 15 united states code sections 7001 through 7031, but does not modify, limit or supersede section 101(c) of that act, 15 united states code section 7001(c), or authorize electronic delivery of any of the notices described in section 103(b) of that act, 15 united states code section 7003(b).

##### Sec. 5. EFFECTIVE DATE

This act is effective from and after august 31, 2019.

##### Sec. 6. SAVINGS CLAUSE

This act does not affect an action commenced, proceeding brought or right accrued before September 1, 2019. With respect to a limited liability company formed before September 1, 2019, the rights and obligations of the company's members and managers relating to matters arising and events occurring before September 1, 2020, based on events and activities occurring before September 1, 2020, shall be determined according to the law and terms of the operating agreement in effect at the time of those matters and events.

##### Sec. 7. CONFORMING LEGISLATION

The legislative council staff shall prepare proposed legislation conforming the Arizona revised statutes to the provisions of this act for consideration in the fifty-fourth legislature, second regular session.