

HCS HB 1713 -- LIMITED LIABILITY COMPANIES

SPONSOR: Veit

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Judiciary by a vote of 10 to 0. Voted "Do Pass" by the Standing Committee on Rules-Administrative by a vote of 11 to 0.

The following is a summary of the House Committee Substitute for HB 1713.

This bill allows for any person to apply to the Secretary of State (SoS) for a certificate of good standing for a domestic limited liability company (LLC) or a foreign LLC. The requirements to receive a certificate of good standing from the SoS are outlined in the bill. A certificate of good standing issued by the SoS will be prima facie evidence that the domestic or foreign LLC exists and is authorized to transact business in this State.

Current law allows an LLC to establish one or more designated series with separate rights, powers, and liabilities. Each series can hold assets and incur debts that are enforceable only against the assets of that series.

Further, the current law allows an operating agreement to establish one or more designated series of members, managers, or interests, each of which may have separate rights, powers, duties, business purposes, investment objectives, and liabilities distinct from the LLC or other series. Debts, liabilities, and obligations incurred by a series are enforceable only against the assets of that series if the records of the series are maintained separately and the articles of organization contain notice of such limitation.

This bill requires each series to be individually profiled and searchable on the SoS's business entity database and authorizes a series to obtain a separate certificate of good standing.

Currently, a limited liability company (LLC) can be dissolved by a decree of the circuit court located in the county of the registered office of the LLC upon application by or for a member of the LLC when it is not reasonably practicable to carry on business in conformity with the operating agreement.

This bill expands this provision to also allow the court to dissolve an LLC:

- (1) When dissolution is reasonably necessary for protection of the rights or interests of complaining members;
- (2) When the business of the LLC has been abandoned;
- (3) The management of the LLC is deadlocked or subject to internal dissension;
- (4) The business operations of the LLC are substantially impaired; or
- (6) Those in control of the LLC have been found guilty of, or have knowingly allowed, persistent and pervasive fraud, mismanagement, or abuse of authority.

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that there are a lot more LLCs in existence and the issues arise when they are deadlocked. If the members do not resolve their issues and remain deadlocked, a judge currently cannot just dissolve it because of the complicated things that need to be proven in order for that to happen. This speeds up the legal process, decreases legal fees, and makes the legal process more efficient.

Testifying in person for the bill were Representative Veit; and Arnie Dienoff.

OPPONENTS: There was no opposition voiced to the committee.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.