

Minnesota's Limited Liability Company Statute Undergoes Changes Effective August 1, 2015

On April 8, 2014, Governor Dayton signed into law the Minnesota Revised Uniform Limited Liability Company Act (the "Act") (Minnesota Statutes Chapter 322C) that has the potential to impact all LLCs in Minnesota. Here is a brief overview of the Act:

- **Why the change?** Minnesota's previous LLC act was quite different from other states, which added unnecessary complexity. Minnesota's new Act is modeled after the Revised Uniform Limited Liability Company Act. Minnesota's change to the new Act will more closely align Minnesota laws with the laws of the majority of other states that have adopted similar provisions.
- **Effective Date:** All LLCs formed on or after August 1, 2015, are subject to the new Act. A LLC formed prior to August 1, 2015, is subject to the previous LLC Act.
- **Conversion Period:** LLCs formed before August 1, 2015, can voluntarily convert their LLC to be governed by the new Act between August 1, 2015, and January 1, 2018.
- **Automatic Conversion Date:** Any LLC that has not converted to the new LLC Act by January 1, 2018 will be automatically converted on this date. The automatic conversion poses potential consequences for those LLCs that do not update their legal documents prior to this deadline.
- **Significant changes are included in the Act.** Highlights to changes in the new Act include a shift from a corporation-based model to a partnership-based model; an operating agreement replacing the member control agreement as the governing document; default rules on a member-managed management structure; a default rule that each member will be entitled to one vote; reformation of the duty of care owed and the obligations of good faith and fair dealing; recognition of the owner's legitimate self-interest; permitting series LLCs; remedies for oppressive conduct and elimination of statutory apparent-authority.

If you have specific questions or concerns about your existing LLC, or are looking to form a LLC in the near future, please call our office.¹

Source: Minnesota Statutes Chapter 322c, found at: <https://www.revisor.mn.gov/statutes/?id=322C>