

CF 7r2292

---

**By: Delegates Frank and Gordon**

Introduced and read first time: January 21, 1997

Assigned to: Economic Matters

---

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 5, 1997

---

## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Limited Liability Company Reform Act of 1997**

3 FOR the purpose of altering the requirement that a limited liability company be formed  
4 by two or more persons by allowing formation by any person; altering the powers of  
5 a limited liability company; repealing a requirement that the articles of organization  
6 of a limited liability company contain the latest date on which the limited liability  
7 company is to dissolve; allowing a ~~general partnership or a limited partnership~~  
8 certain persons to convert to a limited liability company and establishing procedures  
9 for the conversion; repealing certain limitations on the authority of a member of a  
10 limited liability company; repealing a requirement that an amendment to an  
11 operating agreement of a limited liability company must be in writing if the  
12 operating agreement is in writing; repealing certain provisions of law relating to  
13 distributions by limited liability companies; allowing assignees of interests in a  
14 limited liability company to elect to become members under certain circumstances;  
15 altering a requirement that a limited liability company be dissolved when a person  
16 ceases to be a member to require dissolution only if the limited liability company  
17 has had no members for a certain period of time; repealing certain provisions of law  
18 relating to the continuation of a limited liability company following dissolution;  
19 providing that if a limited liability company is not dissolved after a person ceases to  
20 be a member, the limited liability company may elect to pay the person or the  
21 person's successor in interest a certain amount in complete liquidation of the  
22 person's interest; providing that the members of a limited liability company  
23 continuing the business following the withdrawal of a member will be deemed to  
24 have entered into an operating agreement containing certain terms and conditions;  
25 providing that certain conveyances of partnership property and certain partnership  
26 obligations are not fraudulent under the provisions of the Maryland Uniform  
27 Fraudulent Conveyance Act and applying the Act to limited liability companies;  
28 altering a certain definition; clarifying language; and generally relating to limited

2

1 liability companies and other business entities.

2 BY repealing and reenacting, with amendments,

3 Article - Commercial Law

4 Section 15-208

5 Annotated Code of Maryland

6 (1990 Replacement Volume and 1996 Supplement)

7 BY repealing and reenacting, with amendments,

8 Article - Corporations and Associations

9 Section 4A-202(a), 4A-203, 4A-204(a), 4A-401(d), 4A-402(b)(3), 4A-507, 4A-604,

10 4A-901(b), 4A-902, 4A-906(a), 4A-907, 4A-909, 4A-910(a), 4A-912,

11 4A-915(a), and 10-101(m)

12 Annotated Code of Maryland

13 (1993 Replacement Volume and 1996 Supplement)

14 BY adding to

15 Article - Corporations and Associations

16 Section ~~4A-211, 4A-212, 4A-211 through 4A-213, inclusive~~, and 4A-606.1

17 Annotated Code of Maryland

18 (1993 Replacement Volume and 1996 Supplement)

19 BY repealing

20 Article - Corporations and Associations

21 Section 4A-503, 4A-504, 4A-904, and 4A-905

22 Annotated Code of Maryland

23 (1993 Replacement Volume and 1996 Supplement)

24 BY repealing and reenacting, without amendments,

25 Article - Corporations and Associations

26 Section 10-101(a)

27 Annotated Code of Maryland

28 (1993 Replacement Volume and 1996 Supplement)

29 BY renumbering

30 Article - Corporations and Associations

31 Section 4A-505, 4A-506, 4A-507, and 4A-906 through 4A-922, respectively

32 to be Section 4A-503, 4A-504, 4A-505, and 4A-904 through 4A-920, respectively

33 Annotated Code of Maryland

34 (1993 Replacement Volume and 1996 Supplement)

35 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

36 MARYLAND, That the Laws of Maryland read as follows:

3

1 **Article - Commercial Law**

2 15-208.

3 (A) Every conveyance of partnership property and every partnership obligation  
4 incurred when the partnership is or will be rendered insolvent by it, is fraudulent as to  
5 partnership creditors, if the conveyance is made or the obligation is incurred to:

6 (1) A partner, whether with or without a promise by him to pay partnership  
7 debts, UNLESS THE CONVEYANCE OR OBLIGATION REPRESENTS FAIR AND  
8 REASONABLE COMPENSATION FOR SERVICES PROVIDED OR TO BE PROVIDED BY  
9 THE PARTNER TO THE PARTNERSHIP AND THE SERVICES ARE PROVIDED OR WILL  
10 BE PROVIDED WITHIN 120 DAYS BEFORE OR AFTER THE DATE THE CONVEYANCE IS  
11 MADE OR THE OBLIGATION IS INCURRED; or

12 (2) A person not a partner, without fair consideration to the partnership as  
13 distinguished from consideration to the individual partners.

14 (B) EVERY CONVEYANCE OF LIMITED LIABILITY COMPANY PROPERTY AND  
15 EVERY LIMITED LIABILITY COMPANY OBLIGATION INCURRED WHEN THE LIMITED  
16 LIABILITY COMPANY IS OR WILL BE RENDERED INSOLVENT BY IT, IS FRAUDULENT  
17 AS TO CREDITORS OF THE LIMITED LIABILITY COMPANY, IF THE CONVEYANCE IS  
18 MADE OR THE OBLIGATION IS INCURRED TO:

19 (1) A MEMBER, WHETHER WITH OR WITHOUT A PROMISE BY HIM TO  
20 PAY THE LIMITED LIABILITY COMPANY'S DEBTS, UNLESS THE CONVEYANCE OR  
21 OBLIGATION REPRESENTS FAIR AND REASONABLE COMPENSATION FOR SERVICES  
22 PROVIDED OR TO BE PROVIDED BY THE MEMBER TO THE LIMITED LIABILITY  
23 COMPANY AND THE SERVICES ARE PROVIDED OR WILL BE PROVIDED WITHIN 120  
24 DAYS BEFORE OR AFTER THE DATE THE CONVEYANCE IS MADE OR THE  
25 OBLIGATION IS INCURRED; OR

26 (2) A PERSON NOT A MEMBER, WITHOUT FAIR CONSIDERATION TO THE  
27 LIMITED LIABILITY COMPANY AS DISTINGUISHED FROM CONSIDERATION TO THE  
28 INDIVIDUAL MEMBERS.

29 **Article - Corporations and Associations**

30 4A-202.

31 (a) [Two or more persons] ANY PERSON may form a limited liability company by  
32 causing articles of organization to be executed and filed for record with the Department.

33 4A-203.

34 [A] UNLESS OTHERWISE PROVIDED BY LAW OR ITS ARTICLES OF  
35 ORGANIZATION, A limited liability company [may] HAS THE GENERAL POWERS,  
36 WHETHER OR NOT SET FORTH IN ITS ARTICLES OF ORGANIZATION, TO:

37 (1) HAVE PERPETUAL EXISTENCE, ALTHOUGH EXISTENCE MAY BE  
38 LIMITED TO A SPECIFIED PERIOD OF TIME IF THE LIMITATION IS SET FORTH IN ITS  
39 ARTICLES OF ORGANIZATION;

40 [(1)] (2) Sue, be sued, complain, and defend in all courts;

4

1                    [(2)] (3) Transact its business, carry on its operations, and have and  
2 exercise the powers granted by this article in any state and in any foreign country;

3                    [(3)] (4) Make contracts and guarantees, incur liabilities, and borrow  
4 money;

5                    [(4)] (5) Sell, lease, exchange, transfer, convey, mortgage, pledge, and  
6 otherwise dispose of any of its assets;

7                    [(5)] (6) Acquire by purchase or in any other manner, take, receive, own,  
8 hold, improve, and otherwise deal with any interest in real or personal property, wherever  
9 located;

10                   [(6)] (7) Issue notes, bonds, and other obligations and secure any of them  
11 by mortgage or deed of trust or security interest of any or all of its assets;

12                   [(7)] (8) Purchase, take, receive, subscribe for or otherwise acquire, own,  
13 hold, vote, use, employ, sell, mortgage, loan, pledge, or otherwise dispose of and  
14 otherwise use and deal in and with stock or other interests in and obligations of other  
15 corporations, associations, general or limited partnerships, limited liability companies,  
16 foreign limited liability companies, business trusts, and individuals;

17                   [(8)] (9) Invest its surplus funds, lend money in any manner which may be  
18 appropriate to enable it to carry on the operations or fulfill the purposes set forth in its  
19 articles of organization, and take and hold real property and personal property as security  
20 for the payment of funds so loaned or invested;

21                   [(9)] (10) Render professional services within or without this State;

22                   [(10)] (11) Elect or appoint agents and define their duties and fix their  
23 compensation;

24                   [(11)] (12) Sell, convey, mortgage, pledge, lease, exchange, transfer, and  
25 otherwise dispose of all or any part of its property and assets;

26                   [(12)] (13) Be a promoter, stockholder, partner, member, associate, or agent  
27 of any corporation, partnership, limited liability company, foreign limited liability  
28 company, joint venture, trust, or other enterprise;

29                   [(13)] (14) Indemnify and hold harmless any member, agent, or employee  
30 from and against any and all claims and demands, except in the case of action or failure  
31 to act by the member, agent, or employee which constitutes willful misconduct or  
32 recklessness, and subject to the standards and restrictions, if any, set forth in the articles  
33 of organization or operating agreement;

34                   [(14)] (15) Make and alter operating agreements, not inconsistent with its  
35 articles of organization or with the laws of the State, for the administration and regulation  
36 of the affairs of the limited liability company;

37                   [(15)] (16) Cease its activities and dissolve; and

38                   [(16)] (17) Do every other act not inconsistent with law which is appropriate  
39 to promote and attain the purposes set forth in its articles of organization.

5

1 4A-204.

2 (a) The articles of organization shall set forth:

3 (1) The name of the limited liability company;

4 (2) [The latest date on which the limited liability company is to dissolve;

5 (3)] The purpose for which the limited liability company is formed;

6 [(4)] (3) The address of its principal office in this State and the name and  
7 address of its resident agent; and

8 [(5)] (4) Any other provision, not inconsistent with law, which the members  
9 elect to set out in the articles, including, but not limited to, a statement that the authority  
10 of members to act for the limited liability company solely by virtue of their being members  
11 is limited.

12 4A-211.

13 (A) A GENERAL PARTNERSHIP FORMED UNDER THE PROVISIONS OF TITLE 9  
14 OF THIS ARTICLE OR A LIMITED PARTNERSHIP FORMED UNDER THE PROVISIONS OF  
15 TITLE 10 OF THIS ARTICLE MAY CONVERT TO A LIMITED LIABILITY COMPANY BY  
16 FILING ARTICLES OF ORGANIZATION THAT MEET THE REQUIREMENTS OF § 4A-204  
17 OF THIS SUBTITLE AND INCLUDE THE FOLLOWING:

18 (1) THE NAME OF THE FORMER GENERAL PARTNERSHIP OR LIMITED  
19 PARTNERSHIP; AND

20 (2) THE DATE AND PLACE OF FILING OF THE INITIAL STATEMENT OF  
21 PARTNERSHIP OR CERTIFICATE OF LIMITED PARTNERSHIP OF THE FORMER  
22 GENERAL PARTNERSHIP OR LIMITED PARTNERSHIP.

23 (B) THE TERMS AND CONDITIONS OF A CONVERSION OF A GENERAL OR  
24 LIMITED PARTNERSHIP TO A LIMITED LIABILITY COMPANY SHALL BE APPROVED BY  
25 THE PARTNERS IN THE MANNER PROVIDED IN THE PARTNERSHIP'S PARTNERSHIP  
26 AGREEMENT FOR AMENDMENTS TO THE PARTNERSHIP AGREEMENT OR, IF NO  
27 SUCH PROVISION IS MADE IN A PARTNERSHIP AGREEMENT, BY UNANIMOUS  
28 AGREEMENT OF THE PARTNERS.

29 (C) (1) A GENERAL PARTNER OF A LIMITED PARTNERSHIP OR A PARTNER  
30 OF A GENERAL PARTNERSHIP WHO BECOMES A MEMBER OF A LIMITED LIABILITY  
31 COMPANY AS A RESULT OF THE CONVERSION REMAINS LIABLE AS A GENERAL  
32 PARTNER OF A LIMITED PARTNERSHIP OR A PARTNER OF A GENERAL PARTNERSHIP  
33 ~~FOR AN OBLIGATION INCURRED BY THE PARTNERSHIP BEFORE THE CONVERSION~~  
34 ~~TAKES EFFECT ANY OBLIGATION OR LIABILITY OF THE PARTNERSHIP INCURRED OR~~  
35 ~~ARISING BEFORE THE CONVERSION TAKES EFFECT, TO THE EXTENT THAT THE~~  
36 ~~PARTNER OR GENERAL PARTNER WOULD HAVE BEEN OBLIGATED OR LIABLE IF~~  
37 ~~THE CONVERSION HAD NOT OCCURRED.~~

38 (2) THE PARTNER'S OR GENERAL PARTNER'S LIABILITY FOR ALL  
39 OBLIGATIONS OR LIABILITIES OF THE LIMITED LIABILITY COMPANY INCURRED OR

6

1 ARISING AFTER THE CONVERSION TAKES EFFECT IS THAT OF A MEMBER OF A  
2 LIMITED LIABILITY COMPANY, AS PROVIDED IN THIS TITLE.

3 4A-212.

4 (A) AN INDIVIDUAL CONDUCTING A BUSINESS AS A PROPRIETORSHIP MAY  
5 CONVERT THE PROPRIETORSHIP TO A LIMITED LIABILITY COMPANY BY FILING  
6 ARTICLES OF ORGANIZATION THAT MEET THE REQUIREMENTS OF § 4A-204 OF THIS  
7 SUBTITLE AND INCLUDE THE FOLLOWING:

8 (1) THE NAME OF THE INDIVIDUAL WHO CONDUCTS THE  
9 PROPRIETORSHIP; AND

10 (2) A DESCRIPTION OF THE PROPERTY COMPRISING THE BUSINESS TO  
11 BE CONDUCTED BY THE LIMITED LIABILITY COMPANY.

12 (B) (1) AN INDIVIDUAL WHO BECOMES A MEMBER OF A LIMITED LIABILITY  
13 COMPANY AS A RESULT OF THE CONVERSION REMAINS LIABLE FOR ANY  
14 OBLIGATION OR LIABILITY OF THE INDIVIDUAL INCURRED OR ARISING BEFORE  
15 THE CONVERSION TAKES EFFECT, TO THE EXTENT THAT THE INDIVIDUAL WOULD  
16 HAVE BEEN OBLIGATED OR LIABLE IF THE CONVERSION HAD NOT OCCURRED.

17 (2) THE INDIVIDUAL'S LIABILITY FOR ALL OBLIGATIONS AND  
18 LIABILITIES OF THE LIMITED LIABILITY COMPANY INCURRED OR ARISING AFTER  
19 THE CONVERSION TAKES EFFECT IS THAT OF A MEMBER OF A LIMITED LIABILITY  
20 COMPANY, AS PROVIDED IN THIS TITLE.

21 4A-213.

22 (A) A GENERAL OR LIMITED PARTNERSHIP THAT HAS BEEN CONVERTED TO  
23 A LIMITED LIABILITY COMPANY PURSUANT TO § 4A-211 OF THIS SUBTITLE SHALL BE  
24 DEEMED FOR ALL PURPOSES THE SAME ENTITY THAT EXISTED BEFORE THE  
25 CONVERSION.

26 (B) WHEN A CONVERSION TAKES EFFECT:

27 (1) ALL PROPERTY OWNED BY THE CONVERTING GENERAL OR LIMITED  
28 PARTNERSHIP OR THE CONVERTING PROPRIETORSHIP REMAINS VESTED IN THE  
29 CONVERTED ENTITY;

30 (2) ALL OBLIGATIONS AND LIABILITIES OF THE CONVERTING GENERAL  
31 OR LIMITED PARTNERSHIP OR THE CONVERTING PROPRIETORSHIP REMAIN VESTED  
32 IN THE CONVERTED ENTITY; AND

33 (3) AN ACTION OR PROCEEDING PENDING AGAINST THE CONVERTING  
34 GENERAL OR LIMITED PARTNERSHIP OR THE CONVERTING PROPRIETORSHIP MAY  
35 BE CONTINUED AS IF THE CONVERSION HAD NOT OCCURRED.

36 (C) IN THE CASE OF A LIMITED PARTNERSHIP THAT HAS BEEN CONVERTED  
37 PURSUANT TO § 4A-211 OF THIS SUBTITLE, THE ARTICLES OF ORGANIZATION FILED  
38 PURSUANT TO § 4A-211(A) OF THIS SUBTITLE SHALL SERVE AS A CERTIFICATE OF  
39 CANCELLATION OF THE CONVERTING LIMITED PARTNERSHIP.

7

1 4A-401.

2 (d) Unless the members unanimously consent or unless all other members have  
3 abandoned the business, no member has authority to:

4 (1) Assign the property of the limited liability company in trust for creditors  
5 or on the assignee's promise to pay the debts of the limited liability company;

6 (2) Dispose of the goodwill of the business; OR

7 (3) Do any other act which would make it impossible to carry on the  
8 ordinary business of the limited liability company[;

9 (4) Confess a judgment; or

10 (5) Submit a limited liability company claim or liability to arbitration or  
11 reference].

12 4A-402.

13 (b) (3) An amendment to an operating agreement must be evidenced by a  
14 writing signed by an authorized person if:

15 (i) [The operating agreement is in writing;

16 (ii)] The amendment was adopted without the unanimous consent of  
17 members; or

18 [(iii)] (II) An interest in the limited liability company has been assigned  
19 to a person who has not been admitted as a member.

20 [4A-503.

21 (a) A distribution may not be made if, after giving effect to the distribution:

22 (1) The limited liability company would not be able to pay its debts as they  
23 become due in the usual course of business; or

24 (2) The limited liability company's total assets would be less than the sum of  
25 its total liabilities plus, unless the operating agreement permits otherwise, the amount  
26 that would be needed, if the affairs of the limited liability company were to be wound up  
27 at the time of the distribution, to satisfy any preferential rights which are superior to the  
28 rights of members receiving the distribution.

29 (b) The limited liability company may base a determination that a distribution is  
30 not prohibited under subsection (a) of this section on:

31 (1) Financial statements prepared on the basis of accounting practices and  
32 principles that are reasonable under the circumstances; or

33 (2) A fair valuation or other method that is reasonable under the  
34 circumstances.

35 (c) Except as provided in subsection (e) of this section, the effect of a distribution  
36 under subsection (a) of this section is measured as of:

8

1 (1) The date the distribution is authorized, if the payment occurs within 120  
2 days after the date of authorization; or

3 (2) The date the payment is made, if it occurs more than 120 days after the  
4 date of authorization.

5 (d) A limited liability company's indebtedness to a member incurred by reason of  
6 an obligation to make a distribution in accordance with this section is at parity with the  
7 limited liability company's indebtedness to its general, unsecured creditors, except to the  
8 extent subordinated by agreement.

9 (e) (1) If terms of the indebtedness provide that payment of principal and  
10 interest is to be made only if, and to the extent that, payment of a distribution to members  
11 could then be made under this section, indebtedness of a limited liability company,  
12 including indebtedness issued as a distribution, is not a liability for purposes of  
13 determinations made under subsection (b) of this section.

14 (2) If the indebtedness is issued as a distribution, each payment of principal  
15 or interest on the indebtedness is treated as a distribution, the effect of which is measured  
16 on the date the payment is actually made.]

17 [4A-504.

18 If a member has received a distribution in violation of the operating agreement or §  
19 4A-503 of this subtitle, the member who has received the distribution and any other  
20 member or authorized person who approved or authorized the distribution are jointly and  
21 severally liable to the limited liability company for the amount wrongfully distributed.]

22 4A-507.

23 [Except as limited by §§ 4A-503 and 4A-504 of this subtitle, a] A member OF A  
24 LIMITED LIABILITY COMPANY who becomes entitled to receive a distribution has the  
25 status of, and is entitled to all remedies available to, a creditor of the limited liability  
26 company with respect to the distribution.

27 4A-604.

28 (a) An assignee of an interest in a limited liability company may become a  
29 member if and to the extent that:

30 (1) The assignor gives the assignee that right under authority described in  
31 the operating agreement; [or]

32 (2) The members unanimously consent; OR

33 (3) EXCEPT AS OTHERWISE PROVIDED IN THE OPERATING  
34 AGREEMENT, IF THE LIMITED LIABILITY COMPANY HAS NO MEMBERS, ALL OF THE  
35 ASSIGNEES OF MEMBERS MAY ELECT TO BECOME MEMBERS.

36 (b) An assignee who becomes a member:

37 (1) Has, to the extent assigned, the rights and powers, and is subject to the  
38 restrictions and liabilities, of a member under the operating agreement and this title; and

39 (2) Is liable for any obligations of his assignor to make capital contributions.



9

1 (c) If an assignee of an interest in a limited liability company becomes a member,  
2 the assignor is not released from the assignor's liability under [ §§ 4A-502 and 4A-504 ]  
3 § 4A-502 of this title to the limited liability company.

4 4A-606.1.

5 UNLESS THE OPERATING AGREEMENT PROVIDES OTHERWISE, IF THE LIMITED  
6 LIABILITY COMPANY IS NOT DISSOLVED AFTER A MEMBER CEASES TO BE A  
7 MEMBER PURSUANT TO § 4A-606 OF THIS SUBTITLE:

8 (1) WITHIN A REASONABLE TIME AFTER A PERSON HAS CEASED TO BE  
9 A MEMBER, THE LIMITED LIABILITY COMPANY MAY ELECT TO PAY TO THAT PERSON  
10 OR THAT PERSON'S SUCCESSOR IN INTEREST, IN COMPLETE LIQUIDATION OF THE  
11 PERSON'S INTEREST, THE FAIR VALUE OF THAT PERSON'S INTEREST IN THE LIMITED  
12 LIABILITY COMPANY AS OF THE DATE THE PERSON CEASED TO BE A MEMBER,  
13 BASED UPON THE PERSON'S RIGHT TO SHARE IN DISTRIBUTIONS FROM THE  
14 LIMITED LIABILITY COMPANY; AND

15 (2) UNLESS OTHERWISE AGREED, THE MEMBERS OF THE LIMITED  
16 LIABILITY COMPANY CONTINUING THE BUSINESS FOLLOWING THE WITHDRAWAL  
17 OF A MEMBER WILL BE DEEMED TO HAVE ENTERED INTO AN OPERATING  
18 AGREEMENT UNDER § 4A-402 OF THIS TITLE CONTAINING THE SAME TERMS AND  
19 CONDITIONS AS THOSE CONTAINED IN THE OPERATING AGREEMENT IN EFFECT  
20 IMMEDIATELY PRIOR TO THE WITHDRAWAL, EXCEPT THAT THE MEMBERS BOUND  
21 BY THE OPERATING AGREEMENT SHALL BE ONLY THOSE MEMBERS WHOSE  
22 INTERESTS ARE NOT REQUIRED TO BE LIQUIDATED PURSUANT TO THIS SECTION OR  
23 THE OPERATING AGREEMENT.

24 4A-901.

25 (b) On dissolution, the limited liability company is not terminated but continues  
26 [either:

27 (1) In accordance with § 4A-904 of this subtitle; or

28 (2) Until] UNTIL terminated in accordance with [ § 4A-910 ] § 4A-908 of  
29 this subtitle.

30 4A-902.

31 A limited liability company is dissolved and shall[, except as otherwise provided in  
32 § 4A-904 of this subtitle,] commence the winding up of its affairs on the first to occur of  
33 the following:

34 (1) At the time or on the happening of the events specified in the articles of  
35 organization or the operating agreement;

36 (2) At the time specified by the unanimous consent of the members;

37 (3) [Except as otherwise provided in the operating agreement, when a  
38 person ceases to be a member pursuant to § 4A-606 of this title; or

39 (4)] At the time of the entry of a decree of judicial dissolution under §  
40 4A-903 of this subtitle; OR

10

1 (4) EXCEPT AS OTHERWISE PROVIDED IN THE OPERATING  
2 AGREEMENT, AT THE TIME THE LIMITED LIABILITY COMPANY HAS HAD NO  
3 MEMBERS FOR A PERIOD OF 90 CONSECUTIVE DAYS.

4 [4A-904.

5 Notwithstanding any other provision of this title, if there is at least one remaining  
6 member, the limited liability company may continue to carry on its business or affairs  
7 following dissolution, other than a judicial decree of dissolution, if, within 90 days after  
8 the event causing dissolution, the remaining member consents, or, if there is more than  
9 one remaining member, the remaining members unanimously consent to the continuation  
10 of the limited liability company.]

11 [4A-905.

12 Unless the operating agreement provides otherwise, if the limited liability company  
13 is continued under § 4A-904 of this subtitle following dissolution:

14 (1) Subject to the limitations of § 4A-503 of this title, a person ceasing to be  
15 a member, or the legal representative or other successor to the interest of that member,  
16 shall be entitled to receive, in liquidation of the member's interest:

17 (i) The distributions, if any, which that member is entitled to receive  
18 under the operating agreement; or

19 (ii) If not otherwise provided in the operating agreement, within a  
20 reasonable time after that person has ceased to be a member, the fair market value of  
21 that person's interest in the limited liability company as of the date the person ceased to  
22 be a member; and

23 (2) Unless otherwise agreed, the members of the limited liability company  
24 continuing the business following dissolution will be deemed to have entered into an  
25 operating agreement under § 4A-402 of this title containing the same terms and  
26 conditions as those contained in the operating agreement in effect immediately prior to  
27 the dissolution, except that the members bound by the operating agreement shall be only  
28 those members whose interests are not required to be liquidated pursuant to this section  
29 or the operating agreement.]

30 4A-906.

31 (a) Unless otherwise provided in the articles of organization or the operating  
32 agreement, [or unless the business or affairs of the limited liability company are  
33 continued under § 4A-904 of this subtitle,] the remaining members OF A LIMITED  
34 LIABILITY COMPANY may wind up the affairs of the limited liability company.

35 4A-907.

36 Following dissolution, [if the business or affairs of the limited liability company are  
37 not continued under § 4A-904 of this subtitle,] a member OF A LIMITED LIABILITY  
38 COMPANY can bind the limited liability company:

11

1 (1) By any act appropriate for winding up the affairs of the limited liability  
2 company or completing transactions unfinished at the time of dissolution, unless the  
3 member purporting to act on behalf of the limited liability company does not have the  
4 authority to do so and the person with whom the member is dealing has actual knowledge  
5 or actual notice of the absence of authority; and

6 (2) In any transaction which would have been binding on the limited liability  
7 company had it not been dissolved; provided, that the person with whom the member is  
8 dealing does not have actual knowledge or actual notice of the dissolution.

9 4A-909.

10 (a) (1) [Unless the limited liability company is continued pursuant to § 4A-904  
11 of this subtitle, the] THE remaining members OF A LIMITED LIABILITY COMPANY may  
12 cause articles of dissolution to be filed with the Department at any time after dissolution  
13 and before termination.

14 (2) Articles of dissolution shall contain:

15 (i) The name of the limited liability company;

16 (ii) The date of filing of the articles of organization and each  
17 amendment thereto;

18 (iii) The date of the dissolution; and

19 (iv) Any other information the members determine.

20 (b) (1) If, at any time after the articles of dissolution have been filed but before  
21 the limited liability company has been terminated, the members UNANIMOUSLY agree to  
22 continue the limited liability company [ pursuant to § 4A-904 of this subtitle], the  
23 members shall cause articles of continuation to be filed with the Department.

24 (2) Articles of continuation shall contain:

25 (i) The name of the limited liability company;

26 (ii) The date of filing of the articles of dissolution;

27 (iii) The date of dissolution set forth in the articles of dissolution;

28 (iv) The date the members agreed to continue the limited liability  
29 company; and

30 (v) Any other information the members determine.

31 4A-910.

32 (a) The limited liability company is terminated on the later of:

33 (1) The date on which the Department accepts for record the articles of  
34 cancellation filed pursuant to [§ 4A-911] § 4A-909 of this subtitle; or

35 (2) The effective date of the articles of cancellation.

12

1 4A-912.

2 A limited liability company shall file articles of cancellation for record with the  
3 Department:

4 (1) If there are known creditors of the limited liability company, after 19  
5 days following the sending of notice under [§ 4A-911(5)] § 4A-909(5) of this subtitle; or

6 (2) If there are no known creditors, at any time.

7 4A-915.

8 (a) If the Department is satisfied that a limited liability company named in the  
9 proclamation has not failed to pay the tax, unemployment insurance contributions, or  
10 reimbursement payments, or file the report within the period specified in [§ 4A-913] §  
11 4A-911 of this subtitle, or that it has been mistakenly reported to the Department by the  
12 State Comptroller or the Secretary of Business and Economic Development, the  
13 Department may correct the mistake by filing its proclamation to that effect in its records.

14 10-101.

15 (a) In this title, unless the context requires otherwise, the following words have  
16 the meanings indicated.

17 (m) "Person" means a natural person, partnership, limited partnership (domestic  
18 or foreign), trust, estate, association, LIMITED LIABILITY COMPANY (DOMESTIC OR  
19 FOREIGN), or corporation.

20 SECTION 2. AND BE IT FURTHER ENACTED, That Section(s) 4A-505,  
21 4A-506, 4A-507, and 4A-906 through 4A-922, respectively, of Article - Corporations and  
22 Associations of the Annotated Code of Maryland be renumbered to be Section(s)  
23 4A-503, 4A-504, 4A-505, and 4A-904 through 4A-920, respectively.

24 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
25 October 1, 1997.