
By: **Delegates Barve and Brown**
Introduced and read first time: January 28, 2002
Assigned to: Economic Matters

Committee Report: Favorable
House action: Adopted
Read second time: March 21, 2002

CHAPTER _____

1 AN ACT concerning

2 **Limited Liability Companies - Membership and Activities**

3 FOR the purpose of expanding the definition of a member of a limited liability
4 company to include a person admitted as a member of a state or foreign limited
5 liability company; authorizing a limited liability company to conduct certain
6 lawful activities in any state whether for profit or not; authorizing a person to be
7 a member of a limited liability company or to be the sole member of a limited
8 liability company under certain circumstances; prohibiting a limited liability
9 company from being dissolved within certain time periods under certain
10 circumstances; permitting the operating agreement of a limited liability
11 company to include a certain provision; prohibiting the termination of a person's
12 membership in a limited liability company from causing the limited liability
13 company to be dissolved or to wind up its affairs under certain circumstances;
14 providing that a limited liability company continues to exist following the
15 termination of a person's membership under certain circumstances; and
16 generally relating to the membership and activities of limited liability
17 companies.

18 BY repealing and reenacting, with amendments,
19 Article - Corporations and Associations
20 Section 4A-101(n), 4A-201, 4A-601, and 4A-902
21 Annotated Code of Maryland
22 (1999 Replacement Volume and 2001 Supplement)

23 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
24 MARYLAND, That the Laws of Maryland read as follows:

1 **Article - Corporations and Associations**

2 4A-101.

3 (n) (1) "Member" means a person with an interest in a limited liability
4 company with the rights and obligations specified under this title.

5 (2) "MEMBER" INCLUDES A PERSON WHO HAS BEEN ADMITTED AS A
6 MEMBER OF A LIMITED LIABILITY COMPANY ORGANIZED IN THE STATE OR A
7 FOREIGN LIMITED LIABILITY COMPANY.

8 4A-201.

9 A limited liability company may be organized under this title and may conduct
10 [business in any state for any lawful purpose,] ACTIVITIES IN ANY STATE RELATED
11 TO ANY LAWFUL BUSINESS, PURPOSE, INVESTMENT, OR ACTIVITY, WHETHER OR NOT
12 FOR PROFIT, except the business of acting as an insurer.

13 4A-601.

14 (a) A person becomes a member of a limited liability company:

15 (1) At the time the limited liability company is formed; or

16 (2) At any later time specified in the operating agreement.

17 (b) After the formation of a limited liability company, a person may be
18 admitted as a member:

19 (1) In the case of a person acquiring a membership interest directly from
20 the limited liability company, upon compliance with the operating agreement or, if the
21 operating agreement does not so provide, upon the unanimous consent of the
22 members; or

23 (2) In the case of an assignee of an interest of a member who has the
24 power as provided in § 4A-604 of this subtitle to grant the assignee the right to
25 become a member, upon the exercise of that power and compliance with any
26 conditions limiting the grant or exercise of that power.

27 (C) UNLESS OTHERWISE PROVIDED IN THE ARTICLES OF ORGANIZATION OR
28 THE OPERATING AGREEMENT OF A LIMITED LIABILITY COMPANY, A PERSON MAY BE
29 ADMITTED AS A MEMBER OF A LIMITED LIABILITY COMPANY AND MAY BE THE SOLE
30 MEMBER OF A LIMITED LIABILITY COMPANY WITHOUT:

31 (1) MAKING A CONTRIBUTION TO THE LIMITED LIABILITY COMPANY;

32 (2) BEING OBLIGATED TO MAKE A CONTRIBUTION TO THE LIMITED
33 LIABILITY COMPANY; OR

34 (3) ACQUIRING AN INTEREST IN THE LIMITED LIABILITY COMPANY.

1 4A-902.

2 (A) A limited liability company is dissolved and shall commence the winding
3 up of its affairs on the first to occur of the following:

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

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

7 (3) At the time of the entry of a decree of judicial dissolution under §
8 4A-903 of this subtitle; or

9 (4) Except as otherwise provided in the operating agreement OR AS
10 PROVIDED IN SUBSECTION (B) OF THIS SECTION, at the time the limited liability
11 company has had no members for a period of 90 consecutive days.

12 (B) A LIMITED LIABILITY COMPANY MAY NOT BE DISSOLVED OR REQUIRED TO
13 WIND UP ITS AFFAIRS IF WITHIN 90 DAYS AFTER THERE ARE NO REMAINING
14 MEMBERS OF THE LIMITED LIABILITY COMPANY OR WITHIN THE PERIOD OF TIME
15 PROVIDED IN THE OPERATING AGREEMENT:

16 (1) THE LAST REMAINING MEMBER'S PERSONAL REPRESENTATIVE OR
17 SUCCESSOR AGREES IN WRITING TO CONTINUE THE LIMITED LIABILITY COMPANY
18 AND TO BE ADMITTED AS A MEMBER OR TO APPOINT A DESIGNEE AS A MEMBER TO
19 BE EFFECTIVE AS OF THE TIME THE LAST REMAINING MEMBER CEASED TO BE A
20 MEMBER; OR

21 (2) A MEMBER IS ADMITTED TO THE LIMITED LIABILITY COMPANY IN
22 THE MANNER SET FORTH IN THE OPERATING AGREEMENT TO BE EFFECTIVE AS OF
23 THE TIME THE LAST REMAINING MEMBER CEASED TO BE A MEMBER UNDER A
24 PROVISION IN THE OPERATING AGREEMENT THAT PROVIDES FOR THE ADMISSION
25 OF A MEMBER AFTER THERE ARE NO REMAINING MEMBERS.

26 (C) AN OPERATING AGREEMENT MAY PROVIDE THAT THE LAST REMAINING
27 MEMBER'S PERSONAL REPRESENTATIVE OR SUCCESSOR SHALL BE OBLIGATED TO
28 AGREE IN WRITING TO CONTINUE THE LIMITED LIABILITY COMPANY AND TO BE
29 ADMITTED AS A MEMBER OR TO APPOINT A DESIGNEE AS A MEMBER TO BE
30 EFFECTIVE AS OF THE TIME THE LAST REMAINING MEMBER CEASED TO BE A
31 MEMBER.

32 (D) EXCEPT AS OTHERWISE PROVIDED IN THE OPERATING AGREEMENT AND
33 SUBJECT TO THE PROVISIONS OF SUBSECTION (B) OF THIS SECTION, THE
34 TERMINATION OF A PERSON'S MEMBERSHIP MAY NOT CAUSE A LIMITED LIABILITY
35 COMPANY TO BE DISSOLVED OR TO WIND UP ITS AFFAIRS AND THE LIMITED
36 LIABILITY COMPANY SHALL CONTINUE IN EXISTENCE FOLLOWING THE
37 TERMINATION OF A PERSON'S MEMBERSHIP.

38 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
39 effect October 1, 2002.

