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LIMITED LIABILITY COMPANY AMENDMENTS

2024 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Todd D. Weiler

House Sponsor: A. Cory Maloy

LONG TITLE

General Description:

This bill provides guidelines regarding the dissolution of limited liability companies.

Highlighted Provisions:

This bill:

- provides that a limited liability company is dissolved on the date specified in the limited liability company's certificate of organization; and
- applies the dissolution requirement to any limited liability company regardless of the limited liability company's formation date.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

48-3a-701 (Effective 05/01/24) (Superseded 07/01/24), as enacted by Laws of Utah 2013, Chapter 412

48-3a-701 (Effective 07/01/24), as last amended by Laws of Utah 2023, Chapter 401

48-3a-1405 (Effective 05/01/24), as enacted by Laws of Utah 2013, Chapter 412

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **48-3a-701** is amended to read:

48-3a-701 (Effective 05/01/24) (Superseded 07/01/24). Events causing dissolution.

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

- (1) an event,[-or] circumstance, or date that the certificate of organization or operating

- 29 agreement states causes dissolution;
- 30 (2) the consent of all the members;
- 31 (3) the passage of 90 consecutive days during which the limited liability company has no
32 members unless:
- 33 (a) consent to admit at least one specified person as a member is given by transferees
34 owning the rights to receive a majority of distributions as transferees at the time the
35 consent is to be effective; and
- 36 (b) at least one person becomes a member in accordance with the consent;
- 37 (4) on application by a member, the entry by the district court of an order dissolving the
38 limited liability company on the grounds that:
- 39 (a) the conduct of all or substantially all of the limited liability company's activities and
40 affairs is unlawful; or
- 41 (b) it is not reasonably practicable to carry on the limited liability company's activities
42 and affairs in conformity with the certificate of organization and the operating
43 agreement;
- 44 (5) on application by a member, the entry by the district court of an order dissolving the
45 limited liability company on the grounds that the managers or those members in control
46 of the limited liability company:
- 47 (a) have acted, are acting, or will act in a manner that is illegal or fraudulent; or
- 48 (b) have acted, are acting, or will act in a manner that is oppressive and was, is, or will
49 be directly harmful to the applicant; or
- 50 (6) the signing and filing of a statement of administrative dissolution by the division under
51 Subsection 48-3a-708(3).

52 Section 2. Section **48-3a-701** is amended to read:

53 **48-3a-701 (Effective 07/01/24). Events causing dissolution.**

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

- 56 (1) an event,[-or] circumstance, or date that the certificate of organization or operating
57 agreement states causes dissolution;
- 58 (2) the consent of all the members;
- 59 (3) the passage of 90 consecutive days during which the limited liability company has no
60 members unless:
- 61 (a) consent to admit at least one specified person as a member is given by transferees
62 owning the rights to receive a majority of distributions as transferees at the time the

- 63 consent is to be effective; and
- 64 (b) at least one person becomes a member in accordance with the consent;
- 65 (4) upon a petition brought by a member, the entry of a court order dissolving the limited
66 liability company on the grounds that:
- 67 (a) the conduct of all or substantially all of the limited liability company's activities and
68 affairs is unlawful; or
- 69 (b) it is not reasonably practicable to carry on the limited liability company's activities
70 and affairs in conformity with the certificate of organization and the operating
71 agreement;
- 72 (5) upon a petition brought by a member, the entry of a court order dissolving the limited
73 liability company on the grounds that the managers or those members in control of the
74 limited liability company:
- 75 (a) have acted, are acting, or will act in a manner that is illegal or fraudulent; or
76 (b) have acted, are acting, or will act in a manner that is oppressive and was, is, or will
77 be directly harmful to the applicant; or
- 78 (6) the signing and filing of a statement of administrative dissolution by the division under
79 Subsection 48-3a-708(3).

80 Section 3. Section **48-3a-1405** is amended to read:

81 **48-3a-1405 (Effective 05/01/24). Application to existing relationships.**

- 82 (1) Before January 1, 2016, this chapter governs only:
- 83 (a) a limited liability company formed on or after January 1, 2014; and
84 (b) except as otherwise provided in Subsection (3), a limited liability company formed
85 before January 1, 2014, which elects, in the manner provided in its operating
86 agreement or by law for amending the operating agreement, to be subject to this
87 chapter.
- 88 (2) Except as otherwise provided in Subsection (3), on and after January 1, 2016, this
89 chapter governs all limited liability companies.
- 90 (3) For the purposes of applying this chapter to a limited liability company formed before
91 January 1, 2014:
- 92 (a) the limited liability company's articles of organization are deemed to be the limited
93 liability company's certificate of organization;
- 94 (b) for the purposes of applying Subsection 48-3a-102(15) and subject to Subsection
95 48-3a-114(4), language in the limited liability company's articles of organization
96 designating the limited liability company's management structure operates as if that

97 language were in the operating agreement; [~~and~~] and
98 (c) (i) the limited liability company has perpetual duration unless otherwise stated in
99 the limited liability company's articles of organization[-] ; and
100 (ii) after the limited liability company's duration ends in accordance with the articles
101 of organization, the limited liability company is dissolved, and its activities and
102 affairs must be wound up.

103 Section 4. **Effective date.**

- 104 (1) Except as provided in Subsection (2), this bill takes effect on May 1, 2024.
105 (2) The actions affecting Section 48-3a-701 (Effective 07/01/24) take effect on July 1, 2024.