



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fifth Legislature
First Regular Session

Senate: COM DP 9-0-0-0 | 3rd Read 29-0-1-0

House: COM DP 10-0-0-0 | 3rd Read 59-0-1-0

SB 1230: limited liability companies

Sponsor: Senator Pace, LD 25

Transmitted to the Governor

Overview

Updates and revises statute relating to the Limited Liability Company (LLC) Act.

History

In 2018, the Legislature adopted the Arizona Limited Liability Company Act (2019 Act), revising LLC requirements relating to organization, standards of conduct, operating agreements, service of process, transferable interest, liability, notice, dissolution and winding up processes, derivative actions and mergers, as well as requirements specific to member-managed LLCs, professional LLCs and foreign LLCs.

Until September 1, 2020, the 2019 Act applied only to: 1) an LLC formed, converted or domesticated beginning September 1, 2019; 2) a foreign LLC registered in Arizona beginning September 1, 2019; and 3) an LLC formed, converted or domesticated before September 1, 2019, that elected to be subject to the 2019 Act. Previous statutory requirements for LLCs were repealed on September 1, 2020, applying the 2019 Act to all LLCs and foreign LLCs. The 2019 Act directed Legislative Council Staff to prepare proposed legislation to conform the Arizona Revised Statutes to the 2019 Act's provisions for consideration in the 54th Legislature, Second Regular Session ([Laws 2018, Chapter 168](#)).

Provisions

1. Clarifies an LLC operating agreement is prohibited from reducing or eliminating the statutory distribution restrictions or the statutory liabilities for prohibited distributions *in a manner that adversely affects the rights of a person other than a member or manager*. (Sec. 9)
2. Prohibits an LLC operating agreement from varying statutory prohibitions on an LLC relating to:
 - a) Engaging in the business of banking; or
 - b) Being an insurer, except for a title insurance agent or a pure captive insurer. (Sec. 9)
3. Deems, as the statutory agent's mailing address, the street address of the statutory agent of an LLC formed, or a foreign LLC registered, before September 1, 2019. (Sec. 10)
4. Includes, to the events causing a person to be dissociated from an LLC, if and when the person's entire transferable interest is transferred and either:
 - a) At the effective time of the transfer, at least one transferee is or becomes a member; or
 - b) At any time after the effective time of the transfer, at least one transferee becomes a member and the transferring person has not otherwise acquired a transferable interest. (Sec. 12)
5. Removes the Arizona Corporation Commission's authority to administratively dissolve an LLC that does not have a principal address in Arizona for at least 60 consecutive days. (Sec. 13)

6. Makes technical and conforming changes. (Sec. 1-8, 11, 12, 14-17)

Prop 105 (45 votes) Prop 108 (40 votes) Emergency (40 votes) Fiscal Note