



## **THE UNIFORM LIMITED LIABILITY COMPANY ACT (ULLCA) (2006) (LAST AMENDED 2013)**

- A Summary -

Since the issuance of Rev. Rule 88-76, the limited liability company (LLC) has become the predominant form for organizing closely held businesses. New LLC formations now far outnumber new corporate formations in almost every state.

The development of the first generation of LLC statutes was both rapid and artificially constrained by now-defunct tax regulations. The statutory changes after the 1996 “check the box” regulations were rapid and in many instances jerry-rigged onto existing structures. The first Uniform Limited Liability Company Act was promulgated in 1996 and essentially represented a first generation statute. ULLCA (1996) was adopted in 12 jurisdictions.

ULLCA was extensively revised in 2006, also known as the Revised Uniform Limited Liability Company Act. ULLCA (2006) is a comprehensive, state-of-the-art, second generation LLC statute that incorporates the best of existing state LLC statutes and case law development from the past 25 years. The 2011 and 2013 amendments, enacted as part of the Harmonization of Business Entity Acts project, conformed the language in ULLCA (2006) with language of similar provisions in the other uniform unincorporated entity acts and made additional updates and changes. The following is an outline of ULLCA (2006), as amended:

- **Article 1** contains general provisions, including: definitions; sections on a LLC’s duration, purposes, powers, name, and agent for service of process; and three key provisions concerning the role and effect of the operating agreement and the flexibility to structure the management and other *inter se* rights and obligations of the members and managers in a manner that fits the needs of the specific LLC.
- **Article 2** provides for the formation of limited liability companies and for the public filing of records pertaining to an LLC.
- **Article 3** governs the relations of members and managers to third parties – i.e. with non-members dealing with or affected by the limited liability company.
- **Article 4** states the default rules for the members’ relationship *inter se* and with the limited liability company and provides templates for member-management and manager-management.
- **Article 5** implements the “pick your partner” principle, which is at the core of the law of unincorporated business organizations, and delimits the rights of transferees of members’ distribution of interests and creditors of members seeking to enforce or foreclosure on a charging order.

- **Article 6** states the causes and consequences of a person's dissociation as a member of a limited liability company.
- **Article 7** delineates the causes and consequences of the dissolution of a limited liability company.
- **Article 8** provides for direct and derivative claims by members and for the establishment, conduct, and judicial review of special litigation committees.
- **Article 9** governs foreign limited liability companies.
- **Article 10** governs organic reorganizations – mergers, interest exchanges, conversions, and domestications.
- **Article 11** contains miscellaneous provisions, including a section providing transition rules for pre-existing limited liability companies.

ULLCA (2006) (Last Amended 2013) is Article 5 of the Uniform Business Organizations Code.

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