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BILL ANALYSIS

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Senate Bill 1455 (as reported without amendment)  
Sponsor: Senator Tupac A. Hunter  
Committee: Commerce and Tourism

### **CONTENT**

The bill would amend the Michigan Limited Liability Company Act to do all of the following:

- Authorize the conversion of a limited liability company (LLC) into another business organization, and the conversion of a business organization into an LLC.
- Allow an LLC to indemnify or insure an LLC member or manager or another person, and repeal the current authorization to indemnify or insure a manager.
- Specify that a transaction could not be enjoined, set aside, or give rise to damages or other sanctions because of a manager's interest in the transaction if certain conditions were established.
- Revise provisions regarding a judgment creditor of an LLC member, by specifying that a judgment creditor that obtained a charging order would not become a member of the LLC.
- Expand the ways in which a person may be admitted as a member of an LLC.
- Provide for the dissolution of an LLC that had not yet commenced business.

A domestic LLC could convert into a business organization (e.g., a corporation or partnership) if the conversion were permitted by the law governing the internal affairs of the business organization after conversion and the surviving business organization complied with that law in converting. A vote of the LLC's members would be required to adopt a plan of conversion, and the vote would have to be unanimous unless the articles of organization or an operating agreement provided otherwise. When a conversion took effect, the surviving business organization would have all of the liabilities of the domestic LLC, and the title to all real estate and other property rights of the LLC would remain vested in the surviving business organization. The surviving business organization would be considered to be the same entity that existed before the conversion and to be organized on the date that the LLC originally was organized.

Generally the same provisions would apply to the conversion of a business organization into an LLC, although a plan of conversion would have to be submitted for approval as required by law (rather than voted on by the members).

MCL 450.4102 et al.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Date Completed: 9-23-10

Fiscal Analyst: Josh Sefton

[floor/sb1455](#)

Bill Analysis @ [www.senate.michigan.gov/sfa](http://www.senate.michigan.gov/sfa)

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