



This Bill Analysis reflects the contents of the bill as it was presented in committee.

# SENATE BILL 546: Info. Rights of Estate/Death of LLC Member.

2023-2024 General Assembly

<b>Committee:</b>	Senate Judiciary. If favorable, re-refer to Rules and Operations of the Senate	<b>Date:</b>	May 2, 2023
<b>Introduced by:</b>	Sen. Sawrey	<b>Prepared by:</b>	Kristen L. Harris
<b>Analysis of:</b>	First Edition		Committee Co-Counsel

**OVERVIEW:** *Senate Bill 546 would create a new type of ownership interest in a limited liability company after a person ceases to be a member due to being declared incompetent or his or her death.*

### CURRENT LAW:

Under G.S. 57D-3-02 [Cessation of membership], a person ceases to be a member of a limited liability company upon any of the following:

- The person becomes a debtor in bankruptcy.
- The person executes an assignment for the benefit of creditors under any applicable law.
- The person has a receiver, trustee, or liquidator appointed for the person or his or her property.
- The person is declared incompetent or passes.

When any of the above occur, the person or the person's estate will automatically become an economic interest owner entitled only to the economic interest attributable to the person's ownership interest. G.S. 57D-3-02.

Under G.S. 57D-3-04 [Information rights], a member of a limited liability company may obtain documents including, but not limited to, the following: the articles of organization, the operating agreement, federal, state, or local income tax returns, a list of names and last known mailing addresses of current interest owners, and information from which the status of the business and financial condition of the LLC may be ascertained.

Under G.S. 57D-6-02(2) [Grounds for judicial dissolution], a superior court may dissolve an LLC in a proceeding brought by a member if it is established that (i) it is not practicable to conduct the LLC's business in conformance with the operating agreement and Chapter 57D of the General Statutes or (ii) liquidation of the LLC is necessary to protect the rights and interests of the member.

### BILL ANALYSIS:

**Section 1** would amend and create new definitions in Chapter 57D (North Carolina Limited Liability Company Act) of the General Statutes.

A "special economic interest owner" would mean " a person who owns an economic interest and, as provided in G.S. 57D-3-02 [Cessation of membership], has a right to information and to seek dissolution but is not a member."

A "special economic interest owner" would be included in the definitions of "economic interest owner" and "interest owner."

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**Section 2** would add a new subsection to G.S. 57D-3-02 [Cessation of membership] providing upon either the occurrence of a member's death or a member being declared incompetent to manage his or her person or property, the member's estate, or the member through his or her designated agent or guardian would automatically become a special economic interest owner entitled to (i) the economic interest attributable to the member's ownership interest, (ii) the member's information rights as described in G.S. 57D-3-04 [Information rights], and (iii) the member's standing to seek judicial dissolution under G.S. 57D-6-02(2) [Grounds for judicial dissolution] or under an alternative remedy, if applicable, in the operating agreement.

**EFFECTIVE DATE:** This act would be effective October 1, 2023, and apply to requests for information and actions for dissolution commenced on or after that date.