

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 2326

(SENATE AUTHORS: FRANZEN and Newman)

| DATE | D-PG | OFFICIAL STATUS |
|------------|------|---------------------------------------------------------|
| 03/08/2016 | 4902 | Introduction and first reading Referred to Judiciary |
| 03/14/2016 | 5015 | Comm report: To pass |
| | 5016 | Second reading |

A bill for an act

1.1 relating to business organizations; updating references throughout Minnesota
 1.2 Statutes to include limited liability companies under the Minnesota Revised
 1.3 Uniform Limited Liability Company Act; clarifying certain fees; making
 1.4 other clarifying changes; amending Minnesota Statutes 2014, sections 5.001,
 1.5 subdivision 2; 5.25, subdivisions 1, 3; 115D.03, subdivision 6a; 116J.395,
 1.6 subdivision 3; 211B.15, subdivision 1; 216B.1612, subdivision 2; 302A.651,
 1.7 subdivision 4; 308B.005, subdivision 18; 319B.02, subdivisions 10, 12;
 1.8 322C.0201, subdivision 4; 322C.0205, subdivision 1; 322C.0208; 322C.1011,
 1.9 subdivisions 1, 2; Minnesota Statutes 2015 Supplement, sections 5.25,
 1.10 subdivision 5; 124E.05, subdivision 1; 302A.471, subdivision 1; 322C.0105,
 1.11 subdivision 1a; 322C.0407, subdivision 4; 322C.1007, subdivision 1.
 1.12

1.13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.14 Section 1. Minnesota Statutes 2014, section 5.001, subdivision 2, is amended to read:

1.15 Subd. 2. **Business entity.** "Business entity" means an organization that is formed
 1.16 under chapter 300, 301, 302A, 303, 308, 308A, 308B, 315, 317, 317A, 319, 319A, 321,
 1.17 322A, 322B, 322C, 323, or 323A and that has filed documents with the secretary of state.

1.18 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

1.19 Sec. 2. Minnesota Statutes 2014, section 5.25, subdivision 1, is amended to read:

1.20 Subdivision 1. **Who may be served.** A process, notice, or demand required or
 1.21 permitted by law to be served upon an entity governed by chapter 221, 302A, 303, 317A,
 1.22 321, 322B, 322C, 323A, 330, 540, or 543 may be served on: (1) the registered agent, if
 1.23 any; (2) if no agent has been appointed then on an officer, manager, or general partner
 1.24 of the entity; or (3) if no agent, officer, manager, or general partner can be found at the
 1.25 address on file with the secretary of state, the secretary of state as provided in this section.

2.1 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

2.2 Sec. 3. Minnesota Statutes 2014, section 5.25, subdivision 3, is amended to read:

2.3 Subd. 3. **Service on certain business entities; auctioneers.** When service of
2.4 process is to be made on the secretary of state for entities governed by chapter 302A,
2.5 317A, 321, 322B, 322C, 323, 330, or 543, the procedure in this subdivision applies.
2.6 Service must be made by filing with the secretary of state one copy of the process, notice,
2.7 or demand along with payment of a \$35 fee.

2.8 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

2.9 Sec. 4. Minnesota Statutes 2015 Supplement, section 5.25, subdivision 5, is amended
2.10 to read:

2.11 Subd. 5. **Service on dissolved, withdrawn, or revoked business entity.** (a)
2.12 Process, notice, or demand may be served on a dissolved, withdrawn, or revoked business
2.13 entity that was governed by chapter 302A, 303, 317A, 321, 322B, 322C, or 323A as
2.14 provided in this subdivision. The court shall determine if service is proper.

2.15 (b) If a business entity has voluntarily dissolved or has withdrawn its request for
2.16 authority to transact business in this state, or a court has entered a decree of dissolution or
2.17 revocation of authority to do business, service must be made according to subdivision 3
2.18 or 4, so long as claims are not barred under the provisions of the chapter that governed
2.19 the business entity.

2.20 (c) If a business entity has been involuntarily dissolved or its authority to transact
2.21 business in this state has been revoked, service must be made according to subdivision 3
2.22 or 4.

2.23 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

2.24 Sec. 5. Minnesota Statutes 2014, section 115D.03, subdivision 6a, is amended to read:

2.25 Subd. 6a. **Officer of the company.** "Officer of the company" means one of the
2.26 following:

2.27 (1) an owner or sole proprietor;

2.28 (2) a partner;

2.29 (3) for a corporation incorporated under chapter 300, the president, secretary,
2.30 treasurer, or other officer as provided for in the corporation's bylaws or certificate of
2.31 incorporation;

3.1 (4) for a corporation incorporated under chapter 302A, an individual exercising
 3.2 the functions of the chief executive officer or the chief financial officer under section
 3.3 302A.305 or another officer elected or appointed by the directors of the corporation under
 3.4 section 302A.311;

3.5 (5) for a corporation incorporated outside this state, an officer of the company as
 3.6 defined by the laws of the state in which the corporation is incorporated; ~~or~~

3.7 (6) for a limited liability company organized under chapter 322B, the chief manager
 3.8 or treasurer; or

3.9 (7) for a limited liability company organized under chapter 322C, a member of a
 3.10 member-managed company, a manager of a manager-managed company, or any other
 3.11 officer provided for in the limited liability company's operating agreement.

3.12 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

3.13 Sec. 6. Minnesota Statutes 2014, section 116J.395, subdivision 3, is amended to read:

3.14 Subd. 3. **Eligible applicants.** Eligible applicants for grants awarded under this
 3.15 section include:

3.16 (1) an incorporated business or a partnership;

3.17 (2) a political subdivision;

3.18 (3) an Indian tribe;

3.19 (4) a Minnesota nonprofit organization organized under chapter 317A;

3.20 (5) a Minnesota cooperative association organized under chapter 308A or 308B; and

3.21 (6) a Minnesota limited liability corporation organized under chapter 322B or 322C

3.22 for the purpose of expanding broadband access.

3.23 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

3.24 Sec. 7. Minnesota Statutes 2015 Supplement, section 124E.05, subdivision 1, is
 3.25 amended to read:

3.26 Subdivision 1. **Eligible authorizers.** The following organizations may authorize
 3.27 one or more charter schools:

3.28 (1) a school board, intermediate school district school board, or education district
 3.29 organized under sections 123A.15 to 123A.19;

3.30 (2) a charitable organization under section 501(c)(3) of the Internal Revenue Code
 3.31 of 1986, excluding a nonpublic sectarian or religious institution; any person other than a
 3.32 natural person that directly or indirectly, through one or more intermediaries, controls,
 3.33 is controlled by, or is under common control with the nonpublic sectarian or religious

4.1 institution; and any other charitable organization under this clause that in the federal IRS
4.2 Form 1023, Part IV, describes activities indicating a religious purpose, that:

4.3 (i) is a member of the Minnesota Council of Nonprofits or the Minnesota Council on
4.4 Foundations;

4.5 (ii) is registered with the attorney general's office; and

4.6 (iii) is incorporated in the state of Minnesota and has been operating continuously
4.7 for at least five years but does not operate a charter school;

4.8 (3) a Minnesota private college, notwithstanding clause (2), that grants two- or
4.9 four-year degrees and is registered with the Minnesota Office of Higher Education under
4.10 chapter 136A; community college, state university, or technical college governed by the
4.11 Board of Trustees of the Minnesota State Colleges and Universities; or the University
4.12 of Minnesota;

4.13 (4) a nonprofit corporation subject to chapter 317A, described in section 317A.905,
4.14 and exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code
4.15 of 1986, may authorize one or more charter schools if the charter school has operated
4.16 for at least three years under a different authorizer and if the nonprofit corporation has
4.17 existed for at least 25 years; or

4.18 (5) single-purpose authorizers formed as charitable, nonsectarian organizations
4.19 under section 501(c)(3) of the Internal Revenue Code of 1986 and incorporated in the state
4.20 of Minnesota under chapter 317A as a corporation with no members or under section
4.21 322B.975 or 322C.1101 as a nonprofit limited liability company for the sole purpose of
4.22 chartering schools.

4.23 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

4.24 Sec. 8. Minnesota Statutes 2014, section 211B.15, subdivision 1, is amended to read:

4.25 Subdivision 1. **Definitions.** For purposes of this section, "corporation" means:

4.26 (1) a corporation organized for profit that does business in this state;

4.27 (2) a nonprofit corporation that carries out activities in this state; or

4.28 (3) a limited liability company formed under chapter 322B or 322C, or under similar
4.29 laws of another state, that does business in this state.

4.30 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

4.31 Sec. 9. Minnesota Statutes 2014, section 216B.1612, subdivision 2, is amended to read:

4.32 Subd. 2. **Definitions.** (a) The terms used in this section have the meanings given
4.33 them in this subdivision.

5.1 (b) "C-BED tariff" or "tariff" means a community-based energy development tariff.

5.2 (c) "Qualifying beneficiary" means:

5.3 (1) a Minnesota resident individually or as a member of a Minnesota limited
5.4 liability company organized under chapter 322B or 322C and formed for the purpose
5.5 of developing a C-BED project;

5.6 (2) a Minnesota nonprofit organization organized under chapter 317A;

5.7 (3) a Minnesota cooperative association organized under chapter 308A or 308B,
5.8 including a rural electric cooperative association or a generation and transmission
5.9 cooperative on behalf of and at the request of a member distribution utility;

5.10 (4) a Minnesota political subdivision or local government including, but not limited
5.11 to, a municipal electric utility, or a municipal power agency on behalf of and at the request
5.12 of a member distribution utility; the office of the commissioner of Iron Range resources
5.13 and rehabilitation; a county, statutory or home rule charter city, town, school district, or
5.14 public or private higher education institution; or any other local or regional governmental
5.15 organization such as a board, commission, or association;

5.16 (5) a tribal council; or

5.17 (6) a legal entity (i) formed for a purpose other than to participate in C-BED
5.18 projects; (ii) whose principal place of business or principal executive office is located
5.19 in Minnesota; and (iii) that provides labor, services, equipment, components, or debt
5.20 financing to a C-BED project.

5.21 A public utility, as defined in section 216B.02, subdivision 4, is not a qualifying beneficiary.

5.22 (d) "Qualifying revenue" includes, but is not limited to:

5.23 (1) royalties, distributions, dividends, and other payments flowing directly or
5.24 indirectly to individuals who are qualifying beneficiaries;

5.25 (2) reasonable fees for consulting, development, professional, construction, and
5.26 operations and maintenance services paid to qualifying beneficiaries;

5.27 (3) interest and fees paid to financial institutions that are qualifying beneficiaries;

5.28 (4) the value-added portion of payments for goods manufactured in Minnesota; and

5.29 (5) production taxes.

5.30 (e) "Discount rate" means the ten-year United States Treasury Yield as quoted in
5.31 the Wall Street Journal as of the date of application for determination under subdivision
5.32 10, plus five percent; except that the discount rate applicable to any qualifying revenues
5.33 contingent upon an equity investor earning a specified internal rate of return is the ten-year
5.34 United States Treasury Yield, plus eight percent.

5.35 (f) "Standard reliability criteria" means:

6.1 (1) can be safely integrated into and operated within the utility's grid without causing
6.2 any adverse or unsafe consequences; and

6.3 (2) is consistent with the utility's resource needs as identified in its most recent
6.4 resource plan submitted under section 216B.2422.

6.5 (g) "Renewable" refers to a technology listed in section 216B.1691, subdivision 1,
6.6 paragraph (a).

6.7 (h) "Community-based energy development project" or "C-BED project" means a
6.8 new renewable energy project that either as a stand-alone project or part of a partnership
6.9 under subdivision 8:

6.10 (1) has no single qualifying beneficiary, including any parent company or subsidiary
6.11 of the qualifying beneficiary, owning more than 15 percent of a C-BED wind energy
6.12 project unless: (i) the C-BED wind energy project consists of only one or two turbines; or
6.13 (ii) the qualifying beneficiary is a public entity listed under paragraph (c), clause (4);

6.14 (2) demonstrates that at least 51 percent of the net present value of the gross revenues
6.15 from a power purchase agreement over the life of the project are qualifying revenues; and

6.16 (3) has a resolution of support adopted by the county board of each county in which
6.17 the project is to be located, or in the case of a project located within the boundaries of a
6.18 reservation, the tribal council for that reservation.

6.19 (i) "Value-added portion" means the difference between the total sales price and the
6.20 total cost of components, materials, and services purchased from or provided outside
6.21 of Minnesota.

6.22 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

6.23 Sec. 10. Minnesota Statutes 2015 Supplement, section 302A.471, subdivision 1,
6.24 is amended to read:

6.25 Subdivision 1. **Actions creating rights.** A shareholder of a corporation may dissent
6.26 from, and obtain payment for the fair value of the shareholder's shares in the event of, any
6.27 of the following corporate actions:

6.28 (a) unless otherwise provided in the articles, an amendment of the articles that
6.29 materially and adversely affects the rights or preferences of the shares of the dissenting
6.30 shareholder in that it:

6.31 (1) alters or abolishes a preferential right of the shares;

6.32 (2) creates, alters, or abolishes a right in respect of the redemption of the shares,
6.33 including a provision respecting a sinking fund for the redemption or repurchase of the
6.34 shares;

7.1 (3) alters or abolishes a preemptive right of the holder of the shares to acquire shares,
7.2 securities other than shares, or rights to purchase shares or securities other than shares;

7.3 (4) excludes or limits the right of a shareholder to vote on a matter, or to cumulate
7.4 votes, except as the right may be excluded or limited through the authorization or issuance
7.5 of securities of an existing or new class or series with similar or different voting rights;
7.6 except that an amendment to the articles of an issuing public corporation that provides that
7.7 section 302A.671 does not apply to a control share acquisition does not give rise to the
7.8 right to obtain payment under this section; or

7.9 (5) eliminates the right to obtain payment under this subdivision;

7.10 (b) a sale, lease, transfer, or other disposition of property and assets of the
7.11 corporation that requires shareholder approval under section 302A.661, subdivision 2, but
7.12 not including a disposition in dissolution described in section 302A.725, subdivision 2, or a
7.13 disposition pursuant to an order of a court, or a disposition for cash on terms requiring that
7.14 all or substantially all of the net proceeds of disposition be distributed to the shareholders
7.15 in accordance with their respective interests within one year after the date of disposition;

7.16 (c) a plan of merger, whether under this chapter or under chapter 322B or 322C, to
7.17 which the corporation is a constituent organization, except as provided in subdivision 3,
7.18 and except for a plan of merger adopted under section 302A.626;

7.19 (d) a plan of exchange, whether under this chapter or under chapter 322B or 322C,
7.20 to which the corporation is a party as the corporation whose shares will be acquired by the
7.21 acquiring organization, except as provided in subdivision 3;

7.22 (e) a plan of conversion is adopted by the corporation and becomes effective;

7.23 (f) an amendment of the articles in connection with a combination of a class or series
7.24 under section 302A.402 that reduces the number of shares of the class or series owned by
7.25 the shareholder to a fraction of a share if the corporation exercises its right to repurchase
7.26 the fractional share so created under section 302A.423; or

7.27 (g) any other corporate action taken pursuant to a shareholder vote with respect to
7.28 which the articles, the bylaws, or a resolution approved by the board directs that dissenting
7.29 shareholders may obtain payment for their shares.

7.30 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

7.31 Sec. 11. Minnesota Statutes 2014, section 302A.651, subdivision 4, is amended to read:

7.32 Subd. 4. **Foreign surviving organization.** If the surviving organization in a merger
7.33 will be a foreign corporation or limited liability company and will transact business in
7.34 this state, it shall comply with the provisions of chapter 303 with respect to foreign

8.1 corporations or chapter ~~322B~~ 322C with respect to foreign limited liability companies. In
8.2 every case the surviving organization shall file with the secretary of state:

8.3 (a) an agreement that it may be served with process in this state in a proceeding for
8.4 the enforcement of an obligation of a constituent organization and in a proceeding for the
8.5 enforcement of the rights of a dissenting shareholder of a constituent corporation against
8.6 the surviving organization;

8.7 (b) an irrevocable appointment of the secretary of state as its agent to accept service
8.8 of process in any proceeding as provided in section 5.25, and an address to which process
8.9 may be forwarded; and

8.10 (c) an agreement that it will promptly pay to the dissenting shareholders of each
8.11 domestic constituent corporation the amount, if any, to which they are entitled under
8.12 section 302A.473.

8.13 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

8.14 Sec. 12. Minnesota Statutes 2014, section 308B.005, subdivision 18, is amended to read:

8.15 Subd. 18. **Minnesota limited liability company.** "Minnesota limited liability
8.16 company" means a limited liability company governed by chapter 322B or 322C.

8.17 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

8.18 Sec. 13. Minnesota Statutes 2014, section 319B.02, subdivision 10, is amended to read:

8.19 Subd. 10. **Minnesota firm.** "Minnesota firm" includes a corporation organized
8.20 under chapter 302A or 317A, limited liability company organized under chapter 322B
8.21 or 322C, and limited liability partnership that has an effective statement of qualification
8.22 under section 323A.1001.

8.23 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

8.24 Sec. 14. Minnesota Statutes 2014, section 319B.02, subdivision 12, is amended to read:

8.25 Subd. 12. **Organizational document.** "Organizational document" means:

8.26 (1) with respect to a corporation organized under chapter 302A or 317A, that
8.27 corporation's articles of incorporation;

8.28 (2) with respect to a limited liability company organized under chapter 322B or
8.29 322C, that limited liability company's articles of organization; and

8.30 (3) with respect to a limited liability partnership that has an effective statement of
8.31 qualification under section 323A.1001, that statement of qualification.

9.1 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

9.2 Sec. 15. Minnesota Statutes 2015 Supplement, section 322C.0105, subdivision 1a,
9.3 is amended to read:

9.4 Subd. 1a. **Loans, guarantees, and suretyship.** Without in any way limiting
9.5 the generality of the power of a limited liability company to do all things necessary or
9.6 convenient to carry on its activities as conferred in subdivision 1, a limited liability
9.7 company may lend money to, guarantee an obligation of, become a surety for, or otherwise
9.8 financially assist a person, if the transaction, or a class of transactions to which the
9.9 transaction belongs, is approved pursuant to this chapter and the company's operating
9.10 agreement and:

9.11 (1) is in the usual and regular course of business of the limited liability company;

9.12 (2) is with, or for the benefit of, a related organization, an organization in which the
9.13 limited liability company has a financial interest, an organization with which the limited
9.14 liability company has a business relationship, or an organization to which the limited
9.15 liability company has the power to make donations, any of which relationships constitute
9.16 consideration sufficient to make the loan, guarantee, suretyship, or other financial
9.17 assistance so approved enforceable against the limited liability company;

9.18 (3) is with, or for the benefit of, a member who provides services to the limited
9.19 liability company, or a manager or other employee of the limited liability company or a
9.20 subsidiary, including a member, manager, or employee who is a governor of the limited
9.21 liability company or a subsidiary, and may reasonably be expected, in the judgment of the
9.22 board of governors, to benefit the limited liability company; or

9.23 (4) whether or not any separate consideration has been paid or promised to the
9.24 limited liability company, has been approved by (i) the owners of two-thirds of the
9.25 voting power of persons other than the interested person or persons, or (ii) the unanimous
9.26 affirmative vote of all members, whether or not ordinarily entitled to vote.

9.27 Any such loan, ~~guaranty, surety contract~~ guarantee, suretyship, or other financial
9.28 assistance may be with or without interest and may be unsecured or may be secured in
9.29 any manner including, without limitation, a grant of a security interest in a member's
9.30 transferable interest in the limited liability company. This subdivision does not grant any
9.31 authority to act as a bank or to carry on the business of banking.

9.32 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

9.33 Sec. 16. Minnesota Statutes 2014, section 322C.0201, subdivision 4, is amended to read:

10.1 Subd. 4. **Formation.** (a) A limited liability company is formed when articles of
10.2 organization have been filed with the secretary of state accompanied by a payment of \$135.

10.3 (b) Except in a proceeding by this state to dissolve a limited liability company, the
10.4 filing of the articles of organization by the secretary of state is conclusive proof that the
10.5 organizer satisfied all conditions to the formation of a limited liability company.

10.6 (c) The formation of a limited liability company does not by itself cause any person
10.7 to become a member. However, this chapter does not preclude an agreement, made before
10.8 or after formation of a limited liability company, which provides that one or more persons
10.9 will become members, or acknowledging that one or more persons became members,
10.10 upon or otherwise in connection with the formation of the limited liability company.

10.11 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

10.12 Sec. 17. Minnesota Statutes 2014, section 322C.0205, subdivision 1, is amended to read:

10.13 Subdivision 1. **Delivery requirements.** A record authorized or required to be filed
10.14 with the secretary of state under this chapter must be captioned to describe the record's
10.15 purpose, be in a medium permitted by the secretary of state, and be delivered to the secretary
10.16 of state. If the filing fees have fee of \$35 or any filing fee specified in this chapter for the
10.17 filing has been paid, unless the secretary of state determines that a record does not comply
10.18 with the filing requirements of this chapter, the secretary of state shall file the record and:

10.19 (1) for a statement of denial under section 322C.0303, send an image of the filed
10.20 statement and a receipt for the fees to the person on whose behalf the statement was
10.21 delivered for filing and to the limited liability company; and

10.22 (2) for all other records, send an image of the filed record to the person on whose
10.23 behalf the record was filed.

10.24 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

10.25 Sec. 18. Minnesota Statutes 2014, section 322C.0208, is amended to read:

10.26 **322C.0208 ANNUAL REPORT FOR SECRETARY OF STATE.**

10.27 (a) The secretary of state may send annually to each limited liability company,
10.28 using the information provided by the limited liability company and foreign limited
10.29 liability company pursuant to section 5.002 or 5.34 or the articles of organization, a notice
10.30 announcing the need to file the annual renewal and informing the limited liability company
10.31 that the annual renewal may be filed online and that paper filings may also be made, and
10.32 informing the limited liability company that failing to file the annual renewal will result
10.33 in an administrative termination of the limited liability company or the revocation of

11.1 the authority of the limited liability company and foreign limited liability company to
11.2 do business in Minnesota.

11.3 (b) Each calendar year beginning in the calendar year following the calendar year in
11.4 which a limited liability company and foreign limited liability company files articles of
11.5 organization, a limited liability company and foreign limited liability company must file
11.6 with the secretary of state by December 31 of each calendar year a renewal containing the
11.7 items required by section 5.34. Notwithstanding section 322C.0205, subdivision 1, no
11.8 fee is required to file an annual renewal.

11.9 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

11.10 Sec. 19. Minnesota Statutes 2015 Supplement, section 322C.0407, subdivision 4,
11.11 is amended to read:

11.12 Subd. 4. **Board-managed company rules.** In a board-managed limited liability
11.13 company, the following rules apply:

11.14 (1) The activities and affairs of a limited liability company are to be managed by and
11.15 under the direction of a board of governors, which shall consist of one or more governors
11.16 as determined by members holding a majority of the voting power of the members.

11.17 Except as specifically stated in this subdivision and section 322C.0202, subdivision 5,
11.18 subject to section 322C.0302:

11.19 (i) the board acts only through an act of the board;

11.20 (ii) no individual governor has any right or power to act for the limited liability
11.21 company; and

11.22 (iii) only officers, managers, or other agents designated by the board or through a
11.23 process approved by the board have the right to act for the limited liability company, and
11.24 that right extends only to the extent consistent with the terms of the designation.

11.25 (2) A governor must be a natural person. A person need not be a member to be a
11.26 governor, but the dissociation of a member who is also a governor disqualifies the person
11.27 as a governor. If a person who is both a governor and a member ceases to be a governor,
11.28 that cessation does not by itself dissociate the person as a member. A person's ceasing
11.29 to be a governor does not discharge any debt, obligation, or other liability to the limited
11.30 liability company or members which the person incurred while a governor.

11.31 (3) The method of election and any additional qualifications for governors will
11.32 be as determined by members holding a majority of the voting power of the members.
11.33 Governors are elected by a plurality of the voting power present and entitled to vote on the
11.34 election of governors at a duly called or held meeting at which a quorum is present.

12.1 (4) A member may waive notice of a meeting for the election of governors. A
12.2 member's waiver of notice under this clause is effective whether given before, at, or after
12.3 the meeting, and whether given in a record, orally, or by attendance. Attendance by a
12.4 member at a meeting for election of governors is a waiver of notice of that meeting,
12.5 except where the member objects at the beginning of the meeting to the transaction of
12.6 business because the meeting is not lawfully called or convened and does not participate
12.7 in the meeting after the objection.

12.8 (5) Once elected, a governor holds office for the term for which the governor
12.9 was elected and until a successor is elected, or until the earlier death, resignation,
12.10 disqualification, or removal of the governor. A governor may resign at any time. A
12.11 governor may be removed at any time, without cause and without advance notice, by a
12.12 majority of the voting power of all of the members. The existence of vacancies does not
12.13 affect the power of the board to function if at least one governor remains in office.

12.14 (6) When a vacancy occurs, the limited liability company shall immediately notify
12.15 all members in a record of the vacancy, stating the cause of the vacancy and the date the
12.16 notice is sent. Within 30 days of that date, the members may fill the vacancy in the same
12.17 method the members may elect governors under clause (3). If the vacancy is not filled
12.18 by the members under this clause, the vacancy may be filled by the affirmative vote of a
12.19 majority of the remaining governors, even though less than a quorum.

12.20 (7) The board shall meet from time to time as determined by members holding a
12.21 majority of the voting power of the members, at a place decided by the board. If the day
12.22 or date, time, and place of a board of governors meeting have been provided in a board
12.23 resolution, or announced at a previous meeting of the board of governors, no notice is
12.24 required. Notice of an adjourned meeting need not be given other than by announcement
12.25 at the meeting at which adjournment is taken. If notice is required for a meeting, notice
12.26 shall be made in the manner stated in clause (8).

12.27 (8) A governor may call a board meeting by giving at least ten days' notice in a
12.28 record to all governors of the date, time, and place of the meeting. The notice need not
12.29 state the purpose of the meeting. As to each governor, the notice is effective when given.

12.30 (i) Notice may be:

12.31 (A) mailed to the governor at an address designated by the person or at the last
12.32 known address of the person;

12.33 (B) deposited with a nationally recognized overnight delivery service for overnight
12.34 delivery or, if overnight delivery to the governor is not available, for delivery as promptly
12.35 as practicable to the governor at an address designated by the governor or at the last
12.36 known address of the governor;

13.1 (C) communicated to the governor orally;

13.2 (D) handed to the governor;

13.3 (E) given by facsimile communication, electronic mail, or any other form of
13.4 electronic communication, if the governor has consented in a record to receive notice
13.5 by such means; or

13.6 (F) by any other means determined by members holding a majority of the voting
13.7 power of the members.

13.8 (ii) The notice is deemed given if by:

13.9 (A) mail, when deposited in the United States mail with sufficient postage affixed;

13.10 (B) deposit for delivery, when deposited for delivery as provided in item (i), subitem
13.11 (B), with delivery charges prepaid or otherwise provided for by the sender;

13.12 (C) facsimile communication, when directed to a telephone number at which the
13.13 governor has consented in a record to receive notice;

13.14 (D) electronic mail, when directed to an electronic mail address at which the
13.15 governor has consented in a record to receive notice; and

13.16 (E) any other form of electronic communication by which the governor has
13.17 consented in a record to receive notice, when directed to the governor.

13.18 (9) A governor may waive notice of a meeting of the board of governors. A waiver
13.19 of notice by a governor entitled to notice is effective whether given before, at, or after the
13.20 meeting, and whether given in a record, orally, or by attendance. Attendance by a governor
13.21 at a meeting is a waiver of notice of that meeting, except where the governor objects at the
13.22 beginning of the meeting to the transaction of business because the meeting is not lawfully
13.23 called or convened and does not participate in the meeting after the objection.

13.24 (10) A majority of the governors currently holding office is a quorum for the
13.25 transaction of business. When a quorum is present at a duly called or held meeting of
13.26 the board, the vote of a majority of the directors present constitutes an act of the board.
13.27 If a quorum is present when a duly called or held meeting is convened, the governors
13.28 present may continue to transact business until adjournment, even though the withdrawal
13.29 of a number of governors originally present leaves less than the proportion or number
13.30 otherwise required for a quorum.

13.31 (11) Any meeting among governors may be conducted solely by one or more means
13.32 of remote communication through which all of the governors may participate with each
13.33 other during the meeting, if the number of governors participating in the meeting would
13.34 be sufficient to constitute a quorum. Participation in a meeting by that means constitutes
13.35 presence in person at the meeting.

14.1 (12) A governor may participate in a board of governors meeting by means of
14.2 remote communication, through which the governor, other governors so participating, and
14.3 all governors physically present at the meeting may participate with each other during
14.4 the meeting. Participation in a meeting by that means constitutes presence in person
14.5 at the meeting.

14.6 (13) An action required or permitted to be taken at a board meeting may be taken
14.7 by written action signed by the number of governors that would be required to take the
14.8 same action at a meeting of the board of governors at which all governors were present.
14.9 The written action is effective when signed by the required number of governors, unless a
14.10 different effective time is provided in the written action. When written action is permitted
14.11 to be taken by less than all governors, all governors must be notified immediately of its
14.12 text and effective date. Failure to provide the notice does not invalidate the written action.
14.13 A governor who does not sign or consent to the written action has no liability for the
14.14 action or actions taken by the written action.

14.15 (14) If the board designates a person as "chief manager," "president," "chief
14.16 executive officer," "CEO," or another title of similar import, that person shall:

14.17 (i) serve as an agent of the limited liability company at the will of the board, without
14.18 prejudice to any rights the person may have under a contract with the limited liability
14.19 company;

14.20 (ii) have general active management of the business of the limited liability company,
14.21 subject to the supervision and control of the board;

14.22 (iii) see that all orders and resolutions of the board of governors are carried into effect;

14.23 (iv) sign and deliver in the name of the limited liability company any deeds,
14.24 mortgages, bonds, contracts, or other instruments pertaining to the business of the limited
14.25 liability company, except in cases in which the authority to sign and deliver is required by
14.26 law to be exercised by another person or is expressly delegated by the board of governors
14.27 to some other officer or agent of the limited liability company;

14.28 (v) maintain records of and, whenever necessary, certify all proceedings of the
14.29 board of governors and the members; and

14.30 (vi) perform other duties prescribed by the board of governors.

14.31 (15) If the board designates a person as "treasurer," "chief financial officer," "CFO,"
14.32 or another title of similar import, that person shall:

14.33 (i) serve as an agent of the limited liability company at the will of the board, without
14.34 prejudice to any rights the person may have under a contract with the limited liability
14.35 company;

14.36 (ii) keep accurate financial records for the limited liability company;

15.1 (iii) deposit all money, drafts, and checks in the name of and to the credit of the limited
15.2 liability company in the banks and depositories designated by the board of governors;

15.3 (iv) endorse for deposit all notes, checks, and drafts received by the limited liability
15.4 company as ordered by the board of governors, making proper vouchers for them;

15.5 (v) disburse limited liability company funds and issue checks and drafts in the name
15.6 of the limited liability company, as ordered by the board of governors;

15.7 (vi) give to the chief executive officer and the board of governors, whenever
15.8 requested, an account of all transactions by the chief financial officer and of the financial
15.9 condition of the limited liability company; and

15.10 (vii) perform other duties prescribed by the board of governors or by the chief
15.11 executive officer.

15.12 (16) The consent of all members is required to:

15.13 (i) sell, lease, exchange, or otherwise dispose of all, or substantially all, of the
15.14 company's property, with or without the good will, outside the ordinary course of the
15.15 company's activities; provided that member consent is not required for:

15.16 (A) the grant of a security interest in all or substantially all of the company's property
15.17 and assets, whether or not in the usual and regular course of its business; or

15.18 (B) transfer of any or all of the company's property to an organization all the
15.19 ownership interests of which are owned directly or indirectly through wholly owned
15.20 organizations, by the company;

15.21 (ii) approve a merger, conversion, or domestication under sections 322C.1001 to
15.22 322C.1015; and

15.23 (iii) amend the operating agreement.

15.24 (17) Subject to section 322C.1204, subdivision 3, for purposes of this subdivision,
15.25 each member possesses voting power in proportion to the member's interest in distributions
15.26 of the limited liability company prior to dissolution and a majority of the voting power of
15.27 the members is a quorum at a meeting of the members.

15.28 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

15.29 Sec. 20. Minnesota Statutes 2015 Supplement, section 322C.1007, subdivision 1,
15.30 is amended to read:

15.31 Subdivision 1. **Conversion requirements.** Pursuant to this section, sections
15.32 322C.1008 to 322C.1010, and a plan of conversion, an organization other than a limited
15.33 liability company, a foreign limited liability company, a nonprofit corporation, or an
15.34 organization owning assets irrevocably dedicated to a charitable purpose, may convert
15.35 to a limited liability company other than a nonprofit limited liability company, and a

16.1 limited liability company other than a nonprofit limited liability company may convert to
16.2 an organization other than a foreign limited liability company, or a corporation governed
16.3 by chapter 304A, if:

- 16.4 (1) the other organization's governing statute authorizes the conversion;
16.5 (2) the conversion is not prohibited by other law of this state or the law of the
16.6 jurisdiction that enacted the other organization's governing statute; and
16.7 (3) the other organization complies with its governing statute in effecting the
16.8 conversion.

16.9 **EFFECTIVE DATE.** This section is effective the day following final enactment.

16.10 Sec. 21. Minnesota Statutes 2014, section 322C.1011, subdivision 1, is amended to read:

16.11 Subdivision 1. **Foreign limited liability company.** A foreign limited liability
16.12 company may become a limited liability company pursuant to this section, sections
16.13 322C.1011 to 322C.1013, and a plan of domestication if:

- 16.14 (1) the foreign limited liability company's governing statute authorizes the
16.15 domestication, whether described by the laws of the foreign jurisdiction as a domestication,
16.16 a conversion, or otherwise;
16.17 (2) the domestication is not prohibited by the law of the jurisdiction that enacted
16.18 the governing statute; and
16.19 (3) the foreign limited liability company complies with its governing statute in
16.20 effecting the domestication.

16.21 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.

16.22 Sec. 22. Minnesota Statutes 2014, section 322C.1011, subdivision 2, is amended to read:

16.23 Subd. 2. **Domestic limited liability company.** A limited liability company may
16.24 become a foreign limited liability company pursuant to this section, sections 322C.1011 to
16.25 322C.1013, and a plan of domestication if:

- 16.26 (1) the foreign limited liability company's governing statute authorizes the
16.27 domestication, whether described by the laws of the foreign jurisdiction as a domestication,
16.28 a conversion, or otherwise;
16.29 (2) the domestication is not prohibited by the law of the jurisdiction that enacted
16.30 the governing statute; and
16.31 (3) the foreign limited liability company complies with its governing statute in
16.32 effecting the domestication.

16.33 **EFFECTIVE DATE.** This section is effective retroactively from August 1, 2015.