



**ARIZONA STATE SENATE**  
*Fifty-Fifth Legislature, First Regular Session*

FACT SHEET FOR S.B. 1230

limited liability companies

Purpose

Modifies limited liability company (LLC) processes and requirements relating to member dissociation, operating agreements and LLC dissolution. Updates statutory references.

Background

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 Previous statutory requirements for LLCs were repealed on September 1, 2020, applying the 2019 Act to all LLCs and foreign LLCs.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](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Adds, to events causing a person to be dissociated as an LLC member, 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.
2. Prohibits an LLC operating agreement from reducing or eliminating the statutory liability of a person who receives a prohibited distribution in a manner that adversely affects the rights of a person other than a member or manager.
3. Narrows the prohibition on an LLC operating agreement reducing or eliminating statutory distribution restrictions to apply only if the reduction or elimination is in a manner that adversely affects the rights of a person other than a member or manager.

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4. Prohibits an LLC operating agreement from varying:
  - a) the prohibition on an LLC engaging in the business of banking;
  - b) limitations on an LLC engaging in the business of insurance; or
  - c) stipulations on members' individual responsibility relating to title insurance transactions or pure captive insurance business, if the LLC is expressly authorized to be a title insurance agent or pure captive insurer.
5. Removes the Arizona Corporation Commission's authority to commence a proceeding to administratively dissolve an LLC if the principal address the LLC provides is not in Arizona.
6. 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.
7. Updates statutory references to remove references to statutes that were repealed on September 1, 2020, and replace with references to the 2019 Act.
8. Corrects a defective reference relating to the liability of an LLC member who wrongfully dissociates to other LLC members.
9. Makes technical and conforming changes.
10. Becomes effective on the general effective date.

Prepared by Senate Research

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