

THE NEW MINNESOTA LLC ACT
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Effective August 1, 2015, the Minnesota Legislature adopted a new law governing Limited Liability Companies (“LLC”). This law has the greatest impact on new LLCs but also has implications for existing LLCs and the relationship between their member/owners. The adoption of the new law is intended to reduce the formality associated with operating an LLC. The new law takes more of a partnership approach than a corporation approach in LLC management and ownership and some of the key highlights are:

1. Application of the law to new and old LLCs. The law applies to all LLCs formed or started after August 1, 2015. Existing LLCs can elect to be governed under either the new or the old law.
2. Less formal agreements. Unwritten agreements between owners defining their relationship are enforceable. The prior law required a written agreement or else the statutory rules would apply by default. The new law recognizes the intended agreement between the parties as the governing agreement regardless of what it is called, whether it is oral, implied or some combination thereof.
3. Member Management. Previously many LLCs were formed to look like corporations with management resting in a Board of Governors or Directors. The new law looks to provide for less formality by doing away with the need for a Board and anticipates the LLC to be managed by a Member or Manager.
4. Default Voting Rights. One of the key distinctions the new law provides is that in a member managed LLC, all members have equal voting rights. The per capita approach that most businesses use needs to be specifically agreed upon in order to avoid a member owning a minority interest from having the same voting rights as a member owning a majority interest.

If you have any questions concerning the new law, please contact Bob Halagan at 763-682-8975 to discuss its application to your business.