

Banking Law Update on Minnesota's Revised Limited Liability Company Act

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The Minnesota Revised Uniform Limited Liability Company Act ("New LLC Act") was signed into law in April, 2014. The New LLC Act incorporated many partnership concepts and aligned Minnesota law with the LLC structures in many other states. Moss & Barnett discussed the impact of the New LLC Act on bankers in its article, "Minnesota's Revised Limited Liability Company Act: What it Means for Bankers," for the July, 2015 edition of Minnesota Bankers Association *News Magazine*.

The Minnesota Legislature adopted several revisions to the New LLC Act during the 2016 legislative session, including an important banking-related change. Before the New LLC Act was passed, an LLC could grant a security interest in all or substantially all of its assets upon approval by the board of governors, regardless if the grant of the security interest was in the LLC's normal course of business. The New LLC Act did not contain a similar provision, raising the possibility that all LLCs, regardless if board-managed, member-managed, or manager-managed, needed approval of all members before granting a blanket security interest. Depending on the number of members, this provision could have greatly increased the complexity faced by customers in securing approvals to grant a security interest. It could also have given a member owning a very small share of an LLC a disproportionately large say in lending transactions.

The Legislature has now remedied this situation for board-managed LLCs. As revised, the New LLC Act permits a board-managed LLC to grant a security interest in all or substantially all of its assets upon approval by the board of governors, regardless if the grant of the security interest is in the LLC's normal course of business. This revision conforms the New LLC Act to prior law and should avoid unnecessary complications in lending transactions. The revision only applies to board-managed LLCs, so cautious banks may still want member-managed and manager-managed LLCs to obtain the consent of all members before granting a blanket security interest.

Additional information about the impact of the New LLC Act on banking transactions is found in the article, "Minnesota's Revised Limited Liability Company Act: What it Means for Bankers," that appeared in the July, 2015 edition of Minnesota Bankers Association *News Magazine*. For more information on the New LLC Act generally, *please see* "Minnesota's Revised Limited Liability Company Statute," an article that appeared in the Spring 2015 edition of the Moss & Barnett Firm Newsletter.

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Practice Areas

Business Law

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