

Alert

Recent Amendments to Maryland's Limited Liability Company Act

May 29, 2012

Governor Martin O'Malley recently signed into law amendments to Maryland's Limited Liability Company ("LLC") Act passed by the General Assembly this year, which together with amendments passed last year, create greater certainty for members of LLCs and their creditors with respect to the charging order remedy available under that Act. A charging order provides for the right of a creditor of a member of an LLC to obtain economic distributions from the LLC that otherwise would be made to the member. Unless the Operating Agreement for the LLC specifically provides otherwise, a creditor does not have the right to exercise non-economic rights of the member, such as the right to vote, the right to inspect books and records, or the right to act as an agent of the LLC. The recently passed amendments also clarify the instances upon which a creditor which has obtained a charging order on a member's interest in an LLC may foreclose on that interest, and therefore become an assignee of the member of the LLC.

Other recently passed amendments to the Maryland LLC Act include specific authorization for proxy voting by members, the ability to hold meetings and conduct business by electronic voting and communications among members, and the right to call a meeting upon the request of the holders of at least 25 percent of the interests and profits of the LLC.

The recently enacted amendments to the Maryland LLC Act take effect on October 1, 2012.

Jack Orrick and Demetri Datch were members of the Maryland State Bar Association drafting committee that worked on these amendments to the Maryland Limited Liability Company Act. Please feel free to contact either Jack or Demetri if you have any questions concerning these amendments or any other provisions relating to the Maryland Limited Liability Company Act.