



Amendments to the Michigan Limited Liability Company Act

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Recent changes to Michigan's Limited Liability Company Act made by Public Act No. 290 of 2010 (the Act) may affect your limited liability company (LLC). Although many of the amendments are technical in nature, you should be aware of the following substantive changes.

- **LLC Conversion**. The Act permits an LLC to convert directly from an LLC to another type of business organization (e.g., corporation or partnership), and vice versa. A converting LLC must adopt a plan of conversion in compliance with the Act, and its members must approve the conversion. Following the conversion, all liabilities and assets of the LLC will be vested in the surviving business organization, much like a merger. The tax consequences of such a conversion should be carefully considered before its undertaking.
- **Indemnification/Insurance**. The Act now expressly permits an LLC to: (i) indemnify a member, manager, or other person from losses and expenses, and (ii) purchase insurance on behalf of a member, manager, or other person insuring them for their acts in such capacity. Indemnification is not permitted, however, for losses and expenses associated with a knowing violation of the law or the receipt of a financial benefit to which the person was not entitled.
- **Interested Transaction**. The Act specifies a process whereby a transaction with an interested member or manager can be approved if the transaction was fair to the LLC, or the disinterested managers or members approved the transaction, after disclosure of the material facts of the transaction.
- **Judgment Creditor**. The Act clarifies that a creditor of a member cannot take the member's membership interest. Rather, a creditor can only seek an order granting the creditor the right to distributions that would otherwise be payable to the debtor.

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