

Companion to SF 396

MAR 17 1995

Place On Calendar

HOUSE FILE 490  
BY COMMITTEE ON JUDICIARY

Substituted for SF 396  
4-12-95 (p.1151)

(SUCCESSOR TO HSB 256)

Passed House, Date 3/23/95 (p.956) Passed Senate, Date 4/12/95 (p.1155)

Vote: Ayes 97 Nays 0 Vote: Ayes 49 Nays 0

Repassed House Approved May 1, 1995  
Ayes 97 Nays 0  
4/24/95 (p.1761)

A BILL FOR

1 An Act relating to limited liability companies.  
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23

HF 490

1 Section 1. Section 490A.202, subsection 17, paragraph a,  
2 unnumbered paragraph 1, Code 1995, is amended to read as  
3 follows:

4 Except as otherwise provided in the articles of  
5 organization or an operating agreement, or as provided in  
6 paragraph "d", indemnify an individual made a party to a  
7 proceeding because the individual is or was a member or  
8 manager against liability incurred in the proceeding if all of  
9 the following apply:

10 Sec. 2. Section 490A.401, subsection 1, Code 1995, is  
11 amended to read as follows:

12 1. A limited liability company name must contain the words  
13 "Limited Company" or "Limited Liability Company" or the  
14 abbreviation "L.C." or "L.L.C." or words or abbreviations of  
15 like import in another language.

16 Sec. 3. Section 490A.702, subsection 3, paragraph b, Code  
17 1995, is amended to read as follows:

18 b. Every manager is an agent of the limited liability  
19 company for the purpose of its business or affairs, unless  
20 otherwise provided in the articles of organization or an  
21 operating agreement. The act of any manager with agency  
22 authority, including, but not limited to, the execution in the  
23 name of the limited liability company of any instrument, for  
24 apparently carrying on in the ordinary course the business or  
25 affairs of the limited liability company shall bind the  
26 limited liability company, unless the manager so acting has,  
27 in fact, no authority to act for the limited liability company  
28 in the particular matter, and the person with whom the manager  
29 is dealing has knowledge of the fact that the manager has no  
30 such authority.

31 Sec. 4. Section 490A.702, Code 1995, is amended by adding  
32 the following new subsection:

33 NEW SUBSECTION. 6. For purposes of this section, a person  
34 is deemed to have knowledge of a provision in the articles of  
35 organization limiting the agency authority of a manager or

1 class of managers.

2 Sec. 5. Section 490A.1301, subsection 3, Code 1995, is  
3 amended to read as follows:

4 3. Unless otherwise provided in the articles of  
5 organization or an operating agreement, upon the death,  
6 insanity, retirement, resignation, withdrawal, expulsion,  
7 bankruptcy, or dissolution of a member or occurrence of any  
8 other event, ~~except assignment of a membership interest~~  
9 voluntarily or by operation of law, that terminates the  
10 continued membership of a member in the limited liability  
11 company, unless the business of the limited liability company  
12 is continued by the consent of the members in the manner  
13 stated in the articles of organization or an operating  
14 agreement or if not so stated, by the unanimous consent of the  
15 remaining members.

16

#### EXPLANATION

17 This bill makes several changes to the Iowa limited  
18 liability company Act, chapter 490A. The bill adds to the  
19 prohibition on indemnifying a member or manager where the  
20 member or manager is found liable to the limited liability  
21 company for improper personal benefit or otherwise, a  
22 prohibition on indemnification if the articles of organization  
23 or operating agreement provide for such. Also, the bill  
24 provides that limited liability companies may use the words  
25 "limited liability company" or the abbreviation "L.L.C." in  
26 their names. Further, the bill provides that through the  
27 articles of organization or an operating agreement, members of  
28 a limited liability company may provide managers with  
29 differing levels of authority to act as agents for the limited  
30 liability company. In addition, the bill adds language adding  
31 insanity, retirement, resignation, or assignment of a  
32 membership interest to, and deletes language regarding an  
33 involuntary assignment of a membership interest from, the  
34 events that may trigger the dissolution of a limited liability  
35 company.

HOUSE FILE 490

S-3396

- 1 Amend House File 490, as passed by the House, as  
2 follows:  
3 1. Page 2, by inserting after line 15 the  
4 following:  
5 "Sec. \_\_\_\_ . Section 490A.1501, subsection 4, Code  
6 1995, is amended to read as follows:  
7 4. "Profession" means the profession of certified  
8 public accountancy, architecture, chiropractic,  
9 dentistry, physical therapy, psychology, professional  
10 engineering, land surveying, landscape architecture,  
11 law, medicine and surgery, optometry, osteopathy,  
12 osteopathic medicine and surgery, accounting  
13 practitioner, podiatry, speech pathology, audiology,  
14 veterinary medicine, pharmacy, and nursing, and  
15 marriage and family therapy provided that the  
16 marriage and family therapist is licensed under  
17 chapters 147 and 154D."  
18 2. By renumbering as necessary.

By MARY LUNDBY

S-3396 FILED APRIL 12, 1995

ADOPTED

(p. 11-5)

SENATE AMENDMENT TO HOUSE FILE 490

H-3899

- 1 Amend House File 490, as passed by the House, as  
2 follows:  
3 1. Page 2, by inserting after line 15 the  
4 following:  
5 "Sec. \_\_\_\_ . Section 490A.1501, subsection 4, Code  
6 1995, is amended to read as follows:  
7 4. "Profession" means the profession of certified  
8 public accountancy, architecture, chiropractic,  
9 dentistry, physical therapy, psychology, professional  
10 engineering, land surveying, landscape architecture,  
11 law, medicine and surgery, optometry, osteopathy,  
12 osteopathic medicine and surgery, accounting  
13 practitioner, podiatry, speech pathology, audiology,  
14 veterinary medicine, pharmacy, and nursing, and  
15 marriage and family therapy, provided that the  
16 marriage and family therapist is licensed under  
17 chapters 147 and 154D."  
18 2. By renumbering as necessary.

RECEIVED FROM THE SENATE

H-3899 FILED APRIL 12, 1995

*House concurred 4/20/95 (p. 1760)*

HSB 256

Dinkla, Chair  
Nutt  
Holveck

SUCCESS  
JUDICIARY  
HOUSE FILE 149  
BY (PROPOSED COMMITTEE ON  
JUDICIARY BILL BY  
CHAIRPERSON HURLEY)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to limited liability companies.  
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23

1 Section 1. Section 490A.202, subsection 17, paragraph a,  
2 unnumbered paragraph 1, Code 1995, is amended to read as  
3 follows:

4 Except as otherwise provided in the articles of  
5 organization or an operating agreement, or as provided in  
6 paragraph "d", indemnify an individual made a party to a  
7 proceeding because the individual is or was a member or  
8 manager against liability incurred in the proceeding if all of  
9 the following apply:

10 Sec. 2. Section 490A.401, subsection 1, Code 1995, is  
11 amended to read as follows:

12 1. A limited liability company name must contain the words  
13 "Limited Company" or "Limited Liability Company" or the  
14 abbreviation "L.C." or "L.L.C." or words or abbreviations of  
15 like import in another language.

16 Sec. 3. Section 490A.702, subsection 3, paragraph b, Code  
17 1995, is amended to read as follows:

18 b. Every manager is an agent of the limited liability  
19 company for the purpose of its business or affairs, unless  
20 otherwise provided in the articles of organization or an  
21 operating agreement. The act of any manager with agency  
22 authority, including, but not limited to, the execution in the  
23 name of the limited liability company of any instrument, for  
24 apparently carrying on in the ordinary course the business or  
25 affairs of the limited liability company shall bind the  
26 limited liability company, unless the manager so acting has,  
27 in fact, no authority to act for the limited liability company  
28 in the particular matter, and the person with whom the manager  
29 is dealing has knowledge of the fact that the manager has no  
30 such authority.

31 Sec. 4. Section 490A.702, Code 1995, is amended by adding  
32 the following new subsection:

33 NEW SUBSECTION. 6. For purposes of this section, a person  
34 is deemed to have knowledge of a provision in the articles of  
35 organization limiting the agency authority of a manager or

1 class of managers.

2 Sec. 5. Section 490A.1301, subsection 3, Code 1995, is  
3 amended to read as follows:

4 3. Unless otherwise provided in the articles of  
5 organization or an operating agreement, upon the death,  
6 insanity, retirement, resignation, withdrawal, expulsion,  
7 bankruptcy, or dissolution of a member or occurrence of any  
8 other event, ~~except assignment of a membership interest~~  
9 voluntarily or by operation of law, that terminates the  
10 continued membership of a member in the limited liability  
11 company, unless the business of the limited liability company  
12 is continued by the consent of the members in the manner  
13 stated in the articles of organization or an operating  
14 agreement or if not so stated, by the unanimous consent of the  
15 remaining members.

16

#### EXPLANATION

17 This bill makes several changes to the Iowa limited  
18 liability company Act, chapter 490A. The bill adds to the  
19 prohibition on indemnifying a member or manager where the  
20 member or manager is found liable to the limited liability  
21 company for improper personal benefit or otherwise, a  
22 prohibition on indemnification if the articles of organization  
23 or operating agreement provide for such. Also, the bill  
24 provides that limited liability companies may use the words  
25 "limited liability company" or the abbreviation "L.L.C." in  
26 their names. Further, the bill provides that through the  
27 articles of organization or an operating agreement, members of  
28 a limited liability company may provide managers with  
29 differing levels of authority to act as agents for the limited  
30 liability company. In addition, the bill adds language adding  
31 insanity, retirement, resignation, or assignment of a  
32 membership interest to, and deletes language regarding an  
33 involuntary assignment of a membership interest from, the  
34 events that may trigger the dissolution of a limited liability  
35 company.

HOUSE FILE 490

AN ACT

RELATING TO LIMITED LIABILITY COMPANIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 490A.202, subsection 17, paragraph a, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Except as otherwise provided in the articles of organization or an operating agreement, or as provided in paragraph "d", indemnify an individual made a party to a proceeding because the individual is or was a member or manager against liability incurred in the proceeding if all of the following apply:

Sec. 2. Section 490A.401, subsection 1, Code 1995, is amended to read as follows:

1. A limited liability company name must contain the words "Limited Company" or "Limited Liability Company" or the abbreviation "L.C." or "L.L.C." or words or abbreviations of like import in another language.

Sec. 3. Section 490A.702, subsection 3, paragraph b, Code 1995, is amended to read as follows:

b. Every manager is an agent of the limited liability company for the purpose of its business or affairs, unless otherwise provided in the articles of organization or an operating agreement. The act of any manager with agency authority, including, but not limited to, the execution in the name of the limited liability company of any instrument, for apparently carrying on in the ordinary course the business or

affairs of the limited liability company shall bind the limited liability company, unless the manager so acting has, in fact, no authority to act for the limited liability company in the particular matter, and the person with whom the manager is dealing has knowledge of the fact that the manager has no such authority.

Sec. 4. Section 490A.702, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 6. For purposes of this section, a person is deemed to have knowledge of a provision in the articles of organization limiting the agency authority of a manager or class of managers.

Sec. 5. Section 490A.1301, subsection 3, Code 1995, is amended to read as follows:

3. Unless otherwise provided in the articles of organization or an operating agreement, upon the death, insanity, retirement, resignation, withdrawal, expulsion, bankruptcy, or dissolution of a member or occurrence of any other event, ~~except assignment of a membership interest voluntarily or by operation of law,~~ that terminates the continued membership of a member in the limited liability company, unless the business of the limited liability company is continued by the consent of the members in the manner stated in the articles of organization or an operating agreement or if not so stated, by the unanimous consent of the remaining members.

Sec. 6. Section 490A.1501, subsection 4, Code 1995, is amended to read as follows:

4. "Profession" means the profession of certified public accountancy, architecture, chiropractic, dentistry, physical therapy, psychology, professional engineering, land surveying, landscape architecture, law, medicine and surgery, optometry, osteopathy, osteopathic medicine and surgery, accounting practitioner, podiatry, speech pathology, audiology, veterinary medicine, pharmacy, and nursing, and marriage and



family therapy, provided that the marriage and family therapist is licensed under chapters 147 and 154D.

---

RON J. CORBETT  
Speaker of the House

---

LEONARD L. BOSWELL  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 490, Seventy-sixth General Assembly.

---

ELIZABETH ISAACSON  
Chief Clerk of the House

Approved May 1, 1995

---

TERRY E. BRANSTAD  
Governor