

Article 3.

Membership and Management.

Part 1. Membership.

§ 57D-3-01. Admission of members; economic interest owners.

- (a) A person becomes a member through the following:
- (1) In the case of a person executing the articles of organization in the capacity of a member as provided in G.S. 57D-2-21(a)(2), or otherwise being named in the articles of organization as a member, at the time the articles of organization become effective under G.S. 55D-13.
 - (2) In the case of a person acquiring an ownership interest from the LLC, (i) upon being identified as a member by the organizers as provided in G.S. 57D-2-20(c) or (ii) upon the unanimous approval of the members as provided in G.S. 57D-3-03(2).
 - (3) In the case of an economic interest owner, in the manner provided in G.S. 57D-5-04(a) or G.S. 57D-6-01(3).
 - (4) In the case of an eligible entity converting or merging into the LLC, as provided in the plan of conversion or plan of merger upon such plan becoming effective as provided in G.S. 57D-9-23(a)(5) or G.S. 57D-9-43(a)(6).
- (b) A person becomes an economic interest owner through the following:
- (1) In the case of a person acquiring an economic interest from the LLC, upon the unanimous approval of the members.
 - (2) In the case of a person acquiring an economic interest or portion thereof from an interest owner, as provided in G.S. 57D-5-02.
 - (3) In the case of an eligible entity converting or merging into the LLC, as provided in the plan of conversion or plan of merger upon such plan becoming effective as provided in G.S. 57D-9-23(a)(5) or G.S. 57D-9-43(a)(6).
- (c) To be a member a person need not make or have the obligation to make any contributions to the LLC or share in any profits or losses of, or distributions from, the LLC or otherwise own an economic interest in the LLC. (2013-157, s. 2.)

§ 57D-3-02. Cessation of membership.

- (a) A person ceases to be a member upon the occurrence of any of the following events:
- (1) The person does any of the following:
 - a. Becomes a debtor in bankruptcy.
 - b. Executes an assignment for the benefit of creditors, including the execution of a deed of trust or deed of assignment for the benefit of creditors causing all debts of the person to become due and payable under G.S. 23-1.
 - c. Petitions for, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of the person or all or substantially all of the person's property.
 - (2) In the case of an individual, the person's death or being adjudicated by a court of competent jurisdiction as incompetent to manage his or her person or property.

- (3) In the case of a member with an economic interest, the transfer or abandonment of the person's entire economic interest, excluding the liquidation of a member's economic interest in connection with the dissolution and winding up of the LLC under G.S. 57D-6-08(2), regardless of whether the transferee is or becomes a member.
- (4) The person abandoning all of the rights of his ownership interest except his economic interest, or any portion thereof.

(b) Upon the occurrence of any of the events described in subdivisions (1) and (2) of subsection (a) of this section with respect to a member, that person or that person's estate, as applicable, will automatically become an economic interest owner entitled only to the economic interest attributable to the person's ownership interest, but that person or that person's estate, as applicable, and any other person who ceases to be a member shall remain liable to the LLC for any obligation the person may have under G.S. 57D-4-02, 57D-4-06, and 57D-6-12(a)(2). (2013-157, s. 2.)

§ 57D-3-03. Approval of members.

The approval of all members is required to do any of the following:

- (1) Adopt or amend an operating agreement.
- (2) Admit any person as a member.
- (3) Other than in the ordinary course of business, transfer in one transaction or a series of related transactions all or substantially all of the assets of the LLC prior to the dissolution of the LLC.
- (4) Dissolve the LLC under circumstances other than those for which the LLC may be dissolved under Article 6 of this Chapter.
- (5) Convert the LLC into a different eligible entity under Article 9 of this Chapter.
- (6) Merge the LLC with or into another eligible entity under Article 9 of this Chapter. (2013-157, s. 2.)

§ 57D-3-04. Information rights.

(a) Subject to the other provisions of this section, each member may inspect and copy or otherwise obtain from the LLC any of the following:

- (1) A copy of the articles of organization and any other writing constituting all or part of the operating agreement, including any executed power of attorney under which all or any part of the operating agreement was adopted, that are in effect or were in effect at any time during any of the LLC's preceding four fiscal years.
- (2) Either, as the LLC may elect, (i) a copy of any federal, state, or local income tax returns of the LLC, including any amendments and supplements made to those returns, filed with taxing authorities that pertain to any of the LLC's preceding four fiscal years or (ii) financial statements of the LLC of the type described in subsections (a) and (b) of G.S. 55-16-20 that pertain to any of the LLC's preceding four fiscal years.
- (3) A list of the names and last known business, residence, or mailing addresses of the LLC's current interest owners, their status as members or economic interest owners, the date on which each became an interest owner, and, if applicable,

the dates on which a person's status as a member changed to that of an economic interest owner or the person's status as an economic interest owner changed to that of a member.

- (4) Information, the type and detail of which may be prescribed by the operating agreement, from which (i) the member's capital interest may be ascertained and (ii) unless and to the extent the operating agreement does not provide otherwise, each of the other interest owners' capital interests may be ascertained, including the amount of money and a description and statement of the agreed value of any other property or services that each person who has been an interest owner has paid or otherwise transferred or has agreed to pay or otherwise transfer, and the extent to which that agreement by the interest owner has been fulfilled, to or for the benefit of the LLC in exchange for a capital interest.
- (5) Information from which the status of the business and the financial condition of the LLC may be ascertained.

(b) Inspection rights and rights to copy LLC records may be exercised through a member's agent.

(c) In connection with any member, manager, or other company official exercising management or other control rights or performing that person's duties to the LLC or the members, the LLC shall provide that person with, or access to, all information related to the applicable matter that is known by the LLC and is material to the proper exercise and performance of those rights and duties.

(d) To exercise inspection and other information rights, a member must sign and deliver written notice of exercise to the LLC at least seven days before the date on which the inspection is to take place. That notice must state (i) the records or other information to be inspected and copied or otherwise provided by the LLC and (ii) the purpose for, and intended use of, the information. Within the period provided in the exercise notice, the LLC shall either comply with the member's demand or deliver written notice to the member of the extent to which the LLC declines to make available any of the demanded information and the reasons for that decision.

(e) The exercise of a member's rights to inspect and copy the LLC's records is to take place at the LLC's principal office, or other location or locations selected by the LLC, during the LLC's regular hours of operation unless the LLC directs otherwise. The LLC may require a member to pay the labor, material, and other costs it incurs or would otherwise incur to comply with the member's demand to inspect and copy the LLC's records.

(f) The LLC (i) need not disclose to any member or any agent or representative of a member any information related to any other interest owner, except to the extent required by subdivision (3) of subsection (a) of this section, but subject to the restrictions that may be imposed under clauses (ii) and (iii) of this subsection, or is not otherwise related to the member's ownership interest; (ii) may impose conditions, restrictions, limitations, and standards on the exercise of a member's inspection and other information rights, including redacting names and other confidential information, providing summaries of documents, or requiring the member to enter an agreement to not disclose and otherwise maintain the confidentiality of the information provided; and (iii) need not disclose or otherwise make available to a member, manager, or other company official trade secrets or other confidential information of a nature that its disclosure could adversely affect the LLC, to the extent that the managers or other applicable company officials determine the information cannot be adequately safeguarded by other means, until either there no longer is a

risk that its disclosure will adversely affect the LLC or the LLC becomes able to protect itself in some other way. (2013-157, s. 2.)

§ 57D-3-05: Reserved for future codification purposes.

§ 57D-3-06: Reserved for future codification purposes.

§ 57D-3-07: Reserved for future codification purposes.

§ 57D-3-08: Reserved for future codification purposes.

§ 57D-3-09: Reserved for future codification purposes.

§ 57D-3-10: Reserved for future codification purposes.

§ 57D-3-11: Reserved for future codification purposes.

§ 57D-3-12: Reserved for future codification purposes.

§ 57D-3-13: Reserved for future codification purposes.

§ 57D-3-14: Reserved for future codification purposes.

§ 57D-3-15: Reserved for future codification purposes.

§ 57D-3-16: Reserved for future codification purposes.

§ 57D-3-17: Reserved for future codification purposes.

§ 57D-3-18: Reserved for future codification purposes.

§ 57D-3-19: Reserved for future codification purposes.

Part 2. Managers.

§ 57D-3-20. **Management; managers.**

- (a) The management of an LLC and its business is vested in the managers.

(b) Each manager has equal rights to participate in the management of the LLC and its business. Management decisions approved by a majority of the managers are controlling. The managers may make management decisions without a meeting and without notice.

(c) Subject to the direction and control of a majority of the managers as provided in G.S. 57D-3-20(b), each manager may act on behalf of the LLC in the ordinary course of the LLC's business.

(d) All members by virtue of their status as members are managers of the LLC, together with any other person or persons who may be designated as a manager in, or in the manner provided in, the operating agreement. If the operating agreement provides or otherwise contemplates that members are not necessarily managers by virtue of their status as members, then those persons designated as managers in, or in the manner provided in, the operating agreement will be managers. The operating agreement may provide that the LLC is to be managed by one or more company officials who are not designated as managers. All members will be managers for any period during which the LLC would otherwise not have any managers or other company officials.

(e) A person shall continue to serve as a manager until the earliest of the following occurs: (i) the person's resignation as a manager; (ii) any event described in G.S. 57D-3-02(a) with respect to the person, substituting therein the term "manager" in lieu of the term "member" for purposes of this subsection; or (iii) that person, or the member or all of a class or group of less than all of the members who appointed the person to be a manager, ceases to be a member. (2013-157, s. 2.)

§ 57D-3-21. Duties of company officials; standards of conduct.

(a) The managers shall manage the LLC and conduct the LLC's business in accordance with the operating agreement.

(b) Each manager shall discharge that person's duties (i) in good faith, (ii) with the care an ordinary prudent person in a like position would exercise under similar circumstances, and (iii) subject to the operating agreement, in a manner the manager believes to be in the best interests of the LLC. In discharging such duties, a manager is entitled to rely on information, opinions, reports, or statements, including financial statements or other financial data, if prepared or presented by any person or group of persons the manager believes to be reliable and competent in such matters and the manager does not have actual knowledge concerning the matter in question that makes such reliance unwarranted.

(c) A manager is not liable to the LLC for any act or omission as a manager if the manager acts in compliance with this section. (2013-157, s. 2.)

§ 57D-3-22. Delegation of authority of managers and other company officials.

The managers having general power to manage the LLC may delegate authority to act on behalf of the LLC to persons other than managers. The delegation of authority may be general or limited to specific matters. No such delegation of authority will cause any manager to cease to be a manager or cause the person to whom authority is so delegated to be a manager. Any duties of the managers will apply with respect to their delegation to, and direction and control of, any person to whom they delegate any of their responsibilities. (2013-157, s. 2.)

§ 57D-3-23. Application to company officials.

G.S. 57D-3-20(e), 57D-3-21, and 57D-3-22 shall apply to company officials who are not managers by substituting the term "company official" in lieu of the term "manager" in each place where the term appears in those provisions. (2013-157, s. 2.)

§ 57D-3-24: Reserved for future codification purposes.

§ 57D-3-25: Reserved for future codification purposes.

§ 57D-3-26: Reserved for future codification purposes.

§ 57D-3-27: Reserved for future codification purposes.

§ 57D-3-28: Reserved for future codification purposes.

§ 57D-3-29: Reserved for future codification purposes.

Part 3. Liability.

§ 57D-3-30. Liability of members, managers, and other company officials to third parties.

A person who is an interest owner, manager, or other company official is not liable for the obligations of the LLC solely by reason of being an interest owner, manager, or other company official. (2013-157, s. 2.)

§ 57D-3-31. Indemnification.

(a) An LLC shall indemnify a person who is wholly successful on the merits or otherwise in the defense of any proceeding to which the person was a party because the person is or was a member, a manager, or other company official if the person also is or was an interest owner at the time to which the claim relates, acting within the person's scope of authority as a manager, member, or other company official against expenses incurred by the person in connection with the proceeding.

(b) An LLC shall reimburse a person who is or was a member for any payment made and indemnify the person for any obligation, including any judgment, settlement, penalty, fine, or other cost, incurred or borne in the authorized conduct of the LLC's business or preservation of the LLC's business or property, whether acting in the capacity of a manager, member, or other company official if, in making the payment or incurring the obligation, the person complied with the duties and standards of conduct (i) under G.S. 57D-3-21, as modified or eliminated by the operating agreement or (ii) otherwise imposed by this Chapter or other applicable law. (2013-157, s. 2.)