

Iowa's Revised Uniform Limited Liability Company Act

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1. Iowa Revised Uniform Limited Liability Company Act (IRULLCA) – Topics
 - 1.1. General Information and Application
 - 1.2. Formation, Certificate of Organization, Operating Agreement, Dissolution
 - 1.3. Fiduciary Duty
 - 1.4. Membership
 - 1.4.1. Contributions
 - 1.4.2. Distributions
 - 1.4.3. Right to Information
 - 1.4.4. Transferable Interests
 - 1.4.5. Dissociation
 - 1.4.6. Actions by Members
 - 1.5. Authority
 - 1.6. Management Structure
 - 1.7. Charging Orders
 - 1.8. Domestication
 - 1.9. NOT COVERED: Professional LLCs; Registered Offices and Service of Process; Series LLCs; Foreign LLCs; Mergers and Conversions; E-Sign
2. General Information and Application
 - 2.1. Based on the Revised Uniform Limited Liability Company Act (RULLCA) promulgated by the National Conference of Commissioners on Uniform State Laws (NCCUSL) in July 2006
 - 2.2. Statutes based off of the RULLCA have only been enacted in Idaho and now Iowa
 - 2.3. IRULLCA will be the new Iowa Code Chapter 489
 - 2.4. Application of IRULLCA
 - 2.4.1. Prior to January 1, 2011, IRULLCA applies to: (i) LLCs formed on or after January 1, 2009; and (ii) LLCs formed before January 1, 2009, which elect in the operating agreement to be subject to IRULLCA
 - 2.4.2. On and after January 1, 2011, IRULLCA applies to all LLCs

- 2.4.3. For LLCs formed prior to January 1, 2009, (i) articles of organization are deemed the certificate of organization and (ii) language in the articles of organization designating the LLCs management structure operates as if it were in the operating agreement
- 2.5. Biennial report: A biennial report is required between January 1 and April 1 in the first odd-numbered year following the calendar year in which an LLC was formed (Section 209)
- 2.6. Cornerstone of any LLC Act
 - 2.6.1. Liabilities of the LLC: (a) are solely the liabilities of the LLC; and (b) do not become the liabilities of a member or manager solely by reason of the member acting as a member or manager acting as a manager (Section 304(1))
 - 2.6.2. Failure of LLC to observe formalities is not a ground for imposing liability on members or managers (Section 304(2))
- 3. Formation, Certificate of Organization, Operating Agreement, Dissolution
 - 3.1. LLC Generally: Iowa Code § 489.104 provides three general rules about an LLC formed under Chapter 489: (i) the LLC is an entity distinct from its members; (ii) an LLC may have any lawful purpose regardless of whether for profit; and (iii) an LLC has perpetual duration
 - 3.2. LLC generally lacks the capacity to carry on any activities (except filing documents with the secretary of state, admitting members, dissolving) until the LLC has, or has had, a member. An LLC with a member may ratify an act that occurred when the LLC lacked capacity (§ 489.105)
 - 3.3. Organization and Becoming a Member
 - 3.3.1. LLC can have only one member upon formation, more than one member upon formation, or even no members upon formation; if no members, a person becomes a member with consent of organizer(s) (§ 489.401)
 - 3.3.2. Section 401 also contains default admission rules
 - 3.3.3. Section 401 also permits a person to become a non-economic member
 - 3.4. Certificate of Organization: The Certificate must only contain: (1) the name of LLC; and (2) address of registered office and name and address of the initial registered agent; Certificate may contain other information but not effective as statement of authority (§ 489.201)
 - 3.5. Section 202 deals with amendments and restatements to the certificate of organization

- 3.6. Member (member-managed) or manager has duty to correct known inaccurate information in a certificate (§ 489.202(5))
- 3.7. Operating Agreement: Any agreement of all the members (or just sole member) concerning matters in Section 110(1); need not be called an operating agreement, can be oral, in a record, implied, or in any combination thereof (§ 489.102(15))
- 3.8. Section 110(1): Operating agreement governs (except as set forth in §§ 110(2) and (3)):
(i) relations among the members as members and between the members and the LLC;
(ii) the rights and duties under the IRULLCA of a person in the capacity of manager;
(iii) the activities of the LLC and the conduct of those activities; and (iv) the means and conditions for amending the operating agreement
- 3.9. Section 110(2): If the operating agreement does not otherwise provide for a matter described in Section 110(1), the IRULLCA controls
- 3.10. Under Section 110(3), the operating agreement:
- 3.10.1. Cannot alter the following provisions: capacity of LLC to sue or be sued; Iowa is governing law of LLC; subject to Sections 110(4) to (7), eliminate the duty of loyalty, the duty of care, or any other fiduciary duty or eliminate the contractual obligation of good faith and fair dealing (note that further items have been omitted from this listing)
- 3.10.2. Cannot unreasonably restrict: member rights to information; right of a member to maintain a derivative action
- 3.10.3. Restrict the right to approve a merger, conversion, or domestication (if member will have personal liability thereafter); the rights under the IRULLCA of a person other than a member or manager
- 3.11. Under Section 110(4), if not manifestly unreasonable, the operating agreement may:
(i) restrict or eliminate the duty of loyalty or identify specific types or categories of activities that do not violate the duty of loyalty; (ii) alter the duty of care (except to authorize intentional misconduct or knowing violation of law); (iii) alter any other fiduciary duty; and (iv) prescribe standards for contractual obligation of good faith and fair dealing
- 3.12. Under Section 110(8), court is to determine a claim that a term is manifestly unreasonable based on following rules: (i) determination as of the time the challenged term became part of the operating agreement and consideration only of circumstances existing at that time; and (ii) may invalidate the term only if, in light of the purposes and activities of the LLC, it is readily apparent that the objective of the term is unreasonable or the term is an unreasonable means to achieve the provision's objective

- 3.13. The operating agreement may specify method for ratification of acts that would violate the duty of loyalty by disinterested/independent persons (Section 110(5))
- 3.14. To the extent the operating agreement of a member-managed LLC expressly relieves a member of a responsibility that the member would otherwise have under the IRULLCA and imposes the responsibility on one or more other members, the operating agreement may, to the benefit of the member that the operating agreement relieves of the responsibility, also eliminate or limit any fiduciary duty that would have pertained to the responsibility (Section 110(6))
- 3.15. Operating agreement can alter indemnification for, limit liability of member (member-managed) or manager, except for: (i) breach of the duty of loyalty; (ii) financial benefit received by the member/manager they were not entitled to; (iii) breach of duty relating to improper distributions; (iv) intentional infliction of harm on LLC or a member; or (v) an intentional violation of criminal law (Section 110(7))
- 3.16. Preformation agreements: future member can assent to, or more than one future member can enter into an agreement that will become the operating agreement upon formation of the LLC (Section 111)
- 3.17. An amendment to the operating agreement made after a person becomes a transferee or dissociated member is effective with regard to any debt, obligation, or other liability of the LLC or its members to the person in the person's capacity as a transferee or dissociated member (Section 112)
- 3.18. If a filed record conflicts with the operating agreement, the operating agreement prevails as to members, dissociated members, transferees, and managers and the record prevails as to other persons to the extent they reasonably rely on the record (Section 112)
- 3.19. Dissolution and Winding Up
- 3.19.1. LLC is dissolved, and its activities must be wound up, upon: (i) an event set forth in the operating agreement; (ii) consent of all the members; (iii) once the LLC has one member, the passage of 90 consecutive days during which the company has no members; (iv) on application by a member, the entry by a district court of an order dissolving the company on certain grounds; or (v) on application by a member or transferee, the entry by a district court of an order dissolving the company on certain grounds (illegal/fraudulent/oppressive acts) (Section 701)
- 3.19.2. Iowa Code §§ 489.702 through 704 have similar provisions to the current LLC Act with respect to winding up and providing notice to known and unknown claimants; difference is a two-fold filing system for dissolution and termination (statement of dissolution and statement of termination)

3.19.3. Iowa Code §§ 489.705 through 707 contain provisions for administrative dissolution, reinstatement after dissolution and appeal from rejection of reinstatement

3.19.4. Iowa Code § 489.708 governs the distribution of assets when winding up an LLC: (i) to creditors; (ii) subject to charging orders, unreturned contributions to each person owning a transferable interest (or pro rata if not enough funds); and (iii) in equal shares among members and dissociated members (and transferees). (ii) and (iii) must be in money

4. Fiduciary Duty

4.1. “Uncabined” fiduciary duties – codified but not exhaustive

4.2. Sets forth member duties in a member-managed LLC first; sets forth “switching” provision for which duties apply to managers afterwards

4.3. The duty of loyalty includes: (i) to account for/hold as trustee for LLC certain benefits derived by the member (winding up/use of company property/company opportunity); (ii) to refrain from dealing adversely with the company in the conduct or winding up of the company’s activities (with defense as to fairness); and (iii) to refrain from competing with the company prior to dissolution. Any of the foregoing may be ratified (Sections 409(2), (5) & (6))

4.4. Subject to the business judgment rule, the duty of care is to act with ordinary care; can reasonably rely on certain reports (Section 409(3))

4.5. Business judgment rule: Satisfy duty of care if disinterested, informed and rational basis for believing action is in the best interests of LLC. (A person challenging business judgment has burden of proof of breach and causation) (Section 409(7))

4.6. Must discharge duties and exercise rights consistently with the contractual obligation of good faith and fair dealing (Section 409(4))

4.7. In a manager-managed LLC, the following rules apply: (i) duty of care and loyalty apply to the manager(s), not the members; (ii) the duty of loyalty with respect to not competing with the LLC continues until winding up is completed; (iii) contractual obligation of good faith and fair dealing applies to members and managers; (iv) managers cannot, but members can still ratify actions that would otherwise violate the duty of loyalty; and (v) a member does not have any fiduciary duty to the company or to any other member solely by reason of being a member (Section 409(8))

4.8. The following chart, from the NCCUSL comments, is a helpful guide to the ability to restrict duties and provide indemnification (adapted for Iowa’s codification):

DUTY	Extent of operating agreement’s power to restrict the duty (subject to the “manifestly unreasonable” standard) Section 110(4)(a), (c) and (d)	Power of the operating agreement to provide indemnity or exculpation w/r/t breach of the duty Section 110(7)
LOYALTY	Restrict or completely eliminate	None
CARE	Alter, but not eliminate; specifically may not authorize intentional misconduct or knowing violation of law	Complete
UN-CODIFIED	Restrict or completely eliminate Section 110(4)	Complete

4.9. The following chart, from the NCCUSL comments, is a helpful guide showing how management can proceed with conduct that would otherwise violate the duty of loyalty:

Method	Statutory Authority
The operating agreement might eliminate the duty or otherwise permit the conduct, without need for further authorization or ratification.	Section 110(4)(a) and (b)
The conduct might be authorized or ratified by all the members after full disclosure.	Section 409(6)
The operating agreement might establish a mechanism other than the informed consent for authorizing or ratifying the conduct.	Section 110(5)
In the case of self-dealing the conduct might be successfully defended as being or having been fair to the limited liability company.	Section 409(5)

4.10. Indemnification and Insurance: Indemnification is default under IRULLCA if the member or manager complied with the codified duties. An LLC may purchase/maintain insurance on behalf of a member or manager of the company against liability asserted against or incurred by the member or manager in that capacity or arising from that status even if, under Section 110(7), the operating agreement could not eliminate or limit the person’s liability to the company for the conduct giving rise to the liability (Section 408)

4.11. Altering or eliminating the indemnification or eliminating or limiting a member or manager’s liability is discussed above at Section 3.15 hereof

5. Membership

5.1. Becoming a Member: Organization and becoming a member is dealt with above at Section 3.3 hereof

5.2. Contributions

- 5.2.1. Contribution may be tangible or intangible property or other benefit to LLC; specifically includes services performed, agreements to contribute money or property, and contracts for services to be performed (Section 402)
- 5.2.2. A person's obligation to make a contribution is not excused by death, disability, or other inability to perform personally. Person or the person's estate is obligated to contribute unpaid contribution at the option of the company (Section 403(1))
- 5.2.3. An operating agreement may penalize persons for failure to make a contribution; including, reducing or eliminating the defaulting member's proportionate interest in an LLC, subordinating the member's interest to that of a nondefaulting member, a forced sale of the member's interest, forfeiture of the member's interest, the lending by other members of the amount necessary to meet the member's commitment, a fixing of the value of the member's interest by appraisal or by formula and redemption, or sale of the member's interest at such value or any other penalty or consequence (Section 403)

5.3. Distributions

- 5.3.1. "Distribution" is defined at Iowa Code § 489.102(5), generally, as a transfer of money or other property from an LLC to another person on account of a transferable interest
- 5.3.2. Default distribution rules under Section 404:
 - 5.3.2.1. Distributions made before dissolution and winding up must be in equal shares among members and dissociated members (subject to transfers and charging orders)
 - 5.3.2.2. Person's only right to a distribution before dissolution and winding up is if the LLC decides to make an interim distribution. A person's dissociation does not entitle the person to a distribution
 - 5.3.2.3. A person does not have a right to demand or receive a distribution from an LLC in any form other than money. Distribution of assets in kind is permissible in some circumstances
 - 5.3.2.4. If a member or transferee becomes entitled to receive a distribution, the member or transferee obtains creditor status with respect to the distribution
- 5.3.3. Section 405 contains familiar, but broader, provisions prohibiting distributions if a distribution would make the LLC insolvent, and Section 406 contains familiar, but broader, provisions concerning member/manager liability for authorizing prohibited distributions

5.4. Right to Information: Section 410 provides the following rules:

- 5.4.1. In a member-managed LLC: (i) Member may inspect, and the LLC (and any member with knowledge) must furnish without demand, material information concerning the company's activities, financial condition, and other circumstances (material to the member's rights and duties under the operating agreement or IRULLCA); (ii) LLC is to furnish on demand immaterial information unless demand is unreasonable or improper
- 5.4.2. In a manager-managed LLC: (i) the duties and rights noted above apply to the managers; (ii) a member may obtain on proper demand from the LLC and inspect and copy full information regarding the activities, financial condition, and other circumstances of the company as is just and reasonable if the member seeks the information for a purpose material to the member's interest as a member
- 5.4.3. Within 10 days after receiving a demand from a member in a manager-managed LLC, the company shall in a record inform the member that made the demand of what will be provided, or reasons for declining to provide information
- 5.4.4. Whenever a member is to give or withhold consent to a matter, before the consent is given or withheld, the LLC must, without demand, provide the member with all information that is known and is material to the member's decision
- 5.4.5. On 10 days' demand, a dissociated member may have access to information to which the person was entitled while a member if the information pertains to the period during which the person was a member, the information is sought in good faith, and the person satisfies the requirements imposed on a member making demand in a manager-managed LLC; the LLC must respond as noted in 5.4.3 hereof
- 5.4.6. The rights under this section do not extend to a person as transferee
- 5.4.7. In addition to restrictions or conditions in its operating agreement, an LLC, as a matter within the ordinary course of its activities, may impose reasonable restrictions and conditions on access to and use of information to be furnished under this section, including designating information confidential and imposing nondisclosure and safeguarding obligations on the recipient; the LLC has the burden of proving reasonableness

5.5. Transferable Interests

- 5.5.1. "Transferable Interest" is defined at Iowa Code § 489.102(24) as the right, as originally associated with a person's capacity as a member, to receive distributions from an LLC in accordance with the operating agreement, whether or not the person remains a member or continues to own any part of the right

- 5.5.2. A transferable interest is personal property (Section 501)
- 5.5.3. A transfer, in whole or in part, of a transferable interest: (i) is permissible; (ii) does not alone cause dissociation or dissolution; and (iii) does not entitle the transferee to participate in management or access company information (Section 502)
- 5.5.4. The transferable interest: (i) entitles a transferee to receive distributions to which the transferor would otherwise be entitled; (ii) entitles the transferee to an account of the LLC's transaction (only from the date of dissolution); and (iii) may be evidenced by a certificate that may be transferred (Section 502)
- 5.5.5. A transfer of a transferable interest in violation of a restriction on transfer contained in the operating agreement is ineffective as to a person having notice of the restriction at the time of transfer (Section 502(6))
- 5.5.6. When a member transfers a transferable interest, the transferor retains the rights of a member other than the interest in distributions transferred and retains all duties and obligations of a member (Section 502(7))
- 5.5.7. When a member transfers a transferable interest to a person that becomes a member with respect to the transferred interest, the transferee is liable for the member's obligations to make contributions and to return improper distributions known to the transferee when the transferee becomes a member (Section 502(8))

5.6. Dissociation

- 5.6.1. A person has the power to dissociate as a member at any time, rightfully or wrongfully, by withdrawing as a member by express will under Section 602(1) (Section 601)
- 5.6.2. A person's dissociation from an LLC is wrongful only if the dissociation: (i) is in breach of an express provision of the operating agreement; or (ii) occurs before the termination of the LLC and the person withdraws as a member by express will or is expelled or dissociated (Section 601)
- 5.6.3. A person that wrongfully dissociates as a member is liable to the LLC and other members for damages caused by the dissociation (in addition to any other liability the member has to the LLC or the other members) (Section 601)
- 5.6.4. A person is dissociated as a member from an LLC when: (i) the LLC has notice of the person's express will to withdraw as a member, or on a later date if specified (Section 602(1)); (ii) an event in the operating agreement that causes the person's dissociation occurs; (iii) the person is expelled; (iv) the person dies or is disabled; (v) in a member-managed LLC, the person enters bankruptcy/insolvency

proceedings; and (vi) for entities, the person terminates or engages in an organic transaction where it does not survive (Section 602)

- 5.6.5. When a person is dissociated as a member: (i) person can no longer participate in management; (ii) if member-managed, fiduciary duties cease (for events post-dissociation); (iii) any transferable interest owned by person prior to dissociation as a member is then owned just as transferee; and (iv) the person's liability to the LLC or other members is not discharged (Section 603)
- 5.6.6. Under Section 604, if the certificate of organization or an operating agreement does not specify the time/events for dissociation, a member may dissociate from the LLC in the event any amendment to the certificate of organization or operating agreement that is adopted over the member's written dissent adversely affects the rights or preferences of the dissenting member's transferable interest in any of the following ways:
 - 5.6.6.1. Alters or abolishes a member's right to receive a distribution;
 - 5.6.6.2. Alters or abolishes a member's right to voluntarily dissociate;
 - 5.6.6.3. Alters or abolishes a member's right to vote on any matter, except as the rights may be altered or abolished through the acceptance of contributions or the making of contribution agreements;
 - 5.6.6.4. Alters or abolishes a member's preemptive right to make contributions;
 - 5.6.6.5. Establishes or changes the conditions for or consequences of expulsion; or
 - 5.6.6.6. Waives the application of this section to the LLC
 - 5.6.6.7. A member dissociating under Section 604 is not liable for damages for the breach of any agreement not to withdraw
 - 5.6.6.8. The operating agreement may waive the applicability of Section 604 to the LLC and its members

5.7. Actions by Members

- 5.7.1. Direct Actions: A member may maintain a direct action against another member, a manager, or the LLC to enforce the member's rights and otherwise protect the member's interests; the injury cannot solely be the result of an injury suffered by the LLC (Section 901)
- 5.7.2. Derivative Actions: Under Section 902, a member may maintain a derivative action to enforce a right of the LLC if (i) the member first makes a demand on the other members in a member-managed LLC, or the managers of a manager-managed LLC, requesting that they cause the company to bring an action to enforce the right, (ii) and the managers or other members do not bring the action within 90 days from the date the demand was made (a) unless the member has earlier been notified that the demand has been rejected by the company or (b) unless irreparable injury to the company would result by waiting for the

expiration of the ninety-day period or (c) unless the demand would be futile (Section 902)

5.7.3. A derivative action may be maintained only by a person that is a member at the time the action is commenced and remains a member while the action continues (Section 903)

5.7.4. The benefits of a derivative action belong to the LLC and not to the plaintiff (Section 905), but the court may award the plaintiff reasonable expenses, including reasonable attorney's fees and costs, from the recovery of the LLC

5.7.5. No special litigation committee

6. Authority

6.1. A member is not an agent of an LLC solely by reason of being a member (Section 303)

6.2. Agency principles apply instead

6.3. Statement of Authority: Under Section 302, an LLC may file a statement of authority with the Secretary of State:

6.3.1. It must include the name of the LLC and the address of its registered office;

6.3.2. May state the authority, or limitations on the authority, of all persons holding a given position with the LLC, or of a specific person, to execute an instrument transferring real property held in the name of the company or enter into other transactions on behalf of, or otherwise act for or bind, the company;

6.4. A statement of authority can be amended/cancelled by a filing with the secretary of state

6.5. A statement of authority affects only the power of a person to bind an LLC to persons that are not members (Section 302(3))

6.6. Under § 302(4), subject to subsection (3) (above) and Section 103(4) and except as otherwise provided in subsections (6), (7), and (8) (below), a limitation on the authority of a person or a position contained in an effective statement of authority is not by itself evidence of knowledge or notice of the limitation by any person

6.7. Under § 302(5), subject to subsection (3) (above), a grant of authority not pertaining to transfers of real property and contained in an effective statement of authority is conclusive in favor of a person that gives value in reliance on the grant, except to the extent that when the person gives value (i) the person has knowledge to the contrary, (ii) the statement has been canceled or restrictively amended, or (iii) a limitation on the grant is contained in another statement of authority that became effective after the statement containing the grant became effective

- 6.8. Under § 302(6), subject to subsection (3) (above), an effective statement of authority that grants authority to transfer real property held in the name of the LLC and that is recorded by certified copy in the office for recording transfers of the real property is conclusive in favor of a person that gives value in reliance on the grant, subject to the exceptions in subsection (5) above (except the filings have occurred both in the office of the secretary of state and at the recorder's office)
- 6.9. Under § 302(7), subject to subsection (3) (above), if a certified copy of an effective statement containing a limitation on the authority to transfer real property held in the name of an LLC is recorded in the office for recording transfers of that real property, all persons are deemed to know of the limitation
- 6.10. An effective statement of dissolution or termination is a cancellation of any filed statement of authority for the purposes of subsection (6) and is a limitation on authority for the purposes of subsection (7); but after a statement of dissolution becomes effective, an LLC may deliver to the Secretary of State for filing and, if appropriate, may record a statement of authority that is designated as a post-dissolution statement of authority. The statement operates as provided in subsections (6) and (7) (Sections 302(8) and (9))
- 6.11. Under § 302(10), unless earlier canceled, an effective statement of authority is canceled by operation of law five years after the date on which the statement, or its most recent amendment, becomes effective. This cancellation operates without need for any recording under subsection (6) or (7)
- 6.12. Under § 302(11), an effective statement of denial (discussed below) operates as a restrictive amendment under § 302 and may be recorded by certified copy for the purposes of subsection (6)
- 6.13. Statement of Denial: Under Section 303, a person named in a filed statement of authority granting that person authority may file with the Secretary of State a statement of denial denying the grant of authority
- 6.14. Remember the rules concerning what prevails when there is a difference between recorded documents and the operating agreement (See Section 3.18 hereof)

7. Management Structure

- 7.1. The default management structure is still member management; most default rules at Section 407
- 7.2. A manager need not be a natural person
- 7.3. Whether the LLC is member- or manager-managed is delineated in the operating agreement

- 7.4. As noted above at Section 2.4.3, for entities formed prior to January 1, 2009, management structure language in the articles of organization is treated as if it was in the operating agreement
- 7.5. Management structure rules are all default rules that can be modified by the operating agreement
- 7.6. Managing member concept: Under Iowa Code § 489.110(6), to the extent the operating agreement of a member-managed LLC expressly relieves a member of a responsibility that the member would otherwise have under the IRULLCA and imposes the responsibility on one or more other members, the operating agreement may, to the benefit of the member that the operating agreement relieves of the responsibility, also eliminate or limit any fiduciary duty that would have pertained to the responsibility
- 7.7. Under Section 407(2), in a member-managed LLC, the following rules apply:
- 7.7.1. The management and conduct of the company are vested in the members;
 - 7.7.2. Each member has equal rights in the management and conduct of the company's activities;
 - 7.7.3. Ordinary course decisions (including the sale of substantially all of the Company's assets) may be decided by a majority of the members; and
 - 7.7.4. An act outside the ordinary course of the activities of the company (including amending the operating agreement and organic transactions) may be undertaken only with the consent of all members
- 7.8. Under Section 407(3), in a manager-managed LLC, the following rules apply:
- 7.8.1. Except as otherwise expressly provided in the IRULLCA, any matter relating to the activities of the company is decided exclusively by the managers;
 - 7.8.2. Each manager has equal rights in the management and conduct of the activities of the company;
 - 7.8.3. A difference arising among managers as to a matter in the ordinary course of the activities of the company may be decided by a majority of the managers; and
 - 7.8.4. The consent of all members is required for actions that require consent under Section 407(2), and for the sale of substantially all of the LLC's assets
 - 7.8.5. A manager may be chosen at any time by the consent of a majority of the members and remains a manager until a successor has been chosen, unless the manager at an earlier time resigns, is removed, or dies, or, in the case of a

manager that is not an individual, terminates. A manager may be removed at any time by the consent of a majority of the members without notice or cause

7.8.6. A person need not be a member to be a manager, but the dissociation of a member that is also a manager removes the person as a manager. If a person that is both a manager and a member ceases to be a manager, that cessation does not by itself dissociate the person as a member

7.8.7. A person's ceasing to be a manager does not discharge any liability to the LLC or members that the person incurred while a manager

7.9. Consent to action by members is specifically permitted (Section 407(4))

7.10. The dissolution of an LLC does not affect the applicability of the foregoing default management rules; however, a person that wrongfully causes dissolution of the company loses the right to participate in management as a member and a manager

7.11. IRULLCA does not entitle a member to remuneration for services performed for a member-managed LLC, except for reasonable compensation for services rendered in winding up the activities of the company

8. Charging Orders

8.1. Under Section 503(1), on application by a judgment creditor of a member or transferee, a court may enter a charging order against the transferable interest of the judgment debtor for the unsatisfied amount of the judgment

8.2. A charging order constitutes a lien on a judgment debtor's transferable interest and requires the LLC to pay over to the person to which the charging order was issued any distribution that would otherwise be paid to the judgment debtor (Section 503(1))

8.3. A court may appoint a receiver of the distributions and make all other orders necessary to give effect to the charging order (Section 503(2))

8.4. Under Section 503(3), upon a showing that distributions under a charging order will not pay the judgment debt within a reasonable time, the court may foreclose the lien and order the sale of the transferable interest. The purchaser at the foreclosure sale only obtains the transferable interest, does not thereby become a member, and is subject to Section 502 (concerning the transfer of transferable interests)

8.5. Any time before foreclosure, (i) the member or transferee whose transferable interest is subject to a charging order may extinguish the charging order by satisfying the judgment and filing a certified copy of the satisfaction with the court that issued the charging order; or (ii) an LLC or member(s) may pay the judgment creditor in full and succeed to the rights of the judgment creditor, including the charging order (Sections 503(4) & (5))

- 8.6. Exemption laws applicable to the member's or transferee's transferable interest are not affected by IRULLCA (Section 503(6))
- 8.7. Section 503(7): Section 503 provides the exclusive remedy by which a person seeking to enforce a judgment against a member or transferee may, in the capacity of judgment creditor, satisfy the judgment from the judgment debtor's transferable interest
9. Domestication: Beyond typical merger and conversion methods of changing entity status, Iowa Code §§ 489.1010 to 1014 allow a foreign LLC to become an Iowa LLC, and vice versa, to the extent the same would be permissible under the act of another state
- 9.1. Under Section 1010, a foreign LLC may become an Iowa LLC (or vice versa) under Sections 1011 through 1013, and a plan of domestication, if permissible under the LLC's prior/new governing statute and the LLC complies with the prior/new governing statute
- 9.2. A plan of domestication must be in a record and must include: (i) the name of the domesticating company before and after domestication and the jurisdiction of its governing statute; (ii) the terms and conditions of the domestication, including the manner and basis for converting interests in the domesticating company into any combination of money, interests in the domesticated company, and other consideration; and (iii) the organizational documents of the domesticated company that are, or are proposed to be, in a record
- 9.3. Under Section 1011, a plan of domestication must be consented to: (i) by all the members, subject to Section 1014, if the domesticating company is an LLC; and (ii) as provided in the domesticating company's governing statute, if the company is a foreign LLC
- 9.4. Under Section 1012, after a plan of domestication is approved, a domesticating company files articles of domestication, which must include: (i) a statement of domestication (from or into another jurisdiction); (ii) the name of the LLC and jurisdiction of its governing statute; (iii) date domestication is effective; (iv) a statement that it was properly approved; and (v) if LLC was a foreign LLC, name and address for service of process
- 9.5. Under Section 1013, the domesticated company is the same company as the prior company, with all assets and liabilities of the prior company; newly foreign LLC consents to the jurisdiction of Iowa courts and appoints Secretary of State for service of process
- 9.6. If an LLC is to be domesticated in a foreign jurisdiction, a statement surrendering the company's certificate of organization must be delivered to the Secretary of State
- 9.7. Under Section 1014: if a member of a domesticating LLC will have personal liability with respect to a domesticated organization, approval or amendment of a plan of domestication is ineffective without the consent of the member, unless: (i) the

company's operating agreement provides for approval of domestication with the consent of fewer than all the members; and (ii) the member has consented to the provision of the operating agreement