

SENATE BILL REPORT

SB 6168

As Reported By Senate Committee On:
Law & Justice, January 24, 1996

Title: An act relating to limited liability companies.

Brief Description: Amending the limited liability companies act.

Sponsors: Senators Smith, Johnson, Newhouse and Winsley.

Brief History:

Committee Activity: Law & Justice: 1/18/96, 1/23/96 [DPS].

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: That Substitute Senate Bill No. 6168 be substituted therefor, and the substitute bill do pass.

Signed by Senators Smith, Chair; Fairley, Vice Chair; Goings, Hargrove, Haugen, Johnson, Long, McCaslin, Roach and Schow.

Staff: Martin Lovinger (786-7443)

Background: In 1994, the Legislature enacted the Limited Liability Company Act. This act provides a new form of business organization, the limited liability company (LLC).

A review by the Washington State Bar Association determined that a number of technical changes and clarifications are needed. The changes address inclusion of LLCs in universal references to "person", trade name registration for LLCs, use of the abbreviations LLC and PLLC, elimination of the presumption of a 30-year life for LLCs, the agency authority of members in member-managed LLCs, the process for changing an LLC registered office or agent, and revocation of registration of foreign LLCs.

Summary of Substitute Bill: The universal definition of "person" is changed to include LLCs.

The trade name registration statutes are amended to include LLCs.

Limited liability companies may use "LLC" as part of their name as an alternative to "Limited Liability Company", "Limited Liability Co.", or "L.L.C.". Professional limited liability companies may use "PLLC" as part of their name as an alternative to "Professional Limited Liability Company", "Professional Limited Liability Co.", or "P.L.L.C.".

LLCs are authorized to have a perpetual duration by the elimination of the rule that LLCs must have a 30-year life unless a specific dissolution date is stated in the agreement establishing the entity. This provision does not apply to LLCs formed prior to the effective date of this law unless the certificate of formation is amended.

A member of an LLC is an agent for the LLC and binds the LLC when carrying on the business in the usual way. The LLC is not bound by the acts of a member when the member has no authority to act and the person dealing with the member knows that the member lacks the authority.

The process for changing the registered agent or registered office of an LLC or a foreign LLC is changed to be consistent with the process for a corporation.

A procedure is created to allow the registration of foreign LLCs to be revoked.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill addresses natural problems that appear when a new form of business entity is created and when difficulties in interpreting the application of existing regulations and laws arise. Eliminating the 30-year duration language disposes of a registration problem in the office of the Secretary of State.

Testimony Against: None.

Testified: Don Percival, Washington State Bar Association (pro).