

CERTIFICATION OF ENROLLMENT
SECOND SUBSTITUTE HOUSE BILL 1235

Chapter 211, Laws of 1994

53rd Legislature
1994 Regular Session

LIMITED LIABILITY COMPANIES

EFFECTIVE DATE: 10/1/94

Passed by the House March 6, 1994
Yeas 87 Nays 0

BRIAN EBERSOLE

**Speaker of the
House of Representatives**

Passed by the Senate March 1, 1994
Yeas 46 Nays 3

JOEL PRITCHARD

President of the Senate

Approved April 1, 1994

MIKE LOWRY

Governor of the State of Washington

CERTIFICATE

I, Marilyn Showalter, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE HOUSE BILL 1235** as passed by the House of Representatives and the Senate on the dates hereon set forth.

MARILYN SHOWALTER

Chief Clerk

FILED

April 1, 1994 - 10:06 a.m.

**Secretary of State
State of Washington**

SECOND SUBSTITUTE HOUSE BILL 1235

AS AMENDED BY THE SENATE

Passed Legislature - 1994 Regular Session

State of Washington

53rd Legislature

1994 Regular Session

By House Committee on Judiciary (originally sponsored by Representatives Appelwick, Padden, Ludwig and Johanson)

Read first time 02/04/94.

1 AN ACT Relating to partnerships; amending RCW 24.03.045, 24.03.047,
2 24.06.045, 24.06.047, 25.10.020, 43.07.120, 43.07.130, 18.04.025, and
3 18.04.195; reenacting and amending RCW 23B.04.010; adding a new chapter
4 to Title 25 RCW; adding a new chapter to Title 18 RCW; and providing an
5 effective date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **ARTICLE I. GENERAL PROVISIONS**

8 NEW SECTION. **Sec. 101.** DEFINITIONS. As used in this chapter,
9 unless the context otherwise requires:

10 (1) "Certificate of formation" means the certificate referred to in
11 section 201 of this act, and the certificate as amended.

12 (2) "Event of dissociation" means an event that causes a person to
13 cease to be a member as provided in section 304 of this act.

14 (3) "Foreign limited liability company" means an entity that is:

15 (a) An unincorporated enterprise;

16 (b) Organized under the laws of a state other than the laws of this
17 state, or under the laws of any foreign country;

1 (c) Organized under a statute pursuant to which an enterprise may
2 be formed that affords to each of its members limited liability with
3 respect to the liabilities of the entity; and

4 (d) Is not required, in order to transact business or conduct
5 affairs in this state, to be registered or organized under any statute
6 of this state other than this chapter.

7 (4) "Limited liability company" and "domestic limited liability
8 company" means a limited liability company organized and existing under
9 this chapter.

10 (5) "Limited liability company agreement" means any written
11 agreement as to the affairs of a limited liability company and the
12 conduct of its business which is binding upon all of the members.

13 (6) "Limited liability company interest" means a member's share of
14 the profits and losses of a limited liability company and a member's
15 right to receive distributions of the limited liability company's
16 assets.

17 (7) "Manager" or "managers" means, with respect to a limited
18 liability company that has set forth in its certificate of formation
19 that it is to be managed by managers, the person, or persons designated
20 in accordance with section 401(2) of this act.

21 (8) "Member" means a person who has been admitted to a limited
22 liability company as a member as provided in section 301 of this act
23 and who has not been dissociated from the limited liability company.

24 (9) "Person" means a natural person, partnership (whether general
25 or limited and whether domestic or foreign), limited liability company,
26 foreign limited liability company, trust, estate, association,
27 corporation, custodian, nominee, or any other individual or entity in
28 its own or any representative capacity.

29 (10) "Professional limited liability company" means a limited
30 liability company which is organized for the purpose of rendering
31 professional service and whose certificate of formation sets forth that
32 it is a professional limited liability company subject to section 109
33 of this act.

34 (11) "Professional service" means any type of personal service to
35 the public which requires as a condition precedent to the rendering of
36 such service the obtaining of a license or other legal authorization,
37 including, but not by way of limitation, certified public accountants,
38 architects, veterinarians, attorneys at law, and health professions
39 regulated under chapter 18.130 RCW.

1 (12) "State" means the District of Columbia or the Commonwealth of
2 Puerto Rico or any state, territory, possession, or other jurisdiction
3 of the United States other than the state of Washington.

4 NEW SECTION. **Sec. 102.** NAME SET FORTH IN CERTIFICATE OF
5 FORMATION. (1) The name of each limited liability company as set forth
6 in its certificate of formation:

7 (a) Must contain either the words "Limited Liability Company," the
8 words "Limited Liability" and abbreviation "Co.," or the abbreviation
9 "L.L.C.";

10 (b) Except as provided in subsection (1)(d) of this section, may
11 contain the name of a member or manager;

12 (c) Must not contain language stating or implying that the limited
13 liability company is organized for a purpose other than those permitted
14 by section 106 of this act;

15 (d) Must not contain any of the words or phrases: "Bank,"
16 "banking," "banker," "trust," "cooperative," "partnership,"
17 "corporation," "incorporated," or the abbreviations "corp.," "ltd.," or
18 "inc.," or "L.P.," or any combination of the words "industrial" and
19 "loan," or any combination of any two or more of the words "building,"
20 "savings," "loan," "home," "association," and "society," or any other
21 words or phrases prohibited by any statute of this state; and

22 (e) Must be distinguishable upon the records of the secretary of
23 state from the names described in RCW 23B.04.010(1)(d), and the names
24 of any limited liability company reserved, registered, or formed under
25 the laws of this state or qualified to do business as a foreign limited
26 liability company in this state.

27 (2) A limited liability company may apply to the secretary of state
28 for authorization to use any name which is not distinguishable upon the
29 records of the secretary of state from one or more of the names
30 described in subsection (1)(e) of this section. The secretary of state
31 shall authorize use of the name applied for if the other corporation,
32 limited partnership, or limited liability company consents in writing
33 to the use and files with the secretary of state documents necessary to
34 change its name or the name reserved or registered to a name that is
35 distinguishable upon the records of the secretary of state from the
36 name of the applying limited liability company.

37 (3) A name shall not be considered distinguishable upon the records
38 of the secretary of state by virtue of:

1 (a) A variation in the designation, under subsection (1)(a) of this
2 section, used for the same name;

3 (b) The addition or deletion of an article or conjunction such as
4 "the" or "and" from the same name;

5 (c) Punctuation, capitalization, or special characters or symbols
6 in the same name; or

7 (d) Use of abbreviation or the plural form of a word in the same
8 name.

9 (4) This chapter does not control the use of assumed business names
10 or "trade names."

11 NEW SECTION. **Sec. 103.** RESERVED NAME--REGISTERED NAME. (1)
12 Reserved Name.

13 (a) A person may reserve the exclusive use of a limited liability
14 company name by delivering an application to the secretary of state for
15 filing. The application must set forth the name and address of the
16 applicant and the name proposed to be reserved. If the secretary of
17 state finds that the limited liability company name applied for is
18 available, the secretary of state shall reserve the name for the
19 applicant's exclusive use for a nonrenewable one hundred eighty-day
20 period.

21 (b) The owner of a reserved limited liability company name may
22 transfer the reservation to another person by delivering to the
23 secretary of state a signed notice of the transfer that states the name
24 and address of the transferee.

25 (2) Registered Name.

26 (a) A foreign limited liability company may register its name if
27 the name is distinguishable upon the records of the secretary of state
28 from the names specified in section 102(1)(e) of this act.

29 (b) A foreign limited liability company registers its name by
30 delivering to the secretary of state for filing an application that:

31 (i) Sets forth its name and the state or country and date of its
32 organization; and

33 (ii) Is accompanied by a certificate of existence, or a document of
34 similar import, from the state or country of organization.

35 (c) The name is registered for the applicant's exclusive use upon
36 the effective date of the application and until the close of the
37 calendar year in which the application for registration is filed.

1 (d) A foreign limited liability company whose registration is
2 effective may renew it for successive years by delivering to the
3 secretary of state for filing a renewal application, which complies
4 with the requirements of (b) of this subsection, between October 1st
5 and December 31st of the preceding year. The renewal application when
6 filed renews the registration for the following calendar year.

7 (e) A foreign limited liability company whose registration is
8 effective may thereafter qualify as a foreign limited liability company
9 under the registered name, or consent in writing to the use of that
10 name by a limited liability company thereafter organized under this
11 chapter, by a corporation thereafter formed under Title 23B RCW, by a
12 limited partnership thereafter formed under chapter 25.10 RCW, or by
13 another foreign limited liability company, foreign corporation, or
14 foreign limited partnership thereafter authorized to transact business
15 in this state. The registration terminates when the domestic limited
16 liability company is organized, the domestic corporation is
17 incorporated, or the domestic limited partnership is formed, or the
18 foreign limited liability company qualifies or consents to the
19 qualification of another foreign limited liability company,
20 corporation, or limited partnership under the registered name.

21 NEW SECTION. **Sec. 104.** REGISTERED OFFICE--REGISTERED AGENT. (1)
22 Each limited liability company shall continuously maintain in this
23 state:

24 (a) A registered office, which may but need not be a place of its
25 business in this state. The registered office shall be at a specific
26 geographic location in this state, and be identified by number, if any,
27 and street, or building address or rural route, or, if a commonly known
28 street or rural route address does not exist, by legal description. A
29 registered office may not be identified by post office box number or
30 other nongeographic address. For purposes of communicating by mail,
31 the secretary of state may permit the use of a post office address in
32 the same city as the registered office in conjunction with the
33 registered office address if the limited liability company also
34 maintains on file the specific geographic address of the registered
35 office where personal service of process may be made;

36 (b) A registered agent for service of process on the limited
37 liability company, which agent may be either an individual resident of
38 this state whose business office is identical with the limited

1 liability company's registered office, or a domestic corporation,
2 limited partnership, or limited liability company, or a foreign
3 corporation, limited partnership, or limited liability company
4 authorized to do business in this state having a business office
5 identical with such registered office; and

6 (c) A registered agent who shall not be appointed without having
7 given prior written consent to the appointment. The written consent
8 shall be filed with the secretary of state in such form as the
9 secretary may prescribe. The written consent shall be filed with or as
10 a part of the document first appointing a registered agent.

11 (2) A registered agent may change the address of the registered
12 office of the limited liability company or companies for which such
13 registered agent is registered agent to another address in this state
14 by filing with the secretary of state a certificate, executed by such
15 registered agent, setting forth the names of all the limited liability
16 companies represented by such registered agent, and the address at
17 which such registered agent has maintained the registered office for
18 each of such limited liability companies, and further certifying to the
19 new address to which each such registered office will be changed on a
20 given day, and at which new address such registered agent will
21 thereafter maintain the registered office for each of the limited
22 liability companies recited in the certificate. Upon the filing of
23 such certificate, the secretary of state shall furnish to the
24 registered agent a certified copy of the same, and thereafter, or until
25 further change of address, as authorized by law, the registered office
26 in this state of each of the limited liability companies recited in the
27 certificate shall be located at the new address of the registered agent
28 thereof as given in the certificate. In the event of a change of name
29 of any person acting as a registered agent of a limited liability
30 company, such registered agent shall file with the secretary of state
31 a certificate, executed by such registered agent, setting forth the new
32 name of such registered agent, the name of such registered agent before
33 it was changed, the names of all the limited liability companies
34 represented by such registered agent, and the address at which such
35 registered agent has maintained the registered office for each of such
36 limited liability companies. Upon the filing of such certificate, the
37 secretary of state shall furnish to the registered agent a certified
38 copy of the certificate. Filing a certificate under this section shall
39 be deemed to be an amendment of the certificate of formation of each

1 limited liability company affected thereby and each such limited
2 liability company shall not be required to take any further action with
3 respect thereto, to amend its certificate of formation under section
4 202 of this act. Any registered agent filing a certificate under this
5 section shall promptly, upon such filing, deliver a copy of any such
6 certificate to each limited liability company affected thereby.

7 (3) The registered agent of one or more limited liability companies
8 may resign and appoint a successor registered agent by filing a
9 certificate with the secretary of state, stating that it resigns and
10 the name and address of the successor registered agent. There shall be
11 attached to such certificate a statement executed by each affected
12 limited liability company ratifying and approving such change of
13 registered agent. Upon such filing, the successor registered agent
14 shall become the registered agent of such limited liability companies
15 as have ratified and approved such substitution and the successor
16 registered agent's address, as stated in such certificate, shall become
17 the address of each such limited liability company's registered office
18 in this state. The secretary of state shall furnish to the successor
19 registered agent a certified copy of the certificate of resignation.
20 Filing of such certificate of resignation shall be deemed to be an
21 amendment of the certificate of formation of each limited liability
22 company affected thereby and each such limited liability company shall
23 not be required to take any further action with respect thereto, to
24 amend its certificate of formation under section 202 of this act.

25 (4) The registered agent of a limited liability company may resign
26 without appointing a successor registered agent by filing a certificate
27 with the secretary of state stating that it resigns as registered agent
28 for the limited liability company identified in the certificate, but
29 such resignation shall not become effective until one hundred twenty
30 days after the certificate is filed. There shall be attached to such
31 certificate an affidavit of such registered agent, that at least thirty
32 days prior to and on or about the date of the filing of said
33 certificate, notices were sent by certified or registered mail to the
34 limited liability company for which such registered agent is resigning
35 as registered agent, at the principal office thereof within or outside
36 this state, if known to such registered agent or, if not, to the last
37 known address of the attorney or other individual at whose request such
38 registered agent was appointed for such limited liability company, of
39 the resignation of such registered agent. After receipt of the notice

1 of the resignation of its registered agent, the limited liability
2 company for which such registered agent was acting shall obtain and
3 designate a new registered agent, to take the place of the registered
4 agent so resigning.

5 NEW SECTION. **Sec. 105.** SERVICE OF PROCESS ON DOMESTIC LIMITED
6 LIABILITY COMPANIES. (1) A limited liability company's registered
7 agent is its agent for service of process, notice, or demand required
8 or permitted by law to be served on the limited liability company.

9 (2) The secretary of state shall be an agent of a limited liability
10 company upon whom any such process, notice, or demand may be served if:

11 (a) The limited liability company fails to appoint or maintain a
12 registered agent in this state; or

13 (b) The registered agent cannot with reasonable diligence be found
14 at the registered office.

15 (3) Service on the secretary of state of any such process, notice,
16 or demand shall be made by delivering to and leaving with the secretary
17 of state, or with any duly authorized clerk of the secretary of state's
18 office, the process, notice, or demand. In the event any such process,
19 notice, or demand is served on the secretary of state, the secretary of
20 state shall immediately cause a copy thereof to be forwarded by
21 certified mail, addressed to the limited liability company at its
22 principal place of business as it appears on the records of the
23 secretary of state. Any service so had on the secretary of state shall
24 be returnable in not less than thirty days.

25 (4) The secretary of state shall keep a record of all processes,
26 notices, and demands served upon the secretary of state under this
27 section, and shall record therein the time of such service and the
28 secretary of state's action with reference thereto.

29 (5) This section does not limit or affect the right to serve any
30 process, notice, or demand required or permitted by law to be served
31 upon a limited liability company in any other manner now or hereafter
32 permitted by law.

33 NEW SECTION. **Sec. 106.** NATURE OF BUSINESS PERMITTED--POWERS. (1)
34 Every limited liability company formed under this chapter may carry on
35 any lawful business or activity unless a more limited purpose is set
36 forth in the certificate of formation. A limited liability company may

1 not be formed under this chapter for the purposes of banking or
2 engaging in business as an insurer.

3 (2) Unless this chapter, its certificate of formation, or its
4 limited liability company agreement provides otherwise, a limited
5 liability company has the same powers as an individual to do all things
6 necessary or convenient to carry out its business and affairs.

7 NEW SECTION. **Sec. 107.** BUSINESS TRANSACTIONS OF MEMBER OR MANAGER
8 WITH THE LIMITED LIABILITY COMPANY. Except as provided in a limited
9 liability company agreement, a member or manager may lend money to, act
10 as a surety, guarantor, or endorser for, guarantee or assume one or
11 more specific obligations of, provide collateral for, and transact
12 other business with a limited liability company and, subject to other
13 applicable law, has the same rights and obligations with respect to any
14 such matter as a person who is not a member or manager.

15 NEW SECTION. **Sec. 108.** LIMITATION OF LIABILITY AND
16 INDEMNIFICATION. (1) The limited liability company agreement may
17 contain provisions not inconsistent with law that:

18 (a) Eliminate or limit the personal liability of a member or
19 manager to the limited liability company or its members for monetary
20 damages for conduct as a member or manager, provided that such
21 provisions shall not eliminate or limit the liability of a member or
22 manager for acts or omissions that involve intentional misconduct or a
23 knowing violation of law by a member or manager, for conduct of the
24 member or manager, violating section 605 of this act, or for any
25 transaction from which the member or manager will personally receive a
26 benefit in money, property, or services to which the member or manager
27 is not legally entitled; or

28 (b) Indemnify any member or manager from and against any judgments,
29 settlements, penalties, fines, or expenses incurred in a proceeding to
30 which an individual is a party because he or she is, or was, a member
31 or a manager, provided that no such indemnity shall indemnify a member
32 or a manager from or on account of acts or omissions of the member or
33 manager finally adjudged to be intentional misconduct or a knowing
34 violation of law by the member or manager, conduct of the member or
35 manager adjudged to be in violation of section 605 of this act, or any
36 transaction with respect to which it was finally adjudged that such

1 member or manager received a benefit in money, property, or services to
2 which such member or manager was not legally entitled.

3 (2) To the extent that, at law or in equity, a member or manager
4 has duties (including fiduciary duties) and liabilities relating
5 thereto to a limited liability company or to another member or manager

6 (a) any such member or manager acting under a limited liability company
7 agreement shall not be liable to the limited liability company or to
8 any such other member or manager for the member's or manager's good
9 faith reliance on the provisions of the limited liability company
10 agreement, and (b) the member's or manager's duties and liabilities may
11 be expanded or restricted by provisions in a limited liability company
12 agreement.

13 NEW SECTION. **Sec. 109.** PROFESSIONAL LIMITED LIABILITY COMPANIES.

14 (1) A person or group of persons licensed or otherwise legally
15 authorized to render professional services within this state may
16 organize and become a member or members of a professional limited
17 liability company under the provisions of this chapter for the purposes
18 of rendering professional service. A "professional limited liability
19 company" is subject to all the provisions of chapter 18.100 RCW that
20 apply to a professional corporation, and its managers, members, agents,
21 and employees shall be subject to all the provisions of chapter 18.100
22 RCW that apply to the directors, officers, shareholders, agents, or
23 employees of a professional corporation, except as provided otherwise
24 in this section. Nothing in this section prohibits a person duly
25 licensed or otherwise legally authorized to render professional
26 services in any jurisdiction other than this state from becoming a
27 member of a professional limited liability company organized for the
28 purpose of rendering the same professional services. Nothing in this
29 section prohibits a professional limited liability company from
30 rendering professional services outside this state through individuals
31 who are not duly licensed or otherwise legally authorized to render
32 such professional services within this state. Notwithstanding RCW
33 18.100.065, persons engaged in a profession and otherwise meeting the
34 requirements of this chapter may operate under this chapter as a
35 professional limited liability company so long as:

36 (a) At least one manager of the company is duly licensed or
37 otherwise legally authorized to practice the profession in this state;
38 and

1 (b) Each resident manager or member in charge of an office of the
2 company in this state and each resident manager or member personally
3 engaged in this state in the practice of the profession is duly
4 licensed or otherwise legally authorized to practice the profession in
5 this state.

6 (2) If the company's members are required to be licensed to
7 practice such profession, and the company fails to maintain for itself
8 and for its members practicing in this state a policy of professional
9 liability insurance, bond, or other evidence of financial
10 responsibility of a kind designated by rule by the state insurance
11 commissioner and in the amount of at least one million dollars or such
12 greater amount as the state insurance commissioner may establish by
13 rule for a licensed profession or for any specialty within a
14 profession, taking into account the nature and size of the business,
15 then the company's members shall be personally liable to the extent
16 that, had such insurance, bond, or other evidence of responsibility
17 been maintained, it would have covered the liability in question.

18 (3) For purposes of applying the provisions of chapter 18.100 RCW
19 to a professional limited liability company, the terms "director" or
20 "officer" shall mean manager, "shareholder" shall mean member,
21 "corporation" shall mean professional limited liability company,
22 "articles of incorporation" shall mean certificate of formation,
23 "shares" or "capital stock" shall mean a limited liability company
24 interest, "incorporator" shall mean the person who executes the
25 certificate of formation, and "bylaws" shall mean the limited liability
26 company agreement.

27 (4) The name of a professional limited liability company must
28 contain either the words "Professional Limited Liability Company," or
29 the words "Professional Limited Liability" and the abbreviation "Co.,"
30 or the abbreviation "P.L.L.C." provided that the name of a professional
31 limited liability company organized to render dental services shall
32 contain the full names or surnames of all members and no other word
33 than "chartered" or the words "professional services" or the
34 abbreviation "P.L.L.C."

35 (5) Subject to the provisions in article VII of this chapter, the
36 following may be a member of a professional limited liability company
37 and may be the transferee of the interest of an ineligible person or
38 deceased member of the professional limited liability company:

1 (a) A professional corporation, if its shareholders, directors, and
2 its officers other than the secretary and the treasurer, are licensed
3 or otherwise legally authorized to render the same specific
4 professional services as the professional limited liability company;
5 and

6 (b) Another professional limited liability company, if the managers
7 and members of both professional limited liability companies are
8 licensed or otherwise legally authorized to render the same specific
9 professional services.

10 NEW SECTION. **Sec. 110.** MEMBER AGREEMENTS. In addition to
11 agreeing among themselves with respect to the provisions of this
12 chapter, the members of a limited liability company or professional
13 limited liability company may agree among themselves to any otherwise
14 lawful provision governing the company which is not in conflict with
15 this chapter. Such agreements include, but are not limited to, buy-
16 sell agreements among the members and agreements relating to expulsion
17 of members.

18 NEW SECTION. **Sec. 111.** MEMBERSHIP RESIDENCY. Nothing in this
19 chapter requires a limited liability company or a professional limited
20 liability company to restrict membership to persons residing in or
21 engaging in business in this state.

22 NEW SECTION. **Sec. 112.** PIERCING THE VEIL. Members of a limited
23 liability company shall be personally liable for any act, debt,
24 obligation, or liability of the limited liability company to the extent
25 that shareholders of a Washington business corporation would be liable
26 in analogous circumstances. In this regard, the court may consider the
27 factors and policies set forth in established case law with regard to
28 piercing the corporate veil.

29 **ARTICLE II. FORMATION: CERTIFICATE OF FORMATION, AMENDMENT,**
30 **FILING AND EXECUTION**

31 NEW SECTION. **Sec. 201.** CERTIFICATE OF FORMATION. (1) In order to
32 form a limited liability company, one or more persons must execute a

1 certificate of formation. The certificate of formation shall be filed
2 in the office of the secretary of state and set forth:

3 (a) The name of the limited liability company;

4 (b) The address of the registered office and the name and address
5 of the registered agent for service of process required to be
6 maintained by section 104 of this act;

7 (c) The address of the principal place of business of the limited
8 liability company;

9 (d) If the limited liability company is to have a specific date of
10 dissolution, the latest date on which the limited liability company is
11 to dissolve;

12 (e) If management of the limited liability company is vested in a
13 manager or managers, a statement to that effect;

14 (f) Any other matters the members decide to include therein; and

15 (g) The name and address of each person executing the certificate
16 of formation.

17 (2) Effect of filing:

18 (a) Unless a delayed effective date is specified, a limited
19 liability company is formed when its certificate of formation is filed
20 by the secretary of state. A delayed effective date for a certificate
21 of formation may be no later than the ninetieth day after the date it
22 is filed.

23 (b) The secretary of state's filing of the certificate of formation
24 is conclusive proof that the persons executing the certificate
25 satisfied all conditions precedent to the formation except in a
26 proceeding by the state to cancel the certificate.

27 (c) A limited liability company formed under this chapter shall be
28 a separate legal entity, the existence of which as a separate legal
29 entity shall continue until cancellation of the limited liability
30 company's certificate of formation.

31 NEW SECTION. **Sec. 202.** AMENDMENT TO CERTIFICATE OF FORMATION.

32 (1) A certificate of formation is amended by filing a certificate of
33 amendment thereto with the secretary of state. The certificate of
34 amendment shall set forth:

35 (a) The name of the limited liability company; and

36 (b) The amendment to the certificate of formation.

37 (2) A manager or, if there is no manager, then any member who
38 becomes aware that any statement in a certificate of formation was

1 false when made, or that any matter described has changed making the
2 certificate of formation false in any material respect, shall promptly
3 amend the certificate of formation.

4 (3) A certificate of formation may be amended at any time for any
5 other proper purpose.

6 (4) Unless otherwise provided in this chapter or unless a later
7 effective date (which shall be a date not later than the ninetieth day
8 after the date it is filed) is provided for in the certificate of
9 amendment, a certificate of amendment shall be effective when filed by
10 the secretary of state.

11 NEW SECTION. **Sec. 203.** CANCELLATION OF CERTIFICATE. A
12 certificate of formation shall be canceled upon the effective date of
13 the certificate of cancellation, or as provided in section 805 of this
14 act, or upon the filing of articles of merger if the limited liability
15 company is not the surviving or resulting entity in a merger. A
16 certificate of cancellation shall be filed in the office of the
17 secretary of state to accomplish the cancellation of a certificate of
18 formation upon the dissolution and the completion of winding up of a
19 limited liability company and shall set forth:

20 (1) The name of the limited liability company;

21 (2) The date of filing of its certificate of formation;

22 (3) The reason for filing the certificate of cancellation;

23 (4) The future effective date (which shall be a date not later than
24 the ninetieth day after the date it is filed) of cancellation if it is
25 not to be effective upon the filing of the certificate; and

26 (5) Any other information the person filing the certificate of
27 cancellation determines.

28 NEW SECTION. **Sec. 204.** EXECUTION. (1) Each document required by
29 this chapter to be filed in the office of the secretary of state shall
30 be executed in the following manner:

31 (a) Each original certificate of formation must be signed by the
32 person or persons forming the limited liability company;

33 (b) A reservation of name may be signed by any person;

34 (c) A transfer of reservation of name must be signed by the
35 applicant for the reserved name;

36 (d) A registration of name must be signed by any member or manager
37 of the foreign limited liability company;

1 (e) A certificate of amendment or restatement must be signed by at
2 least one manager, or by a member if management of the limited
3 liability company is reserved to the members;

4 (f) A certificate of cancellation must be signed by the person or
5 persons authorized to wind up the limited liability company's affairs
6 pursuant to section 806(1) of this act;

7 (g) If a surviving domestic limited liability company is filing
8 articles of merger, the articles of merger must be signed by at least
9 one manager, or by a member if management of the limited liability
10 company is reserved to the members, or if the articles of merger are
11 being filed by a surviving foreign limited liability company, limited
12 partnership, or corporation, the articles of merger must be signed by
13 a person authorized by such foreign limited liability company, limited
14 partnership, or corporation; and

15 (h) A foreign limited liability company's application for
16 registration as a foreign limited liability company doing business
17 within the state must be signed by any member or manager of the foreign
18 limited liability company.

19 (2) Any person may sign a certificate, articles of merger, or
20 limited liability company agreement by an attorney-in-fact, so long as
21 each document signed in such manner identifies the capacity in which
22 the signator signed.

23 (3) The person executing the document shall sign it and state
24 beneath or opposite the signature the name of the person and capacity
25 in which the person signs. The document must be typewritten or
26 printed, and must meet such legibility or other standards as may be
27 prescribed by the secretary of state.

28 (4) The execution of a certificate or articles of merger by any
29 person constitutes an affirmation under the penalties of perjury that
30 the facts stated therein are true.

31 NEW SECTION. **Sec. 205.** EXECUTION, AMENDMENT, OR CANCELLATION BY
32 JUDICIAL ORDER. (1) If a person required to execute a certificate
33 required by this chapter fails or refuses to do so, any other person
34 who is adversely affected by the failure or refusal may petition the
35 superior courts to direct the execution of the certificate. If the
36 court finds that the execution of the certificate is proper and that
37 any person so designated has failed or refused to execute the

1 certificate, it shall order the secretary of state to record an
2 appropriate certificate.

3 (2) If a person required to execute a limited liability company
4 agreement or amendment thereof fails or refuses to do so, any other
5 person who is adversely affected by the failure or refusal may petition
6 the superior courts to direct the execution of the limited liability
7 company agreement or amendment thereof. If the court finds that the
8 limited liability company agreement or amendment thereof should be
9 executed and that any person required to execute the limited liability
10 company agreement or amendment thereof has failed or refused to do so,
11 it shall enter an order granting appropriate relief.

12 NEW SECTION. **Sec. 206.** FILING. (1) The original signed copy,
13 together with a duplicate copy that may be either a signed,
14 photocopied, or conformed copy, of the certificate of formation or any
15 other document required to be filed pursuant to this chapter shall be
16 delivered to the secretary of state. If the secretary of state
17 determines that the documents conform to the filing provisions of this
18 chapter, he or she shall, when all required filing fees have been paid:

19 (a) Endorse on each signed original and duplicate copy the word
20 "filed" and the date of its acceptance for filing;

21 (b) Retain the signed original in the secretary of state's files;
22 and

23 (c) Return the duplicate copy to the person who filed it or the
24 person's representative.

25 (2) If the secretary of state is unable to make the determination
26 required for filing by subsection (1) of this section at the time any
27 documents are delivered for filing, the documents are deemed to have
28 been filed at the time of delivery if the secretary of state
29 subsequently determines that:

30 (a) The documents as delivered conform to the filing provisions of
31 this chapter; or

32 (b) Within twenty days after notification of nonconformance is
33 given by the secretary of state to the person who delivered the
34 documents for filing or the person's representative, the documents are
35 brought into conformance.

36 (3) If the filing and determination requirements of this chapter
37 are not satisfied completely within the time prescribed in subsection
38 (2)(b) of this section, the documents shall not be filed.

1 (4) Upon the filing of a certificate of amendment (or judicial
2 decree of amendment) or restated certificate in the office of the
3 secretary of state, or upon the future effective date or time of a
4 certificate of amendment (or judicial decree thereof) or restated
5 certificate, as provided for therein, the certificate of formation
6 shall be amended or restated as set forth therein. Upon the filing of
7 a certificate of cancellation (or a judicial decree thereof), or
8 articles of merger which act as a certificate of cancellation, or upon
9 the future effective date or time of a certificate of cancellation (or
10 a judicial decree thereof) or of articles of merger which act as a
11 certificate of cancellation, as provided for therein, or as specified
12 in section 805 of this act, the certificate of formation is canceled.

13 NEW SECTION. **Sec. 207.** RESTATED CERTIFICATE. (1) A limited
14 liability company may, whenever desired, integrate into a single
15 instrument all of the provisions of its certificate of formation which
16 are then in effect and operative as a result of there having
17 theretofore been filed with the secretary of state one or more
18 certificates or other instruments pursuant to any of the sections
19 referred to in this chapter and it may at the same time also further
20 amend its certificate of formation by adopting a restated certificate
21 of formation.

22 (2) If a restated certificate of formation merely restates and
23 integrates but does not amend the initial certificate of formation, as
24 theretofore amended or supplemented by any instrument that was executed
25 and filed pursuant to any of the sections in this chapter, it shall be
26 specifically designated in its heading as a "Restated Certificate of
27 Formation" together with such other words as the limited liability
28 company may deem appropriate and shall be executed by at least one
29 manager, or by a member if management of the limited liability company
30 is reserved to its members, and filed as provided in section 206 of
31 this act in the office of the secretary of state. If a restated
32 certificate restates and integrates and also amends in any respect the
33 certificate of formation, as theretofore amended or supplemented, it
34 shall be specifically designated in its heading as an "Amended and
35 Restated Certificate of Formation" together with such other words as
36 the limited liability company may deem appropriate and shall be
37 executed by at least one manager, or by a member if management of the
38 limited liability company is reserved to its members, and filed as

1 provided in section 206 of this act in the office of the secretary of
2 state.

3 (3) A restated certificate of formation shall state, either in its
4 heading or in an introductory paragraph, the limited liability
5 company's present name, and, if it has been changed, the name under
6 which it was originally filed, and the date of filing of its original
7 certificate of formation with the secretary of state, and the future
8 effective date (which shall be a date not later than the ninetieth day
9 after the date it is filed) of the restated certificate if it is not to
10 be effective upon the filing of the restated certificate. A restated
11 certificate shall also state that it was duly executed and is being
12 filed in accordance with this section. If a restated certificate only
13 restates and integrates and does not further amend a limited liability
14 company's certificate of formation as theretofore amended or
15 supplemented and there is no discrepancy between those provisions and
16 the restated certificate, it shall state that fact as well.

17 (4) Upon the filing of a restated certificate of formation with the
18 secretary of state, or upon the future effective date or time of a
19 restated certificate of formation as provided for therein, the initial
20 certificate of formation, as theretofore amended or supplemented, shall
21 be superseded; thenceforth, the restated certificate of formation,
22 including any further amendment or changes made thereby, shall be the
23 certificate of formation of the limited liability company, but the
24 original effective date of formation shall remain unchanged.

25 (5) Any amendment or change effected in connection with the
26 restatement and integration of the certificate of formation shall be
27 subject to any other provision of this chapter, not inconsistent with
28 this section, which would apply if a separate certificate of amendment
29 were filed to effect such amendment or change.

30 NEW SECTION. **Sec. 208.** (1) Each domestic limited liability
31 company, and each foreign limited liability company authorized to
32 transact business in this state, shall deliver to the secretary of
33 state for filing, both initial and annual reports that set forth:

34 (a) The name of the company and the state or country under whose
35 law it is organized;

36 (b) The street address of its registered office and the name of its
37 registered agent at that office in this state;

1 (c) In the case of a foreign company, the address of its principal
2 office in the state or country under the laws of which it is organized;

3 (d) The address of the principal place of business of the company
4 in this state;

5 (e) The names and addresses of the company's members, or if the
6 management of the company is vested in a manager or managers, then the
7 name and address of its manager or managers; and

8 (f) A brief description of the nature of its business.

9 (2) Information in an initial report or an annual report must be
10 current as of the date the report is executed on behalf of the company.

11 (3) A company's initial report must be delivered to the secretary
12 of state within one hundred twenty days of the date on which a domestic
13 company's certificate of formation was filed, or on which a foreign
14 company's application for registration was submitted. Subsequent
15 annual reports must be delivered to the secretary of state on a date
16 determined by the secretary of state, and at such additional times as
17 the company elects.

18 **ARTICLE III. MEMBERS**

19 NEW SECTION. **Sec. 301.** ADMISSION OF MEMBERS. (1) In connection
20 with the formation of a limited liability company, a person acquiring
21 a limited liability company interest is admitted as a member of the
22 limited liability company upon the later to occur of:

23 (a) The formation of the limited liability company; or

24 (b) The time provided in and upon compliance with the limited
25 liability company agreement or, if the limited liability company
26 agreement does not so provide or does not exist, when the person's
27 admission is reflected in the records of the limited liability company.

28 (2) After the formation of a limited liability company, a person
29 acquiring a limited liability company interest is admitted as a member
30 of the limited liability company:

31 (a) In the case of a person acquiring a limited liability company
32 interest directly from the limited liability company, at the time
33 provided in and upon compliance with the limited liability company
34 agreement or, if the limited liability company agreement does not so
35 provide or does not exist, upon the consent of all members and when the

1 person's admission is reflected in the records of the limited liability
2 company; or

3 (b) In the case of an assignee of a limited liability company
4 interest who meets the conditions for membership set forth in section
5 704(1) of this act, at the time provided in and upon compliance with
6 the limited liability company agreement or, if the limited liability
7 company agreement does not so provide or does not exist, when any such
8 assignee's admission as a member is reflected in the records of the
9 limited liability company.

10 NEW SECTION. **Sec. 302.** VOTING AND CLASSES OF MEMBERSHIP. (1)
11 Except as provided in this chapter, or in the limited liability company
12 agreement, and subject to subsection (2) of this section, the
13 affirmative vote, approval, or consent of members contributing, or
14 required to contribute, more than fifty percent of the agreed value (as
15 stated in the records of the limited liability company required to be
16 kept pursuant to section 305 of this act) of the contributions made, or
17 required to be made, by all members shall be necessary for actions
18 requiring member approval.

19 (2) Except as provided in the limited liability company agreement,
20 the affirmative vote, approval, or consent of all members shall be
21 required to:

22 (a) Amend the limited liability company agreement; or

23 (b) Authorize a manager, member, or other person to do any act on
24 behalf of the limited liability company that contravenes the limited
25 liability company agreement, including any provision thereof which
26 expressly limits the purpose, business, or affairs of the limited
27 liability company or the conduct thereof.

28 (3) A limited liability company agreement may provide for classes
29 or groups of members having such relative rights, powers, and duties as
30 the limited liability company agreement may provide, and may make
31 provision for the future creation in the manner provided in the limited
32 liability company agreement of additional classes or groups of members
33 having such relative rights, powers, and duties as may from time to
34 time be established, including rights, powers, and duties senior to
35 existing classes and groups of members. A limited liability company
36 agreement may provide for the taking of an action, including the
37 amendment of the limited liability company agreement, without the vote
38 or approval of any member or class or group of members, including an

1 action to create under the provisions of the limited liability company
2 agreement a class or group of limited liability company interests that
3 was not previously outstanding.

4 (4) A limited liability company agreement may grant to all or
5 certain identified members or a specified class or group of the members
6 the right to vote separately or with all or any class or group of the
7 members or managers, on any matter. If the limited liability company
8 agreement so provides, voting by members may be on a per capita,
9 number, profit share, class, group, or any other basis.

10 (5) A limited liability company agreement which contains provisions
11 related to voting rights of members may set forth provisions relating
12 to notice of the time, place, or purpose of any meeting at which any
13 matter is to be voted on by any members, waiver of any such notice,
14 action by consent without a meeting, the establishment of a record
15 date, quorum requirements, voting in person or by proxy, or any other
16 matter with respect to the exercise of any such right to vote.

17 NEW SECTION. **Sec. 303.** LIABILITY OF MEMBERS AND MANAGERS TO THIRD
18 PARTIES. (1) Except as otherwise provided by this chapter, the debts,
19 obligations, and liabilities of a limited liability company, whether
20 arising in contract, tort or otherwise, shall be solely the debts,
21 obligations, and liabilities of the limited liability company; and no
22 member or manager of a limited liability company shall be obligated
23 personally for any such debt, obligation, or liability of the limited
24 liability company solely by reason of being a member or acting as a
25 manager of the limited liability company.

26 (2) A member or manager of a limited liability company is
27 personally liable for his or her own torts.

28 NEW SECTION. **Sec. 304.** EVENTS OF DISSOCIATION. (1) A person
29 ceases to be a member of a limited liability company upon the
30 occurrence of one or more of the following events:

31 (a) The member withdraws by voluntary act from the limited
32 liability company as provided in subsection (3) of this section;

33 (b) The member ceases to be a member as provided in section
34 702(2)(b) of this act following an assignment of all the member's
35 limited liability company interest;

36 (c) The member is removed as a member in accordance with the
37 limited liability company agreement;

1 (d) Unless otherwise provided in the limited liability company
2 agreement, or with the written consent of all other members at the
3 time, the member (i) makes a general assignment for the benefit of
4 creditors; (ii) files a voluntary petition in bankruptcy; (iii) becomes
5 the subject of an order for relief in bankruptcy proceedings; (iv)
6 files a petition or answer seeking for himself or herself any
7 reorganization, arrangement, composition, readjustment, liquidation,
8 dissolution, or similar relief under any statute, law, or regulation;
9 (v) files an answer or other pleading admitting or failing to contest
10 the material allegations of a petition filed against him or her in any
11 proceeding of the nature described in (d) (i) through (iv) of this
12 subsection; or (vi) seeks, consents to, or acquiesces in the
13 appointment of a trustee, receiver, or liquidator of the member or of
14 all or any substantial part of the member's properties;

15 (e) Unless otherwise provided in the limited liability company
16 agreement, or with the consent of all other members at the time, one
17 hundred twenty days after the commencement of any proceeding against
18 the member seeking reorganization, arrangement, composition,
19 readjustment, liquidation, dissolution, or similar relief under any
20 statute, law, or regulation, the proceeding has not been dismissed, or
21 if within ninety days after the appointment without his or her consent
22 or acquiescence of a trustee, receiver, or liquidator of the member or
23 of all or any substantial part of the member's properties, the
24 appointment is not vacated or stayed, or within ninety days after the
25 expiration of any stay, the appointment is not vacated;

26 (f) Unless otherwise provided in the limited liability company
27 agreement, or with written consent of all other members at the time, in
28 the case of a member who is an individual, the entry of an order by a
29 court of competent jurisdiction adjudicating the member incompetent to
30 manage his or her person or estate;

31 (g) Unless otherwise provided in the limited liability company
32 agreement, or with written consent of all other members at the time, in
33 the case of a member that is another limited liability company, the
34 dissolution and commencement of winding up of such limited liability
35 company;

36 (h) Unless otherwise provided in the limited liability company
37 agreement, or with written consent of all other members at the time, in
38 the case of a member that is a corporation, the filing of articles of
39 dissolution or the equivalent for the corporation or the administrative

1 dissolution of the corporation and the lapse of any period authorized
2 for application for reinstatement; or

3 (i) Unless otherwise provided in the limited liability company
4 agreement, or with written consent of all other members at the time, in
5 the case of a member that is a limited partnership, the dissolution and
6 commencement of winding up of such limited partnership.

7 (2) The limited liability company agreement may provide for other
8 events the occurrence of which result in a person ceasing to be a
9 member of the limited liability company.

10 (3) Unless otherwise provided in the limited liability company
11 agreement, a member may withdraw from a limited liability company at
12 any time by giving thirty days' written notice to the other members.

13 NEW SECTION. **Sec. 305.** RECORDS AND INFORMATION. (1) A limited
14 liability company shall keep at its principal place of business the
15 following:

16 (a) A current and a past list, setting forth the full name and last
17 known mailing address of each member and manager, if any;

18 (b) A copy of its certificate of formation and all amendments
19 thereto;

20 (c) A copy of its current limited liability company agreement and
21 all amendments thereto, and a copy of any prior agreements no longer in
22 effect;

23 (d) Unless contained in its certificate of formation or limited
24 liability company agreement, a written statement of:

25 (i) The amount of cash and a description of the agreed value of the
26 other property or services contributed by each member (including that
27 member's predecessors in interest), and which each member has agreed to
28 contribute;

29 (ii) The times at which or events on the happening of which any
30 additional contributions agreed to be made by each member are to be
31 made; and

32 (iii) Any right of any member to receive distributions which
33 include a return of all or any part of the member's contribution.

34 (e) A copy of the limited liability company's federal, state, and
35 local tax returns and reports, if any, for the three most recent years;
36 and

37 (f) A copy of any financial statements of the limited liability
38 company for the three most recent years.

1 (2) The records required by subsection (1) of this section to be
2 kept by a limited liability company are subject to inspection and
3 copying at the reasonable request, and at the expense, of any member
4 during ordinary business hours. A member's agent or attorney has the
5 same inspection and copying rights as the member.

6 (3) Each manager shall have the right to examine all of the
7 information described in subsection (1) of this section for a purpose
8 reasonably related to his or her position as a manager.

9 (4) A limited liability company may maintain its records in other
10 than a written form if such form is capable of conversion into written
11 form within a reasonable time.

12 (5) Any action to enforce any right arising under this section
13 shall be brought in the superior courts.

14 NEW SECTION. **Sec. 306.** REMEDIES FOR BREACH OF LIMITED LIABILITY
15 COMPANY AGREEMENT BY MEMBER. A limited liability company agreement may
16 provide that (1) a member who fails to perform in accordance with, or
17 to comply with the terms and conditions of, the limited liability
18 company agreement shall be subject to specified penalties or specified
19 consequences, and (2) at the time or upon the happening of events
20 specified in the limited liability company agreement, a member shall be
21 subject to specified penalties or specified consequences.

22 **ARTICLE IV. MANAGEMENT AND MANAGERS**

23 NEW SECTION. **Sec. 401.** MANAGEMENT. (1) Unless the certificate of
24 formation vests management of the limited liability company in a
25 manager or managers, management of the business or affairs of the
26 limited liability company shall be vested in the members. Subject to
27 any provisions in the limited liability company agreement or this
28 chapter restricting or enlarging the management rights and duties of
29 any person or group or class of persons, the members shall have the
30 right and authority to manage the affairs of the limited liability
31 company and to make all decisions with respect thereto.

32 (2) If the certificate of formation vests management of the limited
33 liability company in one or more managers, then such persons shall have
34 such power to manage the business or affairs of the limited liability
35 company as is provided in the limited liability company agreement.

1 Unless otherwise provided in the limited liability company agreement,
2 such persons:

3 (a) Shall be designated, appointed, elected, removed, or replaced
4 by a vote, approval, or consent of members contributing, or required to
5 contribute, more than fifty percent of the agreed value (as stated in
6 the records of the limited liability company required to be kept
7 pursuant to section 305 of this act) of the contributions made, or
8 required to be made, by all members at the time of such action;

9 (b) Need not be members of the limited liability company or natural
10 persons; and

11 (c) Unless they have been earlier removed or have earlier resigned,
12 shall hold office until their successors shall have been elected and
13 qualified.

14 (3) If the certificate of formation vests management of the limited
15 liability company in a manager or managers, no member, acting solely in
16 the capacity as a member, is an agent of the limited liability company.

17 NEW SECTION. **Sec. 402.** LIABILITY OF MANAGERS AND MEMBERS. Unless
18 otherwise provided in the limited liability company agreement:

19 (1) A member or manager shall not be liable, responsible, or
20 accountable in damages or otherwise to the limited liability company or
21 to the members of the limited liability company for any action taken or
22 failure to act on behalf of the limited liability company unless such
23 act or omission constitutes gross negligence, intentional misconduct,
24 or a knowing violation of law.

25 (2) Every member and manager must account to the limited liability
26 company and hold as trustee for it any profit or benefit derived by him
27 or her without the consent of a majority of the disinterested managers
28 or members, or other persons participating in the management of the
29 business or affairs of the limited liability company from (a) any
30 transaction connected with the conduct or winding up of the limited
31 liability company or (b) any use by him or her of its property,
32 including, but not limited to, confidential or proprietary information
33 of the limited liability company or other matters entrusted to him or
34 her as a result of his or her status as manager or member.

35 NEW SECTION. **Sec. 403.** MANAGER-MEMBERS' RIGHTS AND DUTIES. A
36 person who is both a manager and a member has the rights and powers,
37 and is subject to the restrictions and liabilities, of a manager and,

1 except as provided in a limited liability company agreement, also has
2 the rights and powers, and is subject to the restrictions and
3 liabilities, of a member to the extent of his or her participation in
4 the limited liability company as a member.

5 NEW SECTION. **Sec. 404.** VOTING AND CLASSES OF MANAGERS. (1)
6 Unless the limited liability company agreement provides otherwise, the
7 affirmative vote, approval, or consent of more than one-half by number
8 of the managers shall be required to decide any matter connected with
9 the business and affairs of the limited liability company.

10 (2) A limited liability company agreement may provide for classes
11 or groups of managers having such relative rights, powers, and duties
12 as the limited liability company agreement may provide, and may make
13 provision for the future creation in the manner provided in the limited
14 liability company agreement of additional classes or groups of managers
15 having such relative rights, powers, and duties as may from time to
16 time be established, including rights, powers, and duties senior to
17 existing classes and groups of managers. A limited liability company
18 agreement may provide for the taking of an action, including the
19 amendment of the limited liability company agreement, without the vote
20 or approval of any manager or class or group of managers, including an
21 action to create under the provisions of the limited liability company
22 agreement a class or group of limited liability company interests that
23 was not previously outstanding.

24 (3) A limited liability company agreement may grant to all or
25 certain identified managers or a specified class or group of the
26 managers the right to vote, separately or with all or any class or
27 group of managers or members, on any matter. If the limited liability
28 company agreement so provides, voting by managers may be on a financial
29 interest, class, group, or any other basis.

30 (4) A limited liability company agreement which contains provisions
31 related to voting rights of managers may set forth provisions relating
32 to notice of the time, place, or purpose of any meeting at which any
33 matter is to be voted on by any manager or class or group of managers,
34 waiver of any such notice, action by consent without a meeting, the
35 establishment of a record date, quorum requirements, voting in person
36 or by proxy, or any other matter with respect to the exercise of any
37 such right to vote.

1 NEW SECTION. **Sec. 405.** REMEDIES FOR BREACH OF LIMITED LIABILITY
2 COMPANY AGREEMENT BY MANAGER. A limited liability company agreement
3 may provide that (1) a manager who fails to perform in accordance with,
4 or to comply with the terms and conditions of, the limited liability
5 company agreement shall be subject to specified penalties or specified
6 consequences, and (2) at the time or upon the happening of events
7 specified in the limited liability company agreement, a manager shall
8 be subject to specified penalties or specified consequences.

9 NEW SECTION. **Sec. 406.** RELIANCE ON REPORTS AND INFORMATION BY
10 MEMBER OR MANAGER. In discharging the duties of a manager or a member,
11 a member or manager of a limited liability company is entitled to rely
12 in good faith upon the records of the limited liability company and
13 upon such information, opinions, reports, or statements presented to
14 the limited liability company by any of its other managers, members,
15 officers, employees, or committees of the limited liability company, or
16 by any other person, as to matters the member or manager reasonably
17 believes are within such other person's professional or expert
18 competence and who has been selected with reasonable care by or on
19 behalf of the limited liability company, including information,
20 opinions, reports, or statements as to the value and amount of the
21 assets, liabilities, profits, or losses of the limited liability
22 company or any other facts pertinent to the existence and amount of
23 assets from which distributions to members might properly be paid.

24 NEW SECTION. **Sec. 407.** RESIGNATION OF MANAGER. A manager may
25 resign as a manager of a limited liability company at the time or upon
26 the happening of events specified in a limited liability company
27 agreement and in accordance with the limited liability company
28 agreement. A limited liability company agreement may provide that a
29 manager shall not have the right to resign as a manager of a limited
30 liability company. Notwithstanding that a limited liability company
31 agreement provides that a manager does not have the right to resign as
32 a manager of a limited liability company, a manager may resign as a
33 manager of a limited liability company at any time by giving written
34 notice to the members and other managers. If the resignation of a
35 manager violates a limited liability company agreement, in addition to
36 any remedies otherwise available under applicable law, a limited
37 liability company may recover from the resigning manager damages for

1 breach of the limited liability company agreement and offset the
2 damages against the amount otherwise distributable to the resigning
3 manager.

4 **ARTICLE V. FINANCE**

5 NEW SECTION. **Sec. 501.** FORM OF CONTRIBUTION. The contribution of
6 a member to a limited liability company may be made in cash, property
7 or services rendered, or a promissory note or other obligation to
8 contribute cash or property or to perform services.

9 NEW SECTION. **Sec. 502.** LIABILITY FOR CONTRIBUTION. (1) Except as
10 provided in a limited liability company agreement, a member is
11 obligated to a limited liability company to perform any promise to
12 contribute cash or property or to perform services, even if the member
13 is unable to perform because of death, disability, or any other reason.
14 If a member does not make the required contribution of property or
15 services, the member is obligated at the option of the limited
16 liability company to contribute cash equal to that portion of the
17 agreed value (as stated in the records of the limited liability company
18 required to be kept pursuant to section 305 of this act) of the
19 contribution that has not been made. This option shall be in addition
20 to, and not in lieu of, any other rights, including the right to
21 specific performance, that the limited liability company may have
22 against such member under the limited liability company agreement or
23 applicable law.

24 (2) Unless otherwise provided in a limited liability company
25 agreement, the obligation of a member to make a contribution or return
26 money or other property paid or distributed in violation of this
27 chapter may be compromised only by consent of all the members.
28 Notwithstanding the compromise, a creditor of a limited liability
29 company who extends credit, after either the certificate of formation,
30 limited liability company agreement or an amendment thereto, or records
31 required to be kept under section 305 of this act reflect the
32 obligation, and before the amendment of any thereof to reflect the
33 compromise, may enforce the original obligation to the extent that, in
34 extending credit, the creditor reasonably relied on the obligation of
35 a member to make a contribution or return. A conditional obligation of

1 a member to make a contribution or return money or other property to a
2 limited liability company may not be enforced unless the conditions of
3 the obligation have been satisfied or waived as to or by such member.
4 Conditional obligations include contributions payable upon a
5 discretionary call of a limited liability company prior to the time the
6 call occurs.

7 (3) A limited liability company agreement may provide that the
8 interest of any member who fails to make any contribution that the
9 member is obligated to make shall be subject to specified penalties
10 for, or specified consequences of, such failure. Such penalty or
11 consequence may take the form of reducing or eliminating the defaulting
12 member's proportionate interest in a limited liability company,
13 subordinating the member's limited liability company interest to that
14 of nondefaulting members, a forced sale of the member's limited
15 liability company interest, forfeiture of the member's limited
16 liability company interest, the lending by other members of the amount
17 necessary to meet the member's commitment, a fixing of the value of the
18 member's limited liability company interest by appraisal or by formula
19 and redemption or sale of the member's limited liability company
20 interest at such value, or other penalty or consequence.

21 NEW SECTION. **Sec. 503.** ALLOCATION OF PROFITS AND LOSSES. The
22 profits and losses of a limited liability company shall be allocated
23 among the members, and among classes or groups of members, in the
24 manner provided in a limited liability company agreement. If the
25 limited liability company agreement does not so provide, profits and
26 losses shall be allocated in proportion to the agreed value (as stated
27 in the records of the limited liability company required to be kept
28 pursuant to section 305 of this act) of the contributions made, or
29 required to be made, by each member.

30 NEW SECTION. **Sec. 504.** ALLOCATION OF DISTRIBUTIONS.
31 Distributions of cash or other assets of a limited liability company
32 shall be allocated among the members, and among classes or groups of
33 members, in the manner provided in a limited liability company
34 agreement. If the limited liability company agreement does not so
35 provide, distributions shall be made in proportion to the agreed value
36 (as stated in the records of the limited liability company required to

1 be kept pursuant to section 305 of this act) of the contributions made,
2 or required to be made, by each member.

3 **ARTICLE VI. DISTRIBUTIONS AND RESIGNATION**

4 NEW SECTION. **Sec. 601.** INTERIM DISTRIBUTIONS. Except as provided
5 in this article, to the extent and at the times or upon the happening
6 of the events specified in a limited liability company agreement, a
7 member is entitled to receive from a limited liability company
8 distributions before the member's dissociation from the limited
9 liability company and before the dissolution and winding up thereof.

10 NEW SECTION. **Sec. 602.** DISTRIBUTION ON EVENT OF DISSOCIATION.
11 Upon the occurrence of an event of dissociation under section 304 of
12 this act which does not cause dissolution (other than an event of
13 dissociation specified in section 304(2) of this act where the
14 dissociating member's assignee is admitted as a member), a dissociating
15 member (or the member's assignee) is entitled to receive any
16 distribution to which the member (or assignee) is entitled under the
17 limited liability company agreement and, if not otherwise provided in
18 a limited liability company agreement, the member (or the member's
19 assignee) is entitled to receive, within a reasonable time after
20 dissociation, the fair value of the member's limited liability company
21 interest as of the date of the dissociation based upon the member's
22 right to share in distributions from the limited liability company.

23 NEW SECTION. **Sec. 603.** DISTRIBUTION IN-KIND. Except as provided
24 in a limited liability company agreement, a member, regardless of the
25 nature of the member's contribution, has no right to demand and receive
26 any distribution from a limited liability company in any form other
27 than cash. Except as provided in a limited liability company
28 agreement, a member may not be compelled to accept a distribution of
29 any asset in-kind from a limited liability company to the extent that
30 the percentage of the asset distributed to the member exceeds a
31 percentage of that asset which is equal to the percentage in which he
32 or she shares in distributions from the limited liability company.

1 NEW SECTION. **Sec. 604.** RIGHT TO DISTRIBUTION. Subject to
2 sections 605 and 807 of this act, and unless otherwise provided in a
3 limited liability company agreement, at the time a member becomes
4 entitled to receive a distribution, he or she has the status of, and is
5 entitled to all remedies available to, a creditor of a limited
6 liability company with respect to the distribution. A limited
7 liability company agreement may provide for the establishment of a
8 record date with respect to allocations and distributions by a limited
9 liability company.

10 NEW SECTION. **Sec. 605.** LIMITATIONS ON DISTRIBUTION. (1) A
11 limited liability company shall not make a distribution to a member to
12 the extent that at the time of the distribution, after giving effect to
13 the distribution (a) the limited liability company would not be able to
14 pay its debts as they became due in the usual course of business, or
15 (b) all liabilities of the limited liability company, other than
16 liabilities to members on account of their limited liability company
17 interests and liabilities for which the recourse of creditors is
18 limited to specified property of the limited liability company, exceed
19 the fair value of the assets of the limited liability company, except
20 that the fair value of property that is subject to a liability for
21 which the recourse of creditors is limited shall be included in the
22 assets of the limited liability company only to the extent that the
23 fair value of that property exceeds that liability.

24 (2) A member who receives a distribution in violation of subsection
25 (1) of this section, and who knew at the time of the distribution that
26 the distribution violated subsection (1) of this section, shall be
27 liable to a limited liability company for the amount of the
28 distribution. A member who receives a distribution in violation of
29 subsection (1) of this section, and who did not know at the time of the
30 distribution that the distribution violated subsection (1) of this
31 section, shall not be liable for the amount of the distribution.
32 Subject to subsection (3) of this section, this subsection (2) shall
33 not affect any obligation or liability of a member under a limited
34 liability company agreement or other applicable law for the amount of
35 a distribution.

36 (3) Unless otherwise agreed, a member who receives a distribution
37 from a limited liability company shall have no liability under this
38 chapter or other applicable law for the amount of the distribution

1 after the expiration of three years from the date of the distribution
2 unless an action to recover the distribution from such member is
3 commenced prior to the expiration of the said three-year period and an
4 adjudication of liability against such member is made in the said
5 action.

6 **ARTICLE VII. ASSIGNMENT OF LIMITED LIABILITY**
7 **COMPANY INTERESTS**

8 NEW SECTION. **Sec. 701.** NATURE OF LIMITED LIABILITY COMPANY
9 INTEREST--CERTIFICATE OF INTEREST. (1) A limited liability company
10 interest is personal property. A member has no interest in specific
11 limited liability company property.

12 (2) A limited liability company agreement may provide that a
13 member's interest in a limited liability company may be evidenced by a
14 certificate of limited liability company interest issued by the limited
15 liability company.

16 NEW SECTION. **Sec. 702.** ASSIGNMENT OF LIMITED LIABILITY COMPANY
17 INTEREST. (1) A limited liability company interest is assignable in
18 whole or in part except as provided in a limited liability company
19 agreement. The assignee of a member's limited liability company
20 interest shall have no right to participate in the management of the
21 business and affairs of a limited liability company except:

22 (a) Upon the approval of all of the members of the limited
23 liability company other than the member assigning his or her limited
24 liability company interest; or

25 (b) As provided in a limited liability company agreement.

26 (2) Unless otherwise provided in a limited liability company
27 agreement:

28 (a) An assignment entitles the assignee to share in such profits
29 and losses, to receive such distributions, and to receive such
30 allocation of income, gain, loss, deduction, or credit or similar item
31 to which the assignor was entitled, to the extent assigned; and

32 (b) A member ceases to be a member and to have the power to
33 exercise any rights or powers of a member upon assignment of all of his
34 or her limited liability company interest.

1 (3) For the purposes of this chapter, unless otherwise provided in
2 a limited liability company agreement:

3 (a) The pledge of, or granting of a security interest, lien, or
4 other encumbrance in or against, any or all of the limited liability
5 company interest of a member shall not be deemed to be an assignment of
6 the member's limited liability company interest, but a foreclosure or
7 execution sale or exercise of similar rights with respect to all of a
8 member's limited liability company interest shall be deemed to be an
9 assignment of the member's limited liability company interest to the
10 transferee pursuant to such foreclosure or execution sale or exercise
11 of similar rights;

12 (b) The death of a member who is an individual shall be deemed to
13 be an assignment of that member's entire limited liability company
14 interest to his or her personal representative;

15 (c) Where a limited liability company interest is held in a trust
16 or estate, or is held by a trustee, personal representative, or other
17 fiduciary, the transfer of the limited liability company interest,
18 whether to a beneficiary of the trust or estate or otherwise, shall be
19 deemed to be an assignment of such limited liability company interest,
20 but the mere substitution or replacement of the trustee, personal
21 representative, or other fiduciary shall not constitute an assignment
22 of any portion of such limited liability company interest.

23 (4) Unless otherwise provided in a limited liability company
24 agreement and except to the extent assumed by agreement, until an
25 assignee of a limited liability company interest becomes a member, the
26 assignee shall have no liability as a member solely as a result of the
27 assignment.

28 NEW SECTION. **Sec. 703.** RIGHTS OF JUDGMENT CREDITOR. On
29 application to a court of competent jurisdiction by any judgment
30 creditor of a member, the court may charge the limited liability
31 company interest of the member with payment of the unsatisfied amount
32 of the judgment with interest. To the extent so charged, the judgment
33 creditor has only the rights of an assignee of the limited liability
34 company interest. This chapter does not deprive any member of the
35 benefit of any exemption laws applicable to the member's limited
36 liability company interest.

1 (5) The entry of a decree of judicial dissolution under section 802
2 of this act;

3 (6) At any time there are fewer than two members unless, within
4 ninety days following the event of dissociation upon which the number
5 of members is reduced below two, one or more additional members are
6 admitted so that there are at least two members; or

7 (7) The expiration of two years after the effective date of
8 dissolution under section 804 of this act without the reinstatement of
9 the limited liability company.

10 NEW SECTION. **Sec. 802.** JUDICIAL DISSOLUTION. On application by
11 or for a member or manager the superior courts may decree dissolution
12 of a limited liability company whenever: (1) It is not reasonably
13 practicable to carry on the business in conformity with a limited
14 liability company agreement; or (2) other circumstances render
15 dissolution equitable.

16 NEW SECTION. **Sec. 803.** ADMINISTRATIVE DISSOLUTION--COMMENCEMENT
17 OF PROCEEDING. The secretary of state may commence a proceeding under
18 section 804 of this act to administratively dissolve a limited
19 liability company if:

20 (1) The limited liability company is without a registered agent or
21 registered office in this state for sixty days or more; or

22 (2) The limited liability company does not notify the secretary of
23 state within sixty days that its registered agent or registered office
24 has been changed, that its registered agent has resigned, or that its
25 registered office has been discontinued.

26 NEW SECTION. **Sec. 804.** ADMINISTRATIVE DISSOLUTION--NOTICE--
27 OPPORTUNITY TO CORRECT DEFICIENCIES. (1) If the secretary of state
28 determines that one or more grounds exist under section 803 of this act
29 for dissolving a limited liability company, the secretary of state
30 shall give the limited liability company written notice of the
31 determination by first class mail, postage prepaid, reciting the
32 grounds therefor. Notice shall be sent to the address of the principal
33 place of business of the limited liability company as it appears in the
34 records of the secretary of state.

35 (2) If the limited liability company does not correct each ground
36 for dissolution or demonstrate to the reasonable satisfaction of the

1 secretary of state that each ground determined by the secretary of
2 state does not exist within sixty days after notice is sent, the
3 limited liability company is thereupon dissolved. The secretary of
4 state shall give the limited liability company written notice of the
5 dissolution that recites the ground or grounds therefor and its
6 effective date.

7 (3) A limited liability company administratively dissolved
8 continues its existence but may not carry on any business except as
9 necessary to wind up and liquidate its business and affairs.

10 (4) The administrative dissolution of a limited liability company
11 does not terminate the authority of its registered agent.

12 NEW SECTION. **Sec. 805.** ADMINISTRATIVE DISSOLUTION--
13 REINSTATEMENT--APPLICATION--WHEN EFFECTIVE. (1) A limited liability
14 company administratively dissolved under section 804 of this act may
15 apply to the secretary of state for reinstatement within two years
16 after the effective date of dissolution. The application must:

17 (a) Recite the name of the limited liability company and the
18 effective date of its administrative dissolution;

19 (b) State that the ground or grounds for dissolution either did not
20 exist or have been eliminated; and

21 (c) State that the limited liability company's name satisfies the
22 requirements of section 102 of this act.

23 (2) If the secretary of state determines that the application
24 contains the information required by subsection (1) of this section and
25 that the name is available, the secretary of state shall reinstate the
26 limited liability company and give the limited liability company
27 written notice, as provided in section 804(1) of this act, of the
28 reinstatement that recites the effective date of reinstatement. If the
29 name is not available, the limited liability company must file with its
30 application for reinstatement an amendment to its certificate of
31 formation reflecting a change of name.

32 (3) When the reinstatement is effective, it relates back to and
33 takes effect as of the effective date of the administrative dissolution
34 and the limited liability company may resume carrying on its business
35 as if the administrative dissolution had never occurred.

36 (4) If an application for reinstatement is not made within the two-
37 year period set forth in subsection (1) of this section, or if the
38 application made within this period is not granted, the secretary of

1 state shall cancel the limited liability company's certificate of
2 formation.

3 NEW SECTION. **Sec. 806.** WINDING UP. (1) Unless otherwise provided
4 in a limited liability company agreement, a manager who has not
5 wrongfully dissolved a limited liability company or, if none, the
6 members or a person approved by the members or, if there is more than
7 one class or group of members, then by each class or group of members,
8 in either case, by members contributing, or required to contribute,
9 more than fifty percent of the agreed value (as stated in the records
10 of the limited liability company required to be kept pursuant to
11 section 305 of this act) of the contributions made, or required to be
12 made, by all members, or by the members in each class or group, as
13 appropriate, may wind up the limited liability company's affairs. The
14 superior courts, upon cause shown, may wind up the limited liability
15 company's affairs upon application of any member or manager, his or her
16 legal representative or assignee, and in connection therewith, may
17 appoint a receiver.

18 (2) Upon dissolution of a limited liability company and until the
19 filing of a certificate of cancellation as provided in section 203 of
20 this act, the persons winding up the limited liability company's
21 affairs may, in the name of, and for and on behalf of, the limited
22 liability company, prosecute and defend suits, whether civil, criminal,
23 or administrative, gradually settle and close the limited liability
24 company's business, dispose of and convey the limited liability
25 company's property, discharge or make reasonable provision for the
26 limited liability company's liabilities, and distribute to the members
27 any remaining assets of the limited liability company.

28 NEW SECTION. **Sec. 807.** DISTRIBUTION OF ASSETS. (1) Upon the
29 winding up of a limited liability company, the assets shall be
30 distributed as follows:

31 (a) To creditors, including members and managers who are creditors,
32 to the extent otherwise permitted by law, in satisfaction of
33 liabilities of the limited liability company (whether by payment or the
34 making of reasonable provision for payment thereof) other than
35 liabilities for which reasonable provision for payment has been made
36 and liabilities for distributions to members under section 601 or 604
37 of this act;

1 (b) Unless otherwise provided in a limited liability company
2 agreement, to members and former members in satisfaction of liabilities
3 for distributions under section 601 or 604 of this act; and

4 (c) Unless otherwise provided in a limited liability company
5 agreement, to members first for the return of their contributions and
6 second respecting their limited liability company interests, in the
7 proportions in which the members share in distributions.

8 (2) A limited liability company which has dissolved shall pay or
9 make reasonable provision to pay all claims and obligations, including
10 all contingent, conditional, or unmatured claims and obligations, known
11 to the limited liability company and all claims and obligations which
12 are known to the limited liability company but for which the identity
13 of the claimant is unknown. If there are sufficient assets, such
14 claims and obligations shall be paid in full and any such provision for
15 payment made shall be made in full. If there are insufficient assets,
16 such claims and obligations shall be paid or provided for according to
17 their priority and, among claims and obligations of equal priority,
18 ratably to the extent of assets available therefor. Unless otherwise
19 provided in a limited liability company agreement, any remaining assets
20 shall be distributed as provided in this chapter. Any person winding
21 up a limited liability company's affairs who has complied with this
22 section is not personally liable to the claimants of the dissolved
23 limited liability company by reason of such person's actions in winding
24 up the limited liability company.

25 **ARTICLE IX. FOREIGN LIMITED LIABILITY COMPANIES**

26 NEW SECTION. **Sec. 901.** LAW GOVERNING. (1) Subject to the
27 Constitution of the state of Washington:

28 (a) The laws of the state, territory, possession, or other
29 jurisdiction or country under which a foreign limited liability company
30 is organized govern its organization and internal affairs and the
31 liability of its members and managers; and

32 (b) A foreign limited liability company may not be denied
33 registration by reason of any difference between those laws and the
34 laws of this state.

35 (2) A foreign limited liability company is subject to section 106
36 of this act.

1 (3) A foreign limited liability company and its members and
2 managers doing business in this state thereby submit to personal
3 jurisdiction of the courts of this state and are subject to section 303
4 of this act.

5 NEW SECTION. **Sec. 902.** REGISTRATION REQUIRED--APPLICATION.

6 Before doing business in this state, a foreign limited liability
7 company shall register with the secretary of state. In order to
8 register, a foreign limited liability company shall submit to the
9 secretary of state, an application for registration as a foreign
10 limited liability company executed by any member or manager of the
11 foreign limited liability company, setting forth:

12 (1) The name of the foreign limited liability company and, if
13 different, the name under which it proposes to register and do business
14 in this state;

15 (2) The state, territory, possession, or other jurisdiction or
16 country where formed, the date of its formation and a duly
17 authenticated statement from the secretary of state or other official
18 having custody of limited liability company records in the jurisdiction
19 under whose law it was formed, that as of the date of filing the
20 foreign limited liability company validly exists as a limited liability
21 company under the laws of the jurisdiction of its formation;

22 (3) The nature of the business or purposes to be conducted or
23 promoted in this state;

24 (4) The address of the registered office and the name and address
25 of the registered agent for service of process required to be
26 maintained by section 904(2) of this act;

27 (5) The address of the principal place of business of the foreign
28 limited liability company;

29 (6) A statement that the secretary of state is appointed the agent
30 of the foreign limited liability company for service of process under
31 the circumstances set forth in section 910(2) of this act; and

32 (7) The date on which the foreign limited liability company first
33 did, or intends to do, business in this state.

34 NEW SECTION. **Sec. 903.** ISSUANCE OF REGISTRATION. (1) If the

35 secretary of state finds that an application for registration conforms
36 to law and all requisite fees have been paid, the secretary shall:

1 (a) Certify that the application has been filed in his or her
2 office by endorsing upon the original application the word "Filed," and
3 the date of the filing. This endorsement is conclusive of the date of
4 its filing in the absence of actual fraud;

5 (b) File the endorsed application.

6 (2) The duplicate of the application, similarly endorsed, shall be
7 returned to the person who filed the application or that person's
8 representative.

9 NEW SECTION. **Sec. 904.** NAME--REGISTERED OFFICE--REGISTERED AGENT.

10 (1) A foreign limited liability company may register with the secretary
11 of state under any name (whether or not it is the name under which it
12 is registered in the jurisdiction of its formation) that includes the
13 words "Limited Liability Company," the words "Limited Liability" and
14 the abbreviation "Co.," or the abbreviation "L.L.C." and that could be
15 registered by a domestic limited liability company. A foreign limited
16 liability company may apply to the secretary of state for authorization
17 to use a name which is not distinguishable upon the records of the
18 office of the secretary of state from the names described in RCW
19 23B.04.010(1)(d), and the names of any domestic or foreign limited
20 liability company reserved, registered, or formed under the laws of
21 this state. The secretary of state shall authorize use of the name
22 applied for if the other corporation, limited liability company, or
23 limited partnership consents in writing to the use and files with the
24 secretary of state documents necessary to change its name, or the name
25 reserved or registered to a name that is distinguishable upon the
26 records of the secretary of state from the name of the applying foreign
27 limited liability company.

28 (2) Each foreign limited liability company shall continuously
29 maintain in this state:

30 (a) A registered office, which may but need not be a place of its
31 business in this state. The registered office shall be at a specific
32 geographic location in this state, and be identified by number, if any,
33 and street, or building address or rural route, or, if a commonly known
34 street or rural route address does not exist, by legal description. A
35 registered office may not be identified by post office box number or
36 other nongeographic address. For purposes of communicating by mail,
37 the secretary of state may permit the use of a post office address in
38 the same city as the registered office in conjunction with the

1 registered office address if the foreign limited liability company also
2 maintains on file the specific geographic address of the registered
3 office where personal service of process may be made;

4 (b) A registered agent for service of process on the foreign
5 limited liability company, which agent may be either an individual
6 resident of this state whose business office is identical with the
7 foreign limited liability company's registered office, or a domestic
8 corporation, a limited partnership or limited liability company, or a
9 foreign corporation authorized to do business in this state having a
10 business office identical with such registered office; and

11 (c) A registered agent who shall not be appointed without having
12 given prior written consent to the appointment. The written consent
13 shall be filed with the secretary of state in such form as the
14 secretary may prescribe. The written consent shall be filled with or
15 as a part of the document first appointing a registered agent. In the
16 event any individual, limited liability company, limited partnership,
17 or corporation has been appointed agent without consent, that person or
18 corporation may file a notarized statement attesting to that fact, and
19 the name shall forthwith be removed from the records of the secretary
20 of state.

21 (3) A registered agent may change the address of the registered
22 office of the foreign limited liability company or companies for which
23 the registered agent is registered agent to another address in this
24 state by filing with the secretary of state a certificate, executed by
25 such registered agent, setting forth the names of all the foreign
26 limited liability companies represented by such registered agent, and
27 the address at which such registered agent has maintained the
28 registered office for each of such foreign limited liability companies,
29 and further certifying to the new address to which each such registered
30 office will be changed on a given day, and at which new address such
31 registered agent will thereafter maintain the registered office for
32 each of the foreign limited liability companies recited in the
33 certificate. Upon the filing of such certificate, the secretary of
34 state shall furnish to the registered agent a certified copy of the
35 same, and thereafter, or until further change of address, as authorized
36 by law, the registered office in this state of each of the foreign
37 limited liability companies recited in the certificate shall be located
38 at the new address of the registered agent thereof as given in the
39 certificate. In the event of a change of name of any person acting as

1 a registered agent of a foreign limited liability company, such
2 registered agent shall file with the secretary of state a certificate,
3 executed by such registered agent, setting forth the new name of such
4 registered agent, the name of such registered agent before it was
5 changed, the names of all the foreign limited liability companies
6 represented by such registered agent, and the address at which such
7 registered agent has maintained the registered office for each of such
8 foreign limited liability companies. Upon the filing of such
9 certificate, the secretary of state shall furnish to the registered
10 agent a certified copy of the same. Filing a certificate under this
11 section shall be deemed to be an amendment of the application for
12 registration of each foreign limited liability company affected thereby
13 and each foreign limited liability company shall not be required to
14 take any further action with respect thereto, to amend its application
15 under section 905 of this act. Any registered agent filing a
16 certificate under this section shall promptly, upon such filing,
17 deliver a copy of any such certificate to each foreign limited
18 liability company affected thereby.

19 (4) The registered agent of one or more foreign limited liability
20 companies may resign and appoint a successor registered agent by filing
21 a certificate with the secretary of state, stating that it resigns and
22 the name and address of the successor registered agent. There shall be
23 attached to such certificate a statement executed by each affected
24 foreign limited liability company ratifying and approving such change
25 of registered agent. Upon such filing, the successor registered agent
26 shall become the registered agent of such foreign limited liability
27 company as has ratified and approved such substitution and the
28 successor registered agent's address, as stated in such certificate,
29 shall become the address of each such foreign limited liability
30 company's registered office in this state. The secretary of state
31 shall furnish to the successor registered agent a certified copy of the
32 certificate of resignation. Filing of such certificate of resignation
33 shall be deemed to be an amendment of the application for registration
34 of each foreign limited liability company affected thereby and each
35 such foreign limited liability company shall not be required to take
36 any further action with respect thereto, to amend its application under
37 section 905 of this act.

38 (5) The registered agent of a foreign limited liability company may
39 resign without appointing a successor registered agent by filing a

1 certificate with the secretary of state stating that it resigns as
2 registered agent for the foreign limited liability company identified
3 in the certificate, but such resignation shall not become effective
4 until one hundred twenty days after the certificate is filed. There
5 shall be attached to such certificate an affidavit of such registered
6 agent, if an individual, or of the president, a vice-president, or the
7 secretary thereof if a corporation, that at least thirty days prior to
8 and on or about the date of the filing of said certificate, notices
9 were sent by certified or registered mail to the foreign limited
10 liability companies for which such registered agent is resigning as
11 registered agent, at the principal office thereof within or outside
12 this state, if known to such registered agent or, if not, to the last
13 known address of the attorney or other individual at whose request such
14 registered agent was appointed for such foreign limited liability
15 company, of the resignation of such registered agent. After receipt of
16 the notice of the resignation of its registered agent, the foreign
17 limited liability company for which such registered agent was acting
18 shall obtain and designate a new registered agent, to take the place of
19 the registered agent so resigning. If such foreign limited liability
20 company fails to obtain and designate a new registered agent as
21 aforesaid prior to the expiration of the period of one hundred twenty
22 days after the filing by the registered agent of the certificate of
23 resignation, such foreign limited liability company shall not be
24 permitted to do business in this state and its registration shall be
25 deemed to be canceled. After the resignation of the registered agent
26 shall have become effective as provided in this section and if no new
27 registered agent shall have been obtained and designated in the time
28 and manner aforesaid, service of legal process against the foreign
29 limited liability company for which the resigned registered agent had
30 been acting shall thereafter be upon the secretary of state in
31 accordance with section 911 of this act.

32 NEW SECTION. **Sec. 905.** AMENDMENTS TO APPLICATION. If any
33 statement in the application for registration of a foreign limited
34 liability company was false when made or any arrangements or other
35 facts described have changed, making the application false in any
36 respect, the foreign limited liability company shall promptly file in
37 the office of the secretary of state a certificate, executed by any
38 member or manager, correcting such statement.

1 NEW SECTION. **Sec. 906.** CANCELLATION OF REGISTRATION. (1) A
2 foreign limited liability company may cancel its registration by filing
3 with the secretary of state a certificate of cancellation, executed by
4 any member or manager. A cancellation does not terminate the authority
5 of the secretary of state to accept service of process on the foreign
6 limited liability company with respect to causes of action arising out
7 of the doing of business in this state.

8 (2) The certificate of cancellation shall set forth:

9 (a) The name of the foreign limited liability company;

10 (b) The date of filing of its certificate of registration;

11 (c) The reason for filing the certificate of cancellation;

12 (d) The future effective date (not later than the ninetieth day
13 after the date it is filed) of cancellation if it is not to be
14 effective upon filing of the certificate;

15 (e) The address to which service of process may be forwarded; and

16 (f) Any other information the person filing the certificate of
17 cancellation desires.

18 NEW SECTION. **Sec. 907.** DOING BUSINESS WITHOUT REGISTRATION. (1)
19 A foreign limited liability company doing business in this state may
20 not maintain any action, suit, or proceeding in this state until it has
21 registered in this state, and has paid to this state all fees and
22 penalties for the years or parts thereof, during which it did business
23 in this state without having registered.

24 (2) The failure of a foreign limited liability company to register
25 in this state does not impair:

26 (a) The validity of any contract or act of the foreign limited
27 liability company;

28 (b) The right of any other party to the contract to maintain any
29 action, suit, or proceeding on the contract; or

30 (c) Prevent the foreign limited liability company from defending
31 any action, suit, or proceeding in any court of this state.

32 (3) A member or a manager of a foreign limited liability company is
33 not liable for the obligations of the foreign limited liability company
34 solely by reason of the limited liability company's having done
35 business in this state without registration.

36 NEW SECTION. **Sec. 908.** FOREIGN LIMITED LIABILITY COMPANIES DOING
37 BUSINESS WITHOUT HAVING QUALIFIED--INJUNCTIONS. The superior courts

1 shall have jurisdiction to enjoin any foreign limited liability
2 company, or any agent thereof, from doing any business in this state if
3 such foreign limited liability company has failed to register under
4 this article or if such foreign limited liability company has secured
5 a certificate of registration from the secretary of state under section
6 903 of this act on the basis of false or misleading representations.
7 The secretary of state shall, upon the secretary's own motion or upon
8 the relation of proper parties, proceed for this purpose by complaint
9 in any county in which such foreign limited liability company is doing
10 or has done business.

11 NEW SECTION. **Sec. 909.** TRANSACTIONS NOT CONSTITUTING TRANSACTING
12 BUSINESS. (1) The following activities, among others, do not
13 constitute transacting business within the meaning of this article:

14 (a) Maintaining or defending any action or suit or any
15 administrative or arbitration proceeding, or effecting the settlement
16 thereof or the settlement of claims or disputes;

17 (b) Holding meetings of the members, or managers if any, or
18 carrying on other activities concerning internal limited liability
19 company affairs;

20 (c) Maintaining bank accounts, share accounts in savings and loan
21 associations, custodian or agency arrangements with a bank or trust
22 company, or stock or bond brokerage accounts;

23 (d) Maintaining offices or agencies for the transfer, exchange, and
24 registration of the foreign limited liability company's own securities
25 or interests or maintaining trustees or depositaries with respect to
26 those securities or interests;

27 (e) Selling through independent contractors;

28 (f) Soliciting or procuring orders, whether by mail or through
29 employees or agents or otherwise, where the orders require acceptance
30 outside this state before becoming binding contracts and where the
31 contracts do not involve any local performance other than delivery and
32 installation;

33 (g) Making loans or creating or acquiring evidences of debt,
34 mortgages, or liens on real or personal property, or recording same;

35 (h) Securing or collecting debts or enforcing mortgages and
36 security interests in property securing the debts;

37 (i) Owning, without more, real or personal property;

1 (j) Conducting an isolated transaction that is completed within
2 thirty days and that is not one in the course of repeated transactions
3 of a like nature;

4 (k) Transacting business in interstate commerce;

5 (l) Owning a controlling interest in a corporation or a foreign
6 corporation that transacts business within this state;

7 (m) Participating as a limited partner of a domestic or foreign
8 limited partnership that transacts business within this state; or

9 (n) Participating as a member or a manager of a domestic or foreign
10 limited liability company that transacts business within this state.

11 (2) The list of activities in subsection (1) of this section is not
12 exhaustive.

13 NEW SECTION. **Sec. 910.** SERVICE OF PROCESS ON REGISTERED FOREIGN
14 LIMITED LIABILITY COMPANIES. (1) A foreign limited liability company's
15 registered agent is its agent for service of process, notice, or demand
16 required or permitted by law to be served on the foreign limited
17 liability company.

18 (2) The secretary of state shall be an agent of a foreign limited
19 liability company upon whom any such process, notice, or demand may be
20 served if:

21 (a) The foreign limited liability company fails to appoint or
22 maintain a registered agent in this state; or

23 (b) The registered agent cannot with reasonable diligence be found
24 at the registered office.

25 (3) Service on the secretary of state of any such process, notice,
26 or demand shall be made by delivering to and leaving with the secretary
27 of state, or with any duly authorized clerk of the secretary of state's
28 office, the process, notice, or demand. In the event any such process,
29 notice, or demand is served on the secretary of state, the secretary of
30 state shall immediately cause a copy thereof to be forwarded by
31 certified mail, addressed to the foreign limited liability company at
32 the address of its principal place of business as it appears on the
33 records of the secretary of state. Any service so had on the secretary
34 of state shall be returnable in not less than thirty days.

35 (4) The secretary of state shall keep a record of all processes,
36 notices, and demands served upon the secretary of state under this
37 section, and shall record therein the time of such service and the
38 secretary of state's action with reference thereto.

1 (5) This section does not limit or affect the right to serve any
2 process, notice, or demand required or permitted by law to be served
3 upon a foreign limited liability company in any other manner now or
4 hereafter permitted by law.

5 NEW SECTION. **Sec. 911.** SERVICE OF PROCESS ON UNREGISTERED FOREIGN
6 LIMITED LIABILITY COMPANIES. (1) Any foreign limited liability company
7 which shall do business in this state without having registered under
8 section 902 of this act shall be deemed to have thereby appointed and
9 constituted the secretary of state its agent for the acceptance of
10 legal process in any civil action, suit, or proceeding against it in
11 any state or federal court in this state arising or growing out of any
12 business done by it within this state. The doing of business in this
13 state by such foreign limited liability company shall be a
14 signification of the agreement of such foreign limited liability
15 company that any such process when so served shall be of the same legal
16 force and validity as if served upon a registered agent personally
17 within this state.

18 (2) In the event of service upon the secretary of state in
19 accordance with subsection (1) of this section, the secretary of state
20 shall forthwith notify the foreign limited liability company thereof by
21 letter, certified mail, return receipt requested, directed to the
22 foreign limited liability company at the address furnished to the
23 secretary of state by the plaintiff in such action, suit, or
24 proceeding. Such letter shall enclose a copy of the process and any
25 other papers served upon the secretary of state. It shall be the duty
26 of the plaintiff in the event of such service to serve process and any
27 other papers in duplicate, to notify the secretary of state that
28 service is being made pursuant to this subsection.

29 **ARTICLE X. DERIVATIVE ACTIONS**

30 NEW SECTION. **Sec. 1001.** RIGHT TO BRING ACTION. A member may
31 bring an action in the superior courts in the right of a limited
32 liability company to recover a judgment in its favor if managers or
33 members with authority to do so have refused to bring the action or if
34 an effort to cause those managers or members to bring the action is not
35 likely to succeed.

1 merger into the interests, shares, obligations, or other securities of
2 the surviving or any other limited liability company, limited
3 partnership, or corporation or into cash or other property in whole or
4 part.

5 (3) The plan of merger may set forth:

6 (a) Amendments to the certificate of formation of the surviving
7 limited liability company;

8 (b) Amendments to the certificate of limited partnership of the
9 surviving limited partnership;

10 (c) Amendments to the articles of incorporation of the surviving
11 corporation; and

12 (d) Other provisions relating to the merger.

13 (4) If the plan of merger does not specify a delayed effective
14 date, it shall become effective upon the filing of articles of merger.
15 If the plan of merger specifies a delayed effective time and date, the
16 plan of merger becomes effective at the time and date specified. If
17 the plan of merger specifies a delayed effective date but no time is
18 specified, the plan of merger is effective at the close of business on
19 that date. A delayed effective date for a plan of merger may not be
20 later than the ninetieth day after the date it is filed.

21 NEW SECTION. **Sec. 1102.** MERGER--PLAN--APPROVAL. (1) Unless
22 otherwise provided in the limited liability company agreement, approval
23 of a plan of merger by a domestic limited liability company party to
24 the merger shall occur when the plan is approved by the members, or if
25 there is more than one class or group of members, then by each class or
26 group of members, in either case, by members contributing more than
27 fifty percent of the agreed value (as stated in the records of the
28 limited liability company required to be kept pursuant to section 305
29 of this act) of the contributions made, or obligated to be made, by all
30 members or by the members in each class or group, as appropriate.

31 (2) If a domestic limited partnership is a party to the merger, the
32 plan of merger shall be adopted and approved as provided in RCW
33 25.10.810.

34 (3) If a domestic corporation is a party to the merger, the plan of
35 merger shall be adopted and approved as provided in chapter 23B.11 RCW.

36 NEW SECTION. **Sec. 1103.** ARTICLES OF MERGER--FILING. After a plan
37 of merger is approved or adopted, the surviving limited liability

1 company, limited partnership, or corporation shall deliver to the
2 secretary of state for filing articles of merger setting forth:

3 (1) The plan of merger;

4 (2) If the approval of any members, partners, or shareholders of
5 one or more limited liability companies, limited partnerships, or
6 corporations party to the merger was not required, a statement to that
7 effect; or

8 (3) If the approval of any members, partners, or shareholders of
9 one or more of the limited liability companies, limited partnerships,
10 or corporations party to the merger was required, a statement that the
11 merger was duly approved by such members, partners, and shareholders
12 pursuant to section 1102 of this act, RCW 25.10.810, or chapter 23B.11
13 RCW.

14 NEW SECTION. **Sec. 1104.** EFFECT OF MERGER. (1) When a merger
15 takes effect:

16 (a) Every other limited liability company, limited partnership, or
17 corporation that is party to the merger merges into the surviving
18 limited liability company, limited partnership, or corporation and the
19 separate existence of every limited liability company, limited
20 partnership, or corporation except the surviving limited liability
21 company, limited partnership, or corporation ceases;

22 (b) The title to all real estate and other property owned by each
23 limited liability company, limited partnership, and corporation party
24 to the merger is vested in the surviving limited liability company,
25 limited partnership, or corporation without reversion or impairment;

26 (c) The surviving limited liability company, limited partnership,
27 or corporation has all liabilities of each limited liability company,
28 limited partnership, and corporation that is party to the merger;

29 (d) A proceeding pending against any limited liability company,
30 limited partnership, or corporation that is party to the merger may be
31 continued as if the merger did not occur or the surviving limited
32 liability company, limited partnership, or corporation may be
33 substituted in the proceeding for the limited liability company,
34 limited partnership, or corporation whose existence ceased;

35 (e) The certificate of formation of the surviving limited liability
36 company is amended to the extent provided in the plan of merger;

37 (f) The partnership agreement of the surviving limited partnership
38 is amended to the extent provided in the plan of merger;

1 (g) The articles of incorporation of the surviving corporation are
2 amended to the extent provided in the plan of merger; and

3 (h) The former members of every limited liability company party to
4 the merger, holders of the partnership interests of every domestic
5 limited partnership that is party to the merger, and the former holders
6 of the shares of every domestic corporation that is party to the merger
7 are entitled only to the rights provided in the plan of merger, or to
8 their rights under this article, to their rights under RCW 25.10.900
9 through 25.10.955, or to their rights under chapter 23B.13 RCW.

10 (2) Unless otherwise agreed, a merger of a domestic limited
11 liability company, including a domestic limited liability company which
12 is not the surviving entity in the merger, shall not require the
13 domestic limited liability company to wind up its affairs under section
14 806 of this act or pay its liabilities and distribute its assets under
15 section 807 of this act.

16 (3) Unless otherwise agreed, a merger of a domestic limited
17 partnership, including a domestic limited partnership which is not the
18 surviving entity in the merger, shall not require the domestic limited
19 partnership to wind up its affairs under RCW 25.10.460 or pay its
20 liabilities and distribute its assets under RCW 25.10.470.

21 NEW SECTION. Sec. 1105. MERGER--FOREIGN AND DOMESTIC. (1) One or
22 more foreign limited liability companies, one or more foreign limited
23 partnerships, and one or more foreign corporations may merge with one
24 or more domestic limited liability companies, domestic limited
25 partnerships, or domestic corporations if:

26 (a) The merger is permitted by the law of the jurisdiction under
27 which each foreign limited liability company was formed, each foreign
28 limited partnership was organized, and each foreign corporation was
29 incorporated, and each foreign limited liability company, foreign
30 limited partnership, and foreign corporation complies with that law in
31 effecting the merger;

32 (b) The surviving entity complies with section 1103 of this act;

33 (c) Each domestic limited liability company complies with section
34 1102 of this act;

35 (d) Each domestic limited partnership complies with RCW 25.10.810;
36 and

37 (e) Each domestic corporation complies with RCW 23B.11.080.

1 (2) Upon the merger taking effect, a surviving foreign limited
2 liability company, limited partnership, or corporation is deemed to
3 appoint the secretary of state as its agent for service of process in
4 a proceeding to enforce any obligation or the rights of dissenting
5 partners or shareholders of each domestic limited liability company,
6 domestic limited partnership, or domestic corporation party to the
7 merger.

8 **ARTICLE XII. DISSENTERS' RIGHTS**

9 NEW SECTION. **Sec. 1201.** DEFINITIONS. As used in this article,
10 unless the context otherwise requires:

11 (1) "Limited liability company" means the domestic limited
12 liability company in which the dissenter holds or held a membership
13 interest, or the surviving limited liability company, limited
14 partnership, or corporation by merger, whether foreign or domestic, of
15 that limited liability company.

16 (2) "Dissenter" means a member who is entitled to dissent from a
17 plan of merger and who exercises that right when and in the manner
18 required by this article.

19 (3) "Fair value," with respect to a dissenter's limited liability
20 company interest, means the value of the member's limited liability
21 company interest immediately before the effectuation of the merger to
22 which the dissenter objects, excluding any appreciation or depreciation
23 in anticipation of the merger unless exclusion would be inequitable.

24 (4) "Interest" means interest from the effective date of the merger
25 until the date of payment, at the average rate currently paid by the
26 limited liability company on its principal bank loans or, if none, at
27 a rate that is fair and equitable under all the circumstances.

28 NEW SECTION. **Sec. 1202.** MEMBER--DISSENT--PAYMENT OF FAIR VALUE.

29 (1) Except as provided in section 1204 or 1206(2) of this act, a member
30 of a domestic limited liability company is entitled to dissent from,
31 and obtain payment of, the fair value of the member's interest in a
32 limited liability company in the event of consummation of a plan of
33 merger to which the limited liability company is a party as permitted
34 by section 1101 or 1105 of this act.

1 (2) A member entitled to dissent and obtain payment for the
2 member's interest in a limited liability company under this article may
3 not challenge the merger creating the member's entitlement unless the
4 merger fails to comply with the procedural requirements imposed by this
5 title, Title 23B RCW, RCW 25.10.800 through 25.10.840, or the limited
6 liability company agreement, or is fraudulent with respect to the
7 member or the limited liability company.

8 (3) The right of a dissenting member in a limited liability company
9 to obtain payment of the fair value of the member's interest in the
10 limited liability company shall terminate upon the occurrence of any
11 one of the following events:

12 (a) The proposed merger is abandoned or rescinded;

13 (b) A court having jurisdiction permanently enjoins or sets aside
14 the merger; or

15 (c) The member's demand for payment is withdrawn with the written
16 consent of the limited liability company.

17 NEW SECTION. Sec. 1203. DISSENTERS' RIGHTS--NOTICE--TIMING. (1)
18 Not less than ten days prior to the approval of a plan of merger, the
19 limited liability company must send a written notice to all members who
20 are entitled to vote on or approve the plan of merger that they may be
21 entitled to assert dissenters' rights under this article. Such notice
22 shall be accompanied by a copy of this article.

23 (2) The limited liability company shall notify in writing all
24 members not entitled to vote on or approve the plan of merger that the
25 plan of merger was approved, and send them the dissenters' notice as
26 required by section 1205 of this act.

27 NEW SECTION. Sec. 1204. MEMBER--DISSENT--VOTING RESTRICTION. A
28 member of a limited liability company who is entitled to vote on or
29 approve the plan of merger and who wishes to assert dissenters' rights
30 must not vote in favor of or approve the plan of merger. A member who
31 does not satisfy the requirements of this section is not entitled to
32 payment for the member's interest in the limited liability company
33 under this article.

34 NEW SECTION. Sec. 1205. MEMBERS--DISSENTERS' NOTICE--
35 REQUIREMENTS. (1) If the plan of merger is approved, the limited

1 liability company shall deliver a written dissenters' notice to all
2 members who satisfied the requirements of section 1204 of this act.

3 (2) The dissenters' notice required by section 1203(2) of this act
4 or by subsection (1) of this section must be sent within ten days after
5 the approval of the plan of merger, and must:

6 (a) State where the payment demand must be sent;

7 (b) Inform members as to the extent transfer of the member's
8 interest in the limited liability company will be restricted as
9 permitted by section 1207 of this act after the payment demand is
10 received;

11 (c) Supply a form for demanding payment;

12 (d) Set a date by which the limited liability company must receive
13 the payment demand, which date may not be fewer than thirty nor more
14 than sixty days after the date the notice under this section is
15 delivered; and

16 (e) Be accompanied by a copy of this article.

17 NEW SECTION. Sec. 1206. MEMBER--PAYMENT DEMAND--ENTITLEMENT. (1)
18 A member of a limited liability company who demands payment retains all
19 other rights of a member of such company until the proposed merger
20 becomes effective.

21 (2) A member of a limited liability company sent a dissenters'
22 notice who does not demand payment by the date set in the dissenters'
23 notice is not entitled to payment for the member's interest in the
24 limited liability company under this article.

25 NEW SECTION. Sec. 1207. MEMBER'S INTERESTS--TRANSFER RESTRICTION.
26 The limited liability company agreement may restrict the transfer of
27 members' interests in the limited liability company from the date the
28 demand for their payment is received until the proposed merger becomes
29 effective or the restriction is released under this article.

30 NEW SECTION. Sec. 1208. PAYMENT OF FAIR VALUE--REQUIREMENTS FOR
31 COMPLIANCE. (1) Within thirty days of the later of the date the
32 proposed merger becomes effective, or the payment demand is received,
33 the limited liability company shall pay each dissenter who complied
34 with section 1206 of this act the amount the limited liability company
35 estimates to be the fair value of the dissenting member's interest in
36 the limited liability company, plus accrued interest.

- 1 (2) The payment must be accompanied by:
- 2 (a) Copies of the financial statements for the limited liability
3 company for its most recent fiscal year;
- 4 (b) An explanation of how the limited liability company estimated
5 the fair value of the member's interest in the limited liability
6 company;
- 7 (c) An explanation of how the accrued interest was calculated;
- 8 (d) A statement of the dissenter's right to demand payment; and
- 9 (e) A copy of this article.

10 NEW SECTION. Sec. 1209. MERGER--NOT EFFECTIVE WITHIN SIXTY DAYS--
11 TRANSFER RESTRICTIONS. (1) If the proposed merger does not become
12 effective within sixty days after the date set for demanding payment,
13 the limited liability company shall release any transfer restrictions
14 imposed as permitted by section 1207 of this act.

15 (2) If, after releasing transfer restrictions, the proposed merger
16 becomes effective, the limited liability company must send a new
17 dissenters' notice as provided in sections 1203(2) and 1205 of this act
18 and repeat the payment demand procedure.

19 NEW SECTION. Sec. 1210. DISSENTER'S ESTIMATE OF FAIR VALUE--
20 NOTICE. (1) A dissenting member may notify the limited liability
21 company in writing of the dissenter's own estimate of the fair value of
22 the dissenter's interest in the limited liability company, and amount
23 of interest due, and demand payment of the dissenter's estimate, less
24 any payment under section 1208 of this act, if:

25 (a) The dissenter believes that the amount paid is less than the
26 fair value of the dissenter's interest in the limited liability
27 company, or that the interest due is incorrectly calculated;

28 (b) The limited liability company fails to make payment within
29 sixty days after the date set for demanding payment; or

30 (c) The limited liability company, having failed to effectuate the
31 proposed merger, does not release the transfer restrictions imposed on
32 members' interests as permitted by section 1207 of this act within
33 sixty days after the date set for demanding payment.

34 (2) A dissenter waives the right to demand payment under this
35 section unless the dissenter notifies the limited liability company of
36 the dissenter's demand in writing under subsection (1) of this section

1 within thirty days after the limited liability company made payment for
2 the dissenter's interest in the limited liability company.

3 NEW SECTION. **Sec. 1211.** UNSETTLED DEMAND FOR PAYMENT--
4 PROCEEDING--PARTIES--APPRAISERS. (1) If a demand for payment under
5 section 1206 of this act remains unsettled, the limited liability
6 company shall commence a proceeding within sixty days after receiving
7 the payment demand and petition the court to determine the fair value
8 of the dissenting member's interest in the limited liability company,
9 and accrued interest. If the limited liability company does not
10 commence the proceeding within the sixty-day period, it shall pay each
11 dissenter whose demand remains unsettled the amount demanded.

12 (2) The limited liability company shall commence the proceeding in
13 the superior court. If the limited liability company is a domestic
14 limited liability company, it shall commence the proceeding in the
15 county where its registered office is maintained.

16 (3) The limited liability company shall make all dissenters
17 (whether or not residents of this state) whose demands remain unsettled
18 parties to the proceeding as in an action against their membership
19 interests in the limited liability company and all parties must be
20 served with a copy of the petition. Nonresidents may be served by
21 registered or certified mail or by publication as provided by law.

22 (4) The limited liability company may join as a party to the
23 proceeding any member who claims to be a dissenter but who has not, in
24 the opinion of the limited liability company, complied with the
25 provisions of this article. If the court determines that such member
26 has not complied with the provisions of this article, the member shall
27 be dismissed as a party.

28 (5) The jurisdiction of the court in which the proceeding is
29 commenced is plenary and exclusive. The court may appoint one or more
30 persons as appraisers to receive evidence and recommend decisions on
31 the question of fair value. The appraisers have the powers described
32 in the order appointing them or in any amendment to it. The dissenters
33 are entitled to the same discovery rights as parties in other civil
34 proceedings.

35 (6) Each dissenter made a party to the proceeding is entitled to
36 judgment for the amount, if any, by which the court finds the fair
37 value of the dissenter's membership interest in the limited liability

1 company, plus interest, exceeds the amount paid by the limited
2 liability company.

3 NEW SECTION. **Sec. 1212.** UNSETTLED DEMAND FOR PAYMENT--COSTS--FEES
4 AND EXPENSES OF COUNSEL. (1) The court in a proceeding commenced under
5 section 1211 of this act shall determine all costs of the proceeding,
6 including the reasonable compensation and expenses of appraisers
7 appointed by the court. The court shall assess the costs against the
8 limited liability company, except that the court may assess the costs
9 against all or some of the dissenters, in amounts the court finds
10 equitable, to the extent the court finds the dissenters acted
11 arbitrarily, vexatiously, or not in good faith in demanding payment.

12 (2) The court may also assess the fees and expenses of counsel and
13 experts for the respective parties, in amounts the court finds
14 equitable:

15 (a) Against the limited liability company and in favor of any or
16 all dissenters if the court finds the limited liability company did not
17 substantially comply with the requirements of this article; or

18 (b) Against either the limited liability company or a dissenter, in
19 favor of any other party, if the court finds that the party against
20 whom the fees and expenses are assessed acted arbitrarily, vexatiously,
21 or not in good faith with respect to the rights provided by this
22 article.

23 (3) If the court finds that the services of counsel for any
24 dissenter were of substantial benefit to other dissenters similarly
25 situated, and that the fees for those services should not be assessed
26 against the limited liability company, the court may award to these
27 counsel reasonable fees to be paid out of the amounts awarded to the
28 dissenters who were benefited.

29 **ARTICLE XIII. MISCELLANEOUS**

30 NEW SECTION. **Sec. 1301.** CONSTRUCTION AND APPLICATION OF CHAPTER
31 AND LIMITED LIABILITY COMPANY AGREEMENT. (1) The rule that statutes in
32 derogation of the common law are to be strictly construed shall have no
33 application to this chapter.

1 (2) It is the policy of this chapter to give the maximum effect to
2 the principle of freedom of contract and to the enforceability of
3 limited liability company agreements.

4 (3) Unless the context otherwise requires, as used in this chapter,
5 the singular shall include the plural and the plural may refer to only
6 the singular. The captions contained herein are for purposes of
7 convenience only and shall not control or affect the construction of
8 this chapter and do not constitute part of the law.

9 NEW SECTION. **Sec. 1302.** ESTABLISHMENT OF FILING FEES AND
10 MISCELLANEOUS CHARGES. (1) The secretary of state shall adopt rules
11 establishing fees which shall be charged and collected for:

12 (a) Filing of a certificate of formation for a domestic limited
13 liability company or an application for registration of a foreign
14 limited liability company;

15 (b) Filing of a certificate of cancellation for a domestic or
16 foreign limited liability company;

17 (c) Filing of a certificate of amendment or restatement for a
18 domestic or foreign limited liability company;

19 (d) Filing an application to reserve, register, or transfer a
20 limited liability company name;

21 (e) Filing any other certificate, statement, or report authorized
22 or permitted to be filed;

23 (f) Copies, certified copies, certificates, service of process
24 filings, and expedited filings or other special services.

25 (2) In the establishment of a fee schedule, the secretary of state
26 shall, insofar as is possible and reasonable, be guided by the fee
27 schedule provided for corporations governed by Title 23B RCW. Fees for
28 copies, certified copies, certificates of record, and service of
29 process filings shall be as provided for in RCW 23B.01.220.

30 (3) All fees collected by the secretary of state shall be deposited
31 with the state treasurer pursuant to law.

32 NEW SECTION. **Sec. 1303.** AUTHORITY TO ADOPT RULES. The secretary
33 of state shall adopt such rules as are necessary to implement the
34 transfer of duties and records required by this chapter.

35 **Sec. 1304.** RCW 23B.04.010 and 1991 c 269 s 36 and 1991 c 72 s 32
36 are each reenacted and amended to read as follows:

1 (1) A corporate name:

2 (a) Must contain the word "corporation," "incorporated," "company,"
3 or "limited," or the abbreviation "corp.," "inc.," "co.," or "ltd.;"

4 (b) Must not contain language stating or implying that the
5 corporation is organized for a purpose other than those permitted by
6 RCW 23B.03.010 and its articles of incorporation;

7 (c) Must not contain any of the following words or phrases:

8 "Bank," "banking," "banker," "trust," "cooperative," or any
9 combination of the words "industrial" and "loan," or any combination of
10 any two or more of the words "building," "savings," "loan," "home,"
11 "association," and "society," or any other words or phrases prohibited
12 by any statute of this state; and

13 (d) Except as authorized by subsections (2) and (3) of this
14 section, must be distinguishable upon the records of the secretary of
15 state from:

16 (i) The corporate name of a corporation incorporated or authorized
17 to transact business in this state;

18 (ii) A corporate name reserved or registered under RCW 23B.04.020
19 or 23B.04.030;

20 (iii) The fictitious name adopted pursuant to RCW 23B.15.060 by a
21 foreign corporation authorized to transact business in this state
22 because its real name is unavailable;

23 (iv) The corporate name of a not-for-profit corporation
24 incorporated or authorized to conduct affairs in this state; ((and))

25 (v) The name or reserved name of a foreign or domestic limited
26 partnership formed or registered under chapter 25.08 or 25.10 RCW; and

27 (vi) The name of any limited liability company organized or
28 registered under chapter 25.-- RCW (sections 101 through 1303 and 1312
29 through 1314) of this act.

30 (2) A corporation may apply to the secretary of state for
31 authorization to use a name that is not distinguishable upon the
32 records from one or more of the names described in subsection (1) of
33 this section. The secretary of state shall authorize use of the name
34 applied for if:

35 (a) The other corporation, company, holder, or limited partnership
36 consents to the use in writing and files with the secretary of state
37 documents necessary to change its name or the name reserved or
38 registered to a name that is distinguishable upon the records of the
39 secretary of state from the name of the applying corporation; or

1 (b) The applicant delivers to the secretary of state a certified
2 copy of the final judgment of a court of competent jurisdiction
3 establishing the applicant's right to use the name applied for in this
4 state.

5 (3) A corporation may use the name, including the fictitious name,
6 of another domestic or foreign corporation, or of another domestic or
7 foreign limited liability company, or of a domestic or foreign limited
8 partnership, that is used in this state if the other corporation is
9 incorporated or authorized to transact business in this state, or if
10 the limited liability company is organized or authorized to transact
11 business in this state, or if the limited partnership is formed or
12 authorized to transact business in this state, and the proposed user
13 corporation:

14 (a) Has merged with the other corporation, limited liability
15 company, or limited partnership; or

16 (b) Has been formed by reorganization of the other corporation.

17 (4) This title does not control the use of assumed business names
18 or "trade names."

19 (5) A name shall not be considered distinguishable upon the records
20 of the secretary of state by virtue of:

21 (a) A variation in the designation, under subsection (1)(a) of this
22 section, used for the same name;

23 (b) The addition or deletion of an article or conjunction such as
24 "the" or "and" from the same name;

25 (c) Punctuation, capitalization, or special characters or symbols
26 in the same name; or

27 (d) Use of abbreviation or the plural form of a word in the same
28 name.

29 **Sec. 1305.** RCW 24.03.045 and 1989 c 291 s 10 are each amended to
30 read as follows:

31 The corporate name:

32 (1) Shall not contain any word or phrase which indicates or implies
33 that it is organized for any purpose other than one or more of the
34 purposes contained in its articles of incorporation.

35 (2) Shall not be the same as, or deceptively similar to, the name
36 of any corporation, whether for profit or not for profit, existing
37 under any act of this state, or any foreign corporation, whether for
38 profit or not for profit, authorized to transact business or conduct

1 affairs in this state, any foreign or domestic limited liability
2 company on file with the secretary of state, any domestic or foreign
3 limited partnership on file with the secretary, or a limited
4 partnership existing under chapter 25.10 RCW, or a corporate name
5 reserved or registered as permitted by the laws of this state. This
6 subsection shall not apply if the applicant files with the secretary of
7 state either of the following: (a) The written consent of the other
8 corporation, limited liability company, limited partnership, or holder
9 of a reserved name to use the same or deceptively similar name and one
10 or more words are added or deleted to make the name distinguishable
11 from the other name as determined by the secretary of state, or (b) a
12 certified copy of a final decree of a court of competent jurisdiction
13 establishing the prior right of the applicant to the use of the name in
14 this state.

15 (3) Shall be transliterated into letters of the English alphabet,
16 if it is not in English.

17 (4) Shall not include or end with "incorporated," "company,"
18 "corporation," "partnership," "limited partnership," or "Ltd.," or any
19 abbreviation thereof, but may use "club," "league," "association,"
20 "services," "committee," "fund," "society," "foundation," ". ,
21 a nonprofit corporation," or any name of like import.

22 (5) May only include the term "public benefit" or names of like
23 import if the corporation has been designated as a public benefit
24 nonprofit corporation by the secretary in accordance with this chapter.

25 **Sec. 1306.** RCW 24.03.047 and 1993 c 356 s 2 are each amended to
26 read as follows:

27 Any corporation, organized and existing under the laws of any state
28 or territory of the United States may register its corporate name under
29 this title, provided its corporate name is not the same as, or
30 deceptively similar to, the name of any domestic corporation existing
31 under the laws of this state, the name of any foreign corporation
32 authorized to transact business in this state, the name of any domestic
33 limited liability company organized under the laws of this state, the
34 name of any foreign limited liability company authorized to transact
35 business in this state, the name of any limited partnership on file
36 with the secretary, or any corporate name reserved or registered under
37 this title.

38 Such registration shall be made by:

1 (1) Filing with the secretary of state: (a) An application for
2 registration executed by the corporation by an officer thereof, setting
3 forth the name of the corporation, the state or country under the laws
4 of which it is incorporated, [and] the date of its incorporation, and
5 (b) a certificate setting forth that such corporation is in good
6 standing under the laws of the state or territory wherein it is
7 organized, executed by the secretary of state of such state or country
8 or by such other official as may have custody of the records pertaining
9 to corporations, and

10 (2) Paying to the secretary of state the applicable registration
11 fee.

12 The registration shall be effective until the close of the calendar
13 year in which the application for registration is filed.

14 **Sec. 1307.** RCW 24.06.045 and 1987 c 55 s 41 are each amended to
15 read as follows:

16 The corporate name:

17 (1) Shall not contain any word or phrase which indicates or implies
18 that it is organized for any purpose other than one or more of the
19 purposes contained in its articles of incorporation.

20 (2) Shall not be the same as, or deceptively similar to, the name
21 of any corporation existing under any act of this state, or any foreign
22 corporation authorized to transact business or conduct affairs in this
23 state under any act of this state, or the name of any limited liability
24 corporation organized or authorized to transact business under any act
25 of this state, the name of a domestic or foreign limited partnership on
26 file with the secretary, or a corporate name reserved or registered as
27 permitted by the laws of this state. This subsection shall not apply
28 if the applicant files with the secretary of state either of the
29 following: (a) The written consent of the other corporation, limited
30 liability company, limited partnership, or holder of a reserved name to
31 use the same or deceptively similar name and one or more words are
32 added or deleted to make the name distinguishable from the other name
33 as determined by the secretary of state, or (b) a certified copy of a
34 final decree of a court of competent jurisdiction establishing the
35 prior right of the applicant to the use of the name in this state.

36 (3) Shall be transliterated into letters of the English alphabet if
37 it is not in English.

1 (4) The name of any corporation formed under this section shall not
2 include nor end with "incorporated", "company", or "corporation" or any
3 abbreviation thereof, but may use "club", "league", "association",
4 "services", "committee", "fund", "society", "foundation", ". ,
5 a nonprofit mutual corporation", or any name of like import.

6 **Sec. 1308.** RCW 24.06.047 and 1993 c 356 s 14 are each amended to
7 read as follows:

8 Any corporation, organized and existing under the laws of any state
9 or territory of the United States may register its corporate name under
10 this title, provided its corporate name is not the same as, or
11 deceptively similar to, the name of any domestic corporation existing
12 under the laws of this state, or the name of any foreign corporation
13 authorized to transact business in this state, the name of any domestic
14 limited liability company organized under the laws of this state, or
15 the name of any foreign limited liability company authorized to
16 transact business in this state, the name of any domestic or foreign
17 limited partnership on file with the secretary, or any corporate name
18 reserved or registered under this title.

19 Such registration shall be made by:

20 (1) Filing with the secretary of state: (a) An application for
21 registration executed by the corporation by an officer thereof, setting
22 forth the name of the corporation, the state or country under the laws
23 of which it is incorporated, and the date of its incorporation, and (b)
24 a certificate setting forth that such corporation is in good standing
25 under the laws of the state or country wherein it is organized,
26 executed by the secretary of state of such state or territory or by
27 such other official as may have custody of the records pertaining to
28 corporations, and

29 (2) Paying to the secretary of state the applicable annual
30 registration fee.

31 The registration shall be effective until the close of the calendar
32 year in which the application for registration is filed.

33 **Sec. 1309.** RCW 25.10.020 and 1991 c 269 s 1 are each amended to
34 read as follows:

35 (1) The name of each limited partnership formed pursuant to this
36 chapter as set forth in its certificate of limited partnership:

1 (a) Shall contain the words "limited partnership" or the
2 abbreviation "L.P.";

3 (b) May not contain the name of a limited partner unless (i) it is
4 also the name of a general partner, or the corporate name of a
5 corporate general partner, or (ii) the business of the limited
6 partnership had been carried on under that name before the admission of
7 that limited partner;

8 (c) May not contain any of the following words or phrases: "Bank",
9 "banking", "banker", "trust", "cooperative"; or any combination of the
10 words "industrial" and "loan"; or any combination of any two or more of
11 the words "building", "savings", "loan", "home", "association" and
12 "society"; or any other words or phrases prohibited by any statute of
13 this state;

14 (d) Except as authorized by subsections (2) and (3) of this
15 section, must be distinguishable upon the records of the secretary of
16 state from:

17 (i) The name or reserved name of a foreign or domestic limited
18 partnership;

19 (ii) The corporate name of a corporation incorporated or authorized
20 to transact business in this state;

21 (iii) A corporate name reserved or registered under RCW 23B.04.020
22 or 23B.04.030;

23 (iv) The fictitious name adopted pursuant to RCW 23B.15.060 by a
24 foreign corporation authorized to transact business in this state
25 because its real name is unavailable; ((and))

26 (v) The corporate name of a not-for-profit corporation incorporated
27 or authorized to conduct affairs in this state; and

28 (vi) The name of a limited liability company organized or
29 authorized to transact business in this state.

30 (2) A limited partnership may apply to the secretary of state for
31 authorization to use a name that is not distinguishable upon the
32 records from one or more of the names described in subsection (1) of
33 this section. The secretary of state shall authorize use of the name
34 applied for if:

35 (a) The other limited partnership, corporation, or holder consents
36 to the use in writing and files with the secretary of state documents
37 necessary to change its name or the name reserved or registered to a
38 name that is distinguishable upon the records of the secretary of state
39 from the name of the applying limited partnership; or

1 (b) The applicant delivers to the secretary of state a certified
2 copy of the final judgment of a court of competent jurisdiction
3 establishing the applicant's right to use the name applied for in this
4 state.

5 (3) A limited partnership may use the name, including the
6 fictitious name, of another domestic or foreign limited partnership,
7 limited liability company, or corporation that is used in this state if
8 the other limited partnership, limited liability company, or
9 corporation is organized, incorporated, or authorized to transact
10 business in this state and the proposed user limited partnership:

11 (a) Has merged with the other limited partnership, limited
12 liability company, or corporation; or

13 (b) Results from reorganization with the other limited partnership,
14 limited liability company, or corporation.

15 (4) A name shall not be considered distinguishable upon the records
16 of the secretary of state by virtue of:

17 (a) A variation in the designation, under subsection (1)(a) of this
18 section, used for the same name;

19 (b) The addition or deletion of an article or conjunction such as
20 "the" or "and" from the same name;

21 (c) Punctuation, capitalization, or special characters or symbols
22 in the same name; or

23 (d) Use of abbreviation or the plural form of a word in the same
24 name.

25 (5) This title does not control the use of assumed business names
26 or "trade names."

27 **Sec. 1310.** RCW 43.07.120 and 1993 c 269 s 15 are each amended to
28 read as follows:

29 (1) The secretary of state shall establish by rule and collect the
30 fees in this subsection:

31 (a) For a copy of any law, resolution, record, or other document or
32 paper on file in the secretary's office;

33 (b) For any certificate under seal;

34 (c) For filing and recording trademark;

35 (d) For each deed or patent of land issued by the governor;

36 (e) For recording miscellaneous records, papers, or other
37 documents.

1 (2) The secretary of state may adopt rules under chapter 34.05 RCW
2 establishing reasonable fees for the following services rendered under
3 Title 23B RCW, chapter 18.100, 23.86, 23.90, 24.03, 24.06, 24.12,
4 24.20, 24.24, 24.28, 24.36, 25.-- (sections 101 through 1303 and 1312
5 through 1314 of this act), or 25.10 RCW:

6 (a) Any service rendered in-person at the secretary of state's
7 office;

8 (b) Any expedited service;

9 (c) The electronic or facsimile transmittal of information from
10 corporation records or copies of documents;

11 (d) The providing of information by micrographic or other reduced-
12 format compilation;

13 (e) The handling of checks, drafts, or credit or debit cards upon
14 adoption of rules authorizing their use for which sufficient funds are
15 not on deposit; and

16 (f) Special search charges.

17 (3) To facilitate the collection of fees, the secretary of state
18 may establish accounts for deposits by persons who may frequently be
19 assessed such fees to pay the fees as they are assessed. The secretary
20 of state may make whatever arrangements with those persons as may be
21 necessary to carry out this section.

22 (4) The secretary of state may adopt rules for the use of credit or
23 debit cards for payment of fees.

24 (5) No member of the legislature, state officer, justice of the
25 supreme court, judge of the court of appeals, or judge of the superior
26 court shall be charged for any search relative to matters pertaining to
27 the duties of his or her office; nor may such official be charged for
28 a certified copy of any law or resolution passed by the legislature
29 relative to his or her official duties, if such law has not been
30 published as a state law.

31 **Sec. 1311.** RCW 43.07.130 and 1991 c 72 s 54 are each amended to
32 read as follows:

33 There is created within the state treasury a revolving fund, to be
34 known as the "secretary of state's revolving fund," which shall be used
35 by the office of the secretary of state to defray the costs of
36 printing, reprinting, or distributing printed matter authorized by law
37 to be issued by the office of the secretary of state, and any other
38 cost of carrying out the functions of the secretary of state under

1 Title 23B RCW, or chapters 18.100, 23.86, 23.90, 24.03, 24.06, 24.12,
2 24.20, 24.24, 24.28, 24.36, 25.-- (sections 101 through 1303 and 1312
3 through 1314 of this act), or 25.10 RCW.

4 The secretary of state is hereby authorized to charge a fee for
5 such publications in an amount which will compensate for the costs of
6 printing, reprinting, and distributing such printed matter. Fees
7 recovered by the secretary of state under RCW 43.07.120(2),
8 23B.01.220(1)(e), (~~(3)~~, and ~~(4)~~) (6) and (7), 23B.18.050, 24.03.410,
9 24.06.455, or 46.64.040, and such other moneys as are expressly
10 designated for deposit in the secretary of state's revolving fund shall
11 be placed in the secretary of state's revolving fund.

12 NEW SECTION. **Sec. 1312.** EFFECTIVE DATE. This act shall take
13 effect October 1, 1994.

14 NEW SECTION. **Sec. 1313.** SHORT TITLE. This chapter may be cited
15 as the "Washington Limited Liability Company Act."

16 NEW SECTION. **Sec. 1314.** SEVERABILITY. If any provision of this
17 act or its application to any person or circumstance is held invalid,
18 the remainder of the act or the application of the provision to other
19 persons or circumstances is not affected.

20 NEW SECTION. **Sec. 1315.** LEGISLATIVE DIRECTIVE. Sections 101
21 through 1303 and 1312 through 1314 of this act shall constitute a new
22 chapter in Title 25 RCW.

23 **ACCOUNTANCY STATUTES**

24 **Sec. 1401.** RCW 18.04.025 and 1992 c 103 s 2 are each amended to
25 read as follows:

26 Unless the context clearly requires otherwise, the definitions in
27 this section apply throughout this chapter.

28 (1) "Board" means the board of accountancy created by RCW
29 18.04.035.

30 (2) "Certified public accountant" or "CPA" means a person holding
31 a certified public accountant certificate.

32 (3) "State" includes the states of the United States, the District
33 of Columbia, Puerto Rico, Guam, and the United States Virgin Islands.

1 (4) "Reports on financial statements" means any reports or opinions
2 prepared by certified public accountants, based on services performed
3 in accordance with generally accepted auditing standards, standards for
4 attestation engagements, or standards for accounting and review
5 services as to whether the presentation of information used for
6 guidance in financial transactions or for accounting for or assessing
7 the status or performance of commercial and noncommercial enterprises,
8 whether public, private, or governmental, conforms with generally
9 accepted accounting principles or other comprehensive bases of
10 accounting.

11 (5) The "practice of public accounting" means performing or
12 offering to perform by a person or firm holding itself out to the
13 public as a licensee, for a client or potential client, one or more
14 kinds of services involving the use of accounting or auditing skills,
15 including the issuance of "audit reports," "review reports," or
16 "compilation reports" on financial statements, or one or more kinds of
17 management advisory, or consulting services, or the preparation of tax
18 returns, or the furnishing of advice on tax matters. The "practice of
19 public accounting" shall not include practices that are permitted under
20 the provisions of RCW 18.04.350(6) by persons or firms not required to
21 be licensed under this chapter.

22 (6) "Firm" means a sole proprietorship, a corporation, or a
23 partnership. "Firm" also means a limited liability company formed
24 under chapter 25.-- RCW (sections 101 through 1303 and 1312 through
25 1314 of this act).

26 (7) "CPE" means continuing professional education.

27 (8) "Certificate" means a certificate as a certified public
28 accountant issued under this chapter, or a corresponding certificate
29 issued by another state or foreign jurisdiction that is recognized in
30 accordance with the reciprocity provisions of RCW 18.04.180 and
31 18.04.183.

32 (9) "Licensee" means the holder of a valid license issued under
33 this chapter.

34 (10) "License" means a biennial license to practice public
35 accountancy issued to an individual or firm under this chapter.

36 (11) "Quality assurance review" means a process established by and
37 conducted at the direction of the board of study, appraisal, or review
38 of one or more aspects of the professional work of a person or firm in
39 the practice of public accountancy, by a person or persons who hold

1 certificates and who are not affiliated with the person or firm being
2 reviewed.

3 (12) "Quality review" means a study, appraisal, or review of one or
4 more aspects of the professional work of a person or firm in the
5 practice of public accountancy, by a person or persons who hold
6 certificates and who are not affiliated with the person or firm being
7 reviewed, including a peer review, or any internal review or inspection
8 intended to comply with quality control policies and procedures, but
9 not including the "quality assurance review" under subsection (11) of
10 this section.

11 (13) "Review committee" means any person carrying out,
12 administering or overseeing a quality review authorized by the
13 reviewee.

14 (14) "Rule" means any rule adopted by the board under authority of
15 this chapter.

16 (15) "Holding out" means any representation to the public by the
17 use of restricted titles as set forth in RCW 18.04.345 by a person or
18 firm that the person or firm is a certified public accountant and that
19 the person or firm offers to perform any professional services to the
20 public as a certified public accountant. "Holding out" shall not
21 affect or limit a person not required to hold a certificate under this
22 chapter or a person or firm not required to hold a license under this
23 chapter from engaging in practices identified in RCW 18.04.350(6).

24 **Sec. 1402.** RCW 18.04.195 and 1986 c 295 s 8 are each amended to
25 read as follows:

26 (1) A sole proprietorship engaged in this state in the practice of
27 public accounting shall license biennially with the board as a firm.

28 (a) The principal purpose and business of the firm shall be to
29 furnish services to the public which are consistent with this chapter
30 and the rules of the board.

31 (b) The person shall be a certified public accountant holding a
32 license to practice under RCW 18.04.215.

33 (c) Each resident licensee in charge of an office of the sole
34 proprietorship engaged in this state in the practice of public
35 accounting shall be a certified public accountant holding a license to
36 practice under RCW 18.04.215.

37 (2) A partnership engaged in this state in the practice of public
38 accounting shall license biennially with the board as a partnership of

1 certified public accountants, and shall meet the following
2 requirements:

3 (a) The principal purpose and business of the partnership shall be
4 to furnish services to the public which are consistent with this
5 chapter and the rules of the board;

6 (b) At least one general partner of the partnership shall be a
7 certified public accountant holding a license to practice under RCW
8 18.04.215;

9 (c) Each resident licensee in charge of an office of the
10 partnership in this state and each resident partner personally engaged
11 within this state in the practice of public accounting shall be a
12 certified public accountant holding a license to practice under RCW
13 18.04.215.

14 (3) A corporation organized for the practice of public accounting
15 and engaged in this state in the practice of public accounting shall
16 license biennially with the board as a corporation of certified public
17 accountants and shall meet the following requirements:

18 (a) The principal purpose and business of the corporation shall be
19 to furnish services to the public which are consistent with this
20 chapter and the rules of the board; and

21 (b) Each shareholder of the corporation shall be a certified public
22 accountant of some state holding a license to practice and shall be
23 principally employed by the corporation or actively engaged in its
24 business. No other person may have any interest in the stock of the
25 corporation. The principal officer of the corporation and any officer
26 or director having authority over the practice of public accounting by
27 the corporation shall be a certified public accountant of some state
28 holding a license to practice;

29 (c) At least one shareholder of the corporation shall be a
30 certified public accountant holding a license to practice under RCW
31 18.04.215;

32 (d) Each resident licensee in charge of an office of the
33 corporation in this state and each shareholder or director personally
34 engaged within this state in the practice of public accounting shall be
35 a certified public accountant holding a license to practice under RCW
36 18.04.215;

37 (e) A written agreement shall bind the corporation or its
38 shareholders to purchase any shares offered for sale by, or not under
39 the ownership or effective control of, a qualified shareholder, and

1 bind any holder not a qualified shareholder to sell the shares to the
2 corporation or its qualified shareholders. The agreement shall be
3 noted on each certificate of corporate stock. The corporation may
4 purchase any amount of its stock for this purpose, notwithstanding any
5 impairment of capital, as long as one share remains outstanding; and

6 (f) The corporation shall comply with any other rules pertaining to
7 corporations practicing public accounting in this state as the board
8 may prescribe.

9 (4) A limited liability company engaged in this state in the
10 practice of public accounting shall license biennially with the board
11 as a limited liability company of certified public accountants, and
12 shall meet the following requirements:

13 (a) The principal purpose and business of the limited liability
14 company shall be to furnish services to the public which are consistent
15 with this chapter and the rules of the board;

16 (b) At least one manager of the limited liability company shall be
17 a certified public accountant holding a license to practice under RCW
18 18.04.215;

19 (c) Each resident manager or member in charge of an office of the
20 limited liability company in this state and each resident manager or
21 member personally engaged within this state in the practice of public
22 accounting shall be a certified public accountant holding a license to
23 practice under RCW 18.04.215.

24 (5) Application for a license as a firm shall be made upon the
25 affidavit of the proprietor or person designated as managing partner or
26 shareholder for Washington. This person shall be a certified public
27 accountant holding a license to practice under RCW 18.04.215. The
28 board shall determine in each case whether the applicant is eligible
29 for a license. A partnership or corporation which is licensed to
30 practice under RCW 18.04.215 may use the designation "certified public
31 accountants" or "CPAs" in connection with its partnership or corporate
32 name. The board shall be given notification within ninety days after
33 the admission or withdrawal of a partner or shareholder engaged in this
34 state in the practice of public accounting from any partnership or
35 corporation so licensed.

36 ~~((+5))~~ (6) Fees for the license as a firm and for notification of
37 the board of the admission or withdrawal of a partner or shareholder
38 shall be determined by the board. Fees shall be paid by the firm at

1 the time the license application form or notice of admission or
2 withdrawal of a partner or shareholder is filed with the board.

3 NEW SECTION. **Sec. 1403.** Any business or profession licensed under
4 this title may operate as a limited liability company formed under
5 chapter 25.-- RCW (sections 101 through 1303 and 1312 through 1314 of
6 this act). Any such limited liability company must be licensed as a
7 limited liability company in accordance with the otherwise applicable
8 licensing provisions of this title. Any such limited liability company
9 shall meet the following requirements:

10 (1) The principal purpose and business of the limited liability
11 company shall be to furnish services to the public which are consistent
12 with the applicable chapter under this title;

13 (2) At least one manager of the limited liability company shall be
14 a person licensed under the applicable chapter under this title; and

15 (3) Each resident manager or member in charge of an office of the
16 limited liability company in this state and each resident manager or
17 member personally engaged within this state in the business or
18 profession of the company shall be licensed under the applicable
19 chapter under this title.

20 NEW SECTION. **Sec. 1404.** Section 1403 of this act constitutes a
21 new chapter in Title 18 RCW.

Passed the House March 6, 1994.

Passed the Senate March 1, 1994.

Approved by the Governor April 1, 1994.

Filed in Office of Secretary of State April 1, 1994.