

FINAL BILL REPORT

SSB 5374

C 337 L 95

Synopsis as Enacted

Brief Description: Creating registered limited liability partnerships.

Sponsors: Senate Committee on Law & Justice (originally sponsored by Senators Smith and Roach).

Senate Committee on Law & Justice

House Committee on Law & Justice

Background: Under current law there are a number of forms of business association, such as corporations and limited liability companies, in which individuals can pool resources for the benefit of themselves and their customers, but limit their individual liability for negligence or misconduct of their associates or of employees under the direct control of their associates.

For some businesses, the existing forms of association that limit individual liability are impractical or too burdensome. Partnerships are considered an attractive form for conducting business, but there is no limit on individual liability for each partner for the negligence or misconduct of other partners. Partnerships also require a good deal less paperwork to establish and operate than corporations, thus reducing the bureaucratic burden on the partners. In addition, there are some businesses that cannot become limited liability corporations because they have associates in more than one state.

Summary: A new form of business association known as a registered limited liability partnership is created. Two or more persons may become a registered limited liability partnership by applying with the Secretary of State and paying the \$175 application fee. Foreign limited liability partnerships must register with the Secretary of State.

A registered limited liability partnership in which the partners are required to be licensed to provide professional services must maintain a \$1 million liability insurance policy or such higher amount, not to exceed \$3 million, as may be required by the Insurance Commissioner. The Insurance Commissioner must establish the same amount of liability insurance for each partnership of members of the same profession or specialty of any profession.

A partner in a registered limited liability partnership is not individually liable for debts or obligations of the partnership, except for his or her negligent or wrongful acts or those of a person under his or her control. However, a partner in a professional limited liability partnership is personally liable if the partnership fails to maintain the required liability insurance.

The licensing requirements of members and managers of professional limited liability companies are clarified by providing that a professional limited liability company may

operate in this state if: (1) each member personally practicing in Washington is licensed to practice in this state; and (2) at least one manager is licensed to practice in this state, or each member in charge of an office in this state is licensed to practice in this state.

Failure to hold meetings of members or managers and failure to observe formalities pertaining to the calling or conduct of meetings is not considered a factor in piercing the veil of the limited liability company when the certificate of formation and the limited liability company agreement do not expressly require the holding of meetings.

A person may sign any limited liability company document through a valid personal representative.

Provisions relating to events of dissociation and assignment of company interests are amended to provide that a person ceases to be a member of the company when the member dies and upon the entry of a court order adjudicating the member incapacitated, as defined in statute, as to his or her estate.

Conditions for withdrawal of a member are changed, providing that a member may not withdraw from a limited liability company prior to the time for dissolution of the company without the written consent of all other members, unless otherwise specified in the company agreement.

The distribution that a dissociating member or the member's assignee is entitled to receive is amended to be any distribution to which an assignee is entitled.

Two additional criteria are added to the reasons for which a limited liability company may be administratively dissolved by the Secretary of State: (1) if the limited liability company does not pay license fees or penalties when due; and (2) if the limited liability company does not deliver the initial or annual reports when due.

A clarification is made that a foreign limited liability company rendering professional services in the state of Washington is subject to the existing law that requires professional limited liability companies to maintain mandatory liability insurance.

Votes on Final Passage:

Senate	49	0	
House	96	0	(House amended)
Senate			(Senate refused to concur)
House	94	0	(House amended)
Senate	46	0	(Senate concurred)

Effective: July 1, 1995