

## **SB 909 -1 STAFF MEASURE SUMMARY**

### **Senate Committee On Judiciary**

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**Meeting Dates:** 3/23, 4/3

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#### **WHAT THE MEASURE DOES:**

Modifies laws relating to limited liability companies (LLCs). Describes what an LLC operating agreement governs, what an operating agreement may not do and what an operating agreement may do. Describes the effect of operating agreement on an LLC and its members, and on third parties. Prohibits an LLC from forming for any illegal purpose and. Provides instruction for allowed names of an LLC, registration and registered agents. Permits the Secretary of State (SOS) to investigate alleged or potential violations of the Act, and to impose civil penalties, cancel or revoke authorization to do business in Oregon, or administratively dissolve an LLC, if an LLC fails to comply with an SOS order. Describes the process of LLC formation, and of amending the articles of organization. Specifies instructions for signing records to be filed with the SOS. Specifies who may be liable for damages resulting from a reliance on inaccurate filed information. States that a debt or obligation or other liability of an LLC is the responsibility solely of the LLC; differentiates from a shell entity. Describes the managerial selection process, standards of conduct for members and managers, and rights of access to LLC records. Describes what constitutes dissolution and winding up. States the governing law for foreign LLCs. Allows the Attorney General to bring an action to enjoin a foreign LLC from doing business in the state if they are in violation of the act. Qualifies the LLCs for purposes of taxation. Provides parameters for mergers and interest exchanges. Allows for conversion to a different entity type and specifies process. Allows for domestication of an LLC and specifies process. States that the act must be applied and construed to effectuate the purpose of making uniform the law among states that enact the law. States penalty for signing a false document for filing with the SOS is a Class A misdemeanor. Establishes definitions related to LLCs. Includes conforming amendments. Specifies that the new portions of the Act applies to an entity formed or organized after the effective date of the Act, unless the entity elects to be subject to the Act or an entity merges with another entity or converts into an LLC. Sets an operative date of January 1, 2026.

#### **ISSUES DISCUSSED:**

##### **EFFECT OF AMENDMENT:**

-1 Clarifies that an LLC with a charitable purpose is a charitable organization and subject to current laws that govern charitable organizations. Removes language stating that a member is not an agent of an LLC solely by reason of being a member and restores current language of ORS 63.140 and states that each member is an agent for business purposes, with exceptions. Clarifies that court need not appoint a receiver to enter other orders that give effect to the charging order. Cleans up language; corrects scrivener's errors. Provides authority to the Secretary of State to bring an action to enjoin a foreign LLC from doing business in violation of the Act.

##### **BACKGROUND:**

Senate Bill 909 modifies ORS 63, which governs limited liability companies; the proposed revisions are modeled after the Uniform Law Commission's (ULC) Limited Liability Company Act.

PRELIMINARY