

SENATE BILL REPORT

SB 6531

As Passed Senate, February 11, 2006

Title: An act relating to preserving remedies when limited liability companies dissolve.

Brief Description: Preserving remedies when limited liability companies dissolve.

Sponsors: Senators Weinstein, Fraser and Kline.

Brief History:

Committee Activity: Judiciary: 1/18/06, 1/31/06 [DP]

Passed Senate: 2/11/06, 41-0.

SENATE COMMITTEE ON JUDICIARY

Majority Report: Do pass.

Signed by Senators Kline, Chair; Weinstein, Vice Chair; Johnson, Ranking Minority Member; Carrell, Esser, Hargrove, McCaslin, Rasmussen and Thibaudeau.

Staff: Cindy Fazio (786-7405)

Background: When a limited liability company (LLC) dissolves, it must pay, or make reasonable provisions to pay, all claims and obligations known to the limited liability company, whether or not the identity of the claimant is known. If there are insufficient assets, the claims and obligations must be paid or provided for according to their priority and, among claims and obligations of equal priority, ratably to the extent of assets available.

Summary of Bill: When a LLC dissolves, an action for claims or rights against it must be commenced within three years after the effective date of dissolution in order to survive. This includes claims or rights, or liability incurred, prior to, or after, dissolution.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Testimony For: The Washington State Bar Association could not do a comprehensive review of the limited liability statute for this session, but this one small change should provide important relief in the short term pending that review. This bill is good for homeowners. It removes an incentive for LLCs to act in bad faith. The survival question can only be answered in court without this change. The bill will not add costs to the price of houses. The change is reasonable and will avoid dramatic, unintended consequences.

Testimony Against: None.

Who Testified: PRO: Senator Brian Weinstein, Prime Sponsor; Michelle Ein, Washington Homeowner's Coalition; Ken Harer, Red Oaks Condominiums.