



Statement of Lane Shetterly to the Senate Committee on Judiciary in Support of Senate Bill 909 – Enacting the Revised Uniform Limited Liability Company Act in Oregon

Public Hearing of March 23, 2023

Chair Prozanski, Vice Chair Thatcher, and Members of the Committee,

Thank you for considering Senate Bill 909, enacting the Revised Uniform Limited Liability Company Act, promulgated by the Uniform Law Commission (ULC). The ULC is an organization of the states, formed in 1892 to draft non-partisan model legislation in the areas of state law for which uniformity among the states is advisable. I am a commissioner from Oregon on the ULC.

The State of Oregon has a long and successful history of enacting uniform acts, including the Uniform Commercial Code, Uniform Anatomical Gifts Act, Uniform Transfers to Minors Act, Uniform Trade Secret Act, and the Uniform Electronic Transactions Act among others. Recent enactments include revisions to the Uniform Law on Notarial Acts and amendments to the Uniform Athlete Agents Act.

I am writing to support Senate Bill 909, which would enact the Revised Uniform Limited Liability Company Act (RULLCA) in Oregon. This bill is a comprehensive update to the Oregon's existing limited liability company law. ULLCA was first approved by the ULC in 1994 and was significantly updated in 2006. The uniform act was refined in 2011 and 2013 as part of the ULC's harmonization of uniform unincorporated business entity acts. Adopting Senate Bill 909 would bring Oregon's limited liability company law into line with several other jurisdictions, including California, Idaho, and Washington. RULLCA is a fully integrated LLC statute that takes into account the best elements of state statutes adopted after changes in federal tax regulations in the 1990s. Oregon's current limited liability statute was enacted in 1993; enacting SB 909 will allow all business owners in Oregon to take advantage of legal developments in business entity law.

Senate Bill 909 is the product of extensive study, negotiation, and drafting by Oregon practitioners, the Oregon Law Commission, the Oregon Secretary of State's Office, and the Oregon Department of Revenue. This group scrutinized RULLCA as drafted by the ULC and made adjustments to ensure that the bill's content and structure are appropriate for Oregon. The committee has worked with the ULC during the drafting process to confirm that the bill meets the goals and purposes of the uniform act. While there are many similarities between existing Oregon laws and the new RULLCA, the differences in the RULLCA constitute important improvements which will better align Oregon law with best practices in the rest of the country. If passed, Senate Bill 909 would bring clarity, cohesiveness, and continuity to limited liability company law in Oregon.

So, why should Oregon adopt the Uniform Limited Liability Company Act? Here are a few benefits offered by RULLCA as adopted in Senate Bill 909. First, under RULLCA, the LLC operating agreement, rather than the articles of organization, determines whether an LLC is

member-managed or manager-managed. The uniform act also makes it clear that the operating agreement is binding on the LLC even in the case of a single member LLC and even if the LLC has taken no formal action to adopt the operating agreement.

Second, RULLCA specifically provides that LLCs may engage in any lawful purpose. An LLC is not restricted to for-profit business activities. It can have "any lawful purpose, regardless of whether for profit." This expands the availability of LLCs to activities that are not traditional businesses, such as ownership of a family vacation home and, subject to other federal and state laws, allow an organization whose activities might be classified as non-profit to select an LLC as its form of entity.

Third, the act contains a basic set of internal affairs default rules governing the relationship of members and managers of an LLC between themselves and each other, most of which can be varied by the operating agreement. For example, if the operating agreement is silent on the type of management structure, an LLC is member-managed by default. There are also default rules for decisions by members and managers and for other matters.

Senate Bill 909 is a carefully crafted and complete update to Oregon's limited liability company statute and would provide important changes and improvements to this complex area of the law.

Thank you for your time and consideration.

Respectfully submitted,



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