

EXECUTIVE SUMMARY
SB 909 (Revised Uniform Limited Liability Company Act)

Background:

Oregon adopted its current limited liability company (“LLC”) Act in 1993, codified at Oregon Revised Statutes, Chapter 63. The Oregon legislature made minor changes to the LLC Act since 1993; however, the structure and governance concepts remained the same. In 2017, in response to perceived abuses involving shell corporations, the Oregon legislature adopted certain disclosure and information requirements for LLCs.

The National Conference of Commissioners on Uniform State Laws (“NCCUSL”) developed its first model LLC Act in 1996 and the Revised Uniform Limited Liability Company Act (“RULLCA”) in 2006. Lead by the American Bar Association, NCCUSL amended that uniform law in 2011 and 2013 to harmonize definitions between RULLCA and the other model business entity acts. Drafters noted that the adoption of uniform terms and governance structures both improves predictability for business owners operating across state lines and decreases forum shopping between organizational jurisdictions. Currently, 23 other states including Washington, Idaho, and California have adopted the initial model act or RULLCA.

In 2018 the Oregon State Bar’s Business Law Section proposed investigating the adoption of RULLCA to the Oregon Laws Commission (“OLC”) in 2018. They identified key benefits of enacting RULLCA as “reduced compliance costs, streamlined administration (which reduces costs to states), and consistency across jurisdictions.” The OLC authorized this project and the workgroup met from 2019 through 2022. OLC unanimously approved moving forward with LC697.

Impact:

What LC697 (RULLCA) does do:

- More closely aligns default rules for LLC member and third-party interactions with standard, Oregon business practice and expectations. Focus is on “What would a reasonable business owner expect” as default?
- Provides better guidance than is in current Oregon law in areas including drafting and amending operating agreements, winding up procedures for dissolved entities.
- Clarifies members’ right to access company information in certain circumstances.
- Facilitates exchange of LLC interests and domestication of foreign LLCs.

What LC697 (RULLCA) does not do:

- Change how LLCs are taxed, the Secretary of State’s registration and enforcement authority, or 2017 policy decisions of the Oregon legislature regarding transparency (See, e.g., §40, which parallels ORS 63.992)
- Force pre-2023 entities to change from manager-managed or member-managed structures