

Senate Bill 683

Sponsored by Senator C STARR

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Allows formation of close limited liability companies.

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A BILL FOR AN ACT

Relating to close limited liability companies.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Sections 2 to 10 of this 2005 Act are added to and made a part of ORS chapter 63.

SECTION 2. As used in sections 2 to 10 of this 2005 Act, "close limited liability company" means a limited liability company whose articles of organization contain a statement that the company is a close limited liability company.

SECTION 3. A limited liability company formed under this chapter may convert to a close limited liability company by amending its articles of organization to include the statement required by section 6 of this 2005 Act.

SECTION 4. The operating agreement of and any certificates of ownership in a close limited liability company shall contain a statement in substantially the following form:

NOTICE OF RESTRICTIONS ON TRANSFERS AND WITHDRAWALS

The rights of members in a close limited liability company may differ materially from the rights of members in other limited liability companies. Sections 2 to 10 of this 2005 Act, the articles of organization and the operating agreement of a close limited liability company may restrict transfer of ownership interests, withdrawal or resignation from the company, return of capital contributions and dissolution of the company.

SECTION 5. (1) Any person may form a close limited liability company by signing and delivering one original and one exact or conformed copy of the articles of organization to the Secretary of State for filing.

(2) A close limited liability company shall have one or more members.

(3) The person forming the close limited liability company need not be a member of the company.

SECTION 6. The articles of organization of a close limited liability company shall:

(1) Include a statement that the company is a close limited liability company; and

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 **(2) Set forth the information required under ORS 63.047.**

2 **SECTION 7. (1) Management of a close limited liability company is vested in its members**
 3 **and, unless otherwise provided in the operating agreement, shall be exercised in proportion**
 4 **to the division of profits and losses among members.**

5 **(2) If allowed by the articles of organization, management of a close limited liability**
 6 **company may be vested in a manager or managers who shall be:**

7 **(a) Appointed in the articles of organization or operating agreement; or**

8 **(b) Elected by the members in the manner prescribed by the operating agreement of the**
 9 **company.**

10 **(3) The manager or managers, or persons appointed by the manager or managers, shall**
 11 **hold the offices and have the responsibilities accorded to them by the members and set out**
 12 **in the operating agreement of the company.**

13 **SECTION 8. (1) A member may withdraw from a close limited liability company only upon**
 14 **the terms and conditions set forth in the operating agreement. If terms and conditions for**
 15 **withdrawal of a member are not set forth in the operating agreement, a member may with-**
 16 **draw only with the consent of all other members of the company.**

17 **(2) A member who withdraws from a close limited liability company may not receive out**
 18 **of close limited liability company property any part of the member's contribution to capital**
 19 **unless:**

20 **(a) All liabilities of the company, except liabilities to members on account of their con-**
 21 **tributions to capital, have been paid or there remains property of the company sufficient to**
 22 **pay the liabilities;**

23 **(b) All members consent to the return of the contributions to capital;**

24 **(c) The company is dissolved; or**

25 **(d) The articles of organization or operating agreement of the company otherwise pro-**
 26 **vides for the return of contributions to capital.**

27 **(3) In the absence of a statement in the articles of organization to the contrary or of the**
 28 **consent of all members of the close limited liability company, a member, irrespective of the**
 29 **nature of the member's contribution, has the right to demand and receive only cash in re-**
 30 **turn for the member's contribution to capital.**

31 **(4) A member of a close limited liability company may not have the company dissolved**
 32 **for a failure to return the member's contribution to capital.**

33 **SECTION 9. (1) A close limited liability company organized under sections 2 to 10 of this**
 34 **2005 Act shall be dissolved upon the occurrence of any of the following events:**

35 **(a) When the period fixed for the duration of the company expires;**

36 **(b) By the unanimous written agreement of all members; or**

37 **(c) At the time or upon the occurrence of events specified in the operating agreement.**

38 **(2) As soon as possible following the occurrence of any of the events specified in sub-**
 39 **section (1) of this section causing the dissolution of a close limited liability company, the**
 40 **company shall execute a statement of intent to dissolve in the form prescribed by the Sec-**
 41 **retary of State.**

42 **SECTION 10. The Secretary of State may adopt rules the secretary considers necessary**
 43 **to administer sections 2 to 10 of this 2005 Act.**