



Did you Know...

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Important Court Decisions on LLC Dissolution

In 2006 the Washington legislature passed an amendment (RCW 25.15.303) to the Washington Limited Liability Companies Act, which in sum states that claims can be brought against a Limited Liability Company (LLC) that has been dissolved and then cancelled by way of a Certificate of Cancellation within 3 years of dissolution.

Furthermore, the Washington Division 1 Appellate Court recently issued three published decisions that held that the 2006 Amendment was retroactive and which enabled the owners associations to pursue claims against dissolved LLCs within the 3 year window. In addition, the court confirmed that dissolved and cancelled LLCs lack standing to prosecute claims against third parties, such as trade contractors. This is contrary to the assumption held by many that the filing of a Certificate of Cancellation bars all claims against LLCs, and their members and managers. As we can see that is not the case.

These cases dealt with claims that were brought against LLCs that had been dissolved and then cancelled by way of Certificate of Cancellation. The court held that regardless of whether or not a Certificate of Cancellation was filed, and even though the legal entity no longer existed, RCW 25.15.303 provides claimants with a full three years after dissolution to bring claims.

The court's findings are a significant deviation from the protection previously afforded LLC members in Washington. The main points from these decisions are that LLCs (and their members and managers) need to be very careful to wind up the LLC's affairs in compliance with the statutory requirements, as post-dissolution activity may expose members to personal liability. Also, the LLC structure does not afford absolute protection to the members and they need to ensure that the LLC makes reasonable provisions to pay or provide for all claims and obligations, including those that are contingent or not matured (such as warranty claims).

Should you like to investigate these cases further, they are as follows:

- Chadwick Farms Owners Association v. FHC, LLC (No. 58796-0-1)
- Emily Lane Homeowners Association v. Colonial Development, LLC (No. 58825-7-1)
- Maple Court Seattle Condominium Association v. Roosevelt, LLC (No. 56879-5-1)

****DISCLAIMER:** Please note, we are not offering legal advice, but thought you and your client might find this interesting.



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