

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBa1226/1dn
RJM:cjs:jf

February 4, 2002

Representative Jeskewitz:

Attached is the amendment you requested making technical changes and adjusting the language regarding the liability of owners of converting and merging business entities. Among other things, this amendment provides that the owners of a converting or merging business entity continue to be liable for the debts and obligations of the business entity that accrued before the merger or conversion and become liable for the debts and obligations of the new or surviving entity that accrue after the conversion or merger (provided liability for the debts and obligations exists under current law).

By contrast, the bill would instead require a different result in the context of merging business entities. This issue is best explained with a hypothetical. Assume entity A is an LLC (where the owners have limited liability) and entity B is a limited partnership (where at least one general partner has personal liability). If A merges into B, then, under the bill, the owners of A would assume personal responsibility for the liabilities of B, even if those liabilities accrued *before* the merger.

If you have any questions or would like any additional changes, please feel free to call.

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