

2023 -- H 5664

LC001774

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2023

A N A C T

RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIPS -- THE RHODE ISLAND LIMITED-LIABILITY COMPANY ACT

Introduced By: Representatives Place, Rea, Chippendale, and Nardone

Date Introduced: February 17, 2023

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 7-16 of the General Laws entitled "The Rhode Island Limited-
2 Liability Company Act" is hereby amended by adding thereto the following section:

3 **7-16-40.1. Avoidance of dissolution by buyout.**

4 (a) Whenever a petition for dissolution of a LLC is filed by one or more members
5 (subsequently in this section referred to as the "petitioner") pursuant to § 7-16-40 or a right to
6 compel dissolution which is authorized under § 7-16-39 or is otherwise valid, one or more of its
7 other members may avoid the dissolution by filing with the court prior to the commencement of
8 the hearing, or, in the discretion of the court, at any time prior to a sale or other disposition of the
9 assets of the LLC, an election to purchase the membership interest owned by the petitioner at a
10 price equal to the membership interest's fair market value.

11 (b) If the membership interest owned by the petitioner is to be purchased by another
12 member, notice shall be sent to all members of the LLC other than the petitioner, giving them an
13 opportunity to join in the election to purchase a pro rata share of the petitioner's membership
14 interest.

15 (c) If the parties are unable to reach an agreement as to the fair market value of the
16 membership interest, the court shall, upon the posting of a bond or other security sufficient to assure
17 to the petitioner payment of the value of the membership interest, stay the proceeding and determine
18 the value of the membership interest, in accordance with the procedure set forth in § 7-1.2-1202,

1 as of the close of business on the day on which the petition for dissolution was filed. Upon
2 determining the fair market value of the membership interest, the court shall state in its order
3 directing that the membership interest be purchased, the purchase price and the time within which
4 the payment is to be made, and may decree any other terms and conditions of sale that it determines
5 to be appropriate and not objected to by the parties, including payment of the purchase price in
6 installments extending over a period of time, and, if the membership interest is to be purchased by
7 multiple members, the allocation of the membership interest among members electing to purchase
8 the interest, which, so far as practicable, unless otherwise agreed shall be pro rata to the membership
9 interest owned by each member at the time the petition was filed.

10 (d) The petitioner is entitled to interest, at the rate on judgments in civil actions, on the
11 purchase price of the membership interest from the date of the filing of the election to purchase the
12 membership interest, and all other rights of the petitioner as owner of the membership interest
13 terminate on that date. The costs of the proceeding, which include reasonable compensation and
14 expenses of appraisers but not fees and expenses of counsel or of experts retained by a party, shall
15 be allocated between or among the parties as the court determines.

16 (e) Upon full payment of the purchase price, under the terms and conditions specified by
17 the court, or at any other time that is ordered by the court, the petitioner shall transfer the
18 membership interest to the purchasers.

19 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIPS -- THE RHODE
ISLAND LIMITED-LIABILITY COMPANY ACT

1 This act would permit a member or members of a limited-liability company to avoid
2 dissolution by buying the membership interest owned by the other member or members seeking
3 dissolution.

4 This act would take effect upon passage.

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