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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2020

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A N A C T

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

Introduced By: Representatives Filippi, Lyle, Nardone, Quattrocchi, and Newberry

Date Introduced: February 26, 2020

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 **7-16-77. Avoidance of dissolution by unit buyout.**

4 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 § 7-1.2-1314 or a right to  
6 compel dissolution which is authorized under § 7-1.2-1701 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 units owned by the petitioner at a price equal to their  
10 fair value. If the units are to be purchased by other members, notice must be sent to all members of  
11 the LLC other than the petitioner, giving them an opportunity to join in the election to purchase the  
12 units. If the parties are unable to reach an agreement as to the fair value of the units, the court shall,  
13 upon the giving of a bond or other security sufficient to assure to the petitioner payment of the  
14 value of the units, stay the proceeding and determine the value of the units, in accordance with the  
15 procedure set forth in § 7-1.2-1202, as of the close of business on the day on which the petition for  
16 dissolution was filed. Upon determining the fair value of the units, the court shall state in its order  
17 directing that the units be purchased, the purchase price and the time within which the payment is  
18 to be made, and may decree any other terms and conditions of sale that it determines to be

1 appropriate, including payment of the purchase price in installments extending over a period of  
2 time, and, if the units are to be purchased by members, the allocation of units among members  
3 electing to purchase them, which, so far as practicable, are to be proportional to the number of units  
4 previously owned. The petitioner is entitled to interest, at the rate on judgments in civil actions, on  
5 the purchase price of the units from the date of the filing of the election to purchase the units, and  
6 all other rights of the petitioner as owner of the units terminate on that date. The costs of the  
7 proceeding, which include reasonable compensation and expenses of appraisers but not fees and  
8 expenses of counsel or of experts retained by a party, will be allocated between or among the parties  
9 as the court determines. Upon full payment of the purchase price, under the terms and conditions  
10 specified by the court, or at any other time that is ordered by the court, the petitioner shall transfer  
11 the units to the purchaser.

12 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

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- 1           This act would permit a member or members of a limited-liability company to avoid
- 2           dissolution by buying the units owned by the other member or members seeking dissolution.
- 3           This act would take effect upon passage.

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