

1 State of Arkansas
2 95th General Assembly
3 Regular Session, 2025
4

A Bill

SENATE BILL 319

5 By: Senator J. Boyd
6 By: Representative Maddox
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE UNIFORM LIMITED LIABILITY COMPANY
10 ACT; TO CLARIFY CHARGING ORDERS UNDER THE UNIFORM
11 LIMITED LIABILITY COMPANY ACT; AND FOR OTHER
12 PURPOSES.
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Subtitle

15 TO AMEND THE UNIFORM LIMITED LIABILITY
16 COMPANY ACT; AND TO CLARIFY CHARGING
17 ORDERS UNDER THE UNIFORM LIMITED
18 LIABILITY COMPANY ACT.
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21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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23 SECTION 1. Arkansas Code § 4-38-503 is amended to read as follows:
24 4-38-503. Charging order.

25 (a) On application to a court of competent jurisdiction by a judgment
26 creditor of a member, ~~or transferee, or any other owner of a membership~~
27 interest in a limited liability company, the a court having jurisdiction may
28 charge the ~~transferable membership interest of the judgment debtor~~ with
29 payment of the unsatisfied amount of the judgment with interest. ~~A charging~~
30 ~~order constitutes a lien on a judgment debtor's transferable interest and~~
31 ~~requires the limited liability company to pay over to the person to which the~~
32 ~~charging order was issued any distribution that otherwise would be paid to~~
33 ~~the judgment creditor.~~

34 (b) ~~On application to a court of competent jurisdiction by a judgment~~
35 ~~creditor of a member or transferee against whose transferable interest a~~
36 ~~charging order was issued, and a showing to the satisfaction of the court~~



1 ~~that one (1) or more members of the limited liability company have engaged in~~
 2 ~~bad faith or intentional misconduct in managing the limited liability~~
 3 ~~company's operations or finances so as to reduce or eliminate distributions~~
 4 ~~to the judgment debtor, and thereby effectively defeat the charging order,~~
 5 ~~the court may foreclose the lien and order the sale of the judgment debtor's~~
 6 ~~transferrable interest. Except as otherwise provided in subsection (c), the~~
 7 ~~purchaser at the foreclosure sale obtains only the transferable interest,~~
 8 ~~does not thereby become a member, and is subject to § 4-38-502. At any time~~
 9 ~~before foreclosure under this subsection (b), the member or transferee whose~~
 10 ~~transferable interest is subject to a charging order under subsection (a) may~~
 11 ~~extinguish the charging order by satisfying the judgment and filing a~~
 12 ~~certified copy of the satisfaction with the court that issued the charging~~
 13 ~~order. At any time before foreclosure under this subsection (b), a limited~~
 14 ~~liability company or one (1) or more members whose transferable interests are~~
 15 ~~not subject to the charging order may pay to the judgment creditor the full~~
 16 ~~amount due under the judgment and thereby succeed to the rights of the~~
 17 ~~judgment creditor, including the charging order. If a court charges a~~
 18 ~~membership interest with payment of a judgment as provided under subsection~~
 19 ~~(a) of this section, the judgment creditor has only the right to receive a~~
 20 ~~distribution to which the judgment debtor would otherwise be entitled in~~
 21 ~~respect of the membership interest.~~

22 ~~(c)(1) On application to a court of competent jurisdiction by a~~
 23 ~~judgment creditor of the sole member of a limited liability company against~~
 24 ~~whose transferable interest a charging order was issued, and a showing to the~~
 25 ~~satisfaction of the court that distributions under a charging order will not~~
 26 ~~pay the judgment debt within a reasonable time, the court may foreclose the~~
 27 ~~lien and order the sale of the transferable interest. If a court orders~~
 28 ~~foreclosure of a charging order lien against the sole member of a limited~~
 29 ~~liability company:~~

30 ~~(1) the court shall confirm the sale;~~

31 ~~(2) the purchaser at the sale obtains the member's entire~~
 32 ~~interest, not only the member's transferable interest;~~

33 ~~(3) the purchaser thereby becomes a member; and~~

34 ~~(4) the person whose interest was subject to the foreclosed~~
 35 ~~charging order is dissociated as a member. A charging order constitutes a lien~~
 36 ~~on the judgment debtor's membership interest.~~

1 (2) The charging order lien shall not be foreclosed on under
2 this subchapter or any other law.

3 ~~(d) This section:~~

4 ~~(1)(A) Shall not operate to invalidate any provision of any~~
5 ~~written agreement between a member and a creditor, including without~~
6 ~~limitation a security agreement, assignment, or other instrument giving the~~
7 ~~creditor a security interest in, or assignment of, the transferable interest,~~
8 ~~where at the time the written agreement, security agreement, assignment, or~~
9 ~~other instrument was executed by the member and the creditor, the member's~~
10 ~~executing such written agreement, security agreement, assignment, or other~~
11 ~~instrument did not violate a provision of the limited liability company's~~
12 ~~certificate of organization or operating agreement.~~

13 ~~(B) Except as provided in subsection (c), the foreclosure~~
14 ~~of a charging order does not grant the creditor who receives the transferable~~
15 ~~interest any rights in the transferable interest beyond the rights of a~~
16 ~~transferee;~~

17 ~~(2)(A) Provides the exclusive remedy by which a judgment~~
18 ~~creditor of a member or a transferee of a member may satisfy a judgment out~~
19 ~~of the member's interest in the limited liability company, where the limited~~
20 ~~liability company has more than one (1) member.~~

21 ~~(B)(i) In the case of a limited liability company with~~
22 ~~more than one (1) member, other remedies, including without limitation~~
23 ~~foreclosure on the member's interest, except as provided in subsection (b),~~
24 ~~or a court order for directions, accounts, and inquiries that the debtor or~~
25 ~~member might have made, are not available to the judgment creditor attempting~~
26 ~~to satisfy the judgment out of the judgment debtor's transferable interest in~~
27 ~~the limited liability company; and~~

28 ~~(3) Does not deprive a member of the benefit of any exemption~~
29 ~~applicable to his or her interest The entry of a charging order is the~~
30 ~~exclusive remedy by which a judgment creditor of a member or of another owner~~
31 ~~of a membership interest may satisfy a judgment out of the judgment debtor's~~
32 ~~membership interest.~~

33 (e) This section shall not be construed to deprive a member of a
34 limited liability company or another owner of a membership interest in a
35 limited liability company of the benefit of an exemption applicable to the
36 membership interest of the member or owner.

1 (f) A creditor of a member or of another owner of a membership
2 interest does not have the right to obtain possession of or otherwise
3 exercise legal or equitable remedies with respect to the property of the
4 limited liability company.

5 (g) This section applies to:

6 (1) A single-member limited liability company; and

7 (2) A multiple-member limited liability company.

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