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TCA 48-249-503

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Tennessee Code Annotated § 48-249-503 – Termination of membership interest

- (a) Events constituting termination. A member's membership interest in an LLC is terminated upon the occurrence of any of the following events:
- (1) The LLC receives written notice from the member of the member's express will to withdraw upon the date of the notice, or on a later date specified by the member in the notice;
 - (2) An event specified in the LLC documents as causing the member's membership interest to terminate;
 - (3) The transfer of all of the member's financial rights, unless the transfer is for security purposes, and has not been foreclosed or is under a court order charging the member's financial rights;
 - (4) The member is expelled under the LLC documents;
 - (5) The member is expelled by unanimous vote of the other members entitled to vote, if:
 - (A) It is unlawful to carry on the business of the LLC with the member;
 - (B)
 - (i) The member is a corporation or an LLC;
 - (ii) Within ninety (90) days after the LLC notifies the member that it will be expelled, because it has filed a certificate of dissolution, or the equivalent, its charter or articles of organization, or the equivalent, have been revoked, or its right to conduct business has been suspended by the jurisdiction of its formation; and
 - (iii) The member fails to obtain a revocation of the certificate of dissolution or a reinstatement of its charter or articles of organization, or the equivalent, or its right to conduct business within such ninety-day period; or
 - (C) The member is a general or limited partnership and has been dissolved and its business is being wound up;
 - (6) On application by the LLC or another member, the member is expelled by judicial determination, because the member:
 - (A) Engaged in wrongful conduct that adversely and materially affected the LLC's business;
 - (B) Willfully or persistently committed a material breach of the LLC documents, or of a duty owed under § 48-249-403 to the LLC or to other members or to holders; or
 - (C) Engaged in conduct relating to the LLC's business that makes it not reasonably practicable to carry on the business with the member;
 - (7) The member:
 - (A) Files a petition as a debtor in bankruptcy;
 - (B) Executes an assignment for the benefit of creditors;

- (C) Seeks, consents to, or acquiesces in the appointment of a trustee, receiver or liquidator for or of the member, or for or of all or substantially all of the member's property; or
 - (D) Fails, within ninety (90) days after the filing or appointment, to have dismissed the filing against the member of an involuntary petition in bankruptcy, or to have vacated or stayed the appointment of a trustee, receiver or liquidator for or of the member, or for or of all or substantially all of the member's property obtained without the member's consent or acquiescence, or fails within ninety (90) days after the expiration of a stay, to have the appointment vacated;
- (8) In the case of a member who is an individual:
- (A) The member dies;
 - (B) A personal representative is appointed for the member; or
 - (C) A judicial determination that the member has become incapable of performing the member's duties under the LLC documents;
- (9) In the case of a member that is a trust or is acting as a member by virtue of being a trustee of a trust, the distribution of all of the trust's financial rights, but not merely by reason of the substitution of a successor trustee; provided, however, that a distribution to a beneficiary of a trust established under § 2503(c) of the Code, codified in 26 U.S.C. § 2503(c), or a trust that is treated under § 676 of the Code, codified in 26 U.S.C. § 676, as owned by the settlor of the trust, shall not be considered to be a distribution of financial rights under this subdivision (a)(9);
- (10) In the case of a member that is an estate, or is acting as a member by virtue of being a personal representative of an estate, distribution of all of the estate's financial rights, but not merely the substitution of a successor personal representative or beneficiary;
- (11) In the case of a custodianship under the Uniform Transfers to Minors Act, compiled in title 35, chapter 7, part 2, or the equivalent law of any foreign jurisdiction, a transfer of the financial rights held by the custodian, but not a transfer to the beneficiary for whom the custodian is holding the financial rights; or
- (12) Termination of the existence of a member, if the member is an entity other than an estate, or trust, other than a business trust.
- (b) Power to terminate.
- (1) Except as otherwise provided in subdivision (b)(2), and subject to § 48-249-504, a member has the power and right to terminate such member's membership interest at any time, including, without limitation, upon withdrawal by express will under subdivision (a)(1). A provision in the LLC documents that negates any right of a member to terminate the member's membership interest shall also automatically negate the corresponding power of the member to terminate the member's membership interest, unless the corresponding power of the member to terminate the

member's membership interest is expressly reserved. Any attempted termination of a member's membership interest as to which the power to terminate has been negated shall be null and void.

- (2) No member of a family LLC has either the power or the right to terminate the membership interest or financial rights of such member in such family LLC. No event specified in subdivisions (a)(1), (a)(3), (a)(7), (a)(8), (a)(9), (a)(10), (a)(11) or (a)(12) shall result in the termination of the membership interest or financial rights of a member of a family LLC. In the event that a member of a family LLC attempts to terminate the member's membership interest or financial rights by withdrawal by express will under subdivision (a)(1), such attempted termination shall be null and void.

*** Effective: July 9, 2012