

Holes in Shotgun Buy-Sell Agreement Keep Deadlock Dissolution Petition Alive

“Under both New York and Delaware law, members of an LLC may petition for judicial dissolution on the grounds that the management is so hopelessly deadlocked that the LLC can no longer function in accordance with its purpose as defined in its governing documents,” writes Peter J. Sluka in *Farrell Fritz’ New York Business Divorce*.

“In those cases, courts will consider whether the LLC operating agreement contains some other mechanism to break the deadlock. If the operating agreement itself provides a fair opportunity for the dissenting member who disfavors the inertial status quo to exit and receive the fair market value of her interest, it is at least arguable that the LLC can still proceed to function, because there exists an equitable way to break the impasse.”

Read the article.