This is the first draft of RULLCA Section 503 as modified by James Reynolds. It illustrates that the result of the RULLCA subcommittee's work will not resemble RULLCA, which is why the committee cannot argue that one reason to adopt the new law is that is a uniform law.

SECTION 503. CHARGING ORDER.

(a) On application by a judgment creditor of a member or transferee, a court may enter a charging order against the transferable interest of the judgment debtor for the unsatisfied amount of the judgment. ~~Except as otherwise provided in subsection (f), a~~ A charging order constitutes a lien on a judgment debtor's transferable interest and requires the limited liability company to pay over to the person to which the charging order was issued any distribution that otherwise would be paid to the judgment debtor, until all sums due the judgment creditor under the judgment have been paid.

(b) To the extent necessary to effectuate the collection of distributions pursuant to a charging order in effect under subsection (a), the court may:

(1) appoint a receiver of the distributions subject to the charging order, with the power to ~~make all inquiries~~obtain from the limited liability company all information that the judgment debtor ~~might have made~~is entitled to obtain; and

(2) make all other orders necessary to give effect to the charging order.

(c) ~~Upon a showing that distributions under a charging order will not pay the judgment debt within a reasonable time, the court may foreclose the lien and order the sale of the transferable interest. Except as otherwise provided in subsection (f), the purchaser at the foreclosure sale only obtains the transferable interest, does not thereby become a member, and is subject to Section 502~~The court that entered a charging order may foreclose the lien and order the sale of the transferable interest of the judgment debtor if the court determines that any of the following circumstances exist:

(1) After the entry of the charging order, the limited liability company reduced its distributions to the judgment debtor compared to historical distributions and accumulated cash and cash equivalent assets in excess of its reasonable cash requirements.

(2) The judgment debtor directly or indirectly owns all of the outstanding transferable interests in the limited liability company, disregarding any transferable interest held by a third party that is of nominal value or that was acquired by a third party in a transfer voidable under the law of fraudulent transfers.

(3) At any time after the filing of the complaint in the lawsuit or arbitration that resulted in the judgment, the judgment debtor had the right to sell the judgment debtor's transferable interest or, if the right to sell is subject to the approval of another member, manager or other third party or the satisfaction of other requirements under the operating agreement, the judgment creditor is able to satisfy those requirements before the foreclosure sale.

(d) At any time before foreclosure under subsection (c), the member or transferee whose transferable interest is subject to a charging order under subsection (a) may extinguish the charging order by satisfying the judgment and filing a certified copy of the satisfaction with the court that issued the charging order.

(e) At any time before foreclosure under subsection (c), a limited liability company or one or more members whose transferable interests are not subject to the charging order may pay to the judgment creditor the full amount due under the judgment and thereby succeed to the rights of the judgment creditor, including the charging order.

(f) ~~If a court orders foreclosure of a charging order lien against the sole member of a limited liability company:~~

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

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

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

~~(4) the person whose interest was subject to the foreclosed charging order is dissociated as a member~~Except as otherwise provided in this subsection (f), the purchaser of a transferable interest at a foreclosure sale obtains only the judgment debtor's transferable interest without thereby becoming a member, subject to section 502. The purchaser at a foreclosure sale will become a member, with all of the rights of a member relating to the transferable interest purchased at the foreclosure sale, if the court that ordered the foreclosure sale determines that either:

(1) The judgment debtor directly or indirectly owned all of the outstanding transferable interests of the limited liability company when the order for the foreclosure sale was entered, disregarding any transferable interest held by a third party that is of nominal value or that was acquired by a third party in a transfer voidable under the law of fraudulent transfers.

(2) At any time after the filing of the complaint in the lawsuit or arbitration that resulted in the judgment, the judgment debtor had the right to confer member status with all rights of a member upon any transferee of the transferable interest or, if the right to confer member status is subject to the approval of another member, manager or third party or the satisfaction of other requirements under the operating agreement, the judgment creditor has satisfied those requirements.

(g) This [act] does not deprive any member or transferee of the benefit of any exemption laws applicable to the transferable interest of the member or transferee.

(h) This section provides the exclusive remedy by which a person seeking to enforce a judgment against a member or transferee may, in the capacity of judgment creditor, satisfy the judgment from the judgment debtor's transferable interest.