



Ohio Revised Code

Section 1776.54 Purchase of dissociated partner's interest.

Effective: August 6, 2008

Legislation: House Bill 332 - 127th General Assembly

(A) When a partner is dissociated from a partnership and that dissociation does not result in a dissolution and winding up of the partnership business under section 1776.61 of the Revised Code, the partnership shall cause the dissociated partner's interest in the partnership to be purchased for a buyout price determined pursuant to division (B) of this section.

(B)(1) The buyout price of a dissociated partner's interest is the amount that would have been distributable to the dissociating partner under division (B) of section 1776.67 of the Revised Code as if, on the date of dissociation, both of the following occurred:

(a) The partnership sold the assets at a price equal to the greater of the liquidation value or the value based on a sale of the entire business as a going concern without the dissociated partner.

(b) The partnership completed a winding up of the partnership business.

(2) Interest shall be paid from the date of dissociation to the date of payment.

(C) The partnership shall reduce the buyout price paid to the partner by any damages for wrongful dissociation under section 1776.52 of the Revised Code and all other amounts owing, whether or not presently due, from the dissociated partner to the partnership. Interest shall be assessed on any amount owed to the partnership from the date the amount owed is due to the date of payment.

(D) A partnership shall indemnify a dissociated partner whose interest is being purchased against all partnership liabilities, whether incurred before or after the dissociation, except liabilities incurred by an act of the dissociated partner under section 1776.55 of the Revised Code.

(E) If no agreement for the purchase of a dissociated partner's interest is reached within one hundred twenty days after a written demand for payment, the partnership shall pay or cause to be paid, in cash to the dissociated partner, the amount the partnership estimates to be the buyout price and



accrued interest, reduced by any offsets under division (C) of this section.

(F) Notwithstanding division (E) of this section, if a deferred payment is authorized under division (H) of this section or if the partnership determines that immediate payment of the buyout price would cause undue hardship to the business of the partnership, the partnership may tender a written offer to pay the amount it estimates to be the buyout price and accrued interest, reduced by any offsets under division (C) of this section, stating the time of payment, the amount and type of security for payment, and the other terms and conditions of the obligation.

(G) Any payment or tender required by division (E) or (F) of this section shall be accompanied by all of the following:

- (1) A statement of partnership assets and liabilities as of the date of dissociation;
 - (2) The latest available partnership balance sheet and income statement, if any;
 - (3) An explanation of how the estimated amount of the payment was calculated;
 - (4) Written notice that the payment is in full satisfaction of the obligation to purchase unless, within one hundred twenty days after the written notice, the dissociated partner commences an action to determine the buyout price, any offsets under division (C) of this section, or other terms of the obligation to purchase;
 - (5) If applicable, a brief explanation of the basis for the partnership's determination that immediate payment of the buyout price would cause undue hardship to the business of the partnership.
- (H) A partner who wrongfully dissociates before the expiration of a definite term or the completion of a particular undertaking is not entitled to payment of any portion of the buyout price until the expiration of the term or completion of the undertaking, unless the partner establishes to the satisfaction of the tribunal that earlier payment will not cause undue hardship to the business of the partnership. Any deferred payment shall be adequately secured and bear interest.

(I)(1) A dissociated partner may maintain an action against the partnership pursuant to division



(B)(2)(b) of section 1776.45 of the Revised Code to determine the buyout price of that partner's interest, any offsets under division (C) of this section, or other terms of the obligation to purchase. Any action shall be commenced within one hundred twenty days after the partnership tenders payment or an offer to pay or within one year after written demand for payment if no payment or offer to pay is tendered.

(2) The tribunal shall determine the buyout price of the dissociated partner's interest, any offset due under division (C) of this section, and accrued interest, and enter judgment for any additional payment or refund. If deferred payment is authorized under division (H) of this section or if the partnership determines that immediate payment of the buyout price would cause undue hardship to the partnership, and the partner does not establish to the satisfaction of the tribunal that earlier payment will not cause undue hardship to the business of the partnership, the tribunal also shall determine the security for payment and other terms of the obligation to purchase.

(3) The tribunal may assess reasonable attorney's fees and the fees and expenses of appraisers or other experts for a party to the action, in amounts the tribunal finds equitable, against a party that the tribunal finds acted arbitrarily, vexatiously, or not in good faith. The finding may be based on the partnership's failure to tender payment or an offer to pay or to comply with division (G) of this section.