

TITLE 4: ECONOMIC RESOURCES
DIVISION 4: CORPORATIONS, PARTNERSHIPS AND ASSOCIATIONS

§ 4857. Liability for Unlawful Distributions.

(a) A member of a member-managed company or a member or manager of a manager-managed company who votes for or assents to a distribution made in violation of section 4856, the articles of organization, or the operating agreement is personally liable to the company for the amount of the distribution which exceeds the amount that could have been distributed without violating section 4856, the articles of organization, or the operating agreement if it is established that the member or manager did not perform the member's or manager's duties in compliance with section 4859.

(b) A member of a manager-managed company who knew a distribution was made in violation of section 4856, the articles of organization, or the operating agreement is personally liable to the company, but only to the extent that the distribution received by the member exceeded the amount that could have been properly paid under section 4856.

(c) A member or manager against whom an action is brought under this section may implead in the action all:

(1) Other members or managers who voted for or assented to the distribution in violation of subsection (a) and may compel contribution from them; and

(2) Members who received a distribution in violation of subsection (b) and may compel contribution from the member in the amount received in violation of subsection (b).

(d) A proceeding under this section is barred unless it is commenced within two years after the distribution.

Source: PL 14-11, § 2 (407), modified.

Commission Comment: See the comment to 4 CMC § 4801 regarding PL 14-11.