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# STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2006

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A N A C T

RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIPS -- THE RHODE ISLAND LIMITED LIABILITY COMPANY ACT

Introduced By: Senator F Caprio

Date Introduced: March 15, 2006

Referred To: Senate Commerce, Housing & Municipal Government

It is enacted by the General Assembly as follows:

1           SECTION 1. Chapter 7-16 of the General Laws entitled "The Rhode Island Limited  
2 Liability Company Act" is hereby amended by adding thereto the following section:

3           **7-16-5.4. Conversion of sole proprietorship to a limited liability company. – (a) Any**  
4 **sole proprietorship owned by a Rhode Island resident may convert to a limited liability company**  
5 **by filing articles of organization that meet the requirements of section 7-16-6 or by filing an**  
6 **amendment or restatement of articles of organization of an existing limited liability company that**  
7 **meets the requirements of section 7-16-2, accompanied in any case by a certificate of conversion**  
8 **to a limited liability company, which shall include the following:**

9           (1) The name of the former sole proprietorship and the name of the limited liability  
10 company as set forth in its articles of organization; and

11           (2) The date the sole proprietor commenced his or her business.

12           (b) Following the conversion of the sole proprietorship to a limited liability company:

13           (1) The limited liability company shall upon and after conversion possess all the rights,  
14 privileges, immunities, powers, and franchises, of a public as well as a private nature, of the  
15 former sole proprietorship and shall be subject to all the restrictions, disabilities, and duties of the  
16 former sole proprietorship to the extent those rights, privileges, immunities, powers, franchises,  
17 restrictions, disabilities and duties were applicable the former sole proprietorship and to the extent  
18 those rights, privileges, immunities, powers, franchises, restrictions, disabilities, and duties are

1 applicable to the limited company after the conversion;

2 (2) All property, real, personal and mixed, and all debts due on whatever account and all  
3 other choices in action and all and every other interest of or belonging to the former sole  
4 proprietorship shall be vested in the limited liability company after the conversion without further  
5 act or deed;

6 (3) The title to all real estate and any interest in it vested in the former sole proprietorship  
7 and in the certificate of conversion identified as being part of the conversion and in the limited  
8 liability company shall not revert or be in any way impaired by reason of the conversion;

9 (4) The limited liability company shall be responsible and liable for all liabilities and  
10 obligations of the former sole proprietorship, and any claim existing or action or proceeding  
11 pending by or against the former sole proprietorship may be prosecuted as if the conversion had  
12 not taken place, or the limited liability company may be substituted in the action;

13 (5) Neither the rights of creditors nor any liens on the property of the former sole  
14 proprietorship shall be impaired by the conversion;

15 (6) Nothing in this section shall abridge or impair any rights that may otherwise be  
16 available to the owner of the former sole proprietorship, except as amended in connection with  
17 the conversion, and under applicable law; and

18 (7) The limited liability company shall be deemed to be the successor of the sole  
19 proprietorship and to have succeeded by operation of law to the interest in all property, real,  
20 personal and mixed or any interest therein of the former sole proprietorship.

21 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIPS -- THE RHODE  
ISLAND LIMITED LIABILITY COMPANY ACT

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- 1           This act would provide a mechanism by which sole proprietorships can convert into a
- 2 limited liability company.
- 3           This act would take effect upon passage.

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