

Legal Newsletter

Right of First Refusal in Case of Forced Share Sale by Court Bailiff or Foreclosure of Share Pledge

Amendments have been introduced to the Commercial Law of Latvia (Art. 189¹ and 189²), effective as of January 1, 2018, that affords the right of first refusal to other shareholders in a limited liability company (SIA) in the case of forced share sale 1) by a court bailiff ("*tiesu izpildītājs*") pursuant to the effective court enforcement order, 2) by insolvency administrator in the course of the insolvency administrator, or 3) on the enforcement and foreclosure sale of share pledge ("*komerçīla*") of the affected shareholder in this company.

In such case the other shareholders' pro-rata may exercise their right of first refusal to purchase within the specified period that shall be no less than 5 days, the shares that have been subject to forced sale proceedings for the same price, as has been committed by the third party purchaser in the as the result of forced sale and the foreclosure proceedings.

The amendment is intended to protect the rights of the other existing shareholders by restricting possibilities of the third parties to become a shareholder of the company without implied consent and/or knowledge of the existing shareholders.

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