



LAW ADVOCATE GROUP, LLP

9701 Wilshire Blvd. Suite 1000 Beverly Hills, CA 90212

Phone: 310-651-3065 Fax: 310-601-7110

www.LawAdvocateGroup.com

[Doron F. Eghbali Business/Corporate Law](#)

Thursday, June 18, 2015 by [Doron F. Eghbali](#)

Dissolution of a Limited Liability Company in California

The mechanism(s) to dissolve a [Limited Liability Company \("LLC"\)](#) in California is encapsulated, to a large extent, in California Corporations Code Section 17707.01. Nonetheless, the application of the mechanisms set forth in the Code section requires profound knowledge and foresight. In this article we explore in some depth the events that give rise to dissolution of an LLC in California and how a streamlined LLC could be effectuated when the LLC has not done any business.

Streamlined Dissolution of LLC When No Business Done

Corp. Code Sections 17707.01-17707.09 provide a roadmap for dissolution or cancellation of an LLC by filing proper documents with California Secretary of State. This streamlined procedure is available only if:

- The LLC has not had any business done since formation; AND
- The LLC's Articles of Organization were filed within 12 months of filing the proper form for cancellation/dissolution with California Secretary of State; AND
- The LLC has no liabilities or debts.

Dissolution Events in the Statute

As stated, CA Corporations Code Section 17707.01 is the authority to inquire into dissolution of an LLC in CA.

CA Corporations Code Section 17707.01 provides:

"A limited liability company is dissolved, and its activities shall be wound up, upon the happening of the first to occur of the following:

(a) On the happening of an event set forth in a written operating agreement or the articles of organization.

(b) By the vote of a majority of the members of the limited liability company or a greater percentage of the voting interests of members as may be specified in the articles of organization, or a written operating agreement.

(c) The passage of 90 consecutive days during which the limited liability company has no members, except on the death of a natural person who is the sole member of a limited liability company, the status of the member, including a membership interest, may pass to the heirs, successors, and assigns of the member by will or applicable law. The heir, successor, or assign of the member's interest becomes a substituted member pursuant to subdivision (d) of Section 17704.01, subject to administration as provided by applicable law, without the permission or consent of the heirs, successors, or assigns or, those administering the estate of the deceased member.

(d) Entry of a decree of judicial dissolution pursuant to Section 17707.03.”

Dissolution: Event Specified in the Articles or Operating Agreement

Upon happening of an event specified in the LLC's Articles or Organization or Operating Agreement, the LLC is dissolved. This event could be the conclusion of a joint venture (e.g. after completion of sale of a venture or completion of a certain project) or when gross sales or profits do not reach a certain threshold in a quarter.

Dissolution: By Majority Vote

Dissolution happens upon voting by a majority of members to dissolve or a greater percentage of voting interests if specified in the Articles or Operating Agreement. “Majority of the Members” is defined in Corporations Code Section 17701.02 as “unless otherwise provided in the operating agreement, means more than 50 percent of the membership interests of members in current profits of the limited liability company.”

Dissolution by Judicial Decree

Dissolution could happen by an action initiated in court under CA Corporations Code Section 17707.03. The grounds for Judicial Dissolution is set forth in CA Corporations Code Section 17707.3:

“(1) It is not reasonably practicable to carry on the business in conformity with the articles of organization or operating agreement.

(2) Dissolution is reasonably necessary for the protection of the rights or interests of the complaining members.

(3) The business of the limited liability company has been abandoned.

(4) The management of the limited liability company is deadlocked or subject to internal dissention.

(5) Those in control of the limited liability company have been guilty of, or have knowingly countenanced persistent and pervasive fraud, mismanagement, or abuse of authority.”

The right to petition the court does not depend on any minimum level of ownership of the LLC. Hence, a 1-percent owner of an LLC membership interest or even a manager with no membership interest at all would have the right to initiate such a proceeding.

DISCLAIMER:

This article NEITHER supplants NOR supplements the breadth or depth of such rarefied topic. In fact, this article ONLY provides a rudimentary synopsis of such esoteric subject matter.

***DORON EGHBALI** is a Partner at the Beverly Hills Offices of Law Advocate Group, LLP. Doron Primarily Practices Business, Real Estate and Entertainment Law. Doron Can Be Reached at: 310-651-3065. For More information, Please, Visit: HERE.*