

ASSEMBLY BILL

No. 506

Introduced by Assembly Member Maienschein

February 23, 2015

An act to amend Section 17706.03 of the Corporations Code, relating to business.

LEGISLATIVE COUNSEL'S DIGEST

AB 506, as introduced, Maienschein. Limited liability companies.

Existing law, the California Revised Uniform Limited Liability Company Act, authorizes one or more persons to form a limited liability company by, among other things, signing and delivering articles of organization with the Secretary of State. The act authorizes a person, as defined, to dissociate as a member of a limited liability company at any time by withdrawing as a member by express will. The act deems a person to be dissociated from a limited liability company upon the occurrence of certain events, including, among others, an individual's death. The act provides the effects when a person, including an individual, is dissociated from a limited liability company.

This bill would specify that upon dissociation a person's right to vote as a member in the management and conduct of the limited liability company's activities terminates. The bill would authorize, if a member dies or a guardian or general conservator is appointed for the member, the member's executor, administrator, guardian, conservator, or other legal representative to exercise all of the member's rights for the purpose of settling the member's estate or administering the member's property, including any power the member had under the articles of organization or an operating agreement to give a transferee the right to become a member.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 17706.03 of the Corporations Code is
2 amended to read:
3 17706.03. (a) When a person is dissociated as a member of a
4 limited liability company all of the following apply:
5 (1) The person’s right to *vote or* participate as a member in the
6 management and conduct of the limited liability company’s
7 activities terminates.
8 (2) If the limited liability company is member-managed, the
9 person’s fiduciary duties as a member end with regard to matters
10 arising and events occurring after the person’s dissociation.
11 (3) Subject to Section 17705.04 and Article 10 (commencing
12 with Section 17710.01), any transferable interest owned by the
13 person immediately before dissociation in the person’s capacity
14 as a member is owned by the person solely as a transferee.
15 (b) A person’s dissociation as a member of a limited liability
16 company does not of itself discharge the person from any debt,
17 obligation, or other liability to the limited liability company or the
18 other members that the person incurred while a member.
19 (c) *If a member dies or a guardian or general conservator is*
20 *appointed for the member, the member’s executor, administrator,*
21 *guardian, conservator, or other legal representative may exercise*
22 *all of the member’s rights for the purpose of settling the member’s*
23 *estate or administering the member’s property, including any*
24 *power the member had under the articles of organization or an*
25 *operating agreement to give a transferee the right to become a*
26 *member.*

O