

## How to Voluntarily Withdraw from a California LLC

People sometimes want to leave an LLC and let their business partner take full ownership and control of operations. Maybe the business is not turning a profit, or worse, the owners continue to invest in the business to keep it going; or the once-enthusiastic business partners no longer get along; maybe the person leaving has simply lost interest.

Whatever the reason, California law makes it relatively simple to withdraw as a member of a limited liability company (LLC). California Corporations Code Section 17252 allows LLC members to withdraw, resign, or retire from the LLC despite any restrictions the LLC's operating agreement may place on member withdrawal, resignation, or retirement. A member may withdraw, resign, or retire at any time by simply giving the other members written notice.

Section 17252 states:

(a)The articles of organization or a written operating agreement may provide that a member may withdraw, resign, or retire from a limited liability company at the time or upon the happening of events specified in the operating agreement or that the member shall not have the right to withdraw, resign, or retire as a member of a limited liability company. Notwithstanding any restriction upon the right of a member to withdraw, resign, or retire, a member may withdraw from a limited liability company at any time by giving written notice to the other members. However, unless the articles of organization or written operating agreement provide otherwise, the withdrawn member shall not be entitled to payment for the member's interest in the limited liability company, and, beginning on the date of the withdrawal, the withdrawn member shall have only the right of a holder of an economic interest with respect to that withdrawn member's interest in the limited liability company, and then only with respect to distributions, if any, to which a holder of an economic interest is entitled under the operating agreement of the limited liability company, and the withdrawn member shall no longer be a member of the limited liability company. If the withdrawal, resignation, or retirement is in violation of the operating agreement, the limited liability company shall have the right to offset any damages for the breach of the operating agreement from the amounts, if any, otherwise distributable to the withdrawn member with respect to the withdrawn member's economic interest in the limited liability company.

(b)Upon the withdrawal of a member, the list required to be kept pursuant to paragraph (1) of subdivision (a) of Section 17058 shall be amended accordingly.

If the withdrawing member is the managing member, a new Statement of Information will need to be filed designating the new manager. Depending on the circumstances, it may also be necessary to file amended articles of organization to change the LLC from manager managed to member managed. Note, however, that withdrawal, resignation, or retirement from the LLC does not terminate the withdrawing party's equity interest in the company.