IN THE CIRCUIT COURT FOR THE STATE OF OREGON

FOR THE COUNTY OF LANE

In re Judicial Dissolution of **Zadeh Kicks LLC dba Zadeh Kicks**, Petitioner.	Case No. **PETITION FOR VOLUNTARY DISSOLUTION UNDER COURT SUPERVISION AND APPOINTMENT OF RECEIVER** **(Expedited Consideration Requested)** Pursuant to ORS 63.661, 63.637(3), ORS 63.664(3), and ORS 37.060 Fee Authority: ORS 21.135(1) **Not Subject to Mandatory Arbitration**

The Petitioner as captioned above, an Oregon limited liability company, through Michael Malekzadeh ("Malekzadeh"), an Oregon resident and the sole member, managing member, or person with authority and control of Petitioner (together, the "Petitioner"), petition this Court for the judicial dissolution of Zadeh Kicks – under ORS 63.661 and 63.637(3) – and appointment of a receiver based on ORS 63.664(3), ORS 37.060(1), and this Court's equitable powers, and as provided under ORCP 80. Petitioner further petitions for the immediate appointment of an independent receiver to continue Petitioner's voluntary dissolution under the supervision of this Court for the benefit of Petitioner's customers, creditors, or investors within and outside the State of Oregon.

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SLINDE NELSON
425 NW 10th Ave., Suite 200
Portland, Oregon 97209
p. 503.417.7777; f. 503.417.4250

PETITIONER ZADEH KICKS

1.

Zadeh Kicks LLC ("Zadeh Kicks") is a premium brand sneaker resale company that was formed as an Oregon limited liability company on or about May 29, 2013, registered as Secretary of State No. 940512-90.

2.

Pursuant to ORS 63.664, venue is proper in Lane County, among other reasons, insofar Zadeh Kicks' principal place of business is located at 710 Commercial Street, Suite 3, Eugene, Oregon 97402. Malekzadeh is Zadeh Kicks' sole member, managing member, and registered agent.

3.

Zadeh Kicks has multiple bank accounts, and assets primarily in the form of inventory located in multiple warehouses in Eugene, Oregon. It holds leases on those same warehouses located in Eugene, Oregon but otherwise does not hold any real property.

OVERVIEW OF ZADEH KICKS

4.

Zadeh Kicks was formed as a premium brand sneaker resale company in 2013.

5.

During the period of approximately January 2020 to May 2022, Zadeh Kicks experienced exponential growth in business. Most of this growth was the result of pre-sales of yet to be released sneakers.

6.

Zadeh Kicks was unable to keep up with this growth. By way of example and not limitation, Zadeh Kicks' internal systems and processes were inadequate to maintain fulfillment at these levels. As a result, Zadeh Kicks' present liabilities exceed its present assets, *e.g.*, Zadeh Kicks is insolvent. According to preliminary estimates, the company's liabilities now outweigh its assets

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exceeding millions of dollars.

7.

On or about April 29, 2022, Zadeh Kicks stopped taking new orders.

8.

Zadeh Kicks is pursuing voluntary, judicial dissolution and seeking the Court's assistance with and oversight of same.

LEGAL AUTHORITY FOR JUDICIAL DISSOLUTION & RECEIVERSHIP

9.

ORS 63.661 provides that circuit courts have the power to judicially dissolve an LLC when a member demonstrates to the Court, as here, that is it not reasonably practicable to carry on the business in conformity with its articles or operating agreement:

> (1) A circuit court may dissolve a limited liability company:
>
> ***
>
> (b) In a proceeding by or for a member if the court finds that it is not reasonably practicable to carry on the business of the limited liability company in conformance with the articles of organization or any operating agreement.
>
> (c) In a proceeding by the limited liability company to have the limited liability company's voluntary dissolution continued under court supervision.

ORS 63.661(1).

10.

Additionally, Oregon circuit courts may wind up an LLC's affairs "for cause" shown by a partner or member. ORS 63.637(3) provides that "the circuit court, upon cause shown, may wind up the limited liability company's affairs upon application of any member or the member's legal representative or assignee."

11.

A receiver is a person appointed by a circuit court, or judge thereof, to take charge of property, and to manage and dispose of it as the court may direct. ORCP 80A. The Oregon

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Revised Statutes specifically authorize the court's appointment of a receiver in the judicial dissolution of a limited liability company:

> A court in a proceeding brought to judicially dissolve a limited liability company may issue injunctions, <u>appoint a receiver or a custodian with all powers and duties the court directs</u>, and take other action required to preserve or liquidate the limited liability company's assets wherever located or carry on the business of the limited liability company.

ORS 63.664(3) (Emphasis supplied).

12.

Additionally, Oregon circuit courts may appoint a receiver when an LLC is insolvent and the receivership is necessary to protect the interests of the entity's creditors and third-parties:

> (1) A court may appoint a receiver in the following cases, upon motion by any person or upon its own motion:
>
> ***
>
> (g) When an entity has been dissolved or is insolvent or in imminent danger of insolvency, if receivership is reasonably necessary to protect the property of the entity or to conserve or protect the interests of the entity's stockholders, members, partners or creditors.
>
> (h) In any situation in which the appointment of a receiver is expressly required or permitted by statute.

ORS 37.060(1).

13.

Finally, this Court has the equitable power to appoint a receiver – including in the corporate dissolution context. The Oregon Supreme Court case of *Grayson v. Grayson*, 222 Or. 507, 513 (1960) discussed receivership law in Oregon generally and held that Oregon courts' power to appoint a receiver is necessarily inherent. "In a proper case the power to appoint a receiver is necessarily inherent in a court of equity. This power is not conferred by statute, but exists independently of it." *Id.* at 513 (quoting multiple Oregon Supreme Court opinions). "The protection and preservation of property against imminent danger of loss is one of the proper grounds for appointment of a receiver." *Id.*

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14.

Here, as described herein, the appointment of a receiver is necessary. Zadeh Kicks is subject to a statutorily authorized voluntary and judicial dissolution, and the sole member charged with its management, seeks the appointment of an independent receiver for the benefit of the company's creditors and third parties.

15.

Malekzadeh is unable to further manage Zadeh Kicks in accordance with its articles of organization and operating agreement. Accordingly, he is unable to marshal and liquidate the assets and to administer claims from Zadeh Kick's numerous creditors and third parties. This undertaking will require active management of the assets and claims by a receiver under the supervision of the Court.

16.

Petitioner proposes **David P. Stapleton** as receiver. Mr. Stapleton is a professional receiver, bankruptcy trustee, and is a person with extensive experience and knowledge in the dissolution and winding up of business entities in this and similar circumstances. Mr. Stapleton has agreed to serve as a receiver under this Court's supervision.

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PRAYER FOR RELIEF

Wherefore, on behalf of Petitioner, Malekzadeh requests the Court dissolve Petitioner, and wind-up Petitioner's affairs under Court supervision and appoint a receiver with all powers and duties this court directs.

DATED this 19th day of May, 2022.

SLINDE NELSON

By: *s/Joseph M. Mabe*

Joseph M. Mabe, OSB No. 045286
joe@slindenelson.com
Keith A. Pitt, OSB No. 973725
keith@slindenelson.com
Rebecca J. Ok, OSB No. 185094
rebecca@slindenelson.com
Of Attorneys for Petitioner