WY Chancery Court
Aug 22 2025 04:01PM
CH-2025-0000011
76921111
FILED

IN THE CHANCERY COURT, STATE OF WYOMING

2025 WYCH 10

ARIEL HOUSTON, Plaintiff, v. KOOLAID BABY HOUSTON MUSIC GROUP, LLC, a Wyoming Limited Liability Company Defendant.	)	Docket No. CH-2025-0000011

ORDER GRANTING IN PART DEFAULT JUDGMENT AGAINST DEFENDANT KOOLAID BABY HOUSTON MUSIC GROUP, LLC

[¶1] Although a member of defendant KOOLAID BABY HOUSTON MUSIC GROUP, LLC ("Koolaid Baby"), plaintiff Ariel Houston is in the dark about the company's governance. She remembers signing an operating agreement online, but despite formally requesting a copy from the company's other member and the platform used for signature, Houston does not have the document or know what it says. As such, the court is likewise in the dark. It cannot, as requested, (1) declare Houston's rights under the agreement or (2) determine that the business cannot carry on under the agreement's terms.

[¶2] Yet, the refusal to produce the agreement will not be rewarded. The court grants Houston's motion for default judgment in part, orders production of the company's records, and provisionally denies the requests for declaratory judgment and dissolution. Houston may renew those requests when she obtains the operating agreement by filing an amended motion for default judgment, an amended complaint under W.R.C.P.Ch.C. 15(a)(2), or such other motion as is procedurally appropriate.

BACKGROUND

[¶3] This matter's factual background is based on the well-pleaded facts in the complaint, an affidavit submitted with Houston's motion for default judgment, and the evidentiary record developed during the Rule 55(b)(2) hearing held on August 12, 2025.

[¶4] Koolaid Baby was born in 2024 as a music-industry collaboration between Ariel Houston and Ali Gooseberry. *Compl.,* ¶¶ 5, 7. Houston, who grew up in the music business, testified that the entity was formed to promote her music career. Without a record label contract, Houston had to cover various promotion costs herself. She paid Gooseberry to manage social media accounts, create websites, and communicate with marketing teams. Gooseberry was also tasked with organizing Koolaid Baby and creating its governing documents. *Id.* ¶ 7.

[¶5] Although the company launched with optimism, the business relationship between Houston and Gooseberry quickly soured when Houston discovered that—despite "signs" that the business was failing—Gooseberry had applied for loans using her name. *Id.* ¶¶ 5, 8. Houston testified that Gooseberry used various extortive methods to enrich himself, including double-billing Houston's credit card for company business, fabricating and submitting false evidence to the credit card company to defeat her dispute of that charge, making unsubstantiated financial demands (including a $200,000 creditor's claim and a $100,000 pre-suit demand), and applying for a loan with Bank of America using Houston's name. At some point in all this, Houston and Gooseberry ceased communicating and spoke only through counsel. *Id.* ¶ 8. Houston testified that Gooseberry's actions have traumatized her.

[¶6] Despite being a member of Koolaid Baby, Houston is "in the dark" about the company's governance and financials. *Id.* ¶¶ 10-12. She paints an unclear and ultimately inconsistent picture of the company's internal governance.

[¶7] The complaint alleges that although Houston and Gooseberry agreed to equal ownership, Gooseberry never provided her with an operating agreement, and the company may have operated without one: "During their time working together, Mr. Gooseberry never provided Ms. Houston with the internal company documents for [Koolaid Baby]. No operating agreement was ever provided, even though Ms. Houston requested it. Ms. Houston believes there may not even be a company operating agreement." *Id.* ¶ 9. Underscoring this uncertainty, the complaint states that Houston brought this lawsuit in part for the court to declare "her rights and obligations under the operating agreement (if it exists) and/or under Wyoming law." *Id.* ¶ 13.

[¶8] In her affidavit supporting the motion for default judgment, Houston affirms: "Mr. Gooseberry created the Company in Wyoming and presumably created governing documents for the Company. These internal company documents have never been provided to me, including the LLC Operating Agreement." *Aff. of Ariel Houston* (July 17, 2025), ¶ 3. She adds that in response to her statutory demand for information, Gooseberry sent a letter enclosing some company documents, but "did not include an operating agreement, which leads [her] to believe that there may not be an operating agreement." *Id.* ¶ 7.

[¶9] Yet, at the August 12 hearing, Houston testified that she and Gooseberry signed an operating agreement through a business formation service provider:

> Q: OK, so initially when you became business partners concerning the LLC, . . . what did you two talk about as far as ownership?
> A: It was 50/50 and I do believe we signed an operating agreement on the Bizee platform is what he used[.] And my [previous lawyer] reached out to Bizee and they would not give me any information because [Gooseberry] had it set up that way even though I was a 50/50 partner on it.

In contrast to the complaint and affidavit, this testimony suggests that a written and signed operating agreement exists, that Houston understands that it exists, and that Houston never saved or received a copy of it.

[¶10] The articles of organization, attached to the complaint, shed no light on the operating agreement's terms. Those articles neither address governance nor speak to the company's purpose. *Compl.,* ¶ 5 (Koolaid Baby's articles of organization "are relatively typical and boilerplate, not including any specific LLC governance within them."), Ex. 1. (copy of the articles showing they identify only the company name, addresses, organizer, and registered agent).

[¶11] Plaintiff knew little about the company's governance or finances at the hearing. Houston's counsel was unable to say definitively (1) whether the entity is managed by its members or by a manager or (2) how the court or parties might determine whether company debt was properly incurred. Houston did not know what procedures she and Gooseberry had agreed upon for authorizing company debts. She could affirm, however, that Koolaid Baby "has not made any money" in its operation.

[¶12] Concerned about Gooseberry's attempts to obtain loans for the company, Houston formally demanded company information from Gooseberry on April 14, 2025. *Id.* ¶¶ 11, 13. Gooseberry responded the following week with few details on the company. *Id.* ¶ 11. He provided no operating agreement. *Id.* Houston filed this lawsuit a month after receiving Gooseberry's response.

[¶13] For relief, Houston's complaint seeks: (1) an order commanding production of the information and documents previously requested from Gooseberry; (2) a declaration that "the operating agreement or statutes provide that Plaintiff is [a] fifty percent (50%) Member" in the company, that she is entitled to 50% of any remaining assets, but that she is not obligated to contribute toward any debts improperly incurred by Gooseberry; (3) judicial dissolution of the company including "specific guidance" for the winding up; (4) attorneys' fees; and (5) "any other remedy this Court may deem necessary and just." (FSX No. 76292158).

[¶14] Defendant Koolaid Baby failed to answer or respond to Houston's complaint. The clerk entered default against Koolaid Baby (FSX No. 76531664), Houston moved for a default judgment (FSX No. 76673019), and the court held a Rule 55(b)(2) hearing on that motion. During the hearing, Houston sought to separate herself from the company, withdrawing her request for a declaration that she is entitled to 50% of any remaining assets and for an award of attorney fees. She also raised a new request, seeking an order that Houston's name, image, and likeness are no longer associated with the dissolved entity. After hearing Houston's arguments and evidence, the court took the matter under advisement and now enters partial default judgment.

JURISDICTION & DEFAULT STANDARDS

[¶15] This case mainly seeks judicial dissolution of a Wyoming limited liability company. The court has jurisdiction to hear and decide such cases under Wyo. Stat. § 5-13-115(b)(xiii).

[¶16] Upon application, a plaintiff may receive a default judgment whenever "a party against whom a judgment for affirmative relief is sought has failed to plead or otherwise defend." W.R.C.P.Ch.C. 55. In this context, the complaint frames the judgment, which must not "differ in kind from . . . what is demanded in the pleadings." W.R.C.P.Ch.C. 54(c). Default judgments are unique in this aspect: every other type of final judgment "should grant the relief to which each party is entitled, even if the party has not demanded that relief in its pleadings." *Id.*

[¶17] By tying the relief allowed to the relief pleaded, Rule 54(c) lets a defendant decide whether to (1) appear and litigate or (2) default and accept the remedies sought in the complaint. *Peak v. Peak*, 2016 WY 109, ¶ 14, 383 P.3d 1084, 1089 (Wyo. 2016). *See also Winklevoss Cap. Fund, LLC v. Shaw*, No. 2018-0398-NAC, 2024 WL 3888757, at *1, 12 (Del. Ch. Aug. 21, 2024) (analyzing substantially similar procedural rule). Accordingly, courts have found that generic requests—such as a prayer for any other remedy deemed necessary and just—cannot support a default judgment for a remedy not specified in the complaint. *E.g., Silge v. Merz*, 510 F.3d 157, 160 (2d Cir. 2007); *Winklevoss*, 2024 WL 3888757, at *12 (reasoning that "if a complaint's inclusion of a request for 'such other and further relief as the Court deems just and appropriate' were sufficient, the first sentence of Rule 54(c) would, in a practical sense, be rendered meaningless."); *Huey v. Interide Transp. LC*, No. 220CV00782RJSDAO, 2022 WL 1135757, at *3 (D. Utah Apr. 18, 2022); 10 *Moore's Federal Practice* § 54.71 (Under the identical F.R.C.P 54(c), "a complaint's inclusion of a generic request for 'such other and further relief as the Court deems just and proper' does not constitute a sufficient demand for an amount or kind of relief that is not otherwise explicitly demanded in the pleading.").

[¶18] Normally, a defendant admits through its default a complaint's well-pleaded factual allegations. *Lee v. Sage Creek Ref. Co.*, 947 P.2d 791, 794 (Wyo. 1997). *See also*

W.R.C.P.Ch.C. 8(b)(6). That principle does not apply, however, to allegations later contradicted by the pleader. *In re Wildlife Ctr., Inc.*, 102 B.R. 321, 325 (Bankr. E.D.N.Y. 1989). Such allegations are not well pleaded and "lose their conclusive effect" when assessing whether a default judgment is merited. *Id.*[1]

[¶19] A pleading's legal conclusions are likewise not deemed admitted on account of a default. *Keystone Capital Partners, LLC v. Life Clips, Inc.*, 2025 WYCH 4, ¶ 12 (Wyo. Ch. C. 2025). Before issuing a default judgment, the court "may test movant's conclusions of law" to verify that a complaint states a cause of action. *Id.*

LAW

[¶20] Plaintiff seeks relief under the Wyoming Limited Liability Company Act—specifically, provisions governing operating agreements, member access to company information, and judicial dissolution. She also seeks declaratory relief under Wyoming's Declaratory Judgments Act. The court outlines and applies the law applicable to this order below.

[¶21] **The Primacy of the Operating Agreement.** Wyoming's Limited Liability Company Act allows flexible company formation and operation. *GreenHunter Energy, Inc. v. W. Ecosystems Tech., Inc.*, 2014 WY 144, ¶ 19, 337 P.3d 454, 461 (Wyo. 2014). Owners may deviate from many of the Act's default rules through the company's operating agreement. Wyo. Stat. § 17-29-110 (company matters governed by the default rules "[t]o the extent the operating agreement does not otherwise provide"). As pertinent here, an operating agreement may shape the relation between the members and "the rights and duties" of "a person in the capacity of manager" without regard for the Act's default rules. *Id.* § 110(a), (c). These provisions highlight "the primacy of an LLC's operating agreement over the duties in Wyoming's LLC Act." *Mantle v. N. Star Energy & Constr. LLC*, 2019 WY 29, ¶ 145, 437 P.3d 758, 805 (Wyo. 2019). *See also* Mark A. Sargent & Walter D. Schwidetzky, Limited Liability Company Handbook § 1:3 (2008) (quoted by *Mantle*, ¶ 145, 437 P.3d at 805) (noting that business owners forming an LLC may "use the operating agreement to set up the management of the entity pretty much as they please").

[1] This rule is well established across jurisdictions. *See Rigby v. Direct Gen. Ins. Co.*, No. 6:22-CV-2109-PGB-DCI, 2023 WL 3479135, at *5 (M.D. Fla. May 16, 2023); *Johnson v. Shasta Corp.*, No. 20CV00703HSGRMI, 2022 WL 789018, at *3 (N.D. Cal. Feb. 24, 2022); *Mantz v. Rapid Res., Inc.*, No. 221CV02484HLTADM, 2022 WL 17717164, at *2 (D. Kan. July 1, 2022); *Glob. Auto, Inc. v. Hitrinov*, No. 13CV2479PKCRER, 2021 WL 7367078, at *5 (E.D.N.Y. Aug. 20, 2021); *Plantation Spinal Care Ctr., Inc. v. 11th Hour Invs., Inc.*, No. 18-60189-CIV, 2018 WL 11460032, at *2 (S.D. Fla. Nov. 19, 2018); and *J & J Sports Prod., Inc. v. El Ojo Aqua Corp.*, No. 13-CV-6173 ENV JO, 2014 WL 4700014, at *3 (E.D.N.Y. Aug. 29, 2014). *Cf. Weber v. Johnston Fuel Liners, Inc.*, 540 P.2d 535, 538 (Wyo. 1975) ("Although normally a motion to dismiss admits all well-pleaded facts, it does not admit facts which the court can judicially notice as not being correct.").

[¶22] **Requests for Company Information.** An LLC's members, upon reasonable notice, may "inspect and copy . . . any record maintained by the company regarding the company's activities, financial condition and other circumstances, to the extent the information is material to the member's rights and duties under the operating agreement" or the Act. Wyo. Stat. § 17-29-410(a)(i), (b)(i). The Act provides different procedures for obtaining other company information depending upon whether a company is managed by its members or by a manager.

[¶23] With some exceptions, member-managed LLCs must furnish upon demand "any information concerning the company's activities, financial condition and other circumstances which the company knows and is material to the proper exercise of the member's rights and duties under the operating agreement" or the Act. Wyo. Stat. § 17-29-410(a)(ii). The duty to furnish such information expressly extends to LLC members with knowledge of the requested information. Wyo. Stat. § 17-29-410(a)(iii).

[¶24] Manager-managed LLCs have similar obligations, though the Act provides different procedures for obtaining the information. *See* Wyo. Stat. § 17-29-410(b)(ii), (iii). As one would expect, the manager is the point of contact. Wyo. Stat. § 17-29-410(b)(i).

[¶25] **Declaratory Relief.** A limited liability company's operating agreement is a contract. *Thorkildsen v. Belden*, 2011 WY 26, ¶ 11, 247 P.3d 60, 63 (Wyo. 2011). Under Wyo. Stat. § 1-37-103, "[a]ny person interested under a . . . written contract . . . or whose rights, status or other legal relations are affected . . . by a . . . contract . . . may have any question of construction or validity arising under the instrument determined and obtain a declaration of rights, status or other legal relations." In Wyoming, the "primary focus in contract interpretation is to determine the parties' intent[,]" which for a written agreement is objectively determined "from the words of the agreement as they are expressed" within its four corners. *Circle C Res. v. Hassler*, 2023 WY 54, ¶ 15, 530 P.3d 288, 293 (Wyo. 2023) (citations omitted). When it is apparent that a written operating agreement exists, a court should review the terms stated within its four corners before construing it. *See In re Kite Ranch, LLC*, 2010 WY 83, 234 P.3d 351, 360 n.6 (Wyo. 2010) ("It is impossible . . . to analyze the rights of the members of a limited liability company under the statutes without considering the role of whatever operating agreement may have existed.").

[¶26] The far reach of Wyoming's Declaratory Judgments Act is not without limits. The Act is remedial and is construed and administered liberally, but the court retains "wide discretionary powers" to decline declaratory relief when it would not terminate uncertainty or when a complaint is "loosely drawn" and lacks operative facts. *Wyoming Humane Soc. v. Port*, 404 P.2d 834, 835 (Wyo. 1965). Wyo. Stat. §§ 1-37-108, 114.

[¶27] **Judicial Dissolution.** Courts may dissolve Wyoming LLCs in certain circumstances, including, as pleaded here, when "[i]t is not reasonably practicable to carry on the company's activities in conformity with the articles of organization and the operating agreement[.]" Wyo. Stat. § 17-29-701(a)(iv)(B). The first step in deciding whether it is "reasonably practicable" for the company to continue its activities according to the operating agreement is to look at the agreement itself. *See In re 1545 Ocean Ave., LLC*, 893 N.Y.S.2d 590, 595–96 (N.Y. App. Div. 2010). Dissolving a company for this reason thus starts with "a contract-based analysis." *Id.*

[¶28] Though not pleaded here, Wyoming limited liability companies may also be judicially dissolved when "the managers or those members in control of the company" act "in a manner that is oppressive" and "directly harmful" to the member seeking dissolution. Wyo. Stat. § 17-29-701(a)(v)(B). This ground, often called the oppression doctrine, has received scant attention in Wyoming jurisprudence. Courts in other states employ varying approaches to the doctrine, including the "reasonable expectations" test and the "fair dealings" test. *See Hirchak v. Hirchak*, 2024 VT 81, ¶¶ 15–18, 331 A.3d 1051, 1061 (Vt. 2024).

[¶29] Whatever the circumstances, courts have cautioned that the "extreme" remedy of judicial dissolution should be used "sparingly." *E.g., In re Arrow Inv. Advisors, LLC*, No. CIV.A. 4091-VCS, 2009 WL 1101682, at *2 (Del. Ch. Apr. 23, 2009).

ANALYSIS

[¶30] Having failed to plead, answer, or otherwise defend, default judgment is entered against Koolaid Baby and plaintiff's first cause of action is granted. Houston is entitled to the information she seeks from the entity and may obtain that information from Mr. Gooseberry under Wyo. Stat. § 17-29-410.

[¶31] The court provisionally denies without prejudice Houston's remaining claims for declaratory relief and judicial dissolution. Both claims rely on the terms of the operating agreement, which Houston testified exists but has not been produced.

[¶32] Without that agreement, the court cannot declare rights under it. Nor can the court fall back on the default provisions of the Wyoming Limited Liability Company Act, because those provisions apply only "[t]o the extent the operating agreement does not otherwise provide[.]" Wyo. Stat. § 17-29-110. The court cannot determine whether the agreement deviates from the statutory defaults or if, for example, it authorizes Gooseberry to incur debts on behalf of the company unilaterally. To find that Houston is not liable for certain debts would require the court to speculate about the agreement's terms, which it cannot do. *In re Kite Ranch*, 234 P.3d at 360 n.6.

[¶33] The same problem applies to the judicial dissolution claim. The complaint's requested ground for dissolution requires a showing that "it is not reasonably

practicable to carry on the company's activities in conformity with the articles of organization and the operating agreement." Wyo. Stat. § 17-29-701(a)(iv)(B). With spartan articles of organization and no operating agreement, the court cannot determine whether the company can reasonably carry on in conformity with its governing documents. Nor will the court apply the oppression doctrine under Wyo. Stat. § 17-29-701(a)(v)(B). Given the lack of Wyoming case law interpreting this provision, and because Houston did not plead oppression as a basis for dissolution, the court declines to rule on this ground at this stage. Although the oppression doctrine might fit here, the court finds it inappropriate to apply a developing doctrine without tailored factual allegations or briefing specific to that theory.

[¶34] And the same goes for Houston's request for an order restricting use of her name, image, and likeness. Without the operating agreement, the court cannot determine whether Houston has authorized Gooseberry to use her name, image, or likeness.

[¶35] In short, the court cannot declare rights under an agreement it does not have, cannot apply default rules that may have been displaced, and cannot dissolve a company for failing to operate in conformity with an agreement whose terms are unknown. Houston may renew her claims once she obtains the operating agreement and is able to present the operative facts needed to support her requests.

CONCLUSION

[¶36] Count I (Informational Demand) is **GRANTED**. As contemplated by Wyo. Stat. § 17-29-410, defendant, through its knowledgeable members or its manager, must produce or allow inspection of the following documents dated January 11, 2024 through the date of this order relating to the entity:

- any LLC financial records (including balance sheets, income statements, bank statements, tax returns, and any other related financial documentation);
- all LLC operating agreement(s), any amendments thereto;
- any LLC meeting minutes;
- any LLC resolutions;
- any other internal LLC documents;
- any LLC contracts with any other parties;
- an itemized list of all LLC assets;
- an itemized list of all LLC liabilities;
- any LLC credit or loan applications (including personal credit applications made on behalf of the LLC);
- and any other documents concerning Ariel Houston's ownership interest in the LLC.

[¶37] It is further **ORDERED** that defendant, through its knowledgeable members or its manager, must produce or allow inspection of the foregoing documents within 30 days of entry of this order. If defendant fails to comply within 30 days, the court, under W.R.C.P.Ch.C. 70(a), **APPOINTS** and **DIRECTS** the business formation service provider identified in Houston's testimony as Bizee (by whatever legal name it may operate) to provide to plaintiff any copy of Koolaid Baby's operating agreement and any records identified above that are within Bizee's possession, custody, or control, with the same legal effect as if produced by defendant.

[¶38] Count II (Declaratory Action Under Wyo. Stat. § 1-37-103) and Count III (Judicial Dissolution) are **PROVISIONALLY DENIED**. The court will retain jurisdiction over this matter should Houston wish to renew her claims by filing an amended motion for default judgment, an amended complaint under W.R.C.P.Ch.C. 15(a)(2), or such other motion as is procedurally appropriate.[2]

SO ORDERED

Dated: August 22, 2025

/s/ Benjamin M. Burningham
CHANCERY COURT JUDGE

[2] *Shoni Uranium Corp. v. Fed.-Radorock Gas Hills Partners*, 407 P.2d 710, 713 (Wyo. 1965) ("equity once having been invoked, the court is entitled to retain jurisdiction until the relief has been accorded") (citing *Yarnell v. Hillsborough Packing Co.*, 70 F.2d 435, 439 (5th Cir. 1934) ("In order . . . to enable the Lake Fern Groves to apply for relief promptly, we hold that it is proper for the District Court to retain its bill of complaint for necessary future amendment.")); *Anderson v. Wyoming Dev. Co.*, 60 Wyo. 417, 154 P.2d 318, 337 (1944) ("an action for declaratory relief is essentially equitable in character"); *Barkalow v. Clark*, 959 N.W.2d 410, 418 (Iowa 2021) (judicial dissolution of a limited liability company is an equitable proceeding). *Cf. Weiss v. Weiss*, 2008 WY 30, ¶ 17, 178 P.3d 1091, 1098 (Wyo. 2008) (quoting 59A Am.Jur.2d *Partnership* § 911 (2003) ("dissolution of limited partnership is an equitable matter")).