6-07/250.00 Limited Liability Company

The limited liability company is a hybrid business entity. Limited Liability Companies are governed by the California Revised Uniform Limited Liability Company (CORP 17701.01 – 17713.13) An LLC, or Limited Liability Company, combines the best parts of corporations, sole proprietorships, and partnerships into one business entity offering owners liability protection, flexible management structure, and certain tax advantages.

Licensed professionals (Accountants, architects, attorneys, chiropractors, clinical social workers, court reporters (shorthand reporters), dentists, dental hygienists, doctors, marriages and family counselors, nurses, optometrists, pharmacists, physical therapists, psychologists, and veterinarians, etc.) offering professional services . Licensed professionals are held to a higher standard and have a responsibility to uphold the public's safety. Therefore, the California Legislature does not allow professionals to limit their personal liability for their mistakes and cannot form a LLC. Instead, Licensed professionals may form a Professional Limited Liability Company) PLLC). (Professional services pursuant to CORP 13401(a) and 13401.3)

A business that provides services requiring a license, certification, or registration pursuant to the Business and Professions Code may conduct its activities as a limited liability company if the services rendered require only a nonprofessional, occupational license. (California Attorney General Opinion 04-103)

A limited liability company is a legal entity separate and apart from its members. Ordinarily, only the limited liability company can be held responsible for the entity's debts. Generally, a member is not personally liable for the entity's obligations and/or liabilities and share the same limited liability as a corporate shareholder. A member may be liable to the same extent as a shareholder may be liable for a corporation's liabilities, e.g., common law alter ego liability (hiding behind the corporate veil). (CORP 17701.04)

Unless the LLC is a manager-managed limited liability company, every member is an agent of the limited liability company for the purpose of its business or affairs, and the act of any member, including, but not limited to, the execution in the name of the limited liability company of any instrument, for the apparent purpose of carrying on in the usual way the business or affairs of the limited liability company of which that person is a member, binds the limited liability company in the particular matter, unless the member so acting has, in fact, no authority to act for the limited liability company in the particular matter and the person with whom the member is dealing has actual knowledge of the fact that the member has no such authority. This is in contrast to general partners, whose acts could lead to personal liability on the part of other partners.

If the articles of organization indicate that the limited liability company is a manager-managed limited liability company, no member acting solely as a member, is an agent of the LLC and cannot bind or execute any instrument on behalf of the LLC. (CORP 17703.01) Managers need not be members. (CORP 17704.07 (6)) A limited liability company manager owes the same fiduciary duties of care and loyalty to the limited liability company and all its members. (CORP 17704.09(f))

A limited liability company is formed by filing of articles of organization with the Secretary of State on the prescribed form. (CORP 17702.01(a)) The articles of organization must have a statement of its purpose, the name of the limited liability company, the street address of the initial designated office and the mailing address of the limited liability company if different, the name and street address of the initial agent for service of process or if a corporate agent is designated, only the name of the agent shall be set forth, a statement if the limited liability company is to be manager-managed or only one manager. Articles of organization may also contain any other provision not inconsistent with law. (CORP 17702.01)