

Overview of How the Limited Liability Company Operates

Limited liability company laws between the states vary only slightly because they all conform to the model Uniform Limited Liability Company Act (ULLCA) of 1995. Its provisions are as follows:

- A limited liability company is considered a legal entity – one separate from its members.
- A limited liability company may be for either for-profit or non-profit purposes.
- Some states allow one-member limited liability companies; others require two or more members.
- A member interest in a limited liability company is non-transferable without the unanimous consent of the other members.
- A member can transfer his or her interest in future distributions and returns of capital.
- Managers and members have limited liability. They can lose only their investment if the company is sued or goes bankrupt.
- A limited liability company can be in existence for a fixed or perpetual duration.
- A limited liability company is dissolved upon: 1) consent of its members; 2) dissociation of a member; 3) occurrence of a specific event stated in the operating agreement or 4) a fixed dissolution date.

A limited liability company's operating agreement may not:

1. Unreasonably restrict a member from inspecting company records
2. Eliminate or reduce a member's duty, loyalty, care, or good faith when dealing with or on behalf of the company
3. Restrict the rights of third parties
4. Override the legal right of the company to expel a member convicted of wrongdoing, breach of the operating agreement or making it impractical for the limited liability company to continue its business with further member involvement