



Weekly Information Sheet 11

LIMITED LIABILITY COMPANIES

1. Limited Liability Companies – Attributes / Process

• Generally:

NYS History:

LLCs are a relatively new form of business organization. They seek to combine the limited liability of a corporation, with the ease of management of a partnership.

New York first authorized these entities under a chapter of laws of 1994. They have since become a very popular vehicle for small business

Defined:

A Limited Liability Company is an unincorporated business organization of one or more persons or entities who have limited liability regarding contractual obligations and other liabilities of the business.

Attributes:

An LLC is an unincorporated business organization of one or more persons who have limited liability for the contractual obligations and other liabilities of the business.

The Limited Liability Company Law governs the formation and operation of an LLC. An LLC may organize for any lawful business purpose or purposes.

The owners of an LLC are “members” rather than shareholders or partners. A member may be an individual, a corporation, a partnership, another limited liability company or any other legal entity.

Organizers form an LLC by filing the Articles of Organization, pursuant to Section 203 of the Limited Liability Company Law, with the Department of State.

Organizers are like incorporators for a corporation, and the Articles of Organization are like the Articles of Incorporation of a Corporation. Any person or business entity may be an organizer, and need not be, a member of the LLC formed.

Process:

To form an LLC the organizers must select a name for the business and verify its availability. They must further determine other requirements, if any, and file the Articles of Organization with the Department of State together with a \$200 fee.

Organizers must additionally apply for a Federal ID Number and fulfill publication requirements (the formation must be published in the legal notices of a local newspaper).

Finally, just like an organizational meeting with a corporation, the organizers must adopt a written operating agreement (like a partnership agreement).

When selecting the business name, the organizers must include the words "Limited Liability Company", "L.L.C.", or "LLC". Such name must be distinguishable from all other business names on file with the NY Dept of State.