

So, You Formed an LLC?

By Thomas H. Chappell

Was it your attorney or your CPA who recommended that you form a Legal Liability Company (LLC)? It could have been your insurance agent. The fact is that LLCs offer many benefits when owning or operating equipment such as aircraft or any business for that matter. This is especially true when there is more than one owner.

We often see LLCs used in place of the now out-of-date concept of a partnership. The idea is to limit the liability that might flow through to you or the negligent acts of your partner that might spill over to you. In short, you may lose your assets in the LLC but not all your personal assets, too.

Unfortunately, this great concept, this great legal creation, is seldom completed. Yes, your attorney completes the proper filing with your secretary of state. You and your co-owner(s) set up your bank account and apply for the necessary business use permits. You are legal as an LLC, but you have not attended to one of the most important aspects.

What is your agreement with your fellow members, your partners, if we are allowed to call them that? What happens if a member dies? What happens if a member falls on hard times and can no longer afford the financial commitment? What happens if a member gets a divorce? All these contingencies need to be decided and documented before you are confronted with the actual circumstance.

Oh, you don't have to worry about these possibilities because your LLC is made up of corporate owners. Not so. What if one of the corporate owners falls on hard times, goes bankrupt, is sold, or experiences any number of problems that could affect the very survival and existence of continued operations and your LLC.

Don't feel bad if you have not dealt with this detail. I personally own interests in at least six LLCs. Here I am cautioning you about a joint ownership agreement and I haven't confronted the issue myself. We can take some comfort in the fact that we are in the majority, but that won't help much should disaster strike.

Well, I've got to go now. I have to deal with ownership agreements on six LLCs.