

Ryan Pitts Authors Houston Lawyer Article About Fiduciary Duties of LLCs

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The rule in Texas has long been that general partners and corporate officers and directors owe fiduciary duties to look after the interests of the legal entity that they represent. But what of limited liability companies in Texas? Do their managers and members owe similar duties of loyalty, care, and good faith? And should they? In what may come as a surprise, these questions have persisted without a firm answer from the Texas courts – leaving the managers and members of limited liability companies to wonder at their duties and the scope of them, and the federal courts to guess at them, too.

In a recent decision, the Fourth Court of Appeals at long last addressed these questions head on in *Straehla v. AI. Global Services, LLC* and fashioned a presumption that both members and managers of limited liability companies do owe fiduciary duties of care, loyalty, and good faith, to the company. While this presumption would align Texas law with that of jurisdictions such as Delaware, the Texas Supreme Court may hand down the final word.

The uncertainty on these questions has grown from the Texas Business Organizations Code. While the Code does not expressly impose any duties on the members or managers of a limited liability company, it does make a related, cryptic statement:

The company agreement of a limited liability company may expand or restrict any duties, including fiduciary duties, and related liabilities that a member, manager, officer, or other person has to the company or to a member or manager of the company. TEX. BUS. ORG. CODE 101.401.

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