

Insights and Commentary from Dentons

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LLP Liability: Making Sure You're Protected

By Randy Evans, Shari Klevens
& Alanna Clair

Georgia law is not kind to general partnerships. Indeed, general partners can be jointly and severely liable for any partnership obligation, and worse yet, any obligation of an individual partner for actions while acting as a partner. On the other hand, Georgia law offers broad protection to partnerships that have followed the statutory requirements for a limited liability partnership (an LLP). Few professional firms, however, take full advantage of the protections available to them, and many fail to organize their partnerships to best protect the partnership's and their individual partner's assets and management. Unfortunately, by the time a problem arises it may be too late to take corrective action.

By taking a few simple steps in advance, however, professional firms in Georgia can maximize the benefits of a limited liability partnership, many of which are often overlooked in drafting limited liability partnership agreements and implementing partnership guidelines. Throughout the year, *SCRIPTS* will share steps that every professional firm should take in order to protect its partnerships, and more importantly, its partners – in advance of any challenges that may come.

Define Your Partnership As a Limited Liability Partnership and Make Sure Your LLP Election is Clear and Unambiguous.

Limited liability partnerships are a relatively recent development under Georgia law. Notably, limited liability partnerships offer much more protection to partners and are increasingly a more common partnership than the general partnership often seen in years past. The most frequent mistake made by professional firms seeking the greater protection of the LLP, however, is to simply change their name without changing the actual partnership structure itself.

Basically, in recent years many professional partnerships that were general partnerships have attempted to convert to limited li-

ative language from their original general partnership agreement and undermines the rights and protections afforded by the Georgia limited liability statutes. Therefore, it is important that a limited liability partnership executes a new agreement specific to a limited liability partnership.

This approach, as opposed to merely amending the existing partnership agreement, ensures that the agreement is more aligned with the protections afforded under the limited liability statutes. ☺

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