

A dark blue rectangular box with the title "FIDUCIARY DUTIES" in a large, white, serif font, centered within the box.

FIDUCIARY DUTIES

A light gray rectangular box containing the section header "Protect What Matters Most" in a bold, black, sans-serif font.

Protect What Matters Most

Forming a new company can be a daunting task, fraught with confusion and conflicting information. Navigating the complex landscape of legal obligations and responsibilities can feel overwhelming, especially when trying to discern the fiduciary duties required for various types of business entities. Simplifying the legal maze of business deals is essential for entrepreneurs and business professionals who need clear and concise information to make informed decisions.

A dark blue rectangular box containing the section header "What's In This Guide" in a white, sans-serif font. The word "What's" is preceded by a white right-pointing arrow icon.

➔ What's In This Guide

This guide aims to provide clarity on the subject by presenting an easy-to-follow chart outlining the fiduciary duties for different business structures, including C-Corporations, S-Corporations, Limited Liability Companies (LLCs), General Partnerships (GPs) and Registered Limited Liability Partnerships (RLLPs), as well as Limited Partnerships (LPs). By breaking down the fiduciary duties associated with each entity, this guide helps demystify the legal requirements, ensuring that you are well-informed and prepared to fulfill your obligations effectively. Whether you are a director, member, or partner, this guide will equip you with the knowledge to navigate your fiduciary responsibilities with confidence.

The below chart provides a clear overview of the fiduciary duties across different entities, making it easy to compare and understand their responsibilities.

Fiduciary Duty	C-Corporation	S-Corporation	LLC	GP & RLLP	LP
Duties of Directors/Members/Partners					
Duty of Care	✓	✓	✓	✓	✓
Duty of Loyalty	✓	✓	✓	✓	✓
Good Faith and Fair Dealing	✓	✓	✓	✓	✓
Directors' Specific Guidelines (Corporations)					
Perform Duties in Good Faith	✓	✓			
Best Interests of Corporation/Shareholders	✓	✓			
Care of an Ordinarily Prudent Person	✓	✓			
Rely on Officers/Employees/Professionals/Committees	✓	✓			
Business Judgment Rule (Corporations)					
Good Faith & Best Interests of Corporation/Shareholders	✓	✓			
Care of an Ordinarily Prudent Person	✓	✓			
Articles of Incorporation (Corporations)					
Limit/Eliminate Personal Liability	✓	✓			
Exceptions to Liability Limitations	✓	✓			
LLC-Specific Guidelines					
Modify Certain Fiduciary Duties (Operating Agreement)			✓		
Identify Non-Violating Activities			✓		
Authorize/Ratify Acts/Transactions			✓		



➔ Key Points

- **C-Corporation & S-Corporation:** Directors have fiduciary duties of care and loyalty, must perform duties in good faith, and rely on specific sources. They benefit from the business judgment rule and can limit liability in the articles of incorporation with some exceptions.
- **LLC:** Members/managers have fiduciary duties of care and loyalty and must adhere to good faith and fair dealing. The operating agreement can modify certain duties but not eliminate core obligations.
- **GP/RLLP:** Partners owe fiduciary duties of care and loyalty and must exercise good faith and fair dealing. Partnership agreements can modify duties within statutory limits.
- **LP:** General partners have fiduciary duties similar to those in GP/RLLP. Limited partners don't owe fiduciary duties solely by being limited partners but must act in good faith and fair dealing.

Understanding the fiduciary duties associated with different business entities is crucial for ensuring legal compliance, fostering trust within your organization, and knowing the obligations of each entity before forming. This guide has provided a clear and comprehensive overview of these duties, simplifying the complex legal landscape that often surrounds business formation and management.

However, navigating the intricacies of corporate law doesn't have to be a solo journey. At Next Era Legal, we simplify the legal maze of business deals, offering expert guidance to help you fulfill your fiduciary responsibilities and protect your business interests. Whether you're forming a new company, restructuring an existing one, or simply seeking clarity on legal obligations, our experienced team is here to assist you.

Take the next step towards legal clarity and confidence in your business dealings. Contact Next Era Legal today and let us help you navigate the complexities of corporate law with ease.