

# The law under the alabama limited company act

Law



Fiduciary duty Fact: The case that was presented to the law court of Alabama was about the breach of fiduciary duty with the plaintiff being Suzy Strickland Harbison and the defendant being Bonnie Strickland. Bonnie Strickland and her husband Jake were the founders of the Strickland family limited liability company, being part of their estate plan. The duo then transferred 83% of the company's equity shares to Suzy Strickland Harbison, who is their daughter thus remaining with 17% interest in the company. With the death of the husband, Bonnie became the only comanager of the company and in 2002; she conveyed parcels of real estate belonging to the company to her son David Strickland.

Suzy Harbison presented the case before the court with an argument that the property transferred to David was done so at a price less than their market value. This implied that Bonnie Strickland had breached her fiduciary duty in accordance with the Alabama limited liability company act.

Issue: Was Mrs. Bonnie Strickland under restriction of the law to transfer property for a value more than or equivalent to their market worth in a bid to execute her fiduciary duty to the company?

Rule Statement: In accordance with Act 1993, No. 93-724, p. 1425, §20 of the Alabama limited liability act, the court analyzed the liability of a manager of a company in relation to her liability to the third party and determined that Bonnie Strickland did not breach her fiduciary duty to the company. This is because the company was not formed with the intention of making profit. Additionally, interpretation of the intent of the operating agreement revealed that the limited liability company was formed for distribution of the assets of the defendants and her husband.

Conclusion statement: Fiduciary duty is a legal and ethical relationship that <https://assignbuster.com/the-law-under-the-alabama-limited-company-act/>

requires one party to take care of the assets and financial property of another party. In the case presented above, Bonnie Strickland is the holder of the fiduciary duty towards the Strickland limited liability company. Nevertheless, despite holding fiduciary duty in a company, the law under the Alabama limited company act gives provision for designing the company's formation agreement that give options for the fiduciary holder not to act according to the interest of the company, but in accordance with the interest of the party that is within the confinements of the law (Kaufman, 2002).

#### References

Kaufman, A. (2002). Managers' double fiduciary duty: To stakeholders and to freedom. *Business Ethics Quarterly*, 189-214.