Question 8

Alice and Bernice, licensed Texas accountants, validly formed Alice & Bernice, PLLC ("PLLC") to provide accounting services in Texas. Alice was the designated Managing Member of PLLC. After its formation, PLLC entered into a contract with Larry, a licensed Texas attorney, to assist PLLC with the collection of delinquent invoices to PLLC's clients. Alice signed the contract as "Managing Member of PLLC." Under the contract, Larry was to receive one-third of all funds PLLC received from the delinquent invoices.

As a direct result of Larry's efforts, PLLC collected 100% of the delinquent invoice amounts but did not pay Larry his one-third share of the collections. Instead, Alice and Bernice offered to admit Larry as a member of PLLC, which would entitle Larry to a percentage of PLLC's profits as payment for his past and future collection services. Larry is considering whether to accept the membership offer or file suit against PLLC, Alice, and Bernice for the amount due to him under the contract.

1. Can Larry be lawfully admitted as a member of PLLC? Explain fully.

2. If Larry elects to file suit against PLLC, Alice, and Bernice, which of them can be held liable for PLLC's failure to pay Larry per the terms of the contract, and which of them cannot be held liable? Explain fully.