

LICENSING OF ARCHITECTS

- Purposes
 - To protect the public from incompetent design
 - To regulate competition
- Illinois Department of Financial & Professional Regulation
- Possible Sanctions for Violation
 - Fines or penalties
 - Denial of license upon subsequent application
 - Inability to sue for fees
- Types of Licensing Statutes
 - “Holding Out” statutes
 - “Practice” statutes
 - Illinois has a hybrid statute (both)
- Practicing Architecture Without a License
 - Under a licensed architect’s supervision
 - Reciprocity for out-of-state architects

THE LAW OF AGENCY

- Principal, Agent & Third Party
- Examples of Common Agency Relationships
 - Employer/employee
 - Actor or athlete/agent
 - Real estate broker/property owner
 - Owner/architect (to a limited extent)
- Purposes and Theory
 - Agents may have greater expertise than their principals
 - Principals may need to delegate tasks
 - Certain legal entities can only operate through agents
- Effects of an Agency Relationship
 - The agent may bind the principal to a contract
 - Knowledge of the agent is attributed to the principal
 - The agent's acts (and omissions) are attributable to the principal

THE LAW OF AGENCY (Cont.)

- The Agent's Duties to the Principal (Fiduciary Duties)
 - Loyalty
 - Care (not being negligent)
 - Obedience
 - Notification (forwarding information)
- Source of the Agent's Authority
 - Actual authority
 - Apparent authority
 - Subsequent ratification by the principal
- Termination of the Agency Relationship
 - At the end of a given period of time, or when the purpose has been accomplished
 - Expressly by either party at any time (may be a breach if agency relationship results from a contract)
 - The principal should advise all third parties of the termination (to avoid apparent authority)

Sole Proprietorships

- Any individual who conducts business
- No legal distinction between the business and the individual
 - income treated as personal income
 - no special liability protections
- May use an assumed name (d/b/a)
- May have employees (agents within scope of their employment)

Partnerships

- Similar to two or more sole proprietorships combined into one
- Governed by state law
 - Uniform Partnership Act (default agreements)
 - court made law
 - partnership agreement (contract between partners)
- Ownership division between partners
 - rights and duties can be divided in any agreed percentage
 - one partner may have 75% of the profits and only 33% of the losses
 - partners are not guaranteed a salary; they share profits
- Each partner is the agent of the other and of the partnership
 - full authority to act or bind the partnership
 - all knowledge fully attributable to the partnership
- Effect of a partnership
 - income is treated as personal income
 - no special liability protections
- “Limited” partnership distinguished
 - primarily a financing mechanism
 - role of “limited” partners:
 - no authority to manage or bind the partnership (not an agent)
 - only liable to the extent of individual financial contribution

Corporations

- Corporations are legal entities, just like people
- Governed by state law
 - Illinois Business Corporation Act
 - Articles of Incorporation, by-laws
 - Shareholder agreements in close corporations
- Rights of the owners (shareholders or stockholders) of the corporation
 - voting for directors
 - receiving dividends
 - liquidation rights upon corporate dissolution
- The corporate hierarchy
 - shareholders (not agents)
 - directors (agents)
 - officers (agents)
 - employees (limited agents – scope of employment)
- No personal liability for corporate malfeasance
 - shareholders, officers, directors & employees are not liable for corporate acts
 - complex, restrictive tax and accounting treatments (double taxation of dividends)
 - piercing the corporate veil
- Professional corporations
 - set up to practice a particular licensed profession
 - now obsolete in Illinois
 - laws vary from state to state

Limited Liability Companies (LLC's)

- A hybrid between a corporation and partnership
 - a separate legal entity, like a corporation
 - tax and accounting treatment of a partnership
 - liability protections of a corporation
- Also governed by state law
 - Illinois Limited Liability Company Act (relatively new)
 - not much court-made law (yet)
 - Operating Agreement like corporate by-laws
- Hierarchy similar to a corporation
 - owners are “members”
 - officers and directors are “managers”
 - employees just like any corporation
- LLC's are usually the best vehicle for complex organizations

Type of Entity	Flexible Taxation and Accounting	Liability Shield (Separate Legal Entity)
<i>Sole Proprietorship</i>	√	
<i>Partnership</i>	√	
<i>Corporation</i>		√
<i>LLC</i>	√	√