



California Corporate & Securities Law

Court Of Appeal Reaffirms Lender's Refusal To Loan To LLC Based On Felonious Investor In Manager

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In May, I wrote this [post](#) about a decision by the Second District Court of Appeal finding that a lender did not violate California's Unruh Civil Rights Act when it declined to make a loan to a limited liability company whose managing member included a convicted felon. The Court of Appeal on its own motion granted a rehearing and issued this [opinion](#) last week.

The Court's views did not change, again concluding that:

[B]eing a felon is not a personal characteristic similar to those enumerated in the Act [the Unruh Act]; the lending institution had legitimate business reasons justifying its decision — the repayment of the loan and making a return on its equity investment; and the potential consequences of allowing such a claim would improperly involve the courts in second-guessing a lending institution's expertise in determining loan and investment criteria.

If you would like to see the changes between the two opinions, my computer prepared this marked-to-show changes [version](#).

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