



Senate

General Assembly

File No. 409

February Session, 2012

Substitute Senate Bill No. 403

Senate, April 12, 2012

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING LOW-PROFIT LIMITED LIABILITY COMPANIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 34-101 of the 2012 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 (*Effective July 1, 2012*):

4 As used in sections 34-100 to 34-242, inclusive, unless the context
5 otherwise requires:

6 (1) "Address" means a location as described by the full street
7 number, if any, street, city or town, state or county and not a mailing
8 address such as a post office box.

9 (2) "Articles of organization" means articles filed under section 34-
10 121, and those articles as amended or restated.

11 (3) "Corporation" means a corporation formed under the laws of this
12 state or a foreign corporation.

13 (4) "Court" includes every court having jurisdiction in the case.

14 (5) "Deliver" or "delivery" means any method of delivery used in
15 conventional commercial practice including delivery by hand, mail,
16 commercial delivery and electronic transmission.

17 (6) "Document" includes anything delivered to the office of the
18 Secretary of the State for filing under sections 34-100 to 34-242,
19 inclusive.

20 (7) "Electronic transmission" or "electronically transmitted" means
21 any process of communication not directly involving the physical
22 transfer of paper that is suitable for the retention, retrieval and
23 reproduction of information by the recipient.

24 (8) "Event of dissociation" means an event that causes a person to
25 cease to be a member, as provided in section 34-180.

26 (9) "Foreign corporation" means a corporation formed under the
27 laws of any state other than this state or under the laws of any foreign
28 country.

29 (10) "Foreign limited liability company" means an entity that is: (A)
30 Organized under the laws of a state other than the laws of this state or
31 under the laws of any foreign country; (B) organized under a statute
32 pursuant to which an entity denominated as a limited liability
33 company may be formed that affords to each of its members limited
34 liability with respect to the liabilities of the entity; and (C) is not
35 required to be registered or organized under any statute of this state
36 other than sections 34-100 to 34-242, inclusive.

37 (11) "Foreign limited partnership" means a limited partnership
38 formed under the laws of any state other than this state or under the
39 laws of any foreign country.

40 (12) "Limited liability company" or "domestic limited liability
41 company" means an organization having one or more members that is
42 formed under sections 34-100 to 34-242, inclusive.

43 (13) "Limited liability company membership interest" or "interest" or
44 "interest in the limited liability company" means a member's share of
45 the profits and losses of the limited liability company and a member's
46 right to receive distributions of the limited liability company's assets,
47 unless otherwise provided in the operating agreement.

48 (14) "Limited partnership" means a limited partnership formed
49 under the laws of this state or a foreign limited partnership.

50 (15) "Low-profit limited liability company" means a limited liability
51 company that, in its articles of organization, is (A) formed for one or
52 more charitable or educational purposes, as defined in Section
53 170(c)(2)(B) of the Internal Revenue Code of 1986, or any subsequent
54 corresponding internal revenue code of the United States, as amended
55 from time to time, (B) not operated primarily to produce income or
56 appreciate property, and (C) not operated to accomplish any political
57 or legislative purpose, as defined in Section 170(c)(2)(D) of said
58 Internal Revenue Code.

59 [(15)] (16) "Manager" or "managers" means, with respect to a limited
60 liability company that has set forth in its articles of organization that it
61 is to be managed by managers, the person or persons designated in
62 accordance with section 34-140.

63 [(16)] (17) "Member" or "members" means a person or persons who
64 have been admitted to membership in a limited liability company as
65 provided in section 34-179 and who have not disassociated from the
66 limited liability company as provided in section 34-180.

67 [(17)] (18) "Operating agreement" means any agreement, written or
68 oral, as to the conduct of the business and affairs of a limited liability
69 company, which is binding upon all of the members.

70 [(18)] (19) "Organizational documents" means the basic document or
71 documents that create, or determine the internal governance of, an
72 other entity.

73 [(19)] (20) "Organizer" or "organizers" means any member or

74 members or any other person or persons who files or file the articles of
75 organization as provided in section 34-120.

76 [(20)] (21) "Other entity" means any association or legal entity, other
77 than a domestic or foreign limited liability company, organized to
78 conduct business, including, but not limited to, a corporation, general
79 partnership, limited liability partnership, limited partnership, joint
80 venture, joint stock company, business trust, statutory trust and real
81 estate investment trust.

82 [(21)] (22) "Party to a consolidation" means any domestic or foreign
83 limited liability company or other entity that will consolidate under a
84 plan of consolidation.

85 [(22)] (23) "Party to a merger" means any domestic or foreign limited
86 liability company or other entity that will merge under a plan of
87 merger.

88 [(23)] (24) "Person" means an individual, a general partnership, a
89 limited partnership, a domestic or foreign limited liability company, a
90 trust, an estate, an association, a corporation or any other legal or
91 commercial entity.

92 [(24)] (25) "Plan of merger" or "plan of consolidation" means a plan
93 entered into pursuant to section 34-195.

94 [(25)] (26) "Professional service" means any type of service to the
95 public that requires that members of a profession rendering such
96 service obtain a license or other legal authorization as a condition
97 precedent to the rendition thereof, limited to the professional services
98 rendered by dentists, natureopaths, chiropractors, physicians and
99 surgeons, doctors of dentistry, physical therapists, occupational
100 therapists, podiatrists, optometrists, nurses, nurse-midwives,
101 veterinarians, pharmacists, architects, professional engineers, or jointly
102 by architects and professional engineers, landscape architects, real
103 estate brokers, insurance producers, certified public accountants and
104 public accountants, land surveyors, psychologists, attorneys-at-law,

105 licensed marital and family therapists, licensed professional
106 counselors, licensed or certified alcohol and drug counselors and
107 licensed clinical social workers.

108 [(26)] (27) "Sign" or "signature" includes any manual, facsimile,
109 conformed or electronic signature.

110 [(27)] (28) "State" means a state, territory or possession of the United
111 States, the District of Columbia or the Commonwealth of Puerto Rico.

112 [(28)] (29) "Survivor" means, in a merger or consolidation, the
113 limited liability company or other entity into which one or more other
114 limited liability companies or other entities are merged or
115 consolidated.

116 Sec. 2. Subsection (a) of section 34-102 of the general statutes is
117 repealed and the following is substituted in lieu thereof (*Effective July*
118 *1, 2012*):

119 (a) The name of each limited liability company as set forth in its
120 articles of organization [must] shall contain the words "Limited
121 Liability Company" or the abbreviations "L.L.C." or "LLC". The name
122 of each low-profit limited liability company as set forth in its articles of
123 organization shall contain the words "Low-profit Limited Liability
124 Company" or the abbreviation "L3C". The word "Limited" may be
125 abbreviated as "Ltd." and the word "Company" may be abbreviated as
126 "Co."

127 Sec. 3. Section 34-121 of the general statutes is repealed and the
128 following is substituted in lieu thereof (*Effective July 1, 2012*):

129 The articles of organization of a limited liability company formed
130 under sections 34-100 to 34-242, inclusive, shall set forth: (1) A name
131 for the limited liability company that satisfies the requirements of
132 section 34-102, as amended by this act; (2) if management of the limited
133 liability company is vested in a manager or managers, a statement to
134 that effect; (3) the nature of the business to be transacted or the
135 purposes to be promoted or carried out, except that it shall be

136 sufficient to state, either alone or with other business or purposes, that
 137 the purpose of the limited liability company is to engage in any lawful
 138 act or activity for which limited liability companies may be formed
 139 under sections 34-100 to 34-242, inclusive, and by such statement all
 140 lawful acts and activities shall be within the purposes of the limited
 141 liability company, except for express limitations, if any; (4) the
 142 principal office address of the limited liability company; (5) an
 143 appointment of a statutory agent for service of process as required by
 144 section 34-104; [and] (6) whether the limited liability company is a low-
 145 profit limited liability company, as defined in section 34-101, as
 146 amended by this act; and (7) any other matter the organizer or
 147 organizers determine to include.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2012</i>	34-101
Sec. 2	<i>July 1, 2012</i>	34-102(a)
Sec. 3	<i>July 1, 2012</i>	34-121

Statement of Legislative Commissioners:

In the definition of "low-profit limited liability company" in section 1, the phrase "for profit" was deleted for conformity with the existing definition of "limited liability company" and the second reference to the Internal Revenue Code was shortened for clarity.

CE *Joint Favorable Subst.-LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 13	FY 14
Secretary of the State	GF - Cost	62,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill establishes Low-Profit Limited Liability Companies (L3Cs) as a type of business entity in the state. There is a cost to the Secretary of the State estimated to be \$62,000 associated with programming a new business entity into the CONCORD commercial records database.

The bill is expected to have a neutral impact on revenue, as it is anticipated that most L3Cs created will be reclassified registered businesses.

The Out Years

There is no impact in the out years, as the bill imposes a one-time cost.

OLR Bill Analysis**sSB 403****AN ACT CONCERNING LOW-PROFIT LIMITED LIABILITY COMPANIES****SUMMARY:**

This bill allows individuals and institutions to form “low-profit limited liability companies,” which are for profit businesses formed to provide social benefits by attracting private investment and philanthropic contributions. The bill specifies the criteria a limited liability company (LLC) must meet to qualify as a low-profit LLC and makes conforming changes in the LLC statutes.

EFFECTIVE DATE: July 1, 2012

LOW-PROFIT LLCs

To qualify as a low-profit LLC, an entity must be formed to serve one or more charitable or educational purposes, as defined in the federal Internal Revenue Code. Under that code, an organization serves a charitable or educational purpose if it is organized and operated to exclusively (1) serve religious, charitable, scientific, literary, or educational purposes; (2) foster national or international amateur sports competition; or (3) prevent cruelty to children and animals (Internal Revenue Code § 170 (c) (2) (B)).

The entity’s purposes must exclude producing profits or appreciating property or accomplishing one or more political or legislative purposes, as defined in the code. Under the code, an entity serves a political or charitable purpose if it attempts to influence legislation and participates or intervenes in campaigns for or against candidates for public office (Internal Revenue Code § 170 (c) (2) (D)).

Lastly, the entity must specify its name in its articles of

incorporation, along with the phrase, “Low-profit Limited Liability Company,” or the abbreviation, “L3C.”

BACKGROUND

Related Bill

sHB 5466, which the Commerce reported favorably on March 27, allows corporations to organize themselves as “social benefit businesses” and specifies how they may do so.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 14 Nay 3 (03/27/2012)