

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 87th General Assembly
3 Regular Session, 2009
4

As Engrossed: H3/26/09

A Bill

HOUSE BILL 2102

5 By: Representative Webb
6

For An Act To Be Entitled

8 AN ACT TO ALLOW FOR THE CREATION OF A LOW-PROFIT
9 LIMITED LIABILITY COMPANY; AND FOR OTHER PURPOSES.

Subtitle

10
11 TO ALLOW FOR THE CREATION OF A LOW-
12 PROFIT LIMITED LIABILITY COMPANY.
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16 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
17

18 SECTION 1. Arkansas Code § 4-32-102 is amended to read as follows:
19 4-32-102. Definitions.

20 As used in this chapter, unless the context otherwise requires:

21 (1) "Articles of organization" means articles filed under § 4-
22 32-201, and those articles as amended and restated;

23 (2) "Corporation" means a corporation formed under the laws of
24 any state or foreign country, including professional corporations or
25 associations;

26 (3) "Court" includes every court having jurisdiction in the
27 case;

28 (4) "Event of dissociation" means an event that causes a person
29 to cease to be a member as provided in § 4-32-802;

30 (5) "Foreign limited liability company" means an organization
31 that is:

32 (A) An unincorporated association;

33 (B) Organized under laws of a state other than the laws of
34 this state, or under the laws of any foreign country;

35 (C) Organized under a statute pursuant to which an
36 association may be formed that affords to each of its members limited



1 liability with respect to the liabilities of the entity; and

2 (D) Not required to be registered or organized under any
3 statute of this state other than this chapter;

4 (6) "Limited liability company" or "domestic limited liability
5 company" means an organization formed under this chapter;

6 (7) "Limited liability company interest" or "interest in the
7 limited liability company" means the interest that can be assigned under § 4-
8 32-704 and charged under § 4-32-705;

9 (8) "Limited partnership" means a limited partnership formed
10 under the laws of any state or foreign country;

11 (9)(A) "L3C" or "low-profit limited liability company" means a
12 person organized under this chapter that is organized for a business purpose
13 that satisfies and is at all times operated to satisfy each of the following
14 requirements:

15 (i) The company:

16 (a) Significantly furthers the accomplishment
17 of one (1) or more charitable or educational purposes within the meaning of §
18 170(c)(2)(B) of the Internal Revenue Code of 1986, 26 U.S.C. § 170(c)(2)(B);
19 and

20 (b) Would not have been formed but for the
21 company's relationship to the accomplishment of charitable or educational
22 purposes;

23 (ii)(a) A significant purpose of the company is not
24 the production of income or the appreciation of property.

25 (b) However, the fact that a person produces
26 significant income or capital appreciation shall not, in the absence of other
27 factors, be conclusive evidence of a significant purpose involving the
28 production of income or the appreciation of property; and

29 (iii) The purpose of the company is not to
30 accomplish one (1) or more political or legislative purposes within the
31 meaning of § 170(c)(2)(D) of the Internal Revenue Code of 1986, 26 U.S.C. §
32 170(c)(2)(D).

33 (B)(i) If a company that met the definition of this
34 subdivision at the time it was formed ceases to satisfy any one (1) of the
35 requirements of subdivision (9)(A) of this section, the company shall cease
36 being a low-profit limited liability company but by continuing to meet all

1 other requirements of this chapter shall continue to exist as a limited
 2 liability company.

3 (ii) If a company no longer meets the definition of
 4 a low-profit limited liability company, the name of the company shall be
 5 changed to comply with § 4-32-103;

6 ~~(9)~~(10) "Manager" or "managers" means, with respect to a limited
 7 liability company that has set forth in its articles of organization that it
 8 is to be managed by managers, the person or persons designated in accordance
 9 with § 4-32-401;

10 ~~(10)~~(11) "Member" or "members" means a person or persons who
 11 have been admitted to membership in a limited liability company as provided
 12 in § 4-32-801 and who have not ceased ~~to be~~ being members as provided in § 4-
 13 32-802;

14 ~~(11)~~(12) "Operating agreement" means the written agreement which
 15 shall be entered into among all of the members as to the conduct of the
 16 business and affairs of a limited liability company;

17 ~~(12)~~(13) "Person" means an individual, a general partnership, a
 18 limited partnership, a domestic or foreign limited liability company, a
 19 trust, an estate, an association, a corporation, a custodian, a nominee and
 20 other individual entity in its own or representative capacity, or any other
 21 legal entity;

22 ~~(13)~~(14) "Professional service" means any type of professional
 23 service which may be legally performed only pursuant to a license or other
 24 legally mandated personal authorization. For example: the personal service
 25 rendered by certified public accountants, architects, engineers, dentists,
 26 doctors and attorneys at law; and

27 ~~(14)~~(15) "State" means a state, territory, or possession of the
 28 United States, the District of Columbia, or the Commonwealth of Puerto Rico.

29
 30 SECTION 2. Arkansas Code § 4-32-103(a), concerning the name of a
 31 limited liability company, is amended to read as follows:

32 (a)(1) ~~The~~ Except for a low-profit limited liability company, the name
 33 of each limited liability company as set forth in its articles of
 34 organization must contain the words "Limited Liability Company" or "Limited
 35 Company" or the abbreviations "L.L.C.," "L.C.," "LLC," or "LC." The word
 36 "Limited" may be abbreviated as "Ltd." and the word "Company" may be

1 abbreviated as "Co."

2 (2) The name of a low-profit limited liability company shall
3 contain the abbreviation "L3C" or "l3c".

4
5 SECTION 3. Arkansas Code § 4-32-202 is amended to read as follows:
6 4-32-202. Articles of organization.

7 The articles of organization shall set forth:

8 (1) A name for the limited liability company that satisfies the
9 requirements of § 4-32-103;

10 (2) The information required by § 4-20-105(a), concerning the
11 limited liability company's agent for service of process; and

12 (3) If management of the limited liability company is vested in
13 a manager or managers, a statement to that effect; and

14 (4) Whether the limited liability company is a low-profit
15 limited liability company.

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18 /s/ Webb
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