

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

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SENATE BILL 308
Corrected Copy 2/27/09
Finance Committee Substitute Adopted 7/1/09

Short Title: Low-Profit Limited Liability Company.

(Public)

Sponsors:

Referred to:

February 26, 2009

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR THE FORMATION OF A LIMITED LIABILITY COMPANY
3 AS A LOW-PROFIT LIMITED LIABILITY COMPANY.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 57C-2-01 is amended by adding a new subsection to read:

6 "(d) L3C. – Formation and operation of a limited liability company as a low-profit
7 limited liability company is a lawful purpose. A low-profit limited liability company is a
8 limited liability company whose articles of organization state that the company is formed for
9 both a business purpose and a charitable purpose that requires operation of the company in
10 accordance with the requirements of this subsection. A company that operates in accordance
11 with these requirements is considered a for-profit entity and not a charitable entity for all tax
12 purposes. A company's failure to operate in accordance with these requirements does not affect
13 its status as a limited liability company. The charitable purpose requirements are as follows:

14 (1) To accomplish one or more charitable or educational purposes within the
15 meaning of section 170(c)(2)(B) of the Code, as defined in G.S. 105-228.90.

16 (2) To operate so that no significant purpose of the company is the production of
17 income or the appreciation of property. The fact that a company produces
18 significant income or capital appreciation is not, in the absence of other
19 factors, conclusive evidence of a significant purpose to produce income or
20 accumulate capital.

21 (3) To operate so that no purpose of the company is to accomplish one or more
22 political or legislative purposes within the meaning of section 170(c)(2)(D)
23 of the Code, as defined in G.S. 105-228.90."

24 **SECTION 2.** G.S. 57C-2-21 reads as rewritten:

25 "§ 57C-2-21. **Articles of organization.**

26 (a) The articles of organization must set forth all of the following:

27 (1) A name for the limited liability company that satisfies the provisions of
28 G.S. 55D-20 and ~~G.S. 55D-21~~; G.S. 55D-21.

29 (2) If the limited liability company is to dissolve by a specific date, the latest
30 date on which the limited liability company is to dissolve. If no date for
31 dissolution is specified, there shall be no limit on the duration of the limited
32 liability ~~company~~; company.

33 (3) The name and address of each person executing the articles of organization
34 and whether the person is executing the articles of organization in the
35 capacity of a member or an ~~organizer~~; organizer.



- 1 (4) The street address, and the mailing address if different from the street
2 address, of the limited liability company's initial registered office, the county
3 in which the initial registered office is located, and the name of the limited
4 liability company's initial registered agent at that ~~address;~~address.
- 5 (4a) The street address, and the mailing address if different from the street
6 address, of the limited liability company's principal office, if any, and the
7 county in which the principal office, if any, is ~~located;~~ and located.
- 8 (5) Unless all of the members by virtue of their status as members shall be
9 managers of the limited liability company, a statement that, except as
10 provided in G.S. 57C-3-20(a), the members shall not be managers by virtue
11 of their status as members.
- 12 (6) If the limited liability company is formed as a low-profit limited liability
13 company, a statement that operation of the company must meet the
14 charitable purpose requirements of G.S. 57C-2-01(d).
- 15 (b) The articles of organization may set forth any other provision, not inconsistent with
16 law, including any other matter that under this Chapter is permitted to be set forth in an
17 operating agreement.
- 18 (c) The articles of organization need not set forth any of the powers enumerated in this
19 Chapter."
- 20 **SECTION 3.** G.S. 55D-20(a) is amended by adding the following subdivision to
21 read:
22 "(6) The name of a low-profit limited liability company must contain the words
23 "low-profit limited liability company" or the abbreviation "L3C"."
- 24 **SECTION 4.** This act is effective when it becomes law.