

5097

2013-2014 Regular Sessions

I N S E N A T E

May 8, 2013

Introduced by Sen. GOLDEN -- read twice and ordered printed, and when printed to be committed to the Committee on Corporations, Authorities and Commissions

AN ACT to amend the limited liability company law, in relation to low-profit limited liability companies

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 Section 1. Section 102 of the limited liability company law is amended
2 by adding a new subdivision (ii) to read as follows:
3 (II) "LOW-PROFIT LIMITED LIABILITY COMPANY" MEANS A LIMITED LIABILITY
4 COMPANY THAT HAS SET FORTH IN ITS ARTICLES OF ORGANIZATION A BUSINESS
5 PURPOSE THAT SATISFIES, AND THAT IS AT ALL TIMES OPERATED TO SATISFY,
6 EACH OF THE FOLLOWING REQUIREMENTS:
7 (I) THE LIMITED LIABILITY COMPANY SIGNIFICANTLY FURTHERS THE ACCOM-
8 PLISHMENT OF ONE OR MORE CHARITABLE OR EDUCATIONAL PURPOSES WITHIN THE
9 MEANING OF SECTION 170(C)(2)(B) OF THE INTERNAL REVENUE CODE OF 1986 (26
10 U.S.C. S 170(C)(2)(B)), AND WOULD NOT HAVE BEEN FORMED BUT FOR ITS
11 RELATIONSHIP TO THE ACCOMPLISHMENT OF CHARITABLE OR EDUCATIONAL
12 PURPOSES;
13 (II) NO SIGNIFICANT PURPOSE OF THE LIMITED LIABILITY COMPANY IS THE
14 PRODUCTION OF INCOME OR THE APPRECIATION OF PROPERTY; PROVIDED, HOWEVER,
15 THAT THE FACT THAT THE LIMITED LIABILITY COMPANY PRODUCES SIGNIFICANT
16 INCOME OR CAPITAL APPRECIATION SHALL NOT, IN THE ABSENCE OF OTHER
17 FACTORS, BE CONCLUSIVE EVIDENCE OF A SIGNIFICANT PURPOSE INVOLVING THE
18 PRODUCTION OF INCOME OR THE APPRECIATION OF PROPERTY; AND
19 (III) NO PURPOSE OF THE LIMITED LIABILITY COMPANY IS TO ACCOMPLISH ONE
20 OR MORE POLITICAL OR LEGISLATIVE PURPOSES WITHIN THE MEANING OF SECTION
21 170(C)(2)(D) OF THE INTERNAL REVENUE CODE OF 1986 (26 U.S.C. S
22 170(C)(2)(D)).

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets [] is old law to be omitted.

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1 S 2. Paragraph 7 of subdivision (e) of section 203 of the limited
2 liability company law, as added by chapter 470 of the laws of 1997, is
3 amended to read as follows:

4 (7) IF THE COMPANY IS A LOW-PROFIT LIMITED LIABILITY COMPANY, AS
5 DEFINED IN SUBDIVISION (II) OF SECTION ONE HUNDRED TWO OF THIS CHAPTER,
6 THAT THE COMPANY IS A LIMITED LIABILITY COMPANY; AND

7 (8) any other provisions, not inconsistent with law, that the members
8 elect to include in the articles or organization for the regulation of
9 the internal affairs of the limited liability company, including, but
10 not limited to, (A) the business purpose for which the limited liability
11 company is formed, (B) a statement of whether there are limitations on
12 the authority of members or managers or a class or classes thereof to
13 bind the limited liability company and (C) any provisions that are
14 required or permitted to be included in the operating agreement of the
15 limited liability company pursuant to section four hundred seventeen of
16 this chapter.

17 S 3. Subdivisions (g), (h) and (i) of section 204 of the limited
18 liability company law, subdivision (i) as added by chapter 316 of the
19 laws of 2005, are amended and a new subdivision (j) is added to read as
20 follows:

21 (g) shall not, unless the approval of the state department of social
22 services is attached to the articles of organization or application for
23 authority, contain the word "blind" or "handicapped." Such approval
24 shall be granted by the state department of social services if in its
25 opinion the word "blind" or "handicapped" as used in the limited liabil-
26 ity company's proposed name will not tend to mislead or confuse the
27 public into believing that the limited liability company is organized
28 for charitable or nonprofit purposes related to the blind or the hand-
29 icapped; [and]

30 (h) shall not, unless the approval of the attorney general is attached
31 to the articles of organization or application for authority, contain
32 the word "exchange" or any abbreviation or derivative thereof. Such
33 approval shall not be granted by the attorney general if in his or her
34 opinion the use of the word "exchange" in the limited liability compa-
35 ny's proposed name would falsely imply that the limited liability compa-
36 ny conducts its business at a place where trade is carried on in securi-
37 ties or commodities by brokers, dealers or merchants[.];

38 (i) shall not contain the following terms: "school," "education,"
39 "elementary," "secondary," "kindergarten," "prekindergarten,"
40 "preschool," "nursery school," "museum," "history," "historical,"
41 "historical society," "arboretum," "library," "college," "university" or
42 other term restricted by section two hundred twenty-four of the educa-
43 tion law; "conservatory," "academy," or "institute" or any abbreviation
44 or derivative of such terms, shall have endorsed thereon or annexed
45 thereto the consent of the commissioner of education[.]; AND

46 (J) SHALL, IN THE CASE OF A LOW-PROFIT LIMITED LIABILITY COMPANY,
47 CONTAIN THE WORDS "LOW-PROFIT LIMITED LIABILITY COMPANY" OR THE ABBREVI-
48 ATIONS "L3C" OR "L3C", WITH OR WITHOUT PERIODS OR OTHER PUNCTUATION.

49 S 4. Paragraphs 8 and 9 of subdivision (d) of section 211 of the
50 limited liability company law are amended to read as follows:

51 (8) the discovery of a materially false or inaccurate statement in the
52 articles of organization; [and]

53 (9) IF THE LIMITED LIABILITY COMPANY IS A LOW-PROFIT LIMITED LIABILITY
54 COMPANY, ITS FAILURE TO MEET ANY OF THE REQUIREMENTS SET OUT IN SUBDIVI-
55 SION (II) OF SECTION ONE HUNDRED TWO OF THIS ARTICLE; OR

1 (10) the decision to change any other statement in the articles of
2 organization.

3 S 5. Paragraph 5 of subdivision (a) of section 701 of the limited
4 liability company law, as amended by chapter 420 of the laws of 1999, is
5 amended and a new paragraph 6 is added to read as follows:

6 (5) the entry of a decree of judicial dissolution under section seven
7 hundred two of this article[.]; OR

8 (6) IF THE LIMITED LIABILITY COMPANY IS A LOW-PROFIT LIMITED LIABILITY
9 COMPANY THAT HAS CEASED TO MEET ANY OF THE REQUIREMENTS SET OUT IN
10 SUBDIVISION (II) OF SECTION ONE HUNDRED TWO OF THIS CHAPTER AND HAS
11 FAILED FOR NINETY DAYS AFTER CEASING TO MEET THOSE REQUIREMENTS TO FILE
12 ARTICLES OF AMENDMENT WITH THE DEPARTMENT OF STATE AMENDING ITS NAME TO
13 CONFORM WITH THE REQUIREMENTS OF SECTION TWO HUNDRED FOUR OF THIS CHAP-
14 TER GOVERNING LIMITED LIABILITY COMPANY NAMES.

15 S 6. This act shall take effect immediately.