

FIRST REGULAR SESSION

# SENATE BILL NO. 326

99TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR KRAUS.

Read 1st time January 23, 2017, and ordered printed.

ADRIANE D. CROUSE, Secretary.

1495S.011

## AN ACT

To repeal sections 347.015 and 347.020, RSMo, and to enact in lieu thereof three new sections relating to low-profit limited liability companies.

*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Sections 347.015 and 347.020, RSMo, are repealed and three  
2 new sections enacted in lieu thereof, to be known as sections 347.015, 347.020,  
3 and 347.023, to read as follows:

347.015. As used in sections 347.010 to 347.187, the following terms  
2 mean:

3 (1) "Articles of organization", the articles referred to in section 347.039,  
4 filed with the secretary for the purpose of forming a limited liability company, as  
5 the same may be amended or restated from time to time as provided in sections  
6 347.010 to 347.187;

7 (2) "Authorized person", manager, or member, if management of the  
8 limited liability company is vested in the members;

9 (3) "Bankruptcy", the entry of an order for relief by the court in a  
10 proceeding under the United States Bankruptcy Code, Title 11, U.S.C., as  
11 amended, or its equivalent under a state insolvency act or a similar law of other  
12 jurisdictions;

13 (4) "Business" includes every trade, occupation or profession;

14 (5) "Contribution", cash, other property, the use of property, services  
15 rendered, a promissory note or other binding obligation to contribute cash or  
16 property or perform services or any other valuable consideration transferred by  
17 a person to the limited liability company as a prerequisite for membership in the  
18 limited liability company and any subsequent transfer to the limited liability

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

19 company by a person in his capacity as a member;

20 (6) "Court" includes every court and judge having jurisdiction in the case;

21 (7) "Domestic limited liability company" or "limited liability company", a  
22 limited liability company organized and existing under sections 347.010 to  
23 347.187;

24 (8) "Event of withdrawal", an event that causes a person to cease to be a  
25 member as provided in section 347.123;

26 (9) "Foreign limited liability company", a limited liability company formed  
27 under the laws of any jurisdiction other than the state of Missouri;

28 (10) **"Low-profit limited liability company" or "L3C", a limited**  
29 **liability company that satisfies the requirements of section 347.023 and**  
30 **does not have as its primary purpose the production of income or the**  
31 **appreciation of property;**

32 (11) "Manager", with respect to a limited liability company whose articles  
33 of organization state that management of the limited liability company is vested  
34 in one or more managers, the person or persons designated, appointed or elected  
35 as such in the manner provided in subsection 2 of section 347.079;

36 [(11)] (12) "Member", any person that signs in person or by an attorney  
37 in fact, or otherwise is a party to the operating agreement at the time the limited  
38 liability company is formed and is identified as a member in that operating  
39 agreement and any person who is subsequently admitted as a member in a  
40 limited liability company in accordance with sections 347.010 to 347.187 and the  
41 operating agreement, until such time as an event of withdrawal occurs with  
42 respect to such person;

43 [(12)] (13) "Member's interest", a member's share of the profits and  
44 losses of a limited liability company and the right to receive distributions of  
45 limited liability company assets;

46 [(13)] (14) "Operating agreement", any valid agreement or agreements,  
47 written or oral, among all members, or written declaration by the sole member  
48 concerning the conduct of the business and affairs of the limited liability company  
49 and the relative rights, duties and obligations of the members and managers, if  
50 any;

51 [(14)] (15) "Organizer", any of the signers of the articles of organization;

52 [(15)] (16) "Person" includes individuals, partnerships, domestic or  
53 foreign limited partnerships, domestic or foreign limited liability companies,  
54 domestic or foreign corporations, trusts, business trusts, employee stock

55 ownership trusts, real estate investment trusts, estates, associations, and other  
56 business or not-for-profit entities;

57 [(16)] (17) "Real property" includes land, any interest, leasehold or estate  
58 in land and any improvements thereon;

59 [(17)] (18) "Secretary", the secretary of state for the state of Missouri and  
60 its delegates responsible for the administration of sections 347.010 to 347.187;

61 [(18)] (19) "Surviving entity", the surviving or resulting person pursuant  
62 to a merger or consolidation in which one or more domestic limited liability  
63 companies are parties.

347.020. The name of each limited liability company as set forth in its  
2 articles of organization:

3 (1) Shall contain the words "limited company" or "limited liability  
4 company" or the abbreviation "LC", "LLC", "L.C." or "L.L.C.", **or if organized**  
5 **as a low-profit limited liability company, shall contain the word "L3C"**,  
6 and shall be the name under which the limited liability company transacts  
7 business in this state unless the limited liability company registers another name  
8 under which it transacts business as provided under chapter 417 or conspicuously  
9 discloses its name as set forth in its articles of organization;

10 (2) May not contain the word "corporation", "incorporated", "limited  
11 partnership", "limited liability partnership", "limited liability limited  
12 partnership", or "Ltd." or any abbreviation of one of such words or any word or  
13 phrase which indicates or implies that it is organized for any purpose not stated  
14 in its articles of organization or that it is a governmental agency; and

15 (3) [Must] **Shall** be distinguishable upon the records of the secretary from  
16 the name of any corporation, limited liability company, limited partnership,  
17 limited liability partnership, or limited liability limited partnership which is  
18 licensed, organized, reserved, or registered under the laws of this state as a  
19 domestic or foreign entity, unless:

20 (a) Such other holder of a reserved or registered name consents to such  
21 use in writing and files appropriate documentation to the secretary to change its  
22 name to a name that is distinguishable upon the records of the secretary from the  
23 name of the applying limited liability company; or

24 (b) A certified copy of a final decree of a court of competent jurisdiction  
25 establishing the prior right of the applicant to the use of such name in this state  
26 is filed with the secretary.

**347.023. 1. A low-profit limited liability company shall at all**

2 times significantly further the accomplishment of one or more  
3 charitable or educational purposes within the meaning of 26 U.S.C.  
4 170(c)(2)(B) and would not have been formed but for the relationship  
5 to the accomplishment of such charitable or educational purposes.

6       2. A limited liability company which intends to qualify as a  
7 low-profit limited liability company pursuant to the provisions of this  
8 section shall so indicate in its articles of organization, and further state  
9 that:

10       (1) No significant purpose of the company is the production of  
11 income or the appreciation of property, provided that the fact that a  
12 low-profit limited liability company produces significant income or  
13 capital appreciation shall not, in the absence of other factors, be  
14 conclusive evidence of a significant purpose involving the production  
15 of income or the appreciation of property; and

16       (2) No purpose of the low-profit limited liability company is to  
17 accomplish one or more political or legislative purposes within the  
18 meaning of 26 U.S.C. 170(c)(2)(D), or its successor.

19       3. A low-profit limited liability company that no longer satisfies  
20 the requirements of this section continues to exist as a limited liability  
21 company and shall promptly amend its articles of organization so that  
22 its name and purpose no longer identify it as a low-profit limited  
23 liability company or L3C.

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