

Legal Structures for Social Enterprises



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I. INTRODUCTION

As an entrepreneur founding a new social enterprise, you will be faced with many important decisions; of which, one of the first, and most critical, is how to organize your social enterprise. During the process of organizing your venture, you will need to consider not only issues such as personnel and management structure, but also the form of legal entity best suited for your organization's operations.

The type of legal entity you choose can impact, among other things, the amount of money you have to spend in order to form your organization, where you will obtain capital/funding, whether the founders of your organization will be owners, managers or have some other type of role, whether you will be able to control the strategic direction of the organization, the type of tax treatment your organization will receive, owner, officer and director protection against liabilities of the business, etc. Because the type of legal entity you choose can have such an important impact on the operation of your business, it is important to understand the material attributes of the legal entities commonly utilized by social entrepreneurs.

In order to assist you in determining which form of legal entity is best suited for your social enterprise, The Law Project has prepared this publication which will provide you with a brief description of certain important issues and considerations related to some of the most common entity structures available in Illinois. This publication is provided for informational purposes only and does not constitute legal or tax advice or create an attorney/client relationship. Furthermore, this publication does not contain a complete summary of all of the matters that you should consider when choosing the best form of legal entity for your organization and we highly encourage you to seek the advice of a qualified attorney and/or other professionals (tax, accounting, etc.) to assist you in determining the legal entity that best suits your needs.

II. ISSUES TO CONSIDER WHEN CHOOSING A LEGAL ENTITY STRUCTURE

A. Nonprofit vs. For-Profit Entities

One of the most fundamental decisions you will need to make is whether to establish your social enterprise as a nonprofit or for-profit entity or utilize both structures. As will be discussed below, there are a number of different for-profit legal entities to choose from; however, there is only one form of nonprofit legal entity. This decision is critical because if you start as a nonprofit, it can be difficult to later change it to any of the for-profit entity structures.

B. Formation Considerations

Legal entities have varying levels of administrative requirements with respect to the formation and establishment of the entity itself. While it is important to understand such requirements at a basic level, you should consult an attorney to assist you with forming the legal entity. The information below contains a non-exhaustive, high level overview of some of the considerations you will encounter during the process of forming an entity.

LLC

The limited liability company (an "LLC") is a newer form of legal entity which combines the limited liability attributes found in corporations with a more flexible governance structure, including the option for flow-through tax treatment (both features described below). In order to form an LLC, the social entrepreneur simply has to execute and deliver Articles of Organization to the Illinois Secretary of State. The Articles of Organization primarily consist of administrative information, such as the name and purpose of the company. In addition to the Articles of Organization, an Operating Agreement (sometimes

referred to as a “Limited Liability Company Agreement”) is typically entered into by the equityholders or owners of the company. An Operating Agreement provides for the governing structure, economic terms and conditions, and other rules pertaining to the newly formed LLC. For social enterprises, the equityholders of an LLC can tailor their Operating Agreement to adhere to the entity’s social mission and goals.

L3C

A low-profit limited liability company (an “L3C”) is a form of LLC that can signal to investors and the public that the company is fulfilling a social purpose; in fact, one of the principal reasons that legislatures established L3C’s was to enable such entities to receive program related investments more easily (as discussed in greater detail in Section II.F below). In order to form an L3C in Illinois, the company must indicate it intends to do so in its Articles of Organization. According to Illinois law, the L3C must at all times further a “charitable or educational purpose” as defined by the Internal Revenue Code and cannot state that the production of income or the appreciation of property is a “significant purpose” or have a political or legislative purpose. Additionally, Illinois law requires that L3C’s be registered with the Illinois Attorney General, which registration requires the social enterprise to describe basic information about itself, as well as its purpose, and provide its Articles of Organization and operating agreement. It is also worth noting that you can convert an existing LLC into an L3C entity at any point in time after an LLC’s formation.

C Corps

The most common form of legal entity, and perhaps the most well-known, is the for profit corporation (a “C-Corp”). The goal of a C-Corp is generally to maximize shareholder value (*i.e.*, make money for its shareholders, whether by increasing the intrinsic value of the C-Corp’s stock or by paying dividends). C-Corps do not offer the same organizational flexibility as other types of legal entities (such as LLC’s), but there is a significant amount of law surrounding C-Corps, and, as a result, more certainty with respect to how such entities should be properly operated and the protections afforded to the management of a C-Corp. C-Corps are governed by state law and must register with the state and pay fees associated with incorporation. A C-Corp is formed by filing Articles of Incorporation with the State of Illinois. Similar to the Articles of Organization, the Articles of Incorporation provide for basic information such as the name of the entity and its purpose. In addition to such basic information, Articles of Incorporation also provide the equity structure of the organization (*i.e.*, the type of stock issued by the C-Corp to its shareholders). Depending on the agreement amongst the owners of a C-Corp, a C-Corp’s equity structure can be as simple as one class of common stock containing the same economic and voting rights, or as complex as multiple classes of stock with varying economic rights (*i.e.* one class of stock receives payment before another class of stock) and varying voting rights (*i.e.* one class of stock has voting rights but the other does not). In addition to the Articles of Incorporation, when forming a C-Corp you will also create bylaws for the organization which provide a set of rules with respect to the governance of the organization. You are not required to file the bylaws with the state; however, the C-Corp must keep a copy on file at its principal place of business.

Benefit Corporations

A benefit corporation is a new variation of the C-Corp, now recognized in Illinois under the Benefit Corporation Act. The entity still operates as a C-Corp, but under Illinois law is required to have a “purpose of creating general public benefit,” such as promoting arts and sciences, providing benefits to underserved or low-income individuals or communities, preserving the environment, etc. A benefit corporation is formed by including a statement in the articles of incorporation (the same articles of incorporation as a C-Corp) that it is a benefit corporation under the Benefit Corporation Act. In addition, an existing C-Corp can amend its articles of incorporation to comply with the Benefit Corporation Act, thereby becoming a benefit corporation. An additional requirement unique to benefit corporations is the accountability and transparency requirements associated with such entities. As discussed in further

detail below, a benefit corporation is required to establish a “benefit director”¹ and it must publicly report on its operations on an annual basis.

Nonprofit

The not-for-profit corporation (“Nonprofit”) is a type of corporation that applies for and receives federal income tax exemption from the Internal Revenue Service (“IRS”). A Nonprofit must be created in order to support the public and, unlike traditional for-profit entities, is not created for the benefit of the shareholders; in fact, Nonprofits don’t have any shareholders or owners. In order to qualify to become a Nonprofit, the business must be a charitable organization.² Any charitable organization must be organized and managed only for the purposes of religious, charitable, scientific, testing for public safety, literary, or educational purposes. In order to create a Nonprofit, an incorporator must complete the same steps required for a C-Corp (*i.e.*, Articles of Incorporation (Form NFP 102.10), bylaws, etc.). In addition to completing such C-Corp requirements, a charitable nonprofit will also apply for 501(c)(3) federal tax exemption from the Internal Revenue Service (“IRS”) by filing the IRS Form 1023 or IRS Form 1023-EZ. Any Illinois Nonprofit that has received recognition of federal income tax exemption through this process will automatically be tax exempt for Illinois income tax purposes.

Related Entities.

In a multi-entity social enterprise, the social enterprise can combine the attributes of a Nonprofit with the attributes of a for-profit by structuring the social enterprise with more than one legal entity. One potential way to structure a multi-entity social enterprise is to form one entity as a charitable organization (such as a Nonprofit) and then form a for-profit subsidiary (such as a C-Corp) as a wholly owned subsidiary of that charitable organization. This subsidiary could then engage in financing transactions that would normally be off-limits for the parent charitable organization. Formally, the charitable organization owns equity in the for-profit entity, allowing the Nonprofit to control the activities of the for-profit entity while still preserving its nonprofit status (provided the proper corporate formalities are observed). Alternatively, the two entities could be linked together in a “brother-sister” structure.

Example:

Suppose a social enterprise in workforce development forms a Nonprofit to provide job training and business development skills for aspiring food entrepreneurs. Such social enterprise may also consider forming a wholly owned C-Corp subsidiary and open a business (such as a café or restaurant) so that students of such Nonprofit could obtain real world experience operating a business and executing on the business plans they developed during job training.

In this format, the two entities may also have some overlap between board members and executive management. Additionally, they will often enter into agreements together and share resources.

The cost associated with forming the various entities mentioned above differs with respect to each entity. A chart summarizing the formation costs is set forth below:

	LLC	C-Corp	L3C	Non-profit	Benefit Corp.	Multi-Entity
Formation Filing Fee	\$500	\$150	\$500	\$50	\$150	Equal to the sum of filing fees for the types of legal entities in the structure

¹ A “benefit officer” position may also be established but is not required.

² There are other types of entities that are exempt from federal income taxes (civic leagues, chamber of commerce, etc.), but this publication is focused on charitable organizations.

C. Governance Structure

Corporate governance and reporting requirements also vary between each of the types of legal entities. In some instances, the rules controlling an entity's governance may be provided by state statute, while in other instances, the rules will be set forth in contractual agreements or organizational documents entered into by the owners and/or management of the company. Depending on the type of entity you choose, entity governance can require a significant amount of time and money and the issue should be carefully considered as it will have a financial and operational impact on the business, particularly a small business with limited resources.

LLC/L3C

The governance structure of an LLC is primarily created through the LLC's organizational documents. An LLC may be "member-managed" or "manager-managed." In a member-managed LLC, each member of the LLC has managerial powers and decision making authority in proportion to such member's ownership in the LLC. In a manager-managed LLC, a manager (or managers) is designated, appointed, or elected by a majority of the members. Such manager then has the management rights pertaining to the LLC and can govern the day-to-day operations of the LLC, subject to any restrictions contracted for in the Operating Agreement (or any similar instrument). An LLC is not required to have a board of directors or to hold shareholder meetings. Whether the LLC is member-managed or manager-managed, the holder of the management rights owes certain fiduciary obligations to the company, which your attorney can explain in further detail. Each of the governance requirements for LLCs also applies to L3Cs. In addition, similar to Nonprofits, L3C's are required to file an annual statement capturing its assets, liabilities, income and expenses with the Illinois Attorney General each year.

C-Corp

A C-Corp is one of the most complex entities to organize and properly govern. C-Corps require specific governing documents (Articles of Incorporation and bylaws), which regulate how the company is run, the actions of the board of directors and the officers. All C-Corps are required to have a specific structure including a board of directors and officers. While the persons serving as directors and officers are often the same individuals in startups, they can also be different people. The shareholders are the owners of the C-Corp and they vote to elect the members of a board of directors (typically in proportion to the amount of stock of the C-Corp they hold), which in turn appoints the officers. The directors oversee the general direction of the business, and the officers oversee day-to-day operations. The board and officers must follow a regular meeting schedule, holding annual board meetings, and keeping minutes and records of the company. If a C-Corp does not follow the necessary governance requirements, the limited liability nature of a C-Corp may not be afforded to the owners (this also applies to a benefit corporation).

Benefit Corporation

If the company is organized as a benefit corporation, the directors are required to consider the effects of their actions in respect of the stated benefit of the corporation, the environmental impact, "community and societal considerations," and certain other factors. Additionally, the board of directors is required to designate a specific "benefit director." The benefit director must prepare an opinion in the corporation's annual benefit report to its shareholders (which is also available to the public). In such opinion, the benefit director must set forth his or her findings on the benefit corporation's performance in acting "in accordance with its general public benefit purpose." A benefit corporation may also designate a "benefit officer," who would have the duty to assist with the preparation of the benefit report. Note that the "benefit director" and "benefit officer" can be the same person.

Nonprofit

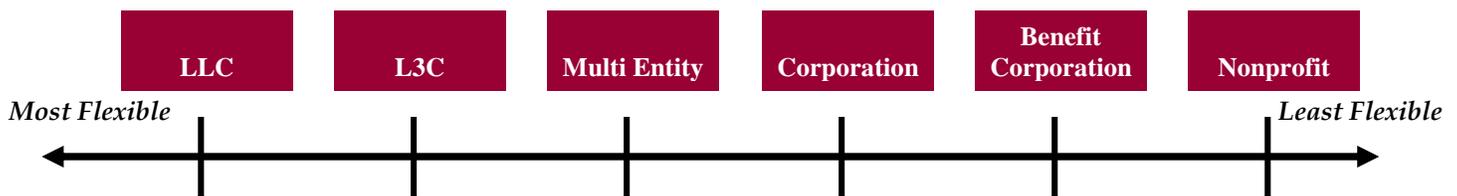
A Nonprofit, unlike a C-Corp, is not created to maximize profits and in turn does not have shareholders or owners. A Nonprofit has the same governance structure as a C-Corp -- a board of directors and

officers. The board of directors manages the Nonprofit on behalf of the public good. Although a Nonprofit does not have any shareholders, it is still required to provide a high level of disclosure. Since Nonprofits are corporations dedicated to the public good, such entities must disclose their financial records and governance records.

Related Entities

For a multi-entity social enterprise, each entity will need to observe the governance requirements applicable to it. In addition, the two (or more) entities will need to prove their independence to ensure the charitable entity is separate and distinct from the for-profit entity -- both for Nonprofit compliance purposes and conflict of interest purposes. This means that the directors and officers of a Nonprofit within a multi-entity social enterprise need to ensure the Nonprofit is operated in accordance with its tax exempt purposes and that none of the earnings derived from the Nonprofit pass to any private shareholder or individual. Additionally, to the extent the Nonprofit and the for-profit entities within a multi-entity social enterprise share the same directors and/or officers, such directors/officers will need to ensure that any contracts entered into between the two entities (sourcing agreements, etc.) are done so on an arm's length basis so as to avoid any conflict of interest. Alternatively, to avoid conflict of interest issues a multi-entity social enterprise can have different directors and officers for each different entity; however this can lead to a greater administrative burden on a social enterprise's staff, which in turn may result in operational inefficiencies. For more detailed information on Nonprofit compliance, please download "A Guide for Nonprofit Organizations: General Charitable Compliance," at www.thelawproject.org.

Spectrum of Organizational and Governance Flexibility



D. Tax Treatment

When choosing a particular legal entity structure, one of the most important considerations is the tax treatment you will receive under each structure. Each type of entity has its own unique tax reporting and paying requirements and these can have a significant impact on the financials of the business. When considering taxes, both the entity level and personal income taxes should be considered. We advise that you talk to a tax professional when evaluating the tax implications of starting a business and its impact on your taxes.

At a fundamental level, a legal entity will either (i) be taxed at the entity level or (ii) have pass-through tax treatment. If the entity is taxed at the entity level, this means that to the extent the business generates profits, it will be taxed on such earnings. Unless the owners of the business plan to keep all of the earnings in the business, choosing a legal entity with entity level taxation typically results in "double taxation" because the individual equityholders of the business will also be taxed when they receive dividends or distributions from the company. However, if the entity has pass-through tax treatment, then the company's earnings flow through to the owners, resulting in only one level of taxation at the individual level. Additionally, with an entity with pass-through tax, if the company is expected to generate losses from operations, then the individual members of the company may be able to use such losses as an offset against other income that they may have personally generated through pursuits outside of the social enterprise.

LLC/L3C

It's also worth noting that while certain types of legal entities have fixed tax structures; other entities provide owners with the flexibility of choosing which tax regime they will fall under. For example, an LLC may elect to be taxed as a C-Corp (*i.e.* entity level tax as described in further detail below) by filing a Form 8832 with the IRS. Absent filing such documentation, an LLC will be treated as having pass-through tax treatment. Such optionality is also available to L3Cs. It is important to note that, despite this entity's name, an L3C is not a tax exempt entity and its owners receive the same tax attributes/treatment as if they were operating an LLC.

C-Corp / Benefit Corporation

As mentioned above, a C-Corp is subject to entity level taxation, thus potentially resulting in double taxation to the extent the owners expect to receive dividends from the C-Corp. However, if you believe your social enterprise will keep the profits in the business and not pay dividend earnings to shareholders, operating the business through a C-Corp may not have any negative tax implications to you. In analyzing which tax regime is better for your business, you also need to keep in mind that corporate tax rates are not set at the same level as personal income tax rates. Benefit corporations also receive the same tax treatment as C-Corps.

S Corporations

Another option available to certain for-profit entities (including C-Corps and benefit corporations), is to elect to have your entity taxed under subchapter S of the Internal Revenue Code ("S-Corp"). To be eligible to make an S-Corp election, your entity can only have a single class of common stock or units and all economic ownership rights must be the same across your equityholder base (although S-Corps do allow for different voting rights). In addition, under Illinois law, an S-Corp cannot have more than 75 stockholders (despite the federal limit being 100) and all of the stockholders must be individuals, trusts or exempt organizations, each of which must be U.S. citizens or residents. If you're eligible to have your entity taxed as an S-Corp, your entity will receive pass-through taxation treatment (similar to an LLC). The S-Corp election is made by filing a form with the IRS but you should speak with a tax advisor before doing so.

Nonprofit

Separate and distinct from the entities mentioned above, a Nonprofit generally does not pay any federal income taxes. There is a possibility based on the type of Nonprofit and its activities that it will still be subject to other taxes, such as state sales taxes or unrelated business income taxes, although this would need to be evaluated on a case-by-case basis. In Illinois, Nonprofits can apply to the Illinois Department of Revenue for state sales tax exemption by providing financial statements and writing a brief narrative explaining the purposes, functions and activities of your social enterprise. Additionally, a Nonprofit's exemption from federal income tax generally is limited to income earned by the organization while performing activities related to its tax-exempt purposes. If the Nonprofit earns income from an unrelated (often commercial) activity that is regularly carried on and is not substantially related to the organization's tax-exempt purpose, then that income will be subject to federal income tax as unrelated business taxable income unless an exception applies (for more information on unrelated business taxable income please download "A Guide for Nonprofit Organizations: General Charitable

Example:

Suppose a Nonprofit that supports local artists opens a gift shop to sell artwork created by artists in the community. After being open for some time, some of the employees of the Nonprofit begin to make cookies and other assorted desserts to sell at the gift shop. Because the sale of desserts may be considered to be not substantially related to the exempt purpose of the Nonprofit, the income generated from such sales may be considered unrelated business income tax.

Compliance,” at www.thelawproject.org). Nonprofits can also create a potentially significant tax benefit for individual donors as donations can be used as a tax deduction for individual donors on their personal income taxes. Nonprofits also often qualify for specific government or privately sponsored grants and loan programs that assist Nonprofits in fundraising and are not taxable.

Related Entities

For a multi-entity social enterprise, a Nonprofit entity can accept tax-deductible contributions, while the related for-profit entity engages in regular business activities. The for-profit entity can then pay out its income to the Nonprofit parent as a dividend. However, the for-profit entity will be taxed on this income before it is distributed out to the Nonprofit parent, resulting in some lost income.

Potential Tax Treatment of Entities

<u>Double Taxation</u>	<u>Pass Through Taxation</u>	<u>No Federal Taxes</u>
LLC	LLC	Nonprofit
L3C	L3C	
C-Corp	S-Corp	

E. Liability Issues

Another important issue to consider is whether or not an owner and/or founder will be held personally responsible for obligations of the business. Liabilities are obligations of the company to third parties (such as creditors, vendors or clients), which can result from bank loans, contractual obligations or potentially even lawsuits. Most types of legal entities offer liability protection to their owners, thereby limiting an owner’s and/or founder’s personal liability with respect to a claim against the company or the assets owned by the company. However, in other instances, the assets of the individual owners can also be used in any claim against the firm. These structures are closely tied to the type and ease of raising capital and should be considered in conjunction with each other.

LLC/L3C

An LLC is a limited liability entity. For an LLC, generally speaking the debts, obligations, and liabilities of the LLC belong solely to the LLC. Thus, an entrepreneur is only liable to the extent of his or her capital contribution to the enterprise. For example, if the entrepreneur invests \$1 million in the social enterprise, the entrepreneur can only be held liable for amounts up to \$1 million, subject to certain exceptions such as committing fraud which may result in “piercing the veil” (discussed further below). Owners of an L3C have the same limited liability protection as members of an LLC.

C-Corp

As a general rule, C-Corps also provide limited liability protection to owners due to their status as a separate legal entity that is liable for its own debts and claims. Such protections provide assurances to investors that their own assets cannot be subject to claims or suits brought against the social enterprise. However, similar to the LLC, there are exceptions where a C-Corp or its directors or officers commits fraud or disregards corporate formalities. To the extent such events occur, a third party creditor may be able to “pierce the corporate veil” and hold directors or owners liable for harm done to such third party.

Benefit Corporation

Similar to C-Corps, a benefit corporation also provides the same level of limited liability protection to owners, officers and directors. Because benefit corporations are established for a public benefit, directors and officers will not have any liability for pursuing a public benefit as opposed to maximizing shareholder value (as is the case with C-Corps). However, a benefit corporation may be subject to a suit if

a party believes the company is not fulfilling its beneficial purpose. Directors and officers of Nonprofits have the same limited liability protection as directors and officers of C-Corps and benefit corporations.

F. Funding/Fundraising Considerations

When deciding which type of legal structure to utilize, social enterprises should consider the impact of the legal structure on raising capital and funding the business. There are two primary modes of raising capital: debt and equity. Debt is typically in the form of a loan from a financial institution, has a required rate of return and mandatory payback periods. Additionally, debt may have additional restrictions on operating the business and may require that specific financial metrics are met by the business. Equity, on the other hand, is an ownership stake in the organization. The types of equity available are limited by the type of entity and structure that the business takes. When considering the capital raising restrictions of an entity, consider how you plan to fund your business now as well as in the future, who will you raise money from, what the capital requirements will be and the type of returns you expect. Below are a few additional considerations to keep in mind as it relates to your organization's fundraising ability.

Despite the rigid governance requirements of a C-Corp, C-Corps tend to be the most flexible and attractive types of entities with respect to raising capital. For one, most investors are familiar with C-Corps due to their long history and well-established body of law, which, as a result, provides certainty and comfort. Additionally, C-Corps are very flexible when it comes to equity structuring and they allow for everything from equity compensation plans for employees (*i.e.*, incentive stock options, profits interests, etc.) to multiple tranches of stock (*i.e.*, preferred stock, multiple classes of common stock with varying economic features, etc.). Other entities, such as LLC's, also offer flexibility with respect to equity financing; however, sophisticated investors (especially venture capital funds and the like) may pass on financing your organization with equity if it's structured as an LLC due to the pass-through tax treatment as such treatment may result in unrelated business income for such investors.

Other investors may not be focused on seeking a profit from their investment and instead are more focused on the public benefit delivered by your organization. For example, one of the principal reasons to organize your entity as an L3C is to meet the requirements of program related investment ("PRI"). Private foundations looking to invest money into social enterprises will often only make contributions to for-profit entities if they meet the PRI requirements. A Nonprofit is another type of entity that may appeal to such donors. While Nonprofits may restrict a social enterprises ability to raise funds from financing sources that are seeking a profit, Nonprofits can solicit charitable donations allowing donors to take a deduction on their personal income taxes.

This does not provide an exhaustive list of all the fundraising concerns related to the type of legal entity you choose, and any business considering raising additional capital in any form should consult a legal and/or tax professional.

G. Social Enterprise Certification: B-Corps

One final option for firms wishing to create a social enterprise is to become certified as a B-Corp. A B-Corp certification is not a legal structure and does not impact any of the legal requirements that an organization has under its chosen legal structure. Any for-profit entity or Nonprofit structure that focuses on improving social and environmental issues can apply to become certified as a B-Corp. Start-up companies do not immediately qualify to apply to be a B-Corp as they must be revenue earning for at least six months. The B-Corp certification is different from the benefit corporation. It is a certification awarded by a third party, B-Lab, and is not recognized by the government. While this certification does not conjure any legal benefits, it can be used as a marketing tool and an external validation of the positive social and environmental impacts that a company creates. B-Corp certification can be used to easily explain the social mission of a company and can be used by customers, employees, suppliers, and business partners to evaluate the social enterprise.

However, there are a significant number of requirements for a business to become certified as a B-Corp. In order to obtain certification, a company must first partake in an impact rating assessment meant to measure the impact of the social enterprise on its stakeholders which will evaluate the company based on a number of social and environmental criteria, including employee programs, energy efficiency, and corporate transparency. Once such assessment is completed, the company will have to complete a phone interview, provide supporting documents, amend their governance documents, sign a term sheet stating their dedication to a social impact and pay a fee to B Lab for the certification. The cost of certification for a B-Corp varies from \$500 to \$25,000 annually depending on the revenue generated by the business. A B-Corp must be reassessed every two years via a compliance audit and, as a result, the B-Corp certification can impose significant reporting costs on the company.

III. KEY TAKEAWAYS

LLC

Pros: Limited liability, option to elect pass-through tax treatment; organizational flexibility

Cons: Not well-suited to become a publicly traded company; some uncertainty given limited development of law surrounding LLCs

L3C

Pros: Ability to signal and attract socially-conscious investors; entity maintains other positive attributes of an LLC

Cons: Potential uncertainty about the law relating to L3Cs; unclear whether organizing as an L3C actually leads to increased ability to raise capital

C-Corp

Pros: Flexibility in raising capital; entity structure is familiar to outside investors; well-developed body of law

Cons: Stringent governance requirements; potential double taxation issues

Benefit Corporation

Pros: Ability to operate as a C-Corp without duty to maximize shareholder value

Cons: Increased oversight and reporting requirements

Nonprofit

Pros: Exempt from income taxes; can easily be used to focus the mission of the business; donations can be tax deductible

Cons: Nonprofits have very narrow definition of qualified business and have limited flexibility in changing its mission over time

Multi-Entity Structures

Pros: If structured properly, can allow company to enjoy benefits of both for-profit entities and Nonprofit entities

Cons: Higher compliance costs (often in the form of increased accounting, legal, tax consulting fees); complex design and administrative separation requirements

Summary Chart

	<u>LLC</u>	<u>L3C</u>	<u>Corporation</u>	<u>Benefit Corporation</u>	<u>Nonprofit (501(c)(3))</u>
Formation & Governance					
Organizational Flexibility	X	X			
Developed Body of Law			X		X
Specific Benefit Purpose Designation		X		X	X
Taxation					
Pass Through Taxation Potential	X	X	X	X	
Double Taxation Potential	X	X	X	X	
No Federal Income Taxes					X
Liabilities					
Limited Liability	X	X	X	X	X
Raising Capital					
Structure Familiar to Investors			X		
Tax Deductible Donations					X