

## **BUSINESS ORGANIZATIONS CODE - SHORT SUMMARY**

The proposed Business Organizations Code is a comprehensive, up-to-date, and well-organized statute, which would update, and fill gaps in, the District's statutes governing business entities, which, with few exceptions, were enacted between 1870 and 1962. The Code is organized according to a "hub and spoke" structure (analogous to the Uniform Commercial Code), in which Chapter 1 is the "hub," containing provisions common to all entities, and the remaining chapters are "spokes," governing specific entities. This approach results in an internally consistent, streamlined, user-friendly, and easily maintainable Code. This approach is taken in Texas and Alabama, and is being taken in Pennsylvania and Utah. The 12 chapters of the bill, with two exceptions that which retain existing law, are based on uniform or model acts prepared by the National Conference of Commissioners on Uniform State Laws, American Bar Association, or both organizations jointly.

Chapter 1 (General Provisions), the "hub," contains provisions applicable to all entities, such as definitions of common terms, administrative filing requirements, registration and reservation of entity names, registered agents, foreign entities, and administrative dissolution.

Chapter 2 (Entity Transactions), described as a "junction box," simplifies and expands the ability of businesses to restructure, which is often necessary to respond to economic changes. Four types of entity transactions are facilitated – mergers, interest exchanges, conversions, and domestications. It applies to all "cross-type" transactions, *e.g.*, the merger of a corporation and a limited liability company, but leaves intact provisions in the "spokes" permitting "same-type" transactions – *e.g.*, a merger of two corporations.

Chapter 3 (Business Corporations) would update the District's 1954 Business Corporations Act, which is based on the 1950 version of the ABA Model Business Corporations Act, with the 2007 version of the ABA Model Business Corporations Act.

Chapter 4 (Nonprofit Corporations) would update the District's 1962 Nonprofit Corporations Act, which is based on the 1960 version of the ABA Model Nonprofit Corporations Act, with the 2008 version of the ABA Model Nonprofit Corporations Act.

Chapter 5 (Professional Corporations) would incorporate without substantive change the District's Professional Corporations Act into the hub-and-spoke structure.

Chapter 6 (General Partnerships) would incorporate without substantive change current law, which is based on the Revised Uniform Partnership Act, into the hub-and-spoke structure.

Chapter 7 (Limited Partnerships) would update the District law, based on the original Uniform Limited Partnership Act, with the 2001 Revised Uniform Limited Partnership Act.

Chapter 8 (Limited Liability Companies) would update the District's first-generation LLC act with the 2005 Revised Uniform Limited Liability Company Act.

Chapter 9 (General Cooperative Associations) would incorporate the District's current law on professional corporations, without substantive change, into the hub-and-spoke structure..

Chapter 10 (Limited Cooperative Associations) would add the Uniform Limited Cooperative Association Act, authorizing a new type of business entity, used by a variety of enterprises in other states, that combines traditional cooperative values with modern financing mechanisms.

Chapter 11 (Unincorporated Nonprofit Association) would update the District's law, based on the original uniform act, with the Revised Uniform Unincorporated Nonprofit Association Act, completed in 2008.

Chapter 12 (Statutory Trusts) would add the Uniform Statutory Trust Entity Act, permitting a new type of business entity, authorized in about 30 states, that is useful for organizing mutual funds, asset securitization, and tax-advantaged real estate transactions.