



Enlightened Capitalism and L3Cs

by Susan A. Maslow and Timothy White

To accomplish great good, must one be devoid of expectations of profit? This article intends to highlight what the authors believe are significant benefits of the newly authorized low-profit, limited liability companies (L3Cs) to solve problems traditionally the purview of nonprofits, and to advocate for the adoption of the L3C entity in New Jersey. The perfect choice of entity for the “social business” proposed by Nobel Peace Prize winner Muhammad Yunus, many have come to believe the L3C alone speaks to the multi-dimensional personalities of 21st century social entrepreneurs,¹ and can simultaneously accommodate program-related investments (PRIs) of private foundations.

Acknowledging the importance of incentives available in capitalism, Yunus is credited with launching the world’s first purposely designed social business, Grameen Bank. Grameen Bank provides people living in poverty with micro-loans used to launch businesses that allow the debtor to become self-sufficient and lift their families (and sometimes their communities) out of poverty. Yunus developed this concept of a business with the same organizational structure as existing profit-maximizing businesses (PMBs), but devoted to a social objective.²

The L3C is a hybrid of a hybrid entity. As a form of limited liability company (LLC), the L3C offers the personal liability protection of a corporation, and the flexibility of a partnership. Like a 501(c)(3) nonprofit, the L3C is designed to

advance a socially beneficial purpose; unlike the 501(c)(3), the L3C allows for traditional equity investment, and sales of those investment stakes. The L3C's inherent flexibility permits tiered distribution rights and super-voting rights, which can help social entrepreneurs attract philanthropic capital, as well as private investment from individuals and institutions seeking a market-based return.

In addition, the L3C allows a social enterprise to opt out of significant Internal Revenue Service (IRS) oversight and the growing complexity of unrelated business income rules. Since it is expected that the investors in many L3Cs are sophisticated investors rather than the general public, this fits with the idea that less oversight and protection might be needed than in a public charity's appeal for donor dollars. At a time when it is imprudent to continue to rely on charitable donations, the L3C ensures the concepts of ownership and accountability properly influence decision-making to further the social enterprise.

Program-Related Investments and L3Cs

L3Cs can attract investment from private foundations, without the foundation risking its tax-exempt status or becoming subject to certain excise taxes, because L3Cs are designed to qualify for loans, loan guarantees, lines of credit, linked deposits or even equity investments from foundations as program-related investments (PRIs). A PRI, as set forth in Section 4944(c) of the Internal Revenue Code of 1986, as amended, is an investment by a foundation that:

- 1) has as the primary purpose to accomplish one or more charitable or educational purposes defined by Section 170(c)(2)(B) of the code;
- 2) does not have as a significant purpose the production of income or the appreciation of property; and

- 3) does not further one or more of the purposes described in Section 170(c)(2) (D) of the code (relating to prohibited political activities and lobbying).

As of Dec. 31, 2009, five states and two Indian nations had enacted legislation that recognizes L3Cs: Illinois,³ Michigan,⁴ Utah,⁵ Vermont,⁶ Wyoming,⁷ and the Crow and Oglala Sioux nations.⁸ In 22 additional states,⁹ an L3C bill has been written and introduced for consideration, or will be introduced shortly. All of the state statutes dovetail with the PRI requirements set forth in Section 4944(c) of the code and corresponding regulations, with the additional requirement that the L3C must be formed because of its relationship to the accomplishment of a charitable or educational purpose. Each state that has passed L3C legislation to date has done so by supplementing its LLC statute to authorize a new charitable variant. Therefore, unless the entity makes an election to the contrary, an L3C with two or more members will be treated as a partnership and a disregarded entity if there is only one member, for federal (and most state) income tax purposes.

Two of the states—Illinois and Utah—also have altered their LLC acts to permit organization of something known as a Series LLC.¹⁰ This is a cutting-edge model that provides multiple assets and programs to be isolated and yet organized under the umbrella of one LLC. Series LLCs are seen as having great potential for chain-type operation, with single overall management by local investment and some local control.

In addition, there are no limitations on who may be a member, so an assortment of different types of investors can participate and enjoy disparate rights with respect to distributions and control. This means that, in addition to philanthropic investors, an L3C can raise capital from sources seeking traditional returns on their investments.

A private foundation investing in an L3C would likely insist upon super-voting, veto or other approval rights to safeguard the L3C's charitable mission and the foundation's tax-exempt status. At the same time, for-profit investors could require a 'first money out' provision, or an annual rate of return on their invested capital that exceeds the rate of return expected by the private foundation.

As of Dec. 31, 2009, approximately 100 L3Cs have been formed in states that have passed the legislation. The initiative has obvious national significance, since any properly formed L3C can do business in other jurisdictions under typical foreign entity qualification statutes. While no federal action is required to make the L3C concept law, the Philanthropic Facilitation Act of 2010 has been proposed¹¹ to increase the potential of the L3C and facilitate PRIs by private foundations, in part by amending Section 4944(c) of the code to create a voluntary registration process so an entity seeking to receive PRIs can receive a determination that below-market foundation investments will qualify as PRIs.

Social Entrepreneur Hypothetical

Let's assume Steve D. Reamer comes into your office. Steve, a socially minded entrepreneur, recently secured his MBA after undergraduate work in marketing and music. Business plan in hand, Steve envisions poetry, dance and music educational centers, focusing on vocational and entrepreneurial skills, in economically depressed areas around the country. He calls his future chain of centers Raptry Cafés, and the mission of each educational center would be to provide impoverished youth in an economically depressed area with a safe place to meet and dream. Each center would also offer educational and career opportunities to gifted individuals seeking to hone their music and dance skills. Steve suggests an analogy to the Boys and Girls Club,

where the performing arts, rather than athletic activities, are encouraged.

Steve wants to start by purchasing an empty row home in Camden, close enough to the Susquehanna Bank Center to serve as a youth hostel whenever there is a concert. The building requires extensive renovations. He also wants to have his Raptry Café tenant fit out a modest recording studio on one side of the basement and a dance studio on the other, a café with a small performing stage on the first floor, and living accommodations for himself as the café's manager and up to 10 paying overnight hostel guests on the remaining top floors.

In addition to promoting the philanthropic goals, the hostel, studios, and café would generate revenue (through rents and sales) to help the center maintain financial viability.

Like all future cafés Steve hopes to build, the Camden facility would engage qualified teachers, local musicians and dancers to teach classes on a weekly basis, and would attempt to find notable educators and facilitators in the music and dance worlds to periodically donate their time and expertise as special guest lecturers. The café would also have participating youth perform in front of live audiences, generating additional revenue from ticket sales.

Steve needs approximately \$500,000 to build and open his pilot Camden café, and if the pilot center is successful his goal is to acquire similar sites in Trenton and Newark. Steve has little money to invest, and in fact hopes the centers can provide him with a career and a reasonable salary. Thankfully, several family members have offered their support, and promise to come up with \$50,000 to invest in the first café. Even better, his older brother, who works as a talent scout for the "Next American Idol" show, likes his idea, and is willing to purchase a convertible debenture in the amount of \$100,000. He plans to attend certain performances on either a regular basis or when advised by Steve.

Unfortunately, Steve still has nowhere near the amount of money required to get the project started. He was considering forming a nonprofit, since there are numerous public charities and private foundations that reportedly support programs for impoverished youth. Steve thinks he can convince them to provide the majority of the funds. Looking at the nonprofit requirements, however, he is concerned that the family and college friend investors will withdraw their offer when he tells them their dollars have to be donations and not the purchase price for equity.

He also admits he does not want to spend his days constantly looking for charitable donations, and is not excited about devoting 10 to 15 years to a project that will not generate much operating income, and then require he walk away without any real return on his investment of time.

Nonprofit Limitations

What is wrong with Steve utilizing a nonprofit entity? Aside from the loss of his seed \$150,000, he can run afoul of a host of IRS regulations regarding unrelated business income tax (UBIT), as well as private inurement pitfalls. UBIT generally applies to taxable income of any unrelated trade or business regularly carried on by an exempt organization. Income produced from the regular conduct of a trade or business is only subject to UBIT if the business is "not substantially related to the exercise or performance by such organization of its [exempt purpose]."¹² A trade or business is "substantially related" to an exempt purpose only if its conduct has a causal relationship to the achievement of the exempt purposes, and the causal relationship is substantial.¹³

Raptry Café's charitable or educational purpose would be to promote education and vocational skills in the musical, literary (poetry) and dancing arts, particularly focusing on disadvantaged and

at-risk youth. The organization would provide classes, workshops, performance and recording opportunities as the primary method of furthering its stated purpose. Thus, revenue generated through tuition for classes would clearly have a substantial causal relationship to the exempt purpose, and revenue generated from ticket sales for student performances may also meet the standard as related income.

However, Raptry Café will likely have a number of revenue sources that will be treated as unrelated business income, and subject to UBIT, such as café product sales, studio rents, and hostel fees that do not necessarily have a substantial causal relationship to the educational purposes. Since Raptry Café will operate in a low-income community, the students will likely be from low-income families, and therefore the tuition revenue generated is projected to be a very small portion of the overall revenue. Indeed, revenue from unrelated sources may be so significant, in comparison to the related income, it may prevent Raptry Café from operating as an exempt organization.

Raptry Café may also violate the "exclusivity" rule of Section 501(c)(3), which requires that no part of the net earnings of a nonprofit organization inure to the benefit of any private shareholder or individual. An organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. But if the Raptry Café provides a substantial benefit to private interests, even if indirectly, the Section 501(c)(3) exemption is unavailable.

The regulations under Section 501(c)(3) set forth rules that have become known as the private inurement rule and the private benefit rule, which are intended to implement the policy that a nonprofit be operated exclusively for public benefit. The private inurement rule is found in the regulations,¹⁴

which provide that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. Section 1.501(a)-1(c) provides that the terms “private shareholder or individual” in Section 501 refer to persons having a personal and private interest in the activities of the organization.

Although the regulation prohibits only inurement of net earnings, the IRS interprets the provision quite broadly to encompass nearly any use or distribution of an organization’s assets other than as reasonable compensation for goods or services actually furnished or in arm’s length transactions. The private inurement rule is violated if there is any amount of private inurement regardless of how ‘insubstantial’ from a quantitative standpoint.

Since Steve’s family and other private investors will be among the owners of the real property, and could have substantial capital gain if the enterprise is sold, this could be a major problem. Although capital gain or the earning(s) of substantial profit cannot, under PRI rules, be an intended purpose of the L3C, one of the purposes of using the for-profit structure is to provide a possible ‘exit strategy’ for the investor(s). It is impossible to make a rational balance between these purposes in a nonprofit structure.

Intermediate Sanctions

To further combat “excess benefit transactions” between 501(c)(3) organizations and “disqualified persons,”¹⁵ the code imposes a system of intermediate sanctions against persons who privately benefit from transactions with a tax-exempt organization in a manner that is determined to be excessive. These sanctions, by themselves, do not threaten an organization’s tax-exempt status, but are of the utmost importance to those serving as directors and officers/managers of

an organization.

Congress developed a three-tiered excise (or penalty) tax. The first tier of the excise tax is a 25-percent levy on the “excess” portion of an excess benefit transaction.¹⁶ Consistent with the legislative policy, this tax is the responsibility of the disqualified person, and not the tax-exempt organization.

The second tier involves a tax of 10 percent of the excess portion of the transaction, up to a maximum of \$10,000. This portion of the tax is to be borne by “organization managers” (directors, officers, trustees) who knowingly approved the transaction.¹⁷

The third and final tier calls for the imposition of a penalty tax if an excess benefit transaction is not corrected.¹⁸ This tax is equal to 200 percent of the excess benefit, and is imposed on the disqualified person.¹⁹ A ‘correction’ occurs if the excess benefit transaction is unwound, the disqualified person repays the applicable tax-exempt organization a sum equal to the excess benefit, and steps are taken to put the organization into a position where the disinterested person is acting under the highest of fiduciary standards going forward.²⁰

Obviously, Steve and his brother would be shocked to learn they might owe a tremendous amount of penalty taxes for conduct and a return on their investment of time and money they view as fair and reasonable.

The L3C Alternative

To avoid the problems faced by nonprofit creators set forth above, you encourage Steve to form an L3C to operate the pilot cafe. Steve would love to form his L3C in New Jersey, but, since New Jersey has no such authorized entity at present, you tell him he can form his L3C in Vermont,²¹ or since he anticipates a chain, maybe form a Utah or Illinois Series L3C. Once he forms the new entity, he can use Section 42:2B-53 of the New Jersey Limited Liability

Company Act to secure authority to do business in New Jersey.

Assuming he prefers Vermont, you advise him that the Vermont L3C statute²² requires, and the Camden Raptry Café L3C operating agreement will provide, that:

- 1) The primary purpose of the L3C will be the educational purpose of developing vocational and entrepreneurial skills of musicians and dancers in economically depressed communities.²³
- 2) The L3C would not have been formed, but for its charitable and educational purpose.
- 3) No significant purpose of the L3C will be the production of income or the appreciation of property.
- 4) The L3C shall not attempt to influence legislation, or participate or intervene in any political campaign on behalf of, or in opposition to, any candidate for public office.²⁴

The Raptry Café concept fits perfectly with the L3C requirement. First, its primary function is to provide educational and artistic opportunities to disadvantaged youth. Second, Raptry Café would not have been formed but for those charitable and educational endeavors. Third, Steve’s plans and estimates indicate that Raptry Café would typically run at break-even levels, but could produce modest operational profits in a good year. (The café’s presence in the community, however, could help accelerate gentrification, which could lead to significant appreciation in the value of the real estate owned by the L3C in which Steve will have an interest.) Finally, Steve has no political motivation in developing the café, and has no interest in getting it involved with any political campaigns.

Steve has already approached several private foundations with missions promoting music and dance education.

One particular foundation is very interested in his concept. They agree to make a \$250,000 equity investment, on the condition that it will be considered a PRI. Another foundation, also with a similar purpose, agrees to make a \$100,000 PRI loan to the L3C, in order to help fund the pilot center.

This is a perfect example of the L3C flexibility—one foundation investor in for the long haul and one making only a short-term commitment. The \$100,000 investor could also make a grant and ask for no return, since a foundation can make a grant to a for-profit.

Each of the private foundations is concerned its support for the L3C will subject it to additional excise taxes, and may endanger its tax-exempt status.²⁵ The tax on investments that jeopardize a private foundation's exempt purpose (a jeopardy investment) is particularly punitive. If a private foundation invests any amount in a manner that jeopardizes the carrying out of its exempt purpose, there is a 10-percent tax on the amount invested.²⁶ In addition, the 10-percent tax is also imposed on any of the foundation's managers who know the investment is a jeopardy investment.²⁷ Moreover, if the foundation does not divest itself from the jeopardy position, a 25-percent tax can be imposed on the foundation and a five-percent tax can be imposed on foundation managers who do not agree to divest.²⁸

There is, however, an exemption for investments that qualify as PRIs.²⁹ Of course, as discussed above, the L3C is designed to do just that.

Historically, the punitive nature of the jeopardy investment excise tax has convinced many private foundations to seek the IRS's blessing of PRIs by applying for private letter rulings. There is some debate on whether the L3C structure provides enough safeguards to eliminate the need for a letter ruling for a PRI. Ronald Schultz, a senior technical advisor in the Tax Exempt and Govern-

ment Entities Division of the IRS, has stated that "at the federal level, no one has really signed off" on PRI treatment of L3C investments, and that the "IRS is in the process of studying the issue."³⁰ However, Marcus Owens, an attorney with Caplin Drysdale in Washington D.C., and a former director in the IRS Exempt Organizations Division, believes the IRS has provided significant guidance on the PRIs in for-profit entities, including LLCs, which are directly applicable to analyzing the treatment of investments in L3Cs.³¹

Guidance from the IRS includes Revenue Ruling 2004-51, in which the IRS confirmed the tax-exempt status of a university that invested in a for-profit LLC, designed to advance the university's educational purpose by developing video training programs for teachers, and through which the university intended to expand the reach of its teacher training activities. According to the ruling, the LLC's activities are attributed to the exempt organization for purposes of determining whether the organization operates exclusively for exempt purposes, and whether the exempt organization has engaged in an unrelated trade or business.

It was important to the ruling that the university was able to choose three of the six LLC directors, and maintained control over curriculum, training materials, and instructors. In addition, because the LLC's activities were substantially related to the university's exempt educational purpose, there was no UBIT to the university.

Owens asserts that the LLC addressed in Rev. Rul. 2004-51, one which has a primary charitable or educational purpose, and a secondary profit motivation, is a "Paradigmatic L3C," and that the ruling provides important guidance regarding the federal tax treatment of investments in L3Cs.³²

Private Letter Ruling 200610020 also provides guidance. In that ruling, a pri-

ivate foundation proposed to acquire an equity interest in an investment fund, organized as an LLC and established to provide capital for minority and disadvantaged individuals with businesses in low-income communities. The fund would provide access to financing to businesses that generally have been denied traditional funding. The fund's stated purpose was "to enhance social welfare, support community improvement, eliminate prejudice and discrimination, and promote economic self-sufficiency."

The IRS found that the private foundation's investment furthered its charitable and educational purposes. Further, the IRS found that because the fund members were not investing solely for profit, and because expected returns were lower than typical angel investing,³³ there was no significant profit-making purpose. In addition, the foundation maintained numerous control mechanisms to ensure the fund's investment met PRI criteria. Finally, the IRS found the purpose of the investment was not to influence legislation or impact any candidate's campaign for public office.³⁴

It is important to note, that there is no statute or regulation stating that investments in an L3C will be treated as a PRI. However, the L3C designation signals to foundational investors and the IRS that it is organized and maintained to further charitable or educational purposes. On the other hand, there is no law requiring a private letter ruling before making an investment believed to be a PRI.

Potential investors will need to assess for themselves whether their investment in an L3C would be a PRI, and will need to consider carefully their own comfort level in proceeding without a private letter ruling, as an error in their analysis may lead to significant excise taxes. As such, there may still be some foundations who will seek letter rulings

prior to making an investment in an L3C such as Raptry Café. However, based on the available IRS guidance, a properly formed and operated L3C may be able to convince foundational investors that a letter ruling is not necessary.

It should be noted that, when a nonprofit is formed and IRS registration is requested, there is no history of actual activity. The IRS relies on the stated purpose of the organization in granting or denying nonprofit status. Nevertheless, by giving money to a registered 501(c)(3) nonprofit, the foundation gets coverage from many IRS penalties, although the foundation is not relieved of its normal due diligence and mission compliance obligations. One purpose of the Philanthropic Facilitation Act of 2010 is to provide a similar registration process for an entity wishing to receive a PRI. Thus, when a foundation makes a PRI to a registered for-profit desiring to receive a PRI, the same coverage from IRS penalties and continuing obligations will apply.

Raptry's position appears to closely resemble the positions of the LLCs in Revenue Ruling 2004-51 and Private Letter Ruling 200610020.³⁵ Based on this and other IRS guidance, if Raptry Café is structured as an L3C and the investments by private foundations are handled properly, an investment from a private foundation should qualify as a PRI. Again, as part of the registration process proposed in the Philanthropic Facilitation Act of 2010, the IRS would provide guidelines similar to those for 501(c)(3) registration to simplify the process and provide greater certainty for foundational investors.

Concluding Commentary

The authors believe, as a 501(c)(3) nonprofit, Steve's business idea will not provide the economic justification for him to commit the time and resources necessary, but as an L3C, the same busi-

ness idea will create the kind of leverage private foundations and 21st century socially minded investors are desperate to find—an investment that helps create a financially self-sustaining business with a modest return, together with long-term social benefits. The states that have enacted L3C legislation will enhance their state's economy by supporting social enterprises critical to economic growth.

Rejecting the traditional boundaries between the nonprofit and for-profit sectors, these states will encourage their most creative business minds to achieve 'double bottom-line' (financial and social) and sometimes 'triple bottom-line' (financial, social and environmental) results. Further, by securing the foundation investment first at below market-rate returns, the credit-worthiness of the L3C is improved, encouraging private investment and increasing the pool of investment dollars available for socially beneficial entities.

By enacting L3Cs, New Jersey could move beyond the traditional conception of society as divided neatly into three sectors (business, nonprofit and government), and recognize the emergence of a new fourth sector that encompasses elements of both the business and nonprofit sectors.³⁶ ♪

Endnotes

1. Muhammad Yunus, *Creating a World Without Poverty* 19 (Public Affairs 2007).
2. *Id.* at 21 *et. seq.*
3. 805 Ill. Comp. Stat. 180/1-26 (effective Jan. 1, 2010).
4. Mich. Comp. Laws § 450.4202(m) (2009).
5. Utah Code Ann. §, 48-2c-412 (2009).
6. Vt. Stat. Ann. tit. 11 § 3001(27) (2009).
7. Wyo. Stat. Ann. § 17-15-102(a)(ix) (2009).
8. On Jan. 13, 2009, the Crow Tribe

passed legislation allowing for low-profit limited liability companies in the Crow nation. On July 2, 2009, the Oglala Sioux Tribe passed legislation allowing for low-profit limited liability companies in the Oglala nation.

9. Arkansas, California, Colorado, Florida, Georgia, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Missouri, Montana, Nebraska, New York, North Carolina, North Dakota, Ohio, Oregon, Tennessee, Virginia, Washington, and Wisconsin.
10. Other states, including Delaware, Iowa, Oklahoma, Tennessee, and Wisconsin, authorize the Series LLC, but only Illinois and Utah have enacted both Series LLC and L3C legislation.
11. Robert M. Lang Jr., president and CEO of the Mary Elizabeth & Gordon Mannweiler Foundation, CEO of L3C Advisors, L3C and the creator of the L3C model, and Karen Woods, executive director of Americans for Community Development, are working with congressional leaders to pass the proposed legislation at the federal level which is being introduced by Americans for Community Development. They are supported in their efforts by the Council on Foundations, the Newspaper Guild and numerous state and regional organizations and individuals.
12. I.R.C. § 513(a); Treas. Reg. § 1.513-1(d)(1).
13. Treas. Reg. § 1.513-1(d)(2).
14. Treas. Reg. 1.501(c)(3)-1(c)(2).
15. I.R.C. § 4958. A "disqualified person" includes any individual who is in a position to exercise substantial influence over an organization (regardless of title), his or her family members, and entities in which he or she has an interest of 35 percent or more. *Id.* at § 4958(f). There is also a five-year look-back rule, so

that any person who is disqualified at any time remains so for five years.
Id.

16. I.R.C. § 4958(a)(1).
17. I.R.C. § 4958(a)(2).
18. I.R.C. § 4958(b).
19. I.R.C. § 4958(b).
20. Treas. Reg. §53.4958-7.
21. Under the full faith and credit clause of the Constitution, an L3C created in any state that currently allows L3C formation should be able to qualify in any state with the appropriate filing of documents for authority to do business.
22. Vt. Stat. Ann. tit. 11 § 3001(27).
23. Such charitable or educational purposes being required by the Vermont L3C statute, and defined pursuant to I.R.C. § 170(c)(2)(B).
24. I.R.C. § 170(c)(2)(D).
25. Generally, private foundations are income tax exempt. However, they are subject to several excise taxes, including taxes on investment income, self-dealing, failure to distribute income, excess business holdings, jeopardy investments, and taxable expenditures. I.R.C. §§ 4940-4944.
26. I.R.C. § 4944(a).
27. I.R.C. § 4944(a)(2). However, this does not apply if the manager's participation was not willful and is due to reasonable cause. *Id.*
28. I.R.C. § 4944(b).
29. I.R.C. § 4944(c); Treas. Reg. § 53.4944-3.
30. See *IRS Tax-Exempt Official Urges Caution for Groups Eying Low-Profit LLC Investment* Daily Tax Rep. (BNA), No. 126 at G-3 (July 9, 2009).
31. Letter from Caplin & Drysdale to Ronald Schultz (July 8, 2009), available at http://americansforcommunitydevelopment.org/downloads/im4511_20090708_164517.pdf.
32. Rev. Rul. 2004-51; see also Letter from Caplin Drysdale, *supra* note 32 at 2.
33. Angel investors are individuals with significant business experience who are willing to provide financial and coaching support to entrepreneurs.
34. PLR 200610020; see also Letter from Caplin Drysdale, *supra* note 32 at 3.
35. Of course, while revenue rulings are an official pronouncement of IRS interpretation, private letter rulings are non-precedential and are only binding on the IRS with respect to that taxpayer; however, PLRs do provide indirect support for the IRS's position on a matter.
36. See Thomas J. Billitteri, *Mixing Mission and Business: Does Social Enterprise Need a New Legal Approach?*, Aspen Institute Roundtable, January 2007, at 2, available at www.Nonprofitresearch.org/usr_doc/New_Legal_Forms_Report_FINAL.pdf; Kelley, Thomas A., *Law and Choice of Entity on the Social Enterprise Frontier* (April 2, 2009). Available at SSRN: <http://ssrn.com/abstract=1372313>.

Susan A. Maslow is a founding partner of Antheil Maslow & MacMinn, LLP, and represents a variety of for-profit and non-profit business clients in all stages of entity life and development. **Timothy White** is an associate with the firm and focuses his practice on taxation, trusts and estates, and business transactions. The authors wish to thank Robert Lang, CEO of the Mary Elizabeth & Gordon B. Mammweiler Foundation, Inc. and CEO of L3C Advisors, for his invaluable assistance and insight in connection with this article.