

New Types of Corporate Entities Authorized under Puerto Rico General Corporations Act

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PRACTICE AREAS

Corporate

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Governor Alejandro García Padilla recently signed into law Act 233-2016 ("Act 233"), amending Act 164-2009, also known as the General Corporations Act of Puerto Rico ("Act 164"), to authorize the formation of "Low Profit Limited Liability Companies" ("LPLLC") and "Public Benefit Corporations" ("PBC") in Puerto Rico.

LPLLC's and PBC's (together, the "Companies") position themselves between for-profit entities and non-for-profit entities. The Companies will be able to generate profit from their operations, but maximizing profit shall never be the entity's main purpose. The Companies' structure facilitates the acquisition and allocation of capital and permits the due compensation of employees, thus enhancing the acquisition and retention of qualified personnel. Furthermore, the Companies' officers and directors

will not be held to the high fiduciary standards of for-profit entities, permitting the Companies' to focus their operation within a clearly established framework promoting for-profit social entrepreneurship and providing social and environmental benefits to surrounding communities, including:

- providing services to low income individuals and communities;
- granting economic incentives and employment to low income individuals and communities;
- protecting or restoring the environment;
- developing alternate sources of energy;
- improving healthcare;
- promoting the arts, sciences, and increased knowledge to enhance economic development;
- increasing the capital funds available to entities that benefit society or the environment;
- achieving historical preservation, revitalization, or urban improvements;
- endorsing and enhancing fair trade; and



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• providing additional social or environmental benefits.

Corporations or limited liability companies organized under Act 164 may convert into an LPLLC's or PBC's pursuant to the provisions of Act 233.

Act 223 will become effective on March 23, 2016.

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