

PREFACE

This bill is a reorganization of the business and non profit laws much like the revision in 2007 of the Election Code. There is no substantive change except when there currently exist conflicts between entities. In that case, we have opted to take the most prevalent law.

The Code is organized on a “**Hub and Spoke**” model in Title 10. Article 1, constituting the “Hub,” consists of provisions applicable to each of the various business entities. The remaining Articles of the “Spokes” of the Act and are the individual entities, such as the Business Corporation Act. When possible, each entity will retain its current Chapter designation in the “Spoke.” For example, business corporation provisions, presently in Chapter 2, will be in Chapter 2 of the new Act. This will make it easier to find for those familiar with the current law.

Corporation, Nonprofit, Partnership, Lt. Partnership, LLP, LLC, and numerous other entity laws were passed over the past 10 to 50 years with little regard as to the relation of similar, different or even conflicting provisions in one law to another. Businesses, in particular small business, may have multiple entities for ownership of their property and running their business. This requires knowledge by the owner and their attorney of each type law. Otherwise, these subtle differences become a trap for the unwary.

In May 1999, a committee of the Law Institute began its study of all the business entities in Alabama to clear up inconsistencies between the entities that are a trap for lawyers and those with multiple entity organizations. The committee first drafted the Alabama Entities Conversions and Mergers Act for all entities. The Act passed the legislature in 2000 and is in Ala. Code 10-15-1 et seq. Nine years later, with over 50 meetings held, the Institute drafting committee completed its study by top lawyers in the state who donated over \$2 million of their legal services.

At the end of the 2008 Regular session of the Alabama Legislature, Representative Marcel Black and Senator Rodger Smitherman introduced the Business and Non profit Entities Code. The 815 page bill was introduced so legislators and others interested in entities laws could become familiar with the act prior to enactment. A copy of the act along with commentary and cross reference charts are available on the Law Institute’s Homepage. Upon passage, the act will not become effective until January 1, 2011 to enable attorneys to become

educated on the new reorganization. The revision will not affect existing entities or business nor will they be required to make any changes to their organizing documents.

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