

A-Engrossed
House Bill 2296

Ordered by the House April 16
Including House Amendments dated April 16

Sponsored by Representatives READ, BAILEY; Representative FAGAN (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Permits creation of, or conversion of other business entity into, benefit company that has purpose of providing general public benefit and possible specific public benefit in addition to other purposes. Specifies approval requirements from holders of equity interests in benefit company. Specifies nature of general and specific public benefits. Prescribes requirements for and duties of benefit governor and specifies limits on benefit governor's liability. Requires annual benefit report.

A BILL FOR AN ACT

1
2 Relating to benefit companies.

3 Whereas the Legislative Assembly intends with this 2013 Act to provide the legal means to
4 create and operate benefit companies, a form of business entity the purpose of which is to create
5 benefits for the public in addition to generating profit for the entity's owners; and

6 Whereas the Legislative Assembly understands and intends that the provisions of this 2013 Act
7 do not give a benefit company a preference for public contracts, provide a benefit company with any
8 tax advantage or otherwise permit the State of Oregon, an agency of the State of Oregon, a local
9 government or an agency of a local government to grant a preference or advantage to a benefit
10 company that is not available on the same basis to any other person or entity, or that is solely a
11 consequence of the benefit company's status as a benefit company; now, therefore,

12 **Be It Enacted by the People of the State of Oregon:**

13 **SECTION 1. As used in sections 1 to 11 of this 2013 Act:**

14 (1) **"Benefit company" means a corporation or a limited liability company that is incor-**
15 **porated, organized, formed or created under section 3 of this 2013 Act.**

16 (2) **"Benefit governor" means an individual who is designated as the benefit governor of**
17 **a benefit company under section 7 of this 2013 Act.**

18 (3) **"General public benefit" means a material positive impact on society and the envi-**
19 **ronment, taken as a whole, from the business and operations of a benefit company.**

20 (4) **"Governor" means a director of a corporation that is a benefit company, a member**
21 **in a member-managed limited liability company that is a benefit company or a manager in**
22 **a manager-managed limited liability company that is a benefit company.**

23 (5) **"Minimum status vote" means a decision that an entity makes in accordance with**
24 **section 4 of this 2013 Act.**

25 (6) **"Third-party standard" means a recognized standard for defining, reporting and as-**
26 **sessing an entity's social and environmental performance that:**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 (a) Establishes criteria that apply to all of the interests described in section 6 (1)(b), (c),
2 (d), (e) and (f) of this 2013 Act;

3 (b) Is developed by an organization that is not under the control of the benefit company
4 or any of the benefit company's affiliates; and

5 (c) Has information publicly available concerning:

6 (A) The criteria the standard uses to measure an entity's overall social and environ-
7 mental performance and the relative weight the standard gives to each criterion;

8 (B) The process by which the standard is developed and revised; and

9 (C) The organization that developed the standard that is sufficient in detail to disclose
10 any relationships that might compromise the organization's independence, including:

11 (i) The material owners and members of the organization's governing body;

12 (ii) How the organization selects members of the organization's governing body; and

13 (iii) The organization's sources of financial support.

14 **SECTION 2.** (1) Except as otherwise provided in sections 1 to 11 of this 2013 Act, sections
15 1 to 11 of this 2013 Act apply to:

16 (a) A corporation that states in the corporation's articles of incorporation or articles of
17 conversion that the corporation is subject to sections 1 to 11 of this 2013 Act;

18 (b) A limited liability company that states in the limited liability company's articles of
19 organization or articles of conversion that the limited liability company is subject to sections
20 1 to 11 of this 2013 Act; or

21 (c) A corporation or limited liability company that elects to become a benefit company
22 under section 3 of this 2013 Act.

23 (2)(a) Except as provided in paragraph (c) of this subsection, a benefit company that is
24 a corporation incorporated under ORS chapter 60 is subject to ORS chapter 60 and to
25 sections 1 to 11 of this 2013 Act.

26 (b) Except as provided in paragraph (c) of this subsection, a benefit company that is a
27 limited liability company organized under ORS chapter 63 is subject to ORS chapter 63 and
28 to sections 1 to 11 of this 2013 Act.

29 (c) To the extent that a provision of sections 1 to 11 of this 2013 Act conflicts with a
30 provision of ORS chapter 60 or 63, a specific provision of sections 1 to 11 of this 2013 Act
31 controls over a general provision of ORS chapter 60 or 63.

32 (3) Sections 1 to 11 of this 2013 Act do not apply to a corporation that is not a benefit
33 company or to a limited liability company that is not a benefit company.

34 **SECTION 3.** (1)(a) Notwithstanding ORS 60.074 (2), a corporation incorporated under ORS
35 chapter 60 is a benefit company under sections 1 to 11 of this 2013 Act if the corporation's
36 articles of incorporation state that the corporation is a benefit company subject to sections
37 1 to 11 of this 2013 Act.

38 (b) Notwithstanding ORS 63.074 (3), a limited liability company organized under ORS
39 chapter 63 is a benefit company under sections 1 to 11 of this 2013 Act if the limited liability
40 company's articles of organization state that the limited liability company is a benefit com-
41 pany subject to sections 1 to 11 of this 2013 Act.

42 (2)(a) A corporation that is incorporated under ORS chapter 60 may become a benefit
43 company by amending the corporation's articles of incorporation to state, in addition to the
44 requirements set forth in ORS 60.047, that the corporation is a benefit company subject to
45 sections 1 to 11 of this 2013 Act. The amendment to the articles of incorporation must be

1 approved by a minimum status vote.

2 (b) A limited liability company that is organized under ORS chapter 63 may become a
3 benefit company by amending the limited liability company's articles of organization to state,
4 in addition to the requirements set forth in ORS 63.047, that the limited liability company is
5 a benefit company subject to sections 1 to 11 of this 2013 Act. The amendment to the articles
6 of organization must be approved by a minimum status vote.

7 (3) A benefit company may be formed by means of a conversion if articles of conversion
8 that state that the converted entity will be a benefit company that is subject to sections 1
9 to 11 of this 2013 Act are approved by a minimum status vote.

10 (4) An entity that is not a benefit company may become a benefit company by merging
11 or exchanging equity interests with a benefit company if the shareholders or holders of eq-
12 uity interests of the entity that is not the benefit company approve, by a minimum status
13 vote, a plan of merger or a plan for exchanging equity interests with a benefit company un-
14 der which the surviving entity will be a benefit company.

15 (5) A benefit company may become an entity other than a benefit company only if an
16 action to remove from the articles of incorporation, articles of organization or articles of
17 conversion the provision that states that the entity is a benefit company subject to sections
18 1 to 11 of this 2013 Act is approved by a minimum status vote.

19 (6)(a) A plan for a benefit company must be approved by a minimum status vote if the
20 plan would:

21 (A) Merge the benefit company with an entity that is not a benefit company, if the sur-
22 viving entity would not be a benefit company;

23 (B) Provide for exchanging equity interests with an entity that is not a benefit company,
24 if the exchange would create an entity that is not a benefit company and that would hold
25 substantially all of the benefit company's assets;

26 (C) Convert the benefit company to an entity that is not a benefit company; or

27 (D) Otherwise cause sections 1 to 11 of this 2013 Act not to apply to the benefit company.

28 (b) A sale, lease, exchange or other disposition of all or substantially all of a benefit
29 company's assets must be approved by a minimum status vote unless the benefit company
30 conducts the sale, lease, exchange or other disposition in the ordinary course of the benefit
31 company's business.

32 (7) A provision of a benefit company's articles of incorporation, articles of organization,
33 articles of conversion or plan described in subsection (6) of this section may be inconsistent
34 with or supersede a provision of sections 1 to 11 of this 2013 Act only to the extent that the
35 provision in the articles of incorporation, articles of organization, articles of conversion or
36 plan imposes a more stringent requirement on the benefit company, in keeping with the
37 purposes set forth in sections 1 to 11 of this 2013 Act, than a provision of sections 1 to 11
38 of this 2013 Act imposes.

39 **SECTION 4.** (1) Except as provided in subsections (2) and (3) of this section, an approval
40 of an action described in section 3 (2) to (6) of this 2013 Act is effective only if, in addition
41 to any other applicable requirements, a majority of the interests that are entitled to vote
42 on the action are voted to approve the action.

43 (2) If an entity's governing documents or the provisions of ORS chapter 60 or 63, as ap-
44 plicable, require more than a majority vote or require each class or series to vote separately,
45 approval of the action is effective only if the requirement for the greater vote or for separate

1 class or series voting is met.

2 (3) If, as of the effective date of this 2013 Act, an entity has shares that are listed on a
3 national securities exchange or are regularly traded in a market that a member of a national
4 or affiliated securities association maintains, each class or series of the entity's shares must
5 separately meet the requirement to approve the action by two-thirds of the shares that are
6 entitled to vote.

7 **SECTION 5.** (1) In addition to any purpose set forth in or adopted in accordance with
8 ORS 60.047 (2)(c)(A), 60.074, 63.047 or 63.074, a benefit company has the purpose of providing
9 a general public benefit.

10 (2)(a) The articles of incorporation or articles of organization for a benefit company may
11 identify a specific public benefit for the benefit company in addition to the purposes described
12 in subsection (1) of this section. A benefit company's identification of a specific public benefit
13 does not limit the benefit company's obligation to fulfill the purposes described in subsection
14 (1) of this section.

15 (b) A benefit company may amend the articles of incorporation or articles of organization
16 to add, amend or remove a specific public benefit in the manner otherwise provided for
17 amending the benefit company's purpose in the articles of incorporation or articles of or-
18 ganization.

19 (3) Notwithstanding the requirement in ORS 58.076 that a professional corporation have
20 rendering professional service as the professional corporation's sole purpose, a professional
21 corporation that is a benefit company shall have the purposes set forth in ORS 58.076 and
22 the purpose of providing a general public benefit. The professional corporation may identify
23 a specific public benefit in addition to the purposes described in this subsection.

24 **SECTION 6.** (1) A governor of a benefit company shall act in the best interests of the
25 benefit company and shall discharge the governor's duties as provided for a director of a
26 corporation in ORS 60.357, or as provided for a member or manager of a limited liability
27 company under ORS 63.155, as appropriate for the benefit company's form of organization.
28 In determining the best interests of the benefit company, the governor shall consider how
29 an action of the governor or of the benefit company, or a decision not to act, will affect:

30 (a) The shareholders or members of the benefit company;

31 (b) The employees and work force of the benefit company and the employees and work
32 force of the benefit company's subsidiaries and suppliers;

33 (c) The benefit company's subsidiaries and suppliers;

34 (d) The interests the benefit company's customers have in receiving a portion of the
35 general public benefit or specific public benefit that the benefit company provides;

36 (e) The communities that the benefit company's activities affect including, but not lim-
37 ited to, the communities in which the benefit company is located, operates or has offices or
38 other facilities and in which the benefit company's subsidiaries and suppliers are located,
39 operate or have offices or other facilities;

40 (f) The local and global environment;

41 (g) The short-term and long-term interests of the benefit company, including an interest
42 in benefits that might accrue from the benefit company's long-term plans and the possibility
43 that the interests of the benefit company are best served by keeping the benefit company
44 independent; and

45 (h) The benefit company's ability to fulfill the benefit company's general public benefit

1 purpose and any specific public benefit identified in the benefit company's articles of incor-
2 poration or articles of organization.

3 (2) A governor of a benefit company may consider how an action of the governor or of
4 the benefit company, or decision not to act, will affect other interests the governor deems
5 pertinent.

6 (3) A governor of a benefit company need not give a particular interest identified in
7 subsection (1) or (2) of this section priority over another interest identified in subsection (1)
8 or (2) of this section unless the benefit company's articles of incorporation or articles of
9 organization identify an interest to which the governor must give priority.

10 (4) A governor's consideration under this section of the effects of an action, or a decision
11 not to act, is in accordance with ORS 60.357 or 63.155 as ORS 60.357 or 63.155 applies to the
12 governor.

13 (5)(a) A governor of a benefit company is not personally liable for money damages as a
14 consequence of taking an action or deciding not to act if the governor discharged the
15 governor's duties in accordance with this section and with ORS 60.357 or 63.155, as appro-
16 priate for the benefit company's form of organization.

17 (b) A governor of a benefit company is not personally liable for money damages for the
18 benefit company's failure to provide a general public benefit or a specific public benefit.

19 (c) A governor of a benefit company does not have a duty to a person as a consequence
20 of the person's status as a beneficiary of the general public benefit or a specific public benefit
21 that the benefit company provides.

22 **SECTION 7.** (1)(a) A benefit company must have a board of governors and may designate
23 at least one member of the board as a benefit governor. A benefit governor, in addition to
24 the powers, duties, rights, privileges and immunities that other governors of the benefit
25 company have, has the powers, duties, rights, privileges and immunities set forth in this
26 section.

27 (b) The articles of incorporation, articles of organization, bylaws or other organizational
28 documents of the benefit company may set forth additional qualifications for a benefit gov-
29 ernor that are consistent with this section.

30 (2) The benefit company's governors shall elect or appoint and may remove a benefit
31 governor in accordance with procedures set forth in the benefit company's articles of incor-
32 poration or articles of organization or in accordance with procedures the governors adopt if
33 the articles of incorporation or articles of organization do not specify a procedure.

34 (3) The benefit governor shall provide information or statements to other governors of
35 the benefit company concerning the other governors' obligations under section 6 of this 2013
36 Act.

37 (4) An individual's action or decision not to act made in the capacity of benefit governor
38 is for all purposes the individual's action or decision not to act in the individual's capacity
39 as a governor of the benefit company.

40 (5) A benefit governor is not personally liable for an action or omission the benefit gov-
41 ernor makes in the benefit governor's capacity as a benefit governor unless the action or
42 omission constitutes self-dealing, willful misconduct or a knowing violation of law.

43 **SECTION 8.** (1) A member that has management duties with respect to a benefit com-
44 pany, or an officer or a manager of a benefit company, shall act in the best interests of the
45 benefit company and shall discharge the member's, officer's or manager's duties as provided

1 in ORS 60.374 and 60.377 or in ORS 63.155, as appropriate for the benefit company's form of
2 organization. In addition, the member, officer or manager shall consider the effects of an
3 action of the member, officer or manager or of the benefit company, or of a decision not to
4 act:

5 (a) To the extent the member, officer or manager has the discretion to take the action
6 or to decide not to act;

7 (b) If, in the member's, officer's or manager's reasonable judgment, the action or deci-
8 sion not to act may have a material effect on the general public benefit or a specific public
9 benefit the benefit company provides; and

10 (c) In accordance with the provisions of section 6 (1) to (3) of this 2013 Act for a
11 governor's consideration of the effects of the action or the decision not to act.

12 (2) A member's, officer's or manager's consideration under this section of the effects of
13 an action, or a decision not to act, is in accordance with ORS 60.374 and 60.377 or with ORS
14 63.155, as appropriate for the benefit company's form of organization, as those provisions
15 apply to a member, officer or manager of a benefit company.

16 (3)(a) A member, officer or manager of a benefit company is not personally liable for
17 money damages as a consequence of taking an action or deciding not to act if the member,
18 officer or manager discharged the member's, officer's or manager's duties in accordance
19 with this section and with ORS 60.374 and 60.377 or with ORS 63.155, as appropriate for the
20 benefit company's form of organization.

21 (b) A member, officer or manager of a benefit company is not personally liable for money
22 damages for the benefit company's failure to provide a general public benefit or a specific
23 public benefit.

24 (c) A member, officer or manager of a benefit company does not have a duty to a person
25 as a consequence of the person's status as a beneficiary of the general public benefit or a
26 specific public benefit that the benefit company provides.

27 **SECTION 9.** (1) Except as provided in subsection (2) of this section, a person may not
28 commence a proceeding against a benefit company, or against the governors, members, of-
29 ficers or managers of a benefit company, to assert a claim that the benefit company, gover-
30 nors, members, officers or managers:

31 (a) Failed to pursue, create or provide a general public benefit or a specific public benefit
32 identified in the benefit company's articles of incorporation or articles of organization; or

33 (b) Violated a duty or a standard of conduct prescribed under sections 1 to 11 of this 2013
34 Act.

35 (2) A person may commence a direct or derivative proceeding, as appropriate, to compel
36 a benefit company to provide a general public benefit or a specific public benefit or to require
37 a governor, member, officer or manager to act in accordance with a duty or a standard of
38 conduct set forth in the benefit company's articles of incorporation or articles of organiza-
39 tion, or prescribed under sections 1 to 11 of this 2013 Act, only if the person is:

40 (a) The benefit company;

41 (b) A governor;

42 (c) A shareholder or member; or

43 (d) Another person identified in the benefit company's bylaws, articles of incorporation
44 or articles of organization as having a right to commence a proceeding under this section.

45 (3) A benefit company is not liable for money damages as a consequence of failing to

1 provide a general public benefit or a specific public benefit.

2 **SECTION 10.** (1) A benefit company each year shall prepare a benefit report.

3 (2)(a) The benefit report shall give a narrative description of:

4 (A) The extent to which the benefit company provided a general public benefit and the
5 actions and methods the benefit company used to provide the general public benefit.

6 (B) The extent to which the benefit company provided a specific public benefit identified
7 in the benefit company's articles of incorporation or articles of organization, and the actions
8 and methods the benefit company used to provide the specific public benefit.

9 (C) Any circumstances that hindered or prevented the benefit company from providing
10 a general public benefit or a specific public benefit.

11 (b) In addition to the narrative descriptions required under paragraph (a) of this sub-
12 section, the benefit report shall:

13 (A) Assess the extent to which the benefit company met or exceeded a third-party
14 standard that the benefit company selected and identified in the benefit report. The benefit
15 company shall conduct the assessment and evaluate the benefit company's performance with
16 respect to the third-party standard in a manner that is consistent with assessments and
17 evaluations conducted in previous benefit reports or shall explain the reasons for an incon-
18 sistent assessment or evaluation.

19 (B) Describe the process and rationale the benefit company used to select or to change
20 the third-party standard described in subparagraph (A) of this paragraph.

21 (c) A benefit report prepared under this section does not need to be audited or certified
22 by a third party.

23 (3) The benefit company each year shall deliver a copy of the benefit report to each
24 holder of an equity interest within 120 days after the end of the benefit company's fiscal year
25 or at the same time the benefit company delivers any other annual report to a holder of an
26 equity interest.

27 (4) A benefit company shall post on the publicly accessible pages of the benefit company's
28 website all of the benefit company's benefit reports or shall provide without charge a copy
29 of the most recent benefit report to a person that requests a copy unless providing the copy
30 would violate a provision of applicable law.

31 **SECTION 11.** The benefit company shall assess the extent to which the benefit company
32 provides a general public benefit and any specific public benefit identified in the benefit
33 company's articles of incorporation or articles of organization against a third-party standard.

34