

Senate Bill 144

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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 **as introduced**.

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

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

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

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

9 (3) **"General public benefit" means a material positive impact on society and the envi-**
10 **ronment that, taken as a whole, results from the business and operations of a benefit com-**
11 **pany.**

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

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

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

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

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

23 (c) **Has information publicly available concerning:**

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

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

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

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 (i) The material owners and members of the organization's governing body;
- 2 (ii) How the organization selects members of the organization's governing body; and
- 3 (iii) The organization's sources of financial support.

4 **SECTION 2.** (1) Except as otherwise provided in sections 1 to 11 of this 2013 Act, sections
5 1 to 11 of this 2013 Act apply to:

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

8 (b) A limited liability company that states in the limited liability company's articles of
9 organization or articles of conversion that the limited liability company is subject to sections
10 1 to 11 of this 2013 Act; or

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

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

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

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

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

24 **SECTION 3.** (1)(a) Notwithstanding ORS 60.074 (2), a corporation incorporated under ORS
25 chapter 60 is a benefit company under sections 1 to 11 of this 2013 Act if the corporation's
26 articles of incorporation state that the corporation is a benefit company subject to sections
27 1 to 11 of this 2013 Act.

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

32 (2)(a) A corporation that is incorporated under ORS chapter 60 may become a benefit
33 company by amending the corporation's articles of incorporation to state, in addition to the
34 requirements set forth in ORS 60.047, that the corporation is a benefit company subject to
35 sections 1 to 11 of this 2013 Act. The amendment to the articles of incorporation must be
36 approved by a minimum status vote.

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

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

45 (4) An entity that is not a benefit company may become a benefit company by merging

1 or exchanging equity interests with a benefit company if the shareholders or holders of eq-
2 uity interests of the entity that is not the benefit company approve, by a minimum status
3 vote, a plan of merger or a plan for exchanging equity interests with a benefit company un-
4 der which the surviving entity will be a benefit company.

5 (5) A benefit company may become an entity other than a benefit company only if an
6 action to remove from the articles of incorporation, articles of organization or articles of
7 conversion the provision that states that the entity is a benefit company subject to sections
8 1 to 11 of this 2013 Act is approved by a minimum status vote.

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

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

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

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

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

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

22 (7) A provision of a benefit company's articles of incorporation, articles of organization,
23 articles of conversion or plan described in subsection (6) of this section may be inconsistent
24 with or supersede a provision of sections 1 to 11 of this 2013 Act only to the extent that the
25 provision in the articles of incorporation, articles of organization, articles of conversion or
26 plan imposes a more stringent requirement on the benefit company, in keeping with the
27 purposes set forth in sections 1 to 11 of this 2013 Act, than a provision of sections 1 to 11
28 of this 2013 Act imposes.

29 **SECTION 4.** An approval of an action described in section 3 (2) to (6) of this 2013 Act is
30 effective only if, in addition to any other applicable requirements, at least two-thirds of the
31 shares that are entitled to vote on the action are voted to approve the action. For the pur-
32 pose of the vote, if the benefit company's governing documents or the provisions of ORS
33 chapter 60 or 63, as applicable, require each class or series to vote separately to change the
34 company's purpose, each class or series must separately meet the requirement to approve
35 the action by two-thirds of the shares that are entitled to vote.

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

39 (2)(a) The articles of incorporation or articles of organization for a benefit company may
40 identify a specific public benefit for the benefit company in addition to the purposes described
41 in subsection (1) of this section. A benefit company's identification of a specific public benefit
42 does not limit the benefit company's obligation to fulfill the purposes described in subsection
43 (1) of this section.

44 (b) A benefit company may amend the articles of incorporation or articles of organization
45 to add, amend or remove a specific public benefit in the manner otherwise provided for

1 amending the benefit company's purpose in the articles of incorporation or articles of or-
2 ganization.

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

8 (4) Providing a general public benefit and a specific public benefit is in the best interest
9 of a benefit company.

10 **SECTION 6.** (1) A governor of a benefit company shall act in the best interests of the
11 benefit company and shall discharge the governor's duties as provided for a director of a
12 corporation in ORS 60.357, or as provided for a member or manager of a limited liability
13 company under ORS 63.155, as appropriate for the benefit company's form of organization.
14 In addition, the governor shall consider how an action of the governor or of the benefit
15 company, or a decision not to act, will affect:

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

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

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

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

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

26 (f) The local and global environment;

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

31 (h) The benefit company's ability to fulfill the benefit company's general public benefit
32 purpose and any specific public benefit identified in the benefit company's articles of incor-
33 poration or articles of organization.

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

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

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

44 (5)(a) A governor of a benefit company is not personally liable for money damages as a
45 consequence of taking an action or deciding not to act if the governor discharged the

1 governor's duties in accordance with this section and with ORS 60.357 or 63.155, as appropriate for the benefit company's form of organization.

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

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

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

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11 (b) The articles of incorporation, articles of organization, bylaws or other organizational documents of the benefit company may set forth additional qualifications for a benefit governor that are consistent with this section.

12
13 (2) The benefit company's governors shall elect or appoint and may remove a benefit governor in accordance with procedures set forth in the benefit company's articles of incorporation or articles of organization or in accordance with procedures the governors adopt if the articles of incorporation or articles of organization do not specify a procedure.

14
15 (3) The benefit governor shall provide information or statements to other governors of the benefit company concerning the other governors' obligations under section 6 of this 2013 Act.

16
17 (4) An individual's action or decision not to act made in the capacity of benefit governor is for all purposes the individual's action or decision not to act in the individual's capacity as a governor of the benefit company.

18
19 (5) A benefit governor is not personally liable for an action or omission the benefit governor makes in the benefit governor's capacity as a benefit governor unless the action or omission constitutes self-dealing, willful misconduct or a knowing violation of law.

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22 **SECTION 8.** (1) A member that has management duties with respect to a benefit company, or an officer or a manager of a benefit company, shall act in the best interests of the benefit company and shall discharge the member's, officer's or manager's duties as provided in ORS 60.374 and 60.377 or in ORS 63.155, as appropriate for the benefit company's form of organization. In addition, the member, officer or manager shall consider the effects of an action of the member, officer or manager or of the benefit company, or of a decision not to act:

23
24 (a) To the extent the member, officer or manager has the discretion to take the action or to decide not to act;

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

27
28 (c) In accordance with the provisions of section 6 (1) to (3) of this 2013 Act for a governor's consideration of the effects of the action or the decision not to act.

29
30 (2) A member's, officer's or manager's consideration under this section of the effects of an action, or a decision not to act, is in accordance with ORS 60.374 and 60.377 or with ORS 63.155, as appropriate for the benefit company's form of organization, as those provisions

1 apply to a member, officer or manager of a benefit company.

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

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

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

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

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

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

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

26 (a) The benefit company;

27 (b) A governor;

28 (c) A shareholder or member; or

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

31 (3) A benefit company is not liable for money damages as a consequence of failing to
32 provide a general public benefit or a specific public benefit.

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

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

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

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

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

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

44 (A) Assess the extent to which the benefit company met or exceeded a third-party
45 standard that the benefit company selected and identified in the benefit report. The benefit

1 company shall conduct the assessment and evaluate the benefit company's performance with
2 respect to the third-party standard in a manner that is consistent with assessments and
3 evaluations conducted in previous benefit reports or shall explain the reasons for an incon-
4 sistent assessment or evaluation.

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

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

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

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

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