

House File 2063 - Introduced

HOUSE FILE 2063

BY ISENHART

A BILL FOR

1 An Act providing for benefit corporations, and providing for
2 fees.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

SUBCHAPTER I

PRELIMINARY PROVISIONS

Section 1. NEW SECTION. 490B.101 Short title.

This chapter shall be known and may be cited as the "*Iowa Benefit Corporation Act*".

Sec. 2. NEW SECTION. 490B.102 Definitions.

Except as otherwise provided in this chapter, or unless the context otherwise requires, the words and phrases used in this chapter shall have the same meaning as the words and phrases used in chapter 490, including but not limited to the words and phrases used in section 490.140. In addition, all of the following shall apply:

1. "*Benefit corporation*" means a business corporation, if all of the following apply:

a. It has elected to become subject to this chapter.

b. Its status as a benefit corporation has not been terminated.

2. "*Benefit director*" means a director designated as the benefit director of a benefit corporation under section 490B.302.

3. "*Benefit enforcement proceeding*" means a claim or action relating to any of the following:

a. The failure of a benefit corporation to pursue or create general public benefit or a specific public benefit set forth in its articles of incorporation.

b. A violation of any obligation, duty, or standard of conduct provided under this chapter.

4. "*Benefit officer*" means an individual designated as the benefit officer of a benefit corporation under section 490B.304.

5. "*Business corporation*" means a corporation formed as a domestic corporation under chapter 490.

6. "*Entity*" means a person formed under the laws of this state including but not limited to a limited liability company under chapter 489; a corporation under chapter 490;

1 a nonprofit corporation under chapter 504; a partnership,
2 limited partnership, limited liability partnership, or limited
3 liability limited partnership under chapter 486A or 488; or a
4 cooperative association or other cooperative organized under
5 chapter 497, 498, 499, 501, or 501A.

6 7. "*General public benefit*" means a material positive impact
7 on society and the environment, taken as a whole, assessed
8 against a third-party standard, which results from the business
9 and operations of a benefit corporation.

10 8. "*Independent*" means having no material relationship
11 with a benefit corporation or a subsidiary of the benefit
12 corporation as provided in section 490B.304A.

13 9. "*Minimum status vote*" means any of the following:

14 a. In the case of a business corporation, in addition to any
15 other required approval or vote required under chapter 490, the
16 satisfaction of all of the following conditions:

17 (1) The shareholders of every class or series are
18 entitled to vote as a separate voting group on the corporate
19 action regardless of a limitation stated in the articles of
20 incorporation or bylaws regarding the voting rights of any
21 class or series.

22 (2) The corporate action is approved by vote of the
23 shareholders of each class or series entitled to cast at least
24 two-thirds of the votes that all shareholders of the class or
25 series are entitled to cast on the action.

26 b. In the case of an entity other than a business
27 corporation, in addition to any other required approval, vote,
28 or consent, the satisfaction of all the following conditions:

29 (1) The holders of every class or series of equity interest
30 in the entity that are entitled to receive a distribution of
31 any kind from the entity are entitled to vote on or consent to
32 the action regardless of any otherwise applicable limitation on
33 the voting or consent rights of any class or series.

34 (2) The action is approved by vote or consent of the
35 holders described in subparagraph (1) entitled to cast at least

1 two-thirds of the votes or consents that all of those holders
2 are entitled to cast on the action.

3 10. "*Specific public benefit*" means any of the following:

4 a. Providing low-income or underserved individuals or
5 communities with beneficial products or services.

6 b. Promoting economic opportunity for individuals or
7 communities beyond the creation of jobs in the normal course
8 of business.

9 c. Protecting or restoring the environment.

10 d. Improving human health.

11 e. Promoting the arts, sciences, or advancement of
12 knowledge.

13 f. Increasing the flow of capital to entities with a purpose
14 to benefit society or the environment.

15 g. Conferring any other particular benefit on society or the
16 environment.

17 11. "*Subsidiary*" means, in relation to a person, an entity
18 in which the person holds beneficially or of record fifty
19 percent or more of the outstanding equity interests.

20 12. "*Third-party standard*" means a recognized standard
21 for defining, reporting, and assessing corporate social or
22 environmental performance that is all of the following:

23 a. Comprehensive because the standard assesses the effect of
24 the business and its operations upon the interests listed in
25 section 490B.301, subsection 1, paragraphs "b" through "e".

26 b. Developed by an entity that is not controlled by the
27 benefit corporation.

28 c. Credible because the standard is developed by an entity
29 that meets all of the following conditions:

30 (1) Has access to necessary expertise to assess overall
31 corporate social or environmental performance.

32 (2) Uses a balanced multiple stakeholder approach to
33 develop the standard, including a reasonable public comment
34 period.

35 d. Transparent because the following information is made

1 publicly available:

2 (1) A description of the standard that includes all of the
3 following:

4 (a) Criteria considered when measuring the overall social
5 or environmental performance of a business corporation.

6 (b) The relative weightings, if any, of the criteria
7 described in subparagraph division (a).

8 (2) A description of the development and revision of the
9 standard which includes all of the following:

10 (a) The identity of the directors, officers, material
11 owners, and the governing body of the entity that developed and
12 controls revisions to the standard.

13 (b) The process by which revisions to the standard and
14 changes to the membership of the governing body are made.

15 (c) An accounting of the revenue and sources of financial
16 support for the entity, with sufficient detail to disclose any
17 relationship that could reasonably be considered to present a
18 potential conflict of interest.

19 Sec. 3. NEW SECTION. 490B.103 **Application and effect of**
20 **chapter.**

21 1. This chapter applies to all benefit corporations.

22 2. The existence of a provision of this chapter shall not
23 of itself create an implication that a contrary or different
24 rule of law is applicable to a business corporation that is not
25 a benefit corporation. This chapter shall not affect a statute
26 or rule of law that is applicable to a business corporation
27 that is not a benefit corporation.

28 3. Chapter 490 shall be construed as part of this chapter
29 and shall apply to benefit corporations, including but not
30 limited to their formation or organization, reports, fees,
31 authority, powers, rights, and the regulation and conduct of
32 their affairs.

33 4. A benefit corporation may be subject simultaneously to
34 this chapter and one or more other chapters of this title,
35 including chapter 496C. In such event, the provisions of

1 this chapter shall take precedence with respect to a benefit
2 corporation.

3 5. A provision of the articles of incorporation or bylaws of
4 a benefit corporation shall not limit, be inconsistent with, or
5 supersede a provision of this chapter.

6 Sec. 4. NEW SECTION. 490B.104 **Incorporation of benefit**
7 **corporation.**

8 A benefit corporation shall be incorporated in accordance
9 with chapter 490, division II. The articles of incorporation
10 of a benefit corporation must also state that it is a benefit
11 corporation.

12 Sec. 5. NEW SECTION. 490B.105 **Election of benefit**
13 **corporation status.**

14 1. An existing business corporation may become a benefit
15 corporation under this chapter by amending its articles of
16 incorporation so that the articles contain, in addition to
17 the requirements of chapter 490, division II, a statement
18 that the corporation is a benefit corporation. In order to
19 be effective, the amendment must be adopted by at least the
20 minimum status vote.

21 2. *a.* An entity that is not a benefit corporation may
22 become a benefit corporation pursuant to subsection 1 if all
23 of the following apply:

24 (1) The entity is one of the following:

25 (a) A party to a merger or conversion.

26 (b) An exchanging entity in a share exchange.

27 (2) The surviving, new, or resulting entity in the merger,
28 conversion, or share exchange is to be a benefit corporation.

29 *b.* In order to be effective, a plan of merger, conversion,
30 or share exchange subject to paragraph "a" must be adopted by at
31 least the minimum status vote.

32 Sec. 6. NEW SECTION. 490B.106 **Termination of benefit**
33 **corporation status.**

34 1. A benefit corporation may terminate its status as
35 such and cease to be subject to this chapter by amending its

1 articles of incorporation to delete the provision required by
2 section 490B.104 or 490B.105 to be stated in the articles of a
3 benefit corporation. In order to be effective, the amendment
4 must be adopted by at least the minimum status vote.

5 2. If a plan of merger, conversion, or share exchange
6 would have the effect of terminating the status of a business
7 corporation as a benefit corporation, the plan must be adopted
8 by at least the minimum status vote in order to be effective.
9 Any sale, lease, exchange, or other disposition of all or
10 substantially all of the assets of a benefit corporation,
11 unless the transaction is in the usual and regular course of
12 business, shall not be effective unless the transaction is
13 approved by at least the minimum status vote.

14 SUBCHAPTER II

15 CORPORATE PURPOSES

16 Sec. 7. NEW SECTION. 490B.201 Corporate purposes.

17 1. A benefit corporation shall have a purpose of creating
18 general public benefit. This purpose is in addition to its
19 purpose under section 490.301.

20 2. The articles of incorporation of a benefit corporation
21 may identify one or more specific public benefits to be created
22 as a purpose in addition to any purpose provided in section
23 490.301 or subsection 1. The identification of a specific
24 public benefit under this subsection does not limit the
25 obligation of a benefit corporation under subsection 1.

26 3. The creation of general public benefit as described
27 in subsection 1 and a specific public benefit as described
28 in subsection 2 is in the best interests of the benefit
29 corporation.

30 4. A benefit corporation may amend its articles of
31 incorporation to add, amend, or delete the identification of a
32 specific public benefit that it is the purpose of the benefit
33 corporation to create. In order to be effective, the amendment
34 must be adopted by at least the minimum status vote.

35 5. A professional corporation that is a benefit corporation

1 does not violate section 496C.4 by having the purpose to
2 create general public benefit as provided in subsection 1 or a
3 specific public benefit as provided in subsection 2.

4 SUBCHAPTER III
5 ACCOUNTABILITY

6 Sec. 8. NEW SECTION. 490B.301 Standard of conduct for
7 directors.

8 1. In discharging the duties of their respective positions
9 and in considering the best interests of the benefit
10 corporation, a benefit corporation's board of directors,
11 committees, and individual directors shall consider the effects
12 of any action or inaction upon all of the following:

13 a. The shareholders of the benefit corporation.

14 b. The employees and workforce of the benefit corporation,
15 its subsidiaries, and its suppliers.

16 c. The interests of customers as beneficiaries of the
17 general public benefit or specific public benefit purpose of
18 the benefit corporation as provided in section 490B.201.

19 d. Community or societal factors, including those of
20 each community in which offices or facilities of the benefit
21 corporation, its subsidiaries, or its suppliers are located.

22 e. The local and global environment.

23 f. The short-term and long-term interests of the benefit
24 corporation, including but not limited to benefits that may
25 accrue to the benefit corporation from its long-term plans and
26 the possibility that these interests may be best served by the
27 continued independence of the benefit corporation.

28 g. The ability of the benefit corporation to create general
29 public benefit or any specific public benefit as provided in
30 section 490B.201.

31 2. In discharging the duties of their respective positions
32 and in considering the best interests of the benefit
33 corporation, a benefit corporation's board of directors,
34 committees, and individual directors may consider any of the
35 following:

1 *a.* The interests referred to in section 490.1108A.

2 *b.* Any other pertinent factor or the interest of any other
3 person or group of persons deemed appropriate.

4 3. In discharging the duties of their respective positions
5 and in considering the best interests of the benefit
6 corporation, a benefit corporation's board of directors,
7 committees, and individual directors need not give priority to
8 the interest of a particular person referred to in subsection 1
9 or 2 over the interests of any other person unless the benefit
10 corporation's articles of incorporation state the benefit
11 corporation's intention to give priority to a certain interest
12 related to its creation of general public benefit or a specific
13 public benefit as provided in section 490B.201.

14 4. The consideration of an interest or factor in the manner
15 required by subsections 1 through 3 shall not constitute a
16 violation of section 490.830.

17 5. Except as provided in the articles of incorporation or
18 bylaws of a benefit corporation, a director is not personally
19 liable for monetary damages for any of the following:

20 *a.* An action or inaction in the course of performing the
21 duties of a director under subsections 1 through 3 if the
22 director performed the duties of office in compliance with this
23 section and section 490.830.

24 *b.* The failure of the benefit corporation to pursue or
25 create general public benefit or a specific public benefit as
26 provided in section 490B.201.

27 6. A director of a benefit corporation does not have a duty
28 to a person who is a beneficiary of the general public benefit
29 or a specific public benefit purpose of the benefit corporation
30 as provided in section 490B.201, arising from the status of the
31 person as a beneficiary.

32 7. A director of a benefit corporation who makes a business
33 judgment in good faith fulfills the duty under this section if
34 all of the following apply:

35 *a.* The director is not interested in the subject of the

1 business judgment.

2 *b.* The director is informed with respect to the subject of
3 the business judgment to the extent the director reasonably
4 believes to be appropriate under the circumstances.

5 *c.* The director rationally believes that the business
6 judgment is in the best interests of the benefit corporation.

7 **Sec. 9. NEW SECTION. 490B.302 Benefit director.**

8 1. The board of directors of a benefit corporation that is
9 a publicly traded corporation shall, and the board of any other
10 benefit corporation may, include a director who is designated
11 the benefit director. Such director shall have, in addition
12 to the powers, duties, rights, and immunities of the other
13 directors of the benefit corporation, the powers, duties,
14 rights, and immunities provided in this subchapter.

15 2. *a.* A benefit director shall be elected, and may be
16 removed, in the manner provided by chapter 490, division
17 VIII, part A. The benefit director shall be an individual
18 who is independent. The benefit director may serve as the
19 benefit officer at the same time as serving as the benefit
20 director. The articles of incorporation or bylaws of a benefit
21 corporation may prescribe additional qualifications of the
22 benefit director not inconsistent with this paragraph.

23 *b.* Notwithstanding paragraph "a", a benefit director of
24 a professional corporation subject to chapter 496C is not
25 required to be independent.

26 3. The benefit director shall prepare, and the benefit
27 corporation shall include in the annual benefit report to
28 shareholders required by section 490B.401, the opinion of the
29 benefit director regarding all of the following:

30 *a.* Whether the benefit corporation acted in accordance
31 with its general public benefit and any specific public
32 benefit purpose as provided in section 490B.201 in all material
33 respects during the period covered by the report.

34 *b.* Whether the directors and officers complied with section
35 490B.301, subsection 1, and section 490B.303, subsection 1,

1 respectively.

2 *c.* If, in the opinion of the benefit director, the benefit
3 corporation's directors or officers failed to comply with
4 paragraph "b", a description of the ways in which the benefit
5 corporation's directors or officers failed to comply.

6 4. An act or inaction of an individual in the capacity of a
7 benefit director shall constitute for all purposes an act or
8 inaction of that individual in the capacity of a director of
9 the benefit corporation.

10 5. Regardless of whether the articles of incorporation or
11 bylaws of a benefit corporation include a provision eliminating
12 or limiting the personal liability of a director authorized by
13 section 490.202, a benefit director is not personally liable
14 for an act or omission in the director's capacity as a benefit
15 director unless the act or omission constitutes self-dealing,
16 willful misconduct, or a knowing violation of law.

17 Sec. 10. NEW SECTION. **490B.303 Standard of conduct for**
18 **officers.**

19 1. Each officer of a benefit corporation shall consider the
20 interests and factors described in section 490B.301, subsection
21 1, in the manner provided in that subsection if all of the
22 following apply:

23 *a.* The officer has discretion to act with respect to a
24 matter.

25 *b.* It reasonably appears to the officer that the matter
26 may have a material effect on the creation by the benefit
27 corporation of general public benefit or a specific public
28 benefit as provided in section 490B.201.

29 2. The consideration of the best interests of the benefit
30 corporation in the manner described in subsection 1 shall not
31 constitute a violation of section 490.842.

32 3. Except as provided in the articles of incorporation or
33 bylaws of a benefit corporation, an officer is not personally
34 liable for monetary damages for any of the following:

35 *a.* An action or inaction as an officer in the course of

1 performing the duties of an officer under subsection 1 if the
2 officer performed the duties of the position in compliance with
3 section 490.842 and this section.

4 *b.* The failure of the benefit corporation to pursue or
5 create general public benefit or a specific public benefit as
6 provided in section 490B.201.

7 4. An officer does not have a duty to a person who is a
8 beneficiary of the general public benefit or a specific public
9 benefit purpose of the benefit corporation, as provided in
10 section 490B.201, arising from the status of the person as a
11 beneficiary.

12 5. An officer who makes a business judgment in good faith
13 fulfills the duty under this section if all of the following
14 apply:

15 *a.* The officer is not interested in the subject of the
16 business judgment.

17 *b.* The officer is informed with respect to the subject of
18 the business judgment to the extent the officer reasonably
19 believes to be appropriate under the circumstances.

20 *c.* The officer rationally believes that the business
21 judgment is in the best interests of the benefit corporation.

22 Sec. 11. NEW SECTION. **490B.304 Benefit officer.**

23 1. A benefit corporation may have an officer designated as
24 the benefit officer.

25 2. *a.* A benefit officer shall have the powers and duties
26 relating to the purpose of the corporation to create general
27 public benefit or a specific public benefit as provided in
28 section 490B.201, if authorized by any of the following:

29 (1) The articles of incorporation or bylaws of the benefit
30 corporation.

31 (2) Absent any controlling provisions in the articles
32 of incorporation or bylaws of the benefit corporation, by
33 resolution or order of the benefit corporation's board of
34 directors.

35 *b.* A benefit officer shall have the duty to prepare the

1 benefit report required by section 490B.401.

2 Sec. 12. NEW SECTION. **490B.304A Benefit officers and**
3 **directors — criteria for independence.**

4 1. Serving as a benefit director or benefit officer
5 shall not alone affect whether an individual is or is not
6 independent.

7 2. A material relationship between an individual and a
8 benefit corporation or any of its subsidiaries is conclusively
9 presumed to exist if any of the following apply:

10 a. The individual is, or has been within the last three
11 years, an employee other than a benefit officer of the benefit
12 corporation or a subsidiary.

13 b. An immediate family member of the individual is, or
14 has been within the last three years, an executive officer
15 other than a benefit officer of the benefit corporation or a
16 subsidiary.

17 c. There is beneficial or record ownership of five percent
18 or more of the outstanding shares of the benefit corporation,
19 calculated as if all outstanding rights to acquire equity
20 interests in the benefit corporation had been exercised, by any
21 of the following:

22 (1) The individual.

23 (2) An entity if any of the following apply:

24 (a) The individual is a director, an officer, or a manager
25 of the entity.

26 (b) The individual owns beneficially or of record five
27 percent or more of the entity's outstanding equity interests,
28 calculated as if all outstanding rights to acquire equity
29 interests in the entity had been exercised.

30 Sec. 13. NEW SECTION. **490B.305 Right of action — benefit**
31 **enforcement proceedings.**

32 1. a. Except in a benefit enforcement proceeding, a person
33 shall not bring an action or assert a claim against a benefit
34 corporation or its directors or officers with respect to any
35 of the following:

1 (1) The failure of the benefit corporation to pursue or
2 create general public benefit or a specific public benefit
3 as set forth in its articles of incorporation as provided in
4 section 490B.201.

5 (2) A violation of an obligation, duty, or standard of
6 conduct under this chapter.

7 *b.* A benefit corporation shall not be liable for monetary
8 damages under this chapter for any failure of the benefit
9 corporation to pursue or create general public benefit or a
10 specific public benefit as provided in section 490B.201.

11 2. A benefit enforcement proceeding may be commenced or
12 maintained only as follows:

13 *a.* Directly by the benefit corporation.

14 *b.* Derivatively, in accordance with chapter 490, division
15 VII, part D by any of the following:

16 (1) A person or group of persons that owns beneficially or
17 of record at least two percent of the total number of shares
18 of all classes and series outstanding on the date of the
19 complained of action or inaction.

20 (2) A director of the benefit corporation.

21 (3) A person or group of persons that owns beneficially
22 or of record five percent or more of the outstanding equity
23 interests in an entity of which the benefit corporation is a
24 subsidiary on the date of the complained of action or inaction.

25 (4) Any other person or group of persons as specified in the
26 articles of incorporation or bylaws of the benefit corporation.

27 3. For purposes of this section, a person is the beneficial
28 owner of shares or equity interests if the shares or equity
29 interests are held in a voting trust or by a nominee on behalf
30 of the beneficial owner.

31 SUBCHAPTER IV

32 TRANSPARENCY

33 Sec. 14. NEW SECTION. 490B.401 Preparation of annual
34 benefit report.

35 1. A benefit corporation shall prepare an annual benefit

1 report which shall include at least all of the following:

2 *a.* A narrative description of all of the following:

3 (1) The ways in which the benefit corporation pursued or
4 created general public benefit.

5 (2) The ways in which the benefit corporation pursued
6 or created a specific public benefit, as provided in section
7 490B.201, to the extent that the specific public benefit is
8 stated in the benefit corporation's articles of incorporation.

9 (3) Any circumstances that have hindered the pursuit or
10 creation of general public benefit or a specific public benefit
11 as provided in section 490B.201.

12 (4) The process and rationale for selecting or changing the
13 third-party standard used to prepare the benefit report.

14 *b.* An assessment of the overall social and environmental
15 performance of the benefit corporation against a third-party
16 standard that is all of the following:

17 (1) Applied consistently with any application of the
18 third-party standard in prior benefit reports.

19 (2) Accompanied by an explanation of the reasons for any of
20 the following:

21 (a) Inconsistent application.

22 (b) A change to the third-party standard from the standard
23 used in the immediately prior report.

24 *c.* The name of the benefit director and the benefit officer,
25 if any, and the address to which correspondence to each of them
26 may be directed.

27 *d.* The compensation paid by the benefit corporation, during
28 the year, to each director in the capacity of a director.

29 *e.* The opinion of the benefit director described in section
30 490B.302, subsection 3.

31 *f.* A statement of any connection between the organization
32 that established the third-party standard, or its directors,
33 officers, or any holder of five percent or more of the
34 governance interests in the organization, and the benefit
35 corporation or its directors, officers, or any holder of five

1 percent or more of the outstanding shares of the benefit
2 corporation, including any financial or governance relationship
3 which might materially affect the credibility of the use of the
4 third-party standard.

5 2. If, during the year covered by a benefit report,
6 a benefit director resigned from or refused to stand for
7 reelection to the position of benefit director, or was removed
8 from the position of benefit director, and the benefit director
9 furnished the benefit corporation with written correspondence
10 concerning the circumstances surrounding the resignation,
11 refusal, or removal, the benefit report shall include that
12 correspondence as an exhibit.

13 3. Neither the benefit report nor the assessment of the
14 performance of the benefit corporation in the benefit report
15 required by subsection 1, paragraph "b", is required to be
16 audited or certified by a third party.

17 Sec. 15. NEW SECTION. **490B.402 Availability of annual**
18 **benefit report — filing — fee.**

19 1. A benefit corporation shall send its annual benefit
20 report to each shareholder on the earlier of any of the
21 following:

22 a. One hundred twenty days following the end of the fiscal
23 year of the benefit corporation.

24 b. The date that the benefit corporation delivers any other
25 annual report to its shareholders.

26 2. A benefit corporation shall post all of its benefit
27 reports on the public portion of its internet site, if any.
28 However, the compensation paid to directors and financial or
29 proprietary information included in a benefit report required
30 pursuant to section 490B.401 may be omitted from the benefit
31 reports as posted.

32 3. a. Concurrently with the delivery of the benefit report
33 to shareholders under subsection 1, the benefit corporation
34 shall deliver a copy of the benefit report to the secretary
35 of state for filing. However, the compensation paid to

1 directors and financial or proprietary information included in
2 the benefit report may be omitted from the benefit report as
3 delivered to the secretary of state.

4 *b.* The secretary of state may impose and collect a fee of
5 not more than ten dollars for filing a benefit report.

6 EXPLANATION

7 The inclusion of this explanation does not constitute agreement with
8 the explanation's substance by the members of the general assembly.

9 GENERAL. This bill allows a business corporation to
10 incorporate and operate as a benefit corporation, generally
11 subject to the Iowa business corporation Act (Code chapter 490)
12 except as provided in the bill's new Code chapter (Code chapter
13 490B).

14 ELECTION TO ATTAIN OR TERMINATE BENEFIT CORPORATION STATUS.
15 The bill provides that a business corporation attains or
16 terminates its status as a benefit corporation by shareholder
17 election.

18 ARTICLES OF INCORPORATION. The bill provides that a
19 benefit corporation's articles of incorporation must have as a
20 purpose the creation of general public benefit which provides
21 a material positive impact on society and the environment as
22 assessed against a third-party standard. The bill provides
23 that a benefit corporation's articles of incorporation may list
24 one or more specific public purposes.

25 BOARD ACTION. The bill requires a benefit corporation's
26 board of directors, in addition to its fiduciary duty to make
27 decisions based on financial interests, to also consider
28 factors associated with creating general public benefit or
29 furthering a specific public benefit, or other beneficial goal.
30 The bill limits a director's personal liability due to any
31 failure of the benefit corporation to accomplish a general or
32 specific public benefit purpose.

33 LEGAL ACTIONS. The bill prohibits a person from bringing an
34 action against a benefit corporation or its directors, except
35 in a benefit enforcement proceeding. A benefit enforcement

1 proceeding can only be commenced by the benefit corporation
2 or derivatively by a person or group that holds shares in
3 the corporation or an equity interest in the corporation, by
4 a director, or by any other person or group provided in the
5 articles of incorporation.

6 BENEFIT DIRECTOR AND OFFICER. The bill requires a public
7 corporation's board of directors to include a benefit director.
8 A privately held benefit corporation's board may include
9 such director. Such director must be independent, having
10 no material relationship with the benefit corporation. The
11 bill provides that a benefit corporation may have a benefit
12 officer who is charged with overseeing the creation of the
13 corporation's general public benefit or a specific public
14 benefit.

15 REPORT. The bill requires a benefit corporation to prepare
16 an annual benefit report to its shareholders. The report must
17 include information regarding the third-party standard used
18 to prepare the benefit report, the ways in which the benefit
19 corporation pursued its general and specific public benefits,
20 and an assessment of the overall social and environmental
21 performance of the benefit corporation indicating whether
22 the benefit corporation pursued its general or any specific
23 public benefit purpose. The bill also requires the benefit
24 corporation to file the benefit report with the secretary of
25 state and pay the secretary of state a filing fee.