



AN ACT CREATING THE MONTANA BENEFIT CORPORATION ACT; AUTHORIZING AND REGULATING THE FORMATION AND GOVERNANCE OF BENEFIT CORPORATIONS; ALLOWING AN EXISTING CORPORATION TO BECOME A BENEFIT CORPORATION; PROVIDING THAT A BENEFIT CORPORATION MAY BE FORMED FOR THE PURPOSE OF CREATING GENERAL PUBLIC BENEFIT OR SPECIFIC PUBLIC BENEFITS; REQUIRING DIRECTORS TO CONSIDER THE IMPACTS OF ANY ACTION OR PROPOSED ACTION ON SPECIFIED CONSTITUENCIES; REQUIRING THE BOARD OF DIRECTORS TO PREPARE A STATEMENT RELATING TO THE PUBLIC BENEFIT PURPOSES OF THE CORPORATION; REQUIRING THE BENEFIT CORPORATION TO ANNUALLY PREPARE AND DISSEMINATE A BENEFIT REPORT; DESCRIBING THE LIMITED FIDUCIARY DUTY AND LIABILITY OF A DIRECTOR OR OFFICER OF A BENEFIT CORPORATION; AND PROVIDING THAT THE DUTIES OF A DIRECTOR OR OFFICER AND THE PUBLIC BENEFIT PURPOSE OF A BENEFIT CORPORATION MAY BE ENFORCED ONLY IN A BENEFIT ENFORCEMENT PROCEEDING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Short title. [Sections 1 through 12] may be known and may be cited as the "Montana Benefit Corporation Act".

Section 2. Definitions. As used in [sections 1 through 12], the following definitions apply:

(1) "Benefit corporation" means a corporation organized in this state that has elected to become subject to [sections 1 through 12] and whose status as a benefit corporation has not been terminated as provided in [section 8].

(2) "Benefit enforcement proceeding" means a claim or action relating to:

(a) failure to pursue the general public benefit purpose of the benefit corporation or any specific public benefit purpose set forth in its articles of incorporation;

(b) violation of a duty or standard of conduct imposed on a director or officer pursuant to [sections 1

through 12]; or

(c) failure of the benefit corporation to deliver, provide, or post an annual benefit report as required in [section 10].

(3) "Director" means an individual elected to or otherwise serving on the board of directors of a benefit corporation.

(4) "General public benefit" means a material, positive impact on society and the environment, taken as a whole, as assessed against a third-party standard, from the business and operations of a benefit corporation.

(5) "Independent" means having no material relationship with a benefit corporation or a subsidiary of a benefit corporation.

(6) "Minimum status vote" means:

(a) in the case of a corporation, that in addition to any other approval or vote required by law or by the articles of incorporation:

(i) the shareholders of every class or series are entitled to vote on the corporate action regardless of any limitation stated in the articles of incorporation; and

(ii) the corporate action must be approved by the outstanding shares of each class or series by at least two-thirds of the votes that all shareholders of the class or series are entitled to cast on that action or by a greater vote if required in the articles of incorporation; or

(b) in the case of a domestic business entity other than a corporation and in addition to any other approval, vote, or consent required by law that principally governs the internal affairs of the domestic business entity or any provision of the publicly filed record or document required to form the domestic business entity, if any, or of any agreement binding some or all of the holders of equity interests in the entity:

(i) the holders of every class or series of interest in the entity that are entitled to receive a distribution of any kind from the entity are entitled to vote on the action regardless of any otherwise applicable limitation on the voting rights of the interest; and

(ii) the action must be approved by the vote or consent of the holders described in subsection (6)(b)(i) by at least two-thirds of the votes of the holders or by a greater vote if required in the publicly filed record, document, or agreement binding holders of equity interests.

(7) "Specific public benefit" means:

(a) providing low-income or underserved individuals or communities with beneficial products or services;

(b) promoting economic opportunity for individuals or communities beyond the creation of jobs in the ordinary course of business;

(c) preserving the environment;

(d) improving human health;

(e) promoting the arts, sciences, or advancement of knowledge;

(f) increasing the flow of capital to entities with a public benefit purpose; or

(g) the accomplishment of any other particular benefit for society or the environment.

(8) "Subsidiary" means an entity in which a parent entity owns beneficially or of record 50% or more of the outstanding equity interests of the subsidiary. For the purposes of this definition, the percentage of ownership held by a parent entity in a subsidiary must be calculated as if all outstanding rights to acquire equity interests in the subsidiary have been exercised.

(9) "Third-party standard" means a standard for defining, reporting, and assessing overall corporate social and environmental performance to which all of the following apply:

(a) the standard is a comprehensive assessment of the impact of the business and the business's operations on the considerations listed in [section 6(2)(a)];

(b) the standard is developed by an entity that has no material financial relationship with the benefit corporation or any of its subsidiaries and:

(i) not more than one-third of the members of the governing body of the entity are representatives of:

(A) associations of businesses operating in a specific industry for which the performance is measured by the standard;

(B) businesses from a specific industry or an association of businesses in that industry; or

(C) businesses whose performance is assessed against the standard; and

(ii) the entity is not materially financed by an association or business described in subsection (9)(b)(i);

(c) the standard is developed by an entity that:

(i) accesses necessary and appropriate expertise to assess overall corporate social and environmental performance; and

(ii) uses a balanced multistakeholder approach, including a public comment period of at least 30 days, to develop the standard; and

(d) the following information regarding the standard is publicly available:

- (i) the criteria considered when measuring the overall social and environmental performance of a business;
- (ii) the relative weightings assigned to the criteria described in subsection (9)(d)(i);
- (iii) the identity of the directors, the officers, any material owners, and the governing body of the entity that developed and controls revisions to the standard;
- (iv) the process by which revisions to the standard and changes to the membership of the governing body of the entity described in subsection (9)(d)(iii) are made; and
- (v) an accounting of the sources of financial support for the entity with sufficient detail to disclose any relationships that could reasonably be considered to present a potential conflict of interest.

Section 3. Purpose. (1) The purpose of a benefit corporation is to create general public benefit. This purpose is in addition to and may be a limitation on the corporation's purpose under 35-1-114 and any specific public benefit purpose set forth in the corporation's articles of incorporation in accordance with subsection (2).

(2) In addition to the applicable provisions required under 35-1-216, the articles of incorporation of a benefit corporation must contain the following statement: "This corporation is a benefit corporation." The articles of incorporation of a benefit corporation may identify one or more specific public benefits as the purpose or purposes of the benefit corporation. The identification of a specific public benefit under this subsection does not limit the obligation of a benefit corporation to create general public benefit.

(3) The creation of general public benefit and one or more specific public benefits as provided in subsections (1) and (2) is considered to be in the best interests of the benefit corporation.

(4) A benefit corporation may amend its articles of incorporation to add, amend, or delete the identification of a specific public benefit as a purpose of the benefit corporation to create. The amendment is effective only if the amendment is adopted by at least the minimum status vote.

Section 4. Applicability. (1) Unless otherwise provided in [sections 1 through 12], the provisions of Title 35, chapter 1, apply to all benefit corporations.

(2) The provisions of [sections 1 through 12] do not:

(a) imply that a contrary or different rule of law does or would apply to a business corporation that is not a benefit corporation; or

(b) affect any provision of [sections 1 through 12] that does or would apply to a corporation that is not a benefit corporation.

Section 5. Benefit corporation -- formation. A benefit corporation may be formed in accordance with [sections 1 through 12]. The articles of incorporation must:

- (1) state that the corporation is a benefit corporation; and
- (2) identify any specific public benefits adopted pursuant to [section 3].

Section 6. Benefit corporation governance -- liability. (1) A director of a public benefit corporation shall:

(a) perform the duties of a director in good faith and in a manner the director believes to be in the best interests of the benefit corporation; and

(b) conduct reasonable inquiry in the manner that a prudent person in a similar position would conduct under similar circumstances.

(2) In discharging their respective duties and in considering the best interests of the benefit corporation, the board of directors, committees of the board, and individual directors of a benefit corporation:

- (a) shall consider the impacts of every action or proposed action on:
 - (i) the shareholders of the benefit corporation;
 - (ii) the employees and workforce of the benefit corporation and its subsidiaries and suppliers;
 - (iii) the interests of customers of the benefit corporation as beneficiaries of the general public benefit purpose or any specific public benefit purpose of the benefit corporation;
 - (iv) community and societal considerations, including those of a community in which offices or facilities of the benefit corporation or its subsidiaries or suppliers are located;
 - (v) the local and global environment;
 - (vi) the short-term and long-term interests of the benefit corporation, including benefits that may accrue to the benefit corporation from its long-term plans and the possibility that the interests may be best served by retaining control of the benefit corporation rather than selling or transferring control to another person; and
 - (vii) the ability of the benefit corporation to accomplish its general public benefit purpose and any specific public benefit purpose;

(b) may consider:

(i) the resources, intent, and conduct, including past, stated, and potential conduct, of any person seeking to acquire control of the benefit corporation; and

(ii) any other pertinent factors or the interests of any other person or group; and

(c) are not required to give priority to any particular factor or the interests of any particular person or group referred to in this subsection (2) over any other factor or the interests of any other person or group unless the benefit corporation has stated its intention to give priority to a specific public benefit purpose identified in the articles of incorporation.

(3) In performing the duties of a director, a director may rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

(a) one or more officers or employees of the benefit corporation whom the director believes to be reliable and competent in the matters presented;

(b) counsel, independent accountants, or other persons as to matters that the director believes to be within those persons' professional or expert competence; or

(c) a committee of the board on which the director does not serve if the director believes the committee merits confidence and if the director acts in good faith and without knowledge that would cause the director's confidence in the committee to be unwarranted.

(4) A person who performs the duties of a director in accordance with [sections 1 through 12] is not liable for monetary damages for any alleged failure:

(a) to discharge the person's obligations as a director; or

(b) of the benefit corporation to pursue or create general public benefit or a specific public benefit.

(5) In addition to the limitations provided in subsection (4), the liability of a director for monetary damages may be eliminated or limited in a benefit corporation's articles of incorporation to the extent provided for in 35-1-216(2)(d).

(6) A director does not have a duty to a person who is a beneficiary of the general public benefit purpose or a specific public benefit purpose of a benefit corporation arising from the status of the person as a beneficiary.

Section 7. Conversion to benefit corporation. (1) A corporation may become a benefit corporation under [sections 1 through 12] by amending the corporation's articles of incorporation to include a statement that

the corporation is a benefit corporation. The amendment is effective only if it is adopted by at least the minimum status vote. If the amendment is adopted, a shareholder of the corporation may require the corporation to purchase at fair market value the shares owned by the shareholder as provided for in 35-1-827.

(2) If a corporation or other entity that is not a benefit corporation is a constituent corporation or entity in a merger reorganization or is the acquired corporation or entity in an exchange reorganization and the surviving corporation in the merger or exchange reorganization is to be a benefit corporation or the articles of incorporation of the acquired corporation or entity are to be amended in the merger or exchange reorganization to provide that the newly formed corporation will be a benefit corporation, the reorganization is effective only if it is approved by the newly formed corporation or other entity by at least the minimum status vote.

(3) If any other entity is a party to a merger reorganization and the surviving corporation in the reorganization is to be a benefit corporation, the reorganization is effective only if the reorganization is approved by the other entity by at least the minimum status vote.

(4) If another entity is the converting entity in a conversion in which the converted corporation is a benefit corporation, the conversion is effective only if the conversion is approved by the other entity by at least the minimum status vote.

Section 8. Termination -- reorganization -- other actions affecting benefit corporation. (1) A benefit corporation may terminate its status as a benefit corporation and cease to be subject to [sections 1 through 12] by deleting from the benefit corporation's articles of incorporation the statement and identification of public benefits required under [section 5]. The amendment is effective only if the amendment is adopted by at least the minimum status vote. If the amendment is adopted, a shareholder of the corporation may require the corporation to purchase at fair market value the shares owned by the shareholder as provided for in 35-1-827.

(2) If a reorganization of a benefit corporation would terminate the status of the corporation as a benefit corporation, the reorganization is effective only if the reorganization is approved by at least the minimum status vote.

(3) If a benefit corporation is the converting corporation in a conversion, the conversion is effective only if the conversion is approved by at least the minimum status vote.

(4) A sale, lease, conveyance, exchange, transfer, or other disposition of all or substantially all of the assets of a benefit corporation, unless the transaction is in the usual and ordinary course of business of the

benefit corporation, is effective only if the transaction is approved by at least the minimum status vote. If a transaction described in this subsection is not in the usual and ordinary course of business and is approved, a shareholder of the corporation may require the corporation to purchase at fair market value the shares owned by the shareholder as provided in 35-1-827.

Section 9. Officers -- duty -- limits. (1) Each officer of a benefit corporation shall consider the interests and factors described in [section 6] in the manner provided in [section 6] whenever the officer:

- (a) has discretion to act with respect to a matter; and
- (b) reasonably believes that the matter may have a material effect on:
 - (i) the creation of general public benefit or a specific public benefit by the benefit corporation; or
 - (ii) any of the interests or factors referred to in [section 6(2)].

(2) The consideration by an officer of interests and factors in the manner described in subsection (1) does not constitute a violation of the duties of the officer.

(3) An officer is not liable for monetary damages under [sections 1 through 12] for:

(a) any action taken as an officer if the officer performed the duties of the position in compliance with this section; or

(b) any failure of the benefit corporation to create general public benefit or a specific public benefit.

(4) An officer does not have a fiduciary duty to a person who is a beneficiary of the general public benefit purpose or a specific public benefit purpose of a benefit corporation arising from the status of the person as a beneficiary.

Section 10. Report. (1) Each year, the board of directors of a benefit corporation shall have prepared and delivered to each shareholder an annual benefit report that must include:

(a) a narrative description of:

- (i) the process used and rationale for selecting the third-party standard used to prepare the benefit report;

(ii) the ways in which the benefit corporation pursued general public benefit during the applicable year and the extent to which general public benefit was created;

(iii) the ways in which the benefit corporation pursued any specific public benefit that the articles of

incorporation state it is the purpose of the benefit corporation to create and the extent to which the specific public benefit was created; and

(iv) any circumstances that may have hindered the creation by the benefit corporation of general public benefit or any specific public benefit;

(b) an assessment of the overall social and environmental performance of the benefit corporation prepared in accordance with a third-party standard applied consistently with any application of that standard in prior benefit reports or accompanied by an explanation of the reasons for any inconsistent application;

(c) a statement indicating whether the benefit corporation failed to pursue its general public benefit purpose or any specific public benefit purpose in all material respects during the period covered by the report;

(d) the same statement required by [section 11] to be printed on ownership certificates; and

(e) a statement of any connection between the entity that established the third-party standard or the entity's directors, officers, or material owners and the benefit corporation or the benefit corporation's directors, officers, and material owners, including any financial or governance relationship that might materially affect the credibility of the objective assessment reached by using the third-party standard.

(2) If the statement required under subsection (1)(c) indicates that the benefit corporation failed to pursue its general public benefit purpose or any specific public benefit purpose, the annual benefit report must include a description of the ways in which the benefit corporation failed to pursue the general public benefit purpose or specific public benefit purpose.

(3) The report must be provided to each shareholder within 120 days following the end of each fiscal year of the benefit corporation or at the same time that the benefit corporation delivers any other annual report to its shareholders. The report may be provided electronically or by other means.

(4) (a) Subject to the provisions of subsection (4)(c), a benefit corporation shall post all of its benefit reports on the public portion of its internet website, if any.

(b) If a benefit corporation does not have an internet website, the benefit corporation shall provide, without charge, a copy of its most recent benefit report to any person who requests a copy.

(c) The benefit corporation may omit the compensation paid to directors or any proprietary or financial information from the copy of a benefit report posted pursuant to subsection (4)(a) or provided pursuant to subsection (4)(b).

Section 11. Ownership certificates. In addition to all other legal requirements, each certificate representing shares of a benefit corporation must have conspicuously printed on the face of the certificate: "This entity is a benefit corporation organized under [section 1] through [section 12] of the Montana Code Annotated."

Section 12. Enforcement. (1) A person may bring an action or assert a claim against a benefit corporation or its directors or officers only through a benefit enforcement proceeding under this section.

(2) A benefit enforcement proceeding may be commenced or maintained:

(a) directly by the benefit corporation; or

(b) derivatively by:

(i) a shareholder;

(ii) a director;

(iii) a person or group of persons that owns beneficially or of record 5% or more of the equity interests in an entity of which the benefit corporation is a subsidiary; or

(iv) any other person who may be specified in the articles of incorporation of the benefit corporation.

(3) A benefit corporation is not liable for monetary damages for any failure of the benefit corporation to create general public benefit or a specific public benefit.

(4) If the court in a benefit enforcement proceeding finds that a failure to comply with [sections 1 through 12] was without justification, the court may award an amount sufficient to reimburse the plaintiff for the reasonable expenses incurred by the plaintiff, including attorney fees and expenses, in connection with the benefit enforcement proceeding.

Section 13. Saving clause. [This act] does not affect rights and duties that matured, penalties that were incurred, or proceedings that were begun before [the effective date of this act].

Section 14. Codification instruction. [Sections 1 through 12] are intended to be codified as an integral part of Title 35, chapter 1, and the provisions of Title 35, chapter 1, apply to [sections 1 through 12].

- END -

I hereby certify that the within bill,
HB 0258, originated in the House.

Chief Clerk of the House

Speaker of the House

Signed this _____ day
of _____, 2015.

President of the Senate

Signed this _____ day
of _____, 2015.

HOUSE BILL NO. 258

INTRODUCED BY K. WILLIAMS, D. ANKNEY, E. BUTTREY, C. HUNTER, M. MCNALLY,
N. SCHWADERER, ESSMANN

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