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A Bill

HOUSE BILL 1510

5 By: Representatives D. Whitaker, Ferguson, *Copenhaver, Jett, Leding, Magie, Richey, Sabin, Wardlaw,*
6 *Williams*

7 By: Senator D. Johnson
8
9

For An Act To Be Entitled

11 AN ACT TO ESTABLISH THE ARKANSAS BENEFIT CORPORATION
12 ACT; AND FOR OTHER PURPOSES.
13
14

Subtitle

15 TO ESTABLISH THE ARKANSAS BENEFIT
16 CORPORATION ACT.
17
18
19

20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
21

22 SECTION 1. Arkansas Code Title 4, is amended to add an additional
23 chapter to read as follows:

CHAPTER 36

ARKANSAS BENEFIT CORPORATION ACT

Subchapter 1 – Preliminary Provisions

4-36-101. Title.

29 This chapter shall be known and may be cited as the "Arkansas Benefit
30 Corporation Act".

4-36-102. Application of chapter.

33 (a) This chapter shall apply to all benefit corporations.

34 (b) This chapter does not imply that a contrary statute or rule of law
35 applies to a business corporation that is not a benefit corporation.

36 (c)(1) Except as otherwise provided in this chapter, the Arkansas



1 Business Corporation Act, § 4-27-101 et seq., is generally applicable to a
2 benefit corporation.

3 (2) Specific provisions of this chapter shall control over the
4 general provisions of the Arkansas Business Corporation Act, § 4-27-101 et
5 seq.

6 (3) A benefit corporation may be simultaneously subject to this
7 chapter and other statutes that provide for the incorporation of a specific
8 type of business corporation.

9 (d) The articles of incorporation or bylaws of a benefit corporation
10 shall not limit, relax, be inconsistent with, or supersede this chapter.

11
12 4-36-103. Definitions.

13 (a) As used in this chapter:

14 (1) "Benefit corporation" means a business corporation that is
15 subject to this chapter.

16 (2) "Benefit director" means the director designated as the
17 benefit director of a benefit corporation under § 4-36-302;

18 (3) "Benefit enforcement proceeding" means a claim or action
19 for:

20 (A) Failure of a benefit corporation to pursue or create a
21 general public benefit or a specific public benefit purpose as stated in its
22 articles of incorporation; or

23 (B) Violation of an obligation, duty, or standard of
24 conduct under this chapter;

25 (4) "Benefit officer" means the individual designated as the
26 benefit officer of a benefit corporation under § 4-36-304;

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

30 (6)(A) "Independent" means having no material relationship with
31 a benefit corporation or a subsidiary of the benefit corporation.

32 (B) A person shall be independent even if serving as
33 benefit director or benefit officer.

34 (C) A material relationship between a person and a benefit
35 corporation or its subsidiaries is conclusively presumed to exist if:

36 (i) The person is, or has been in the last three (3)

1 years, an employee other than a benefit officer of the benefit corporation or
2 a subsidiary of the benefit corporation;

3 (ii) An immediate family member of the person is, or
4 has been in the last three (3) years, an executive officer other than a
5 benefit officer of the benefit corporation or its subsidiary; or

6 (iii) There is beneficial or record ownership of
7 five percent (5%) or more of the outstanding shares of the benefit
8 corporation by the person or an association:

9 (a) Of which the person is a director, an
10 officer, or a manager; or

11 (b) In which the person owns beneficially or
12 of record five percent (5%) or more of the outstanding equity interests;

13 (7) "Minimum status vote" means:

14 (A) In the case of a business corporation, in addition to
15 any other required approval or vote, the satisfaction of the following
16 conditions:

17 (i) The shareholders of a class or series may vote
18 as a class on the corporate action regardless of a limitation stated in the
19 articles of incorporation or bylaws on the voting rights of the class or
20 series; and

21 (ii) The corporate action shall be approved by vote
22 of the shareholders of each class or series entitled to cast at least two-
23 thirds (2/3) of the votes that all shareholders of the class or series are
24 entitled to cast on the action.

25 (B) In the case of a domestic entity other than a business
26 corporation, in addition to any other required approval, vote, or consent,
27 the satisfaction of the following conditions:

28 (i) The holders of a class or series of equity
29 interest in the entity that are entitled to receive a distribution from the
30 entity may vote on or consent to the action regardless of an otherwise
31 applicable limitation on the voting or consent rights of the class or series;
32 and

33 (ii) The action shall be approved by vote or consent
34 of the holders described in subdivision (7)(B)(i) of this section entitled to
35 cast at least two-thirds (2/3) of the votes or consents that all of those
36 holders are entitled to cast on the action;

1 (8) "Specific public benefit" means:

2 (A) Providing low-income or underserved individuals or
3 communities with beneficial products or services;

4 (B) Promoting economic opportunity for individuals or
5 communities beyond the creation of jobs in the normal course of business;

6 (C) Preserving the environment;

7 (D) Improving human health;

8 (E) Promoting the arts, sciences, or advancement of
9 knowledge;

10 (F) Increasing the flow of capital to entities with a
11 public benefit purpose; and

12 (G) Conferring any other particular benefit on society or
13 the environment;

14 (9) "Subsidiary" means in relation to a person, an association
15 in which the person owns beneficially or of record fifty percent (50%) or
16 more of the outstanding equity interests; and

17 (10) "Third-party standard" means a recognized standard for
18 defining, reporting, and assessing corporate social and environmental
19 performance that is:

20 (A) Comprehensive in that it assesses the effect of the
21 business and its operations on the interests listed in § 4-36-301(a)(1)(B) -
22 (E);

23 (B) Developed by an organization that is independent of
24 the benefit corporation and satisfies the following:

25 (i) Not more than one-third (1/3) of the members of
26 the governing body of the organization are representatives of:

27 (a) An association of businesses operating in
28 a specific industry, the performance of whose members is measured by the
29 standard;

30 (b) Businesses from a specific industry or an
31 association of businesses in that industry; or

32 (c) A business whose performance is assessed
33 against the standard; and

34 (ii) The organization is not materially financed by
35 an association or business described in subdivision (10)(B)(i) of this
36 section;

1 (C) Credible because the standard is developed by a person
2 that both:

3 (i) Has access to necessary expertise to assess
4 overall corporate social and environmental performance; and

5 (ii) Uses a balanced multistakeholder approach,
6 including a public comment period of at least thirty (30) days to develop the
7 standard; and

8 (D) Transparent because the following information is
9 publicly available:

10 (i) The standard criteria considered if measuring
11 the overall social and environmental performance of a business;

12 (ii) The relative weighting factor of those
13 criteria;

14 (iii) The development and revision of the standard:

15 (a) The identity of the directors, officers,
16 material owners, and the governing body of the organization that developed
17 and controls revisions to the standard; and

18 (b) The process by which revisions to the
19 standard and changes to the membership of the governing body are made; and

20 (iv) An accounting of the sources of financial
21 support for the organization, with sufficient detail to disclose a
22 relationship that could reasonably be considered to present a potential
23 conflict of interest.

24 (b) For purposes of the definitions of “independent” and “subsidiary”
25 in subsection (a) of this section, a percentage of ownership in an entity is
26 computed as if all outstanding rights to acquire equity interests in the
27 association had been exercised.

28
29 4-36-104. Formation of benefit corporations.

30 A benefit corporation shall be formed under the Arkansas Business
31 Corporation Act, § 4-27-201 et seq., and its articles of incorporation shall
32 state that it is a benefit corporation.

33
34 4-36-105. Election of status.

35 (a) An existing business corporation may become a benefit corporation
36 under this chapter by amending its articles of incorporation so that they

1 contain, in addition to the requirements of § 4-27-202, a statement that the
2 corporation is a benefit corporation.

3 (b) To be effective, an amendment shall be adopted by at least the
4 minimum status vote.

5 (c) If an entity is not a benefit corporation but is a constituent
6 corporation or organization in a merger or conversion with a benefit
7 corporation, the merger or conversion shall be approved by at least the
8 minimum status vote.

9
10 4-36-106. Termination of status.

11 (a) A benefit corporation may end its benefit corporation status and
12 not be subject to this chapter by amending its articles of incorporation to
13 delete the statement in the articles of incorporation required by § 4-36-104
14 or § 4-36-105 to be stated in the articles of incorporation of a benefit
15 corporation.

16 (b) To be effective, the amendment shall be adopted by at least the
17 minimum status vote.

18 (c) If a merger or conversion would have the effect of terminating the
19 status of a business corporation as a benefit corporation, to be effective,
20 the merger or conversion shall be approved by at least the minimum status
21 vote.

22 (d) A sale, lease, exchange, or other disposition of all or a
23 substantial part of the assets of a benefit corporation, unless the
24 transaction is in the usual and regular course of business, shall not be
25 effective unless the transaction is approved by at least the minimum status
26 vote.

27
28 Subchapter 2 – Corporate Purposes

29 4-36-201. Corporate purposes.

30 (a) A benefit corporation shall have a purpose of creating a general
31 public benefit and it is in addition to its purpose under § 4-36-103(a)(5).

32 (b)(1) The articles of incorporation of a benefit corporation may
33 identify one (1) or more specific public benefits that it is the purpose of
34 the benefit corporation to pursue in addition to its purposes under § 4-36-
35 103(a)(5) and subsection (a) of this section.

36 (2) The identification of a specific public benefit under this

1 subsection does not limit the obligation of a benefit corporation under
2 subsection (a) of this section.

3 (c) The creation of a general public benefit and a specific public
4 benefit under subsections (a) and (b) of this section is in the best
5 interests of the benefit corporation.

6 (d)(1) A benefit corporation may amend its articles of incorporation
7 to add, amend, or delete the identification of a specific public benefit that
8 it is the purpose of the benefit corporation to pursue.

9 (2) To be effective, the amendment shall be adopted by at least
10 the minimum status vote.

11 (e) A professional corporation that is a benefit corporation does not
12 violate the Arkansas Professional Corporation Act, § 4-29-201 et seq., by
13 having the purpose to pursue a general public benefit or a specific public
14 benefit.

15
16 Subchapter 3 – Accountability

17 4-36-301. Standard of conduct for directors.

18 (a) In discharging the duties of their respective positions and in
19 considering the best interests of the benefit corporation, the board of
20 directors, committees of the board, and individual directors of a benefit
21 corporation:

22 (1) Shall consider the effects of an action or inaction on:

23 (A) The shareholders of the benefit corporation;

24 (B) The employees and work force of the benefit
25 corporation, its subsidiaries, and its suppliers;

26 (C) The interests of customers as beneficiaries of the
27 general public benefit or specific public benefit purposes of the benefit
28 corporation;

29 (D) Community and societal factors, including those of
30 each community in which offices or facilities of the benefit corporation, its
31 subsidiaries, or its suppliers are located;

32 (E) The local and global environment;

33 (F) The short-term and long-term interests of the benefit
34 corporation, including benefits that may accrue to the benefit corporation
35 from its long-term plans and the possibility that these interests may be best
36 served by the continued independence of the benefit corporation; and

1 (G) The ability of the benefit corporation to accomplish
2 its general public benefit purpose and a specific public benefit purpose;

3 (2) May consider other pertinent factors or the interests of a
4 group that they consider appropriate; and

5 (3) Need not give priority to the interests of a particular
6 person or group referred to in subsection (a)(1) or (a)(2) of this section
7 over the interests of *another person* or group unless the benefit corporation
8 has stated in its articles of incorporation its intention to give priority to
9 certain interests related to its accomplishment of its general public benefit
10 purpose or of a specific public benefit purpose identified in its articles of
11 incorporation.

12 (b) The consideration of interests and factors required by subsection
13 (a) of this section does not constitute a violation of § 4-27-801.

14 (c) A director is not personally liable for monetary damages for:

15 (1) Action taken as a director if the director performed the
16 duties of office in compliance with § 4-27-801; or

17 (2) Failure of the benefit corporation to pursue a general
18 public benefit or a specific public benefit.

19 (d) A director does not have a duty to a person that is a beneficiary
20 of a general public benefit purpose or a specific public benefit purpose of a
21 benefit corporation arising from the status of the person as a beneficiary.

22
23 4-36-302. Benefit director.

24 (a) The board of directors of a benefit corporation *may* include a
25 director who:

26 (1) Is designated the benefit director; and

27 (2) Has the powers, duties, rights, and immunities provided in
28 this subchapter in addition to the powers, duties, rights, and immunities of
29 the other directors of the benefit corporation.

30 (b)(1) The benefit director is elected and may be removed under § 4-
31 27-803.

32 (2) The benefit director shall be an independent individual.

33 (c) The benefit director may serve concurrently as the benefit officer
34 and the benefit director.

35 (d) The articles of incorporation or bylaws of a benefit corporation
36 may prescribe additional qualifications of the benefit director not

1 inconsistent with this section.

2 (e) The benefit director shall prepare and the benefit corporation
3 shall include in the annual benefit report to shareholders as required by §
4 4-36-401 the opinion of the benefit director on:

5 (1) If the benefit corporation acted under its general public
6 benefit purpose and a specific public benefit purpose in all material
7 respects during the period covered by the report;

8 (2) If the directors complied with § 4-36-301(a) and the
9 officers complied with § 4-36-303(a); and

10 (3) If the benefit corporation or its directors or officers
11 failed to comply with this section, including a description of the ways in
12 which the benefit corporation or its directors or officers failed to comply.

13 (f) The action or inaction of an individual in the capacity of a
14 benefit director is an action or inaction of that individual in the capacity
15 of a director of the benefit corporation.

16 (g) Regardless of whether the bylaws of a benefit corporation include
17 a provision eliminating or limiting the personal liability of directors
18 authorized by § 4-26-811, a benefit director shall not be personally liable
19 for an act or omission in the capacity of a benefit director unless the act
20 or omission constitutes self dealing, willful misconduct, or a knowing
21 violation of law.

22 (h) The benefit director of a professional corporation does not need
23 to be independent.

24
25 4-36-303. Standard of conduct for officers.

26 (a) An officer of a benefit corporation shall consider the interests
27 and factors described in § 4-36-301 if:

28 (1) The officer has discretion to act with respect to a matter;
29 and

30 (2) It reasonably appears to the officer that the matter may
31 have a material effect on the creation by the benefit corporation of a
32 general public benefit or a specific public benefit identified in the
33 articles of incorporation of the benefit corporation.

34 (b) The consideration of interests and factors described in subsection
35 (a) of this section shall not constitute a violation of § 4-27-841.

36 (c) An officer is not personally liable for monetary damages for:

1 (1) An action or omission as an officer if the officer performed
2 the duties of the position in compliance with § 4-27-841 and this section; or

3 (2) Failure of the benefit corporation to pursue a general
4 public benefit or a specific public benefit.

5 (d) An officer does not have a duty to a person that is a beneficiary
6 of a general public benefit purpose or a specific public benefit purpose of a
7 benefit corporation arising from the status of the person as a beneficiary.

8
9 4-36-304. Benefit officer.

10 (a) A benefit corporation may have an officer designated as the
11 benefit officer.

12 (b) A benefit officer shall have:

13 (1) The powers and duties relating to the purpose of the
14 corporation to pursue a general public benefit or a specific public benefit
15 provided:

16 (A) By the bylaws; or

17 (B) Absent controlling provisions in the bylaws, by
18 resolutions or orders of the board of directors; and

19 (2) The duty to prepare the benefit report required by § 4-36-
20 401.

21
22 4-36-305. Right of action.

23 (a) Except in a benefit enforcement proceeding, a person may not bring
24 an action or assert a claim against a benefit corporation or its directors or
25 officers with respect to:

26 (1) Failure to pursue or create a general public benefit or a
27 specific public benefit stated in its articles of incorporation; or

28 (2) Violation of a duty or standard of conduct under this
29 chapter.

30 (b) A benefit corporation shall not be liable for monetary damages
31 under this chapter for the failure of the benefit corporation to pursue a
32 general public benefit or a specific public benefit.

33 (c) A benefit enforcement proceeding may begin and be maintained only:

34 (1) Directly by the benefit corporation; or

35 (2) Derivatively by:

36 (A) A shareholder;

1 (B) A director;

2 (C) A person or group of persons that owns beneficially or
3 of record five percent (5%) or more of the equity interest in an entity of
4 which the benefit corporation is a subsidiary at the time of the action or
5 inaction complained of; or

6 (D) Other persons as named in the articles of
7 incorporation or bylaws of the benefit corporation.

8
9 Subchapter 4 – Transparency

10 4-36-401. Annual benefit report.

11 (a) A benefit corporation shall prepare an annual benefit report
12 including:

13 (1) A narrative description of:

14 (A) The ways in which the benefit corporation pursued the
15 general public benefit during the year and the extent to which the general
16 public benefit was pursued;

17 (B) Both:

18 (i) The ways in which the benefit corporation
19 pursued a specific public benefit that the articles of incorporation state is
20 the purpose of the benefit corporation to pursue; and

21 (ii) The extent to which that specific public
22 benefit was pursued;

23 (C) Circumstances that have hindered the creation by the
24 benefit corporation of a general public benefit or a specific public benefit;
25 and

26 (D) The process and rationale for selecting or changing
27 the third-party standard used to prepare the benefit report;

28 (2)(A) An assessment of the overall social and environmental
29 performance of the benefit corporation against a third-party standard:

30 (i) Applied consistently with an application of that
31 standard in earlier benefit reports; or

32 (ii) Accompanied by an explanation of the reasons
33 for an inconsistent application.

34 (B) The assessment does not need to be performed ,
35 audited, or certified by a third-party standards provider;

36 (3) The name of the benefit director and the benefit officer and

1 the address to which correspondence to each of them may be directed;

2 (4) The compensation paid by the benefit corporation during the
3 year to each director for serving in the capacity of a director;

4 (5) The statement of the benefit director described in § 4-36-
5 302; and

6 (6) A statement of the connection between the organization that
7 established the third-party standard or its directors, officers, or a holder
8 of five percent (5%) or more of the governance interests in the organization,
9 and the benefit corporation or its directors, officers, or a holder of five
10 percent (5%) or more of the outstanding shares of the benefit corporation,
11 including a financial or governance relationship that may materially affect
12 the credibility of the use of the third-party standard.

13 (b) A benefit corporation shall send a benefit report to each
14 shareholder annually:

15 (1) Within one hundred twenty (120) days after the end of the
16 fiscal year of the benefit corporation; or

17 (2) When the benefit corporation delivers an annual financial
18 report to its shareholders.

19 (c)(1) A benefit corporation shall post all of its benefit reports on
20 the public part of its Internet website.

21 (2) The compensation paid to a director and a financial or
22 proprietary informationist included in the benefit reports may be omitted
23 from the benefit reports as posted.

24 (d)(1) If a benefit corporation does not have a website, the benefit
25 corporation shall provide a copy of its most recent benefit report, without
26 charge, to a person who requests a copy.

27 (2) The compensation paid to directors and financial or
28 proprietary informationist included in the benefit report may be omitted from
29 the copy of the benefit report provided.

30 (e)(1) Concurrently with the delivery of the benefit report to
31 shareholders under subsection (b) of this section, the benefit corporation
32 shall deliver a copy of the benefit report to the Secretary of State for
33 filing.

34 (2) The compensation paid to directors and financial or
35 proprietary informationist included in the benefit report may be omitted from
36 the benefit report as delivered to the Secretary of State.

