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Senate Bill 21 Sponsor Testimony
Senate Judiciary Committee
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Chairman Eklund, Vice Chair Manning, Ranking Member Thomas, members of the Judiciary Committee, thank you for the opportunity to provide sponsor testimony on Senate Bill 21. This bill would allow a for profit corporation to file articles of incorporation to be classified as a benefit corporation.

A benefit corporation is a for-profit corporation that is authorized by specific provision in its organizational documents to pursue one or more beneficial purposes in addition to the other legal purposes for which for-profit corporations may be formed. Benefit corporations do not receive any special government incentives to operate for a beneficial purpose (e.g., special tax treatment) and are subject to all the other requirements and limitations imposed by Ohio law on for-profit corporations. Benefit corporations can be of any size and operate in any business.

A beneficial purpose can be any purpose that has beneficial effects on persons, entities, communities, or interests, other than shareholders in their capacity as shareholders, including effects of an artistic, charitable, cultural, economic, educational, environmental, literary, medical, religious, scientific, or technological nature. Under the proposal, benefit corporations and their directors are protected from liability to beneficiaries of a beneficial purpose and specifically owe no duty to such beneficiaries.

As of September 2015, 31 states have adopted amendments to their respective corporation laws to provide for the creation of benefit corporations. Fourteen other states are actively considering adopting benefit corporation legislation.

Ohio's proposed legislation differs from that adopted in some other states due to its flexibility. Some state laws require each benefit corporation to produce an annual public benefit report prepared against a third-party standard that describes how and to what extent the corporation has accomplished its beneficial purpose. This legislation gives shareholders the flexibility to

determine what, if any, public reporting would be required. For example, the owners of a corner grocery store that operates for a profit may also approve cancer research as a beneficial purpose without being required to report publicly. However, a company wishing to attract investors who make investment decisions based on a beneficial purpose can provide for public reporting and auditing of the report. In either circumstance, benefit corporations would still be required to produce annual financial statements (as required by O.R.C. §1701.38) for shareholders, and shareholders would still be entitled to examine the books and records of the corporation (as provided for in §1701.37(C)).

The type of investor and the type of investment is changing. The new generation of investment wants to provide capital for corporations that combine a for-profit mentality while promoting a civic responsibility to the community. The successful passage of this legislation will open Ohio Corporations to potentially millions of dollars of outside investment.

Very simply, SB 21 amends Ohio Corporation law, as contained in ORC §1701 providing for a new form of for profit corporation, a benefit corporation, affording the corporation and its directors protection against liability to shareholders relating to the corporation's pursuit of a beneficial purpose.

Thank you, Chairman Eklund and members of the committee, for allowing me to speak to this legislation. I would be happy to answer any questions at this time.