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MEMORANDUM

TO: All House Members

FROM: Representative Michael F. Gerber *MFG*

DATE: December 22, 2010

SUBJECT: Co-sponsorship: Benefit Class Corporations

In the near future I plan to offer legislation to create a new class of corporation in Pennsylvania called a Benefit Corporation.

This new class allows corporations to serve a public purpose by voluntarily adopting transparency and accountability requirements. A Benefit Corporation election would redefine the fiduciary duty of the directors, permitting them to take non-financial interests into consideration when making decisions for the corporation.

As you may know, current law does not allow any corporations to take non-monetary benefits into account when making corporate decisions. They must legally maximize their shareholder profit and defend their decisions against only that measure or risk a derivative suit filed by shareholders. Conversely, Benefit Corporations can choose to expand their responsibilities to create a positive social and environmental impact and would not be held liable for any adverse effect on the bottom line, allowing businesses and their shareholders to decide how they want to run their companies. My proposal would ensure that full disclosure is provided to investors, so that they are fully aware of the unique nature of a Benefits Corporation prior to investing.

My legislation purposely does not define "public benefit," permitting companies to further their own philosophies and allowing investors to make their own decisions about what sorts of "public benefits" they wish to invest in. Additionally, the process of becoming a Benefit Corporation is entirely voluntary and based on shareholder desire. The changes required to the governing documents establish a benefit director and require yearly disclosure to shareholders of the public benefit efforts the company has undertaken, ensuring that this new class of corporation aligns transparency and accountability with its expanded purpose.

If you would like to co-sponsor this legislation, please contact Melanie 717.787.9475 or mabrown@pahouse.net.