

THE FLORIDA SENATE
2014 SUMMARY OF LEGISLATION PASSED
Committee on Commerce and Tourism

CS/CS/HB 685 — Business Organizations

by Judiciary Committee; Civil Justice Subcommittee; and Reps. Rooney, Workman, and others (CS/CS/SB 654 by Judiciary Committee; Commerce and Tourism Committee; and Senators Clemens and Richter)

This bill amends the Florida Business Corporation Act to allow for the creation of two new forms of corporate enterprise: the social purpose corporation and the benefit corporation. These new entities will allow businesses to engage in societal benefit programs that may not involve or satisfy the traditional corporate norm of profit maximization. Key elements of the social purpose corporation and the benefit corporation are:

- A social purpose corporation must pursue one or more narrowly identified public benefits.
- A benefit corporation must pursue a general public benefit, which is a broad purpose intended to encompass a broad range of social and environmental factors that are affected by the corporation.
- The corporation's directors and officers are required to consider the effects of any corporate action or inaction upon the benefit goals of the corporation.
- Like directors and officers of all corporations, the new entities' directors and officers are immune from personal liability for failure to pursue or achieve the corporation's benefit goals, but they are subject to duty of care and fiduciary principles applicable to all corporate directors and officers.
- Benefit enforcement judicial proceedings may be brought by a shareholder or certain individuals for claims that the directors or officers have failed to satisfy their obligations in making corporate decisions. Such proceedings are analogous to a shareholder derivative action and allow shareholders to hold a social purpose corporation or benefit corporation accountable to its required public benefit.
- The corporation must provide an annual benefit report to all its shareholders describing and assessing the corporation's efforts during the year to achieve the corporation's benefit goals.

Additionally, the bill specifies which differences in the name of certain business entities are not considered distinguishable and thus are not sufficiently distinguishable from the names of other business entities. The bill also provides that the business name distinguishability requirement does not require business entity names to be distinguishable from the name of any general partnership registration or limited liability partnership statement filed with the Florida Department of State.

If approved by the Governor, these provisions take effect July 1, 2014.

Vote: Senate 38-0; House 113-0