



## Flexible Purpose Corporation

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There is a [great proposal](#) in the California legislature which would allow for the formation of a “flexible purpose corporation”. This is [Senate Bill number 201](#) for those who keep track of these things. Think of the Flexible Purpose Corporation as profits with a purpose.

Stated simply, this bill will permit a corporation through its boards of directors to engage in one or more charitable or public purpose activities, in addition to creating economic value for shareholders.

Specifically, a flexible purpose corporation is a business corporation that is required to include one or more of the following special purposes in its articles of incorporation:

- One or more charitable or public purpose activities that a nonprofit public benefit corporation is authorized to carry out.
- The purpose of promoting positive short-term or long-term effects of, or minimizing adverse short-term or long-term effects of, the flexible purpose corporation’s activities upon any of the following:
  - The flexible purpose corporation’s employees, suppliers, customers, and creditors.
  - The community and society.
  - The environment.

For example, a company may consider more than just the monetary return on investment for stockholders, the company may also consider the impact its business has on employees, suppliers, customers, the community, the environment and society as a whole.

The bill was approved by the California Senate by a vote of 37-1. and it now moves to the assembly. The only dissenting voice was [Tom Harman](#) (R- Huntington Beach), and I have asked his office via email to provide some understanding of why he opposed this bill. I will note that my local California Senator [Mark Leno](#) voted for the legislation. Go Mark!



I think that this bill is one that is easy and important for California to jump to the front of the pack on. I recently was on a charity flight and sat next to Lieutenant Governor Gavin Newsom, and I actually brought up this bill with him. There are several other states which permit this type of entity, and this is a zero cost

enactment. Newsom agreed that at its core is so very “California” and something the California legislature should be encouraging. I hope his office helps to move this through in the State Assembly.

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