

New Form Of Corporate Entity Approved In California: Meet The Benefit Corporation

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Governor Brown recently signed [AB 361](#) which authorizes the creation of a new form of corporate entity in California known as a benefit corporation. Previously general corporations and non-profit companies represented the two ends of the corporate spectrum, with general corporations acting as for-profit enterprises answerable to shareholders, and non-profits created for public benefit, mutual benefit or religious purposes.

The new benefit corporation, organized under the general corporations law, would be a for-profit company but one formed for the purpose of creating general public benefit. "General public benefit means a material positive impact on society and the environment." Cal. Corp. Code 14600(c)

Benefit corporations may also specify a specific public benefit in their articles of incorporation. Section 14600(e) of the Corporations Code states that a specific public benefits can include:

- (1) Providing low-income or underserved individuals or communities with beneficial products or services
- (2) Promoting economic opportunity for individuals or communities beyond the creation of jobs in the ordinary course of business
- (3) Preserving the environment
- (4) Improving human health
- (5) Promoting the arts, sciences, or advancement of knowledge
- (6) Increasing the flow of capital to entities with a public benefit purpose
- (7) The accomplishment of any other particular benefit for society

Due to the nature of benefit corporations, directors of such companies have a duty to consider the impact of any decision not only on shareholders but, among other things, on employees, customers, the community and the environment. Cal. Corp. Code 14620(b)

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