

PUBLICATION

Tennessee Benefit Corporation Statute

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Governor Haslam recently signed into law the "For-Profit Benefit Corporation Act" (the FPBCA), which has now been assigned Public Chapter No. 497. The FPBCA will take effect on January 1, 2016 and will allow for-profit corporations to adopt one or more specific "public benefits" as a formal part of their corporate structure. A public benefit means a positive effect or reduction of negative effects on one or more categories of persons, entities, communities or interests, other than shareholders in their capacities as shareholders. Directors of a for-profit benefit corporation are expressly permitted to consider the effects of any decision on the interests of those materially affected by the corporation's conduct, including the financial interests of shareholders, and the corporation's stated public benefits.

In order to form a Tennessee for-profit benefit corporation, the corporation's charter must state that it is a for-profit benefit corporation and include within the charter one or more public benefits to be pursued by the corporation. An existing Tennessee corporation desiring to become a for-profit benefit corporation may amend its charter to include these provisions with the approval of two-thirds of the outstanding shares of each class of the stock of the corporation.

For-profit benefit corporations must abide by a number of additional requirements. For example, no later than four months after the close of the corporation's fiscal year, the corporation must deliver an annual benefit report containing a narrative description of (1) the ways in which the corporation pursued the public benefits stated in its charter, (2) the extent to which the public benefit purposes were pursued and achieved and (3) any material circumstances that hindered efforts to pursue or achieve the public benefits. The corporation is required to post its annual benefit reports on the public portion of its website, or to provide a copy of its most recent report to any person who requests a copy. Although the charter may require that the corporation obtain a third-party certification (such as the B Corp certification offered by B Lab) addressing the corporation's promotion of the stated public benefits, such certification is not required.

[Chris Sloan](#), chair of Baker Donelson's Emerging Companies Team, served as an advisor to the Nashville Area Chamber of Commerce, which supported the bill, and worked in collaboration with the Tennessee Bar Association on drafting the final legislation. For questions about Tennessee For-Profit Benefit Corporation Act, please contact Chris or other members of the [Emerging Companies Team](#) for more information.