



California Corporate & Securities Law

The Flexible Purpose Corporation – Can It Serve Two Masters?

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Last year, the Senator [Mark DeSaulnier](#) introduced SB 1463 to provide for an entirely new form of entity – the flexible purpose corporation. SB 1463 did not move forward and died at the end of the 2009–2010 legislative biennium. With the deadline for new bill introductions quickly approaching (February 18), Senator DeSaulnier has introduced a new bill [SB 201](#) to authorize and regulate the formation and operation flexible purpose corporations.

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.

The basic concept is to allow for the formation of a business entity that allows directors to pursue profitability and a special purpose.

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