Rockridge Practical Observations

Shot of Jack, 14 ice cubes please. Tennessee's statute is a watered-down version of the **Model Benefit Corporation Legislation (MBCL)** that's been adopted in other states. Tennessee's statute is even less stringent than Georgia's recently adopted law. From the "for-profit" designation, to the broad categories of beneficiaries, to the voluntary auditing, to the forgivability of directors for not complying with the statute, it is clear that Tennessee's law is designed to not to address shareholder primacy or encourage triple-bottom line business, but to encourage socially engaged corporate behaviors. While this is laudable, it is not necessarily the same thing as endorsing stakeholder inclusion.

Top 1% is good, sort of. The MBCL includes a comprehensive definition of the third-party standard that a Benefit Corporation should use in evaluation its annual efforts in furtherance of its general and specific public benefits. This definition accounts for credibility, robustness, and transparency. Tennessee has no statutory requirement for auditors, and the transparency requirement is not monitored. When Rockridge® analyzed the list of Tennessee Benefit Corporations back in 2020 for satisfaction of the publication requirement, we found around 1% compliance. Consequently, we're concerned that many Tennessee Benefit Corporations are not operating in ways that would overcome the Tennessee corporate common law and buy them protection if actually challenged in derivative proceedings.