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**Testimony of  
John H. Lawrence, Jr.  
Chair of the Business Law Section  
of the Connecticut Bar Association**

**In Support**

**Governor's Bill No. 6356,  
AAC Benefit Corporations and Encouraging Social Enterprise**

**Commerce Committee  
February 28, 2013**

Senator Lebeau, Representative Perone and members of the Commerce Committee, thank you for the opportunity to appear before the Committee to comment on Governor's Bill 6356, An Act Concerning Benefit Corporations and Encouraging Social Enterprise.

My name is John H. Lawrence, Jr. I am a partner at Shipman & Goodwin in Hartford practicing in the areas of business and corporate law. I am the Chair of the Business Law Section of the Connecticut Bar Association (CBA). The Business Law Section includes over 600 Connecticut attorneys interested in business and corporate law issues.

The CBA Business Law Section supports Governor's Bill 6356.

During the 2012 legislative session, the Business Law Section opposed the passage of Raised Bill 5466 (Social Enterprise Businesses), Raised Bill 5490 (Benefit Corporations) and Senate Bill 403 (Low-Profit Limited Liability Companies), all of which were aimed at fostering the use of business corporations and limited liability companies to create social benefits and improve society. Until recently, these matters were the exclusive domain of charitable and religious organizations, but now businesses like Ben & Jerry's, Patagonia and Newman's Own have begun to promote social and environmental goals as well as business objectives. The Connecticut Bar Association supported the overall concepts underlying these bills but opposed the specific bills on the grounds that they contained a number of impractical provisions that would limit their usefulness and they created liability risks that would discourage individuals from serving on the governing boards of such organizations. Moreover, the bills, as drafted, did not adequately protect the rights of minority owners in the event of a conversion to a benefit corporation or a social enterprise business after its inception. Representatives of the Business Law Section testified in opposition to these bills and met

with legislators to explain our opposition. None of these bills was passed in the 2012 session.

Since the end of the 2012 session, the Section has worked with the proponents of this legislation, principally B Lab and ReSET, to draft a Benefit Corporation bill to be introduced in this legislative session which addresses the technical defects and other shortcomings of the bills introduced in the last session. Our work is reflected in the Governor's bill and we have recommended some changes to the Governor's bill that would bring it into closer conformity with the Model Act.

The major characteristics of a benefit corporation are: (1) a requirement that a benefit corporation must have a corporate purpose to create a material positive impact on society and the environment in addition to making a profit; (2) an expansion of the duties of directors to require consideration of nonfinancial stakeholders as well as the financial interests of shareholders; and (3) an obligation to report on its overall social and environmental performance using an independent third-party standard. The provisions of the Governor's Bill would be available to any business corporation which was either formed as a benefit corporation or to become a benefit corporation by a vote of two-thirds of the voting power of the corporation. A benefit corporation would generally be governed by the Connecticut Business Corporation Act ("CBCA") but would be subject to the specific requirements of the Benefit Corporation Act unless the corporation terminated its benefit corporation election by a vote of two-thirds of the voting power of the corporation. Similar statutes have been adopted in twelve states, including California, Massachusetts and New York.

We believe that it is important to foster the concept of social entrepreneurship in Connecticut and eliminate any barriers, legal or otherwise, for a business corporation to pursue general or specific social benefits. The members of the Business Law Section believe that it is also important that benefit corporation legislation in Connecticut follow the general approach of the Model Act, in both structure and language, so that Connecticut lawyers who are advising their clients as to choice of entity and drafting the organizational documents have the benefit of judicial decisions and scholarship in other states which have adopted the Model Act. The more certainty and predictability there is around a new concept like a benefit corporation the more comfortable lawyers will feel in recommending this vehicle to their clients, and thus the more wide spread its use will be. Accordingly, we are working with the Governor's Office to ensure that the bill generally follows the approach of the Model Act and meshes well with the Connecticut Business Corporation Act.

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Thank you for the opportunity to appear before the Committee. I appreciate your attention and would be pleased to answer any questions that you may have.