

**TESTIMONY OF
THE CONNECTICUT BUSINESS AND INDUSTRY ASSOCIATION, INC.
PRESENTED BY ERIC J. GEORGE, ESQ.
BEFORE THE COMMERCE COMMITTEE
ON FEBRUARY 27, 2014**

The Connecticut Business and Industry Association, Inc. (CBIA) strongly endorses public policies that help make Connecticut a place where investors and entrepreneurs want to invest and create jobs. With that, CBIA supports SB 23, AN ACT CONCERNING BENEFIT CORPORATIONS AND ENCOURAGING SOCIAL ENTERPRISE, with only one caveat regarding the "legacy preservation" provision of the bill.

Under SB-23, organizers would be able to elect the Benefit Corporation as their method of incorporation for their business. This new corporate form would not receive any advantage not otherwise afforded to other for-profit business entities (tax, legal or otherwise).

The most notable difference between these Benefit Corporations and other for-profit businesses is that they would have to identify, and fulfill, a social benefit of their choosing that meets the standards as delineated in the bill. Moreover, if the Benefit Corporation fails to fulfill its social mission, the shareholders of that Benefit Corporation could go to court to force the company to fulfill its social mission.

These new corporate forms have become quite popular as of late, with twenty states adopting them and nearly 600 such companies being organized across the country. Young, financially able, investors have begun to seek out states that allow for the creation of Benefit Corporations so that they can invest in them.

Proponents of the initiative say that SB 23 would spur small business growth and bring new jobs to Connecticut. While time will tell if these hopes come to fruition, there doesn't appear to be any notable downside to the creation of Benefit Corporations. In fact, with socially-minded investors actively seeking states where Benefit Corporations are permissible, passage of SB 23 could make our state more attractive to such investment.

SB 23 also contains an optional "legacy preservation" provision. This provision states that if a Benefit Corporation so elects, it can preserve its social mission into perpetuity by stating that the social mission may not be changed. While CBIA supports the majority of the bill, we do have reservations and concerns over this legacy preservation provision.

In summation, CBIA supports SB 23 as a way to make Connecticut uniquely attractive to these investors and organizations. However, we do have concerns and reservations with the legacy preservation provision.