



General Assembly

February Session, 2014

**Governor's Bill No. 23**

LCO No. 521



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Referred to Committee on COMMERCE

Introduced by:

SEN. WILLIAMS, 29<sup>th</sup> Dist.

SEN. LOONEY, 11<sup>th</sup> Dist.

REP. SHARKEY, 88<sup>th</sup> Dist.

REP. ARESIMOWICZ, 30<sup>th</sup> Dist.

***AN ACT CONCERNING BENEFIT CORPORATIONS AND  
ENCOURAGING SOCIAL ENTERPRISE.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2014*) Sections 1 to 15,  
2 inclusive, of this act shall be known and may be cited as the  
3 "Connecticut Benefit Corporation Act".

4 Sec. 2. (NEW) (*Effective October 1, 2014*) As used in this section and  
5 sections 3 to 15, inclusive, of this act:

6 (1) "Benefit corporation" means a business corporation (A) that has  
7 elected to become subject to the provisions of sections 3 to 15,  
8 inclusive, of this act, and (B) whose status as a benefit corporation has  
9 not been terminated pursuant to section 7 of this act.

10 (2) "Benefit director" means either (A) the director designated as the

11 benefit director of a benefit corporation pursuant to section 10 of this  
12 act, or (B) a person with one or more of the powers, duties or rights of  
13 a benefit director under section 10 of this act to the extent that such  
14 person has been granted all or part of the authority to manage the  
15 business and affairs of the corporation by a shareholder agreement that  
16 complies with section 33-717 of the general statutes.

17 (3) "Benefit enforcement proceeding" means any claim or action for  
18 (A) the failure of a benefit corporation to pursue or create a general  
19 public benefit or any specific public benefit purpose set forth in its  
20 certificate of incorporation, or (B) the violation of any obligation, duty  
21 or standard of conduct under sections 3 to 15, inclusive, of this act.

22 (4) "Benefit officer" means the individual designated as the benefit  
23 officer of a benefit corporation pursuant to section 12 of this act.

24 (5) "Business corporation" means a corporation whose internal  
25 affairs are governed by chapter 601 of the general statutes.

26 (6) "Charitable organization" means any organization that is exempt  
27 from federal income tax under Section 501(a) of the Internal Revenue  
28 Code of 1986, or any subsequent corresponding internal revenue code  
29 of the United States, as amended from time to time, and that the  
30 United States Treasury Department has expressly determined, by  
31 letter, to be an organization that is described in Section 501(c)(3) of said  
32 Internal Revenue Code.

33 (7) "General public benefit" means a material positive impact on  
34 society and the environment, taken as a whole, as assessed against a  
35 third-party standard, from the business and operations of a benefit  
36 corporation.

37 (8) "Independent" means having no material relationship with a  
38 benefit corporation or a subsidiary of the benefit corporation, provided  
39 a person who serves as a benefit director or benefit officer does not  
40 lack independence solely by serving in such capacity.

41 (9) "Legacy preservation provision" means a provision in the  
42 certificate of incorporation adopted in accordance with section 6 of this  
43 act.

44 (10) "Material relationship" means a relationship between a person  
45 and a benefit corporation or any of its subsidiaries if any of the  
46 following apply: (A) The person is, or has been within the last three  
47 years, an employee other than a benefit officer of the benefit  
48 corporation or a subsidiary; (B) an immediate family member of the  
49 person is, or has been within the last three years, an executive officer  
50 other than a benefit officer of the benefit corporation or a subsidiary; or  
51 (C) there is beneficial or record ownership of five per cent or more of  
52 the outstanding shares of the benefit corporation, calculated on the  
53 assumption that all outstanding rights to acquire shares in the benefit  
54 corporation had been exercised, by (i) the person, or (ii) an entity (I) of  
55 which the person is a director, an officer or a manager; or (II) in which  
56 the person owns beneficially or of record five per cent or more of the  
57 outstanding equity interests, calculated on the assumption that all  
58 outstanding rights to acquire equity interests in the entity had been  
59 exercised.

60 (11) "Minimum status vote" means (A) in the case of a business  
61 corporation, in addition to any other required approval or vote, the  
62 satisfaction of the following conditions: (i) The shareholders of every  
63 class or series shall be entitled to vote as a separate voting group on  
64 the corporate action regardless of a limitation stated in the certificate of  
65 incorporation or bylaws on the voting rights of any class or series; and  
66 (ii) the corporate action is approved by the vote of shareholders of each  
67 class or series entitled to cast at least two-thirds of the votes that  
68 shareholders of the class or series are entitled to cast on the action; and  
69 (B) in the case of a domestic entity other than a business corporation, in  
70 addition to any other required approval, vote or consent, the  
71 satisfaction of the following conditions: (i) The holders of each class or  
72 series of equity interest in the entity that are entitled to receive a  
73 distribution of any kind from the entity shall be entitled to vote on or

74 consent to the action regardless of any otherwise applicable limitation  
75 on the voting or consent rights of any such class or series; and (ii) the  
76 action is approved by the vote or written consent of the holders  
77 described in subparagraph (B)(i) of this subdivision entitled to cast at  
78 least two-thirds of the votes that all of those holders are entitled to cast  
79 on the action.

80 (12) "Publicly traded corporation" means a business corporation that  
81 has shares listed on a national securities exchange or traded in a  
82 market maintained by one or more members of a national securities  
83 association.

84 (13) "Specific public benefit" includes: (A) Providing low-income or  
85 underserved individuals or communities with beneficial products or  
86 services; (B) promoting economic opportunity for individuals or  
87 communities beyond the creation of jobs in the normal course of  
88 business; (C) protecting or restoring the environment; (D) improving  
89 human health; (E) promoting the arts, sciences or advancement of  
90 knowledge; (F) increasing the flow of capital to other benefit  
91 corporations or similar entities whose purpose is to benefit society or  
92 the environment; and (G) conferring any other particular benefit on  
93 society or the environment.

94 (14) "Subsidiary" means, in relation to a person, an entity in which  
95 the person owns beneficially or of record fifty per cent or more of the  
96 outstanding equity interests.

97 (15) "Third-party standard" means a recognized standard for  
98 defining, reporting and assessing corporate social and environmental  
99 performance that: (A) Assesses the effect of its business and operations  
100 upon the interests listed in subparagraphs (B), (C), (D) and (E) of  
101 subdivision (1) of subsection (a) of section 9 of this act; (B) is developed  
102 by an entity that is independent; and (C) makes publicly available the  
103 following information about the development and revision of the  
104 standard: (i) The identity of the directors, officers, material owners,

105 and the governing body of the entity that developed and controls  
106 revisions to the standard; (ii) the process by which revisions to the  
107 standard and changes to the membership of the governing body are  
108 made; and (iii) an accounting of the revenue and sources of financial  
109 support for such entity, with sufficient detail to disclose any  
110 relationships that could reasonably be considered to present a  
111 potential conflict of interest.

112 Sec. 3. (NEW) (*Effective October 1, 2014*) (a) The provisions of this  
113 section and sections 4 to 15, inclusive, of this act shall be applicable to  
114 all benefit corporations.

115 (b) The provisions of this section and sections 4 to 15, inclusive, of  
116 this act shall not create an implication that a contrary or different rule  
117 of law is applicable to a business corporation that is not a benefit  
118 corporation. The provisions of this section and sections 4 to 15,  
119 inclusive, of this act shall not affect a statute or rule of law that is  
120 applicable to a business corporation that is not a benefit corporation.

121 (c) Except as otherwise provided in this section and sections 4 to 15,  
122 inclusive, of this act, the provisions of chapter 601 of the general  
123 statutes shall be generally applicable to all benefit corporations. The  
124 specific provisions of this section and sections 4 to 15, inclusive, of this  
125 act shall control over the general provisions of chapter 601 of the  
126 general statutes.

127 (d) A provision of the certificate of incorporation or bylaws of a  
128 benefit corporation may not limit, be inconsistent with, or supersede a  
129 provision of this section or sections 4 to 15, inclusive, of this act.

130 (e) Nothing in this section or sections 4 to 15, inclusive, of this act  
131 shall (1) be construed as creating or granting to any person any  
132 contractual right to, or proprietary interest in, the income or assets of a  
133 benefit corporation by virtue of the fact that he or she may directly or  
134 indirectly benefit from the general public benefit or any specific public  
135 benefit of a benefit corporation, (2) be construed as imposing or

136 creating a charitable use, interest or restriction on any property or  
137 assets of a benefit corporation, or (3) deprive the Attorney General of  
138 jurisdiction over a benefit corporation under any other applicable law.

139 Sec. 4. (NEW) (*Effective October 1, 2014*) A benefit corporation shall  
140 be incorporated in accordance with the provisions of chapter 601 of the  
141 general statutes by filing a certificate of incorporation with the office of  
142 the Secretary of the State that states that the corporation is a benefit  
143 corporation.

144 Sec. 5. (NEW) (*Effective October 1, 2014*) (a) A business corporation  
145 that is not a benefit corporation may elect to become a benefit  
146 corporation by amending its certificate of incorporation to contain, in  
147 addition to matters required by section 33-636 of the general statutes, a  
148 statement that the corporation is a benefit corporation. Any such  
149 amendment to the certificate of incorporation shall be approved by a  
150 minimum status vote.

151 (b) If an entity that is not a benefit corporation is a party to (1) a  
152 merger in which (A) the surviving entity will be a benefit corporation,  
153 or (B) shares or other equity interests in such entity will be converted  
154 into a right to receive shares of a benefit corporation, or (2) a share  
155 exchange with a benefit corporation in which the shares or other  
156 equity interests of the entity will be exchanged for shares of a benefit  
157 corporation, the plan of merger or share exchange shall be approved  
158 by a minimum status vote. If an entity other than a business  
159 corporation is a party to any such transaction and a minimum status  
160 vote by the equity owners of such entity is required for approval of the  
161 transaction, the equity owners of such entity shall be entitled to  
162 appraisal rights under the procedures set forth in chapter 601 of the  
163 general statutes as if the entity were a business corporation.

164 Sec. 6. (NEW) (*Effective October 1, 2014*) (a) A benefit corporation  
165 may, not earlier than twenty-four months after the date that it became  
166 a benefit corporation, enact a legacy preservation provision by

167 amending its certificate of incorporation to contain a statement that the  
168 corporation is subject to a legacy preservation provision. Any such  
169 amendment shall be adopted in accordance with the procedures set  
170 forth in chapter 601 of the general statutes and shall be approved by  
171 the unanimous vote or written consent of the shareholders of every  
172 class or series, regardless of any limitation stated in the certificate of  
173 incorporation or bylaws on the voting rights of any such class or series.

174 (b) A dissolved benefit corporation that has adopted a legacy  
175 preservation provision shall distribute its remaining property only to  
176 one or more (1) charitable organizations, or (2) other benefit  
177 corporations that have enacted a legacy preservation provision.

178 Sec. 7. (NEW) (*Effective October 1, 2014*) (a) Except for a benefit  
179 corporation that enacts a legacy preservation provision, a benefit  
180 corporation may terminate its status as such and cease to be subject to  
181 the provisions of sections 3 to 15, inclusive, of this act by amending its  
182 certificate of incorporation to delete any provision stating that such  
183 corporation is a benefit corporation. Any such amendment shall be  
184 approved by a minimum status vote.

185 (b) Except for a benefit corporation that enacts a legacy preservation  
186 provision, if a benefit corporation is a party to (1) a merger in which  
187 (A) the surviving entity will not be a benefit corporation, or (B) shares  
188 of such benefit corporation will be converted into a right to receive  
189 shares or other equity interests of an entity that is not a benefit  
190 corporation, or (2) a share exchange in which the shares of the benefit  
191 corporation will be exchanged for shares or other equity interests of an  
192 entity that is not a benefit corporation, the plan of merger or share  
193 exchange shall be approved by a minimum status vote.

194 (c) A benefit corporation that enacts a legacy preservation provision  
195 may only be a party to (1) a merger in which (A) the surviving entity  
196 will be a benefit corporation that has adopted a legacy preservation  
197 provision, or (B) shares of such benefit corporation will be converted

198 into a right to receive shares of a benefit corporation that has adopted a  
199 legacy preservation provision, or (2) a share exchange in which the  
200 shares of the benefit corporation will be exchanged for shares of a  
201 benefit corporation that has adopted a legacy preservation provision,  
202 and such merger or share exchange is approved by a minimum status  
203 vote.

204 (d) Except for a benefit corporation that enacts a legacy preservation  
205 provision, any sale, lease, exchange or other disposition of assets of a  
206 benefit corporation, other than a disposition described in section 33-  
207 830 of the general statutes, that would leave the benefit corporation  
208 without a significant continuing business activity shall be approved by  
209 a minimum status vote. A benefit corporation that enacts a legacy  
210 preservation provision shall not enter into a sale, lease, exchange or  
211 other disposition of its assets, other than a disposition described in  
212 section 33-830 of the general statutes, unless the disposition is to one or  
213 more (1) charitable organizations, or (2) other benefit corporations that  
214 have enacted legacy preservation provisions, and such disposition is  
215 approved by a minimum status vote.

216 Sec. 8. (NEW) (*Effective October 1, 2014*) (a) A benefit corporation  
217 shall have a purpose of creating a general public benefit. Such purpose  
218 shall be in addition to any purpose under chapter 601 of the general  
219 statutes.

220 (b) The certificate of incorporation of a benefit corporation may  
221 identify one or more specific public benefits as a purpose for such  
222 benefit corporation to create in addition to any purpose under chapter  
223 601 of the general statutes and subsection (a) of this section. The  
224 identification of a specific public benefit under this subsection shall not  
225 limit the obligation of a benefit corporation under subsection (a) of this  
226 section.

227 (c) The creation of a general public benefit and any specific public  
228 benefit under subsections (a) and (b) of this section is in the best



229 interests of the benefit corporation.

230 (d) A benefit corporation may amend its certificate of incorporation  
231 to add, amend or delete the identification of a specific public benefit  
232 that it is the purpose of the benefit corporation to create. Any such  
233 amendment shall be adopted by a minimum status vote.

234 Sec. 9. (NEW) (*Effective October 1, 2014*) (a) In discharging the duties  
235 of their respective positions and considering the best interests of the  
236 benefit corporation, the board of directors, any committee of the board  
237 and the individual directors of the benefit corporation:

238 (1) Shall consider the effects of any corporate action or inaction  
239 upon:

240 (A) The shareholders of the benefit corporation;

241 (B) The employees and workforce of the benefit corporation, its  
242 subsidiaries and its suppliers;

243 (C) The interests of the customers of the benefit corporation as  
244 beneficiaries of the general public benefit purpose and any specific  
245 public benefit purpose of the benefit corporation;

246 (D) Community and societal factors, including those of each  
247 community in which offices or facilities of the benefit corporation, its  
248 subsidiaries or its suppliers are located;

249 (E) The local and global environment;

250 (F) The short-term and long-term interests of the benefit  
251 corporation, including benefits that may accrue to the benefit  
252 corporation from such corporation's long-term plans and the  
253 possibility that such interests may be best served by the continued  
254 independence of the benefit corporation; and

255 (G) The ability of the benefit corporation to accomplish its general

256 public benefit purpose and any specific public benefit purpose;

257 (2) May consider (A) in the circumstances described in subsection  
258 (d) of section 33-756 of the general statutes, the interests referred to in  
259 said subsection, and (B) other pertinent factors or the interests of any  
260 other group that the board of directors, any committee of the board  
261 and the directors of the benefit corporation deem appropriate; and

262 (3) Need not give priority to the interests of a particular person or  
263 group referred to in subdivision (1) or (2) of this subsection over the  
264 interests of any other person or group unless the certificate of  
265 incorporation for such benefit corporation states an intention to give  
266 priority to certain interests related to the accomplishment of the  
267 corporation's general public benefit purpose or of a specific public  
268 benefit purpose identified in the corporation's certificate of  
269 incorporation.

270 (b) The consideration of interests and factors in the manner required  
271 by subsection (a) of this section (1) shall not constitute a violation of  
272 section 33-756 of the general statutes, and (2) is in addition to the  
273 power of directors to consider the interests and factors listed in  
274 subsection (d) of section 33-756 of the general statutes in the  
275 circumstances described in said subsection.

276 (c) A director shall not be personally liable for (1) any act or  
277 omission in the course of performing the duties of a director under  
278 subsection (a) of this section if the director performed the duties of the  
279 position in compliance with section 33-756 of the general statutes and  
280 this section, or (2) failure of the benefit corporation to pursue or create  
281 a general public benefit or any specific public benefit.

282 (d) A director shall not have a duty to a person who is a beneficiary  
283 of the general public benefit purpose or a specific public benefit  
284 purpose of a benefit corporation based on the status of such person as  
285 a beneficiary.

286       Sec. 10. (NEW) (*Effective October 1, 2014*) (a) The board of directors of  
287 a benefit corporation that is a publicly traded corporation shall, and  
288 the board of any other benefit corporation may, include a director who  
289 shall (1) be designated the benefit director, and (2) have, in addition to  
290 the powers, duties, rights and immunities of the other directors of the  
291 benefit corporation, the powers, duties, rights and immunities  
292 provided in sections 3 to 15, inclusive, of this act.

293       (b) The benefit director shall be elected, and may be removed, in the  
294 manner provided under chapter 601 of the general statutes. The benefit  
295 director shall be an individual who is independent. The benefit  
296 director may serve as the benefit officer at the same time as serving as  
297 the benefit director. The certificate of incorporation or bylaws or a  
298 shareholder agreement of a benefit corporation may prescribe  
299 additional qualifications of the benefit director that are consistent with  
300 this subsection.

301       (c) The benefit director shall prepare, and the benefit corporation  
302 shall include in the annual benefit report to its shareholders required  
303 by section 14 of this act, the opinion of the benefit director on each of  
304 the following: (1) Whether the benefit corporation acted in accordance  
305 with its general public benefit purpose and any specific public benefit  
306 purpose in all material respects during the period covered by the  
307 report, (2) whether the directors and officers complied with subsection  
308 (a) of section 9 of this act and subsection (a) of section 11 of this act,  
309 respectively, and (3) if, in the opinion of the benefit director, the benefit  
310 corporation or its directors or officers failed to comply with subsection  
311 (a) of section 9 of this act or subsection (a) of section 11 of this act, a  
312 description of the ways in which the benefit corporation or the  
313 corporation's directors or officers failed to comply.

314       (d) The act or omission of an individual in the capacity of a benefit  
315 director shall constitute for all purposes an act or omission of that  
316 individual in the capacity of a director of the benefit corporation.

317 (e) Regardless of whether the certificate of incorporation of a benefit  
318 corporation includes a provision limiting the personal liability of  
319 directors, as authorized by chapter 601 of the general statutes, a benefit  
320 director shall not be personally liable for any act or omission in the  
321 capacity of a benefit director unless the act or omission constitutes self-  
322 dealing, wilful misconduct or a knowing violation of law.

323 Sec. 11. (NEW) (*Effective October 1, 2014*) (a) Each officer of a benefit  
324 corporation shall consider the interests and factors described in  
325 subsection (a) of section 9 of this act in the manner provided in that  
326 subsection if (1) the officer has discretion to act with respect to a  
327 matter, and (2) it reasonably appears to the officer that the matter may  
328 have a material effect on the creation by the benefit corporation of a  
329 general public benefit or any specific public benefit identified in the  
330 certificate of incorporation of the benefit corporation.

331 (b) The consideration of interests and factors in the manner  
332 described in subsection (a) of this section shall not constitute a  
333 violation of section 33-765 of the general statutes.

334 (c) An officer shall not be personally liable for (1) an act or omission  
335 as an officer in the course of performing the duties of an officer under  
336 subsection (a) of this section if the officer performed the duties of the  
337 position in compliance with section 33-765 of the general statutes and  
338 this section, or (2) the failure of the benefit corporation to pursue or  
339 create a general public benefit or any specific public benefit.

340 (d) An officer shall not have a duty to a person that is a beneficiary  
341 of the general public benefit purpose or any specific public benefit  
342 purpose of a benefit corporation based on the status of such person as  
343 a beneficiary.

344 Sec. 12. (NEW) (*Effective October 1, 2014*) A benefit corporation may  
345 designate a benefit officer. A benefit officer shall have (1) the powers  
346 and duties relating to the purpose of the corporation to create a general  
347 public benefit or any specific public benefit provided (A) by the

348 bylaws, or (B) absent controlling provisions in the bylaws, by  
349 resolutions or orders of the board of directors, and (2) the duty to  
350 prepare the benefit report required by section 14 of this act.

351 Sec. 13. (NEW) (*Effective October 1, 2014*) (a) Except in a benefit  
352 enforcement proceeding, no person may bring an action or assert a  
353 claim against a benefit corporation or its directors or officers with  
354 respect to (1) the failure to pursue or create a general public benefit or  
355 any specific public benefit identified in its certificate of incorporation,  
356 or (2) the violation of an obligation, duty or standard of conduct under  
357 sections 3 to 15, inclusive, of this act.

358 (b) A benefit corporation shall not be liable for monetary damages  
359 under sections 3 to 15, inclusive, of this act for any failure of the benefit  
360 corporation to pursue or create a general public benefit or any specific  
361 public benefit.

362 (c) A benefit enforcement proceeding may be commenced or  
363 maintained only (1) directly by the benefit corporation, or (2)  
364 derivatively in accordance with the provisions of chapter 601 of the  
365 general statutes by (A) a person or group of persons that owns  
366 beneficially or of record not less than five per cent of the total number  
367 of shares of a class or series outstanding at the time of the act or  
368 omission complained of, (B) a person or group of persons that owns  
369 beneficially or of record ten per cent or more of the outstanding equity  
370 interests in an entity of which the benefit corporation is a majority-  
371 owned subsidiary at the time of the act or omission complained of, or  
372 (C) other persons as specified in the certificate of incorporation or  
373 bylaws of the benefit corporation.

374 (d) For purposes of this section, a person is the beneficial owner of  
375 shares or equity interests if the shares or equity interests are held in a  
376 voting trust or by a nominee on behalf of the beneficial owner.

377 Sec. 14. (NEW) (*Effective October 1, 2014*) (a) A benefit corporation  
378 shall select a third-party standard by which to assess such

379 corporation's pursuit of a general public benefit and any specific public  
380 benefit. Selecting or changing a third-party standard shall require  
381 approval by (1) the greater of (A) a majority of all the directors in office  
382 when the action is taken, or (B) the number of directors required by the  
383 certificate of incorporation or bylaws of the benefit corporation to take  
384 action under this section, or (2) the vote or written consent of the  
385 shareholders required by the certificate of incorporation or bylaws of  
386 the benefit corporation to take action under this section.

387 (b) A benefit corporation shall prepare an annual benefit report that  
388 includes each of the following:

389 (1) A narrative description of (A) the ways in which the benefit  
390 corporation pursued a general public benefit during the year and the  
391 extent to which a general public benefit was created; (B) both (i) the  
392 ways in which the benefit corporation pursued any specific public  
393 benefit identified in the benefit corporation's certificate of  
394 incorporation, and (ii) the extent to which such specific public benefit  
395 was created; (C) any circumstances that have hindered the creation by  
396 the benefit corporation of a general public benefit or any specific  
397 public benefit; and (D) the process and rationale for selecting or  
398 changing the third-party standard used to prepare the benefit report;

399 (2) An assessment of the overall social and environmental  
400 performance of the benefit corporation against a third-party standard  
401 (A) applied consistently with any application of that standard in prior  
402 benefit reports, or (B) accompanied by an explanation of the reasons  
403 for any inconsistent application or the change to that standard from  
404 the standard used in the most recent prior report;

405 (3) The name of the benefit director and the benefit officer, if any,  
406 and the address to which correspondence to the benefit director or the  
407 benefit officer may be directed;

408 (4) The compensation paid by the benefit corporation during the  
409 year to each director in his or her capacity as a director;

410 (5) The opinion of the benefit director described in subsection (c) of  
411 section 10 of this act; and

412 (6) A statement of any connection between the organization that  
413 established the third-party standard, its directors or officers or any  
414 holder of five per cent or more of the voting power or capital interests  
415 in the organization, and the benefit corporation, its directors or officers  
416 or any holder of five per cent or more of the outstanding shares of the  
417 benefit corporation, including any financial or governance relationship  
418 that might materially affect the credibility of the use of the third-party  
419 standard.

420 (c) If, during the year covered by a benefit report, a benefit director  
421 or benefit officer resigned from or refused to stand for reelection to the  
422 position of benefit director or benefit officer, or was removed from the  
423 position of benefit director or benefit officer, and the benefit director or  
424 benefit officer furnished the benefit corporation with a written  
425 statement or correspondence concerning the circumstances  
426 surrounding the resignation, refusal or removal, the benefit report  
427 shall include that statement or correspondence as an exhibit.

428 (d) Neither the benefit report nor the assessment of the performance  
429 of the benefit corporation in the benefit report required by subdivision  
430 (2) of subsection (b) of this section shall be required to be audited or  
431 certified by the third-party standards provider.

432 Sec. 15. (NEW) (*Effective October 1, 2014*) (a) A benefit corporation  
433 shall send its annual benefit report to each shareholder (1) not later  
434 than one hundred twenty days following the end of the fiscal year of  
435 the benefit corporation, or (2) at the same time that the benefit  
436 corporation delivers any other annual report to its shareholders,  
437 whichever is earlier.

438 (b) A benefit corporation shall post and maintain each annual  
439 benefit report on the public portion of its Internet web site, if any,  
440 except that the compensation paid to directors and any financial,

441 confidential or proprietary information included in any benefit report  
442 may be omitted from the benefit report as posted.

443 (c) If a benefit corporation does not have an Internet web site, the  
444 benefit corporation shall provide a copy of such corporation's most  
445 recent benefit report, without charge, to any person who requests a  
446 copy, but the compensation paid to directors and any financial,  
447 confidential or proprietary information included in any benefit report  
448 may be omitted from such copy.

449 Sec. 16. Section 33-856 of the general statutes is repealed and the  
450 following is substituted in lieu thereof (*Effective October 1, 2014*):

451 (a) A shareholder is entitled to appraisal rights, and to obtain  
452 payment of the fair value of that shareholder's shares, in the event of  
453 any of the following corporate actions:

454 (1) Consummation of a merger to which the corporation is a party  
455 (A) if shareholder approval is required for the merger by section 33-  
456 817 and the shareholder is entitled to vote on the merger, except that  
457 appraisal rights shall not be available to any shareholder of the  
458 corporation with respect to shares of any class or series that remain  
459 outstanding after consummation of the merger, or (B) if the  
460 corporation is a subsidiary and the merger is governed by section 33-  
461 818;

462 (2) Consummation of a share exchange to which the corporation is a  
463 party as the corporation whose shares will be acquired, if the  
464 shareholder is entitled to vote on the exchange, except that appraisal  
465 rights shall not be available to any shareholder of the corporation with  
466 respect to any class or series of shares of the corporation that is not  
467 exchanged;

468 (3) Consummation of a disposition of assets pursuant to section 33-  
469 831 if the shareholder is entitled to vote on the disposition, except that  
470 appraisal rights shall not be available to any shareholder of the



471 corporation with respect to shares of any class or series if (A) under the  
472 terms of the corporate action approved by the shareholders there is to  
473 be distributed to shareholders in cash its net assets, in excess of a  
474 reasonable amount reserved to meet claims of the type described in  
475 sections 33-886 and 33-887, (i) within one year after the shareholders'  
476 approval of the action, and (ii) in accordance with their respective  
477 interests determined at the time of such distribution, and (B) the  
478 disposition of assets is not an interested transaction;

479 (4) An amendment of the certificate of incorporation with respect to  
480 a class or series of shares that reduces the number of shares of a class  
481 or series owned by the shareholder to a fraction of a share if the  
482 corporation has the obligation or right to repurchase the fractional  
483 share so created; [or]

484 (5) If the corporation is not a benefit corporation, as defined in  
485 section 2 of this act, (A) an amendment of the certificate of  
486 incorporation to state that the corporation is a benefit corporation; (B)  
487 consummation of a merger to which the corporation is a party in  
488 which the surviving entity will be a benefit corporation or in which  
489 shares in the corporation will be converted into a right to receive  
490 shares of a benefit corporation; or (C) consummation of a share  
491 exchange to which the corporation is a party and the shares of the  
492 corporation will be exchanged for shares of a benefit corporation; or

493 ~~[(5)]~~ (6) Any other merger, share exchange, disposition of assets or  
494 amendment to the certificate of incorporation to the extent provided by  
495 the certificate of incorporation, the bylaws or a resolution of the board  
496 of directors.

497 (b) Notwithstanding subsection (a) of this section, the availability of  
498 appraisal rights under subdivisions (1) [ , (2), (3) and (4)] to (5),  
499 inclusive, of subsection (a) of this section shall be limited in accordance  
500 with the following provisions:

501 (1) Appraisal rights shall not be available for the holders of shares of

502 any class or series of shares which is:

503 (A) A covered security under Section 18(b)(1)(A) or (B) of the  
504 Securities Act of 1933, as amended;

505 (B) Traded in an organized market and has at least two thousand  
506 shareholders and a market value of at least twenty million dollars,  
507 exclusive of the value of such shares held by the corporation's  
508 subsidiaries, senior executives, directors and beneficial shareholders  
509 owning more than ten per cent of such shares; or

510 (C) Issued by an open-end management investment company  
511 registered with the Securities and Exchange Commission under the  
512 Investment Company Act of 1940 and may be redeemed at the option  
513 of the holder at net asset value.

514 (2) The applicability of subdivision (1) of this subsection shall be  
515 determined as of: (A) The record date fixed to determine the  
516 shareholders entitled to receive notice of the meeting of shareholders  
517 to act upon the corporate action requiring appraisal rights; or (B) the  
518 day before the effective date of such corporate action if there is no  
519 meeting of shareholders.

520 (3) Subdivision (1) of this subsection shall not be applicable and  
521 appraisal rights shall be available pursuant to subsection (a) of this  
522 section for the holders of any class or series of shares (A) who are  
523 required by the terms of the corporate action requiring appraisal rights  
524 to accept for such shares anything other than cash or shares of any  
525 class or any series of shares of any corporation, or any other  
526 proprietary interest of any other entity, that satisfies the standards set  
527 forth in subdivision (1) of this subsection at the time the corporate  
528 action becomes effective, or (B) in the case of the consummation of a  
529 disposition of assets pursuant to section 33-831, unless such cash,  
530 shares or proprietary interests are, under the terms of the corporate  
531 action approved by the shareholders, to be distributed to the  
532 shareholders, as part of a distribution to shareholders of the net assets

533 of the corporation in excess of a reasonable amount to meet claims of  
 534 the type described in sections 33-886 and 33-887, (i) not later than one  
 535 year after the shareholders' approval of the action, and (ii) in  
 536 accordance with their respective interests determined at the time of the  
 537 distribution.

538 (4) Subdivision (1) of this subsection shall not be applicable and  
 539 appraisal rights shall be available pursuant to subsection (a) of this  
 540 section for the holders of any class or series of shares where the  
 541 corporate action is an interested transaction.

542 (c) Notwithstanding any other provision of this section, the  
 543 certificate of incorporation as originally filed or any amendment  
 544 thereto may limit or eliminate appraisal rights for any class or series of  
 545 preferred shares, but any such limitation or elimination contained in  
 546 an amendment to the certificate of incorporation that limits or  
 547 eliminates appraisal rights for any of such shares that are outstanding  
 548 immediately prior to the effective date of such amendment or that the  
 549 corporation is or may be required to issue or sell thereafter pursuant to  
 550 any conversion, exchange or other right existing immediately before  
 551 the effective date of such amendment shall not apply to any corporate  
 552 action that becomes effective within one year of that date if such action  
 553 would otherwise afford appraisal rights.

554 (d) Where the right to be paid the value of shares is made available  
 555 to a shareholder by this section, such remedy shall be the exclusive  
 556 remedy as holder of such shares against the corporate actions  
 557 described in this section, whether or not the shareholder proceeds as  
 558 provided in sections 33-855 to 33-872, inclusive.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2014</i>	New section
Sec. 2	<i>October 1, 2014</i>	New section
Sec. 3	<i>October 1, 2014</i>	New section

Sec. 4	October 1, 2014	New section
Sec. 5	October 1, 2014	New section
Sec. 6	October 1, 2014	New section
Sec. 7	October 1, 2014	New section
Sec. 8	October 1, 2014	New section
Sec. 9	October 1, 2014	New section
Sec. 10	October 1, 2014	New section
Sec. 11	October 1, 2014	New section
Sec. 12	October 1, 2014	New section
Sec. 13	October 1, 2014	New section
Sec. 14	October 1, 2014	New section
Sec. 15	October 1, 2014	New section
Sec. 16	October 1, 2014	33-856

**Statement of Purpose:**

To implement the Governor's budget recommendations.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*