



September 12, 2011

Governor Edmund G. Brown Jr.
c/o State Capitol, Suite 11783
Sacramento, CA 95814

RE: Support for AB 361 (Huffman) – Benefit Corporations

Dear Governor Brown:

Royse Law Firm, PC supports California Benefit Corporation Legislation (AB 361 – Huffman) in its creation of a new class of corporation that provides a solution for sustainable practice by California's business leaders.

California's company's legislation does not fit into the modern corporation mold. While other states provide options for entrepreneurs to pursue socially-minded companies and for existing corporations to practice social responsibility, California has lagged behind.

Corporations as we know them are engaged in a zero-sum game in which shareholder returns are pitted against environmental and social responsibility for future generations. Corporate directors' fiduciary duty takes the decision out of the company's hands and forces the corporation to prioritize financial interests and shareholder profits. For Benefit Corporations on the other hand, fiduciary duty will require consideration of specific public benefits when directors make decisions on behalf of the corporation. This consideration will flow from the companies' mission statements in which businesses that choose to incorporate as Benefit Corporations must include in their companies' mission a general public benefit that provides a material, positive impact on society and the environment.

Benefit Corporations provide an alternative to the traditional model. With objective guidelines to measure and weigh the decisions of corporate directors, AB 361 requires Benefit Corporations to report annually on their overall social and environmental performances using recognized third-party standards.

While there is alternative legislation in Flexible Purpose Corporation (SB 201 – DeSaulnier), this legislation only offers protection to directors who choose to pursue a single specific public interest purpose. It does not require corporations to compare their overall social and environmental purpose against credible, independent third party standards. For that matter, it does not even require that they report on their overall social and environmental performance. The two bills are not mutually exclusive and can coexist, but California Benefit Corporation

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Legislation (AB 361 – Huffman) provides a stronger base and excels in the areas that Flexible Purpose Corporation (SB 201 – DeSaulnier) lacks.

If California Benefit Corporation Legislation (AB 361 – Huffman) does not pass, California will fall behind other states that have adopted this infrastructure for the next generation of sustainable business. This bill will provide statutory framework for California to provide businesses with the ability to innovate while employing sustainable business practices. For businesses that have missions broader than maximizing profits, Benefit Corporations will provide them with the opportunity to observe traditional corporate law defining fiduciary duty while pursuing their social mission.

Sincerely,

A handwritten signature in black ink, appearing to read 'Roger Royse', with a long horizontal flourish extending to the right.

Roger Royse

Owner, Royse Law Firm, PC