Legislative History for Connecticut Act

SB 329	PA 618 Scan	1959
General Law	1024-1029, 1044-1067	30p.
Senate	3232-3235	4p.
House	5255-5256	2p.
	Total	36p.

See Law Librarian for preservation copy of this legislative history and permanent bill file.

(Bill-file total 343 p.)

Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate and House of Representatives Proceedings

Connecticut State Library
Compiled 2015

GENERAL LAW

PART 3

JOINT
STANDING
COMMITTEE
HEARINGS

GENERAL

PAGES

GENERAL LAW COMMITTEE

MONDAY - 10:30 a.m. APRIL 20, 1959

Senator Charles Alfano, Chairman, presiding.

Members present: Senators: Alfano, Buzaid and McCarthy.
Representatives: Aronson, Barnes, Katona, Temkin, Cronk and Hunziker.

Sen. Alfano: We are ready to proceed with the hearing this morning. We do have a registration blank form here on the desk for anybody who wants to sign in favor or against any bills pending today. I might mention first on one of the bills assigned for a hearing today which is the Uniform Stock Corporation Act. You will notice in the Bulletin it is also assigned for next Monday. The reason for that is that we didn't have the copy of the bill out in time. It was not out until Friday. However, if anyone wishes to speak on the bill, they may do so. Many people who were interested in this bill did not have an opportunity to go over it so we have re-assigned it for 10:30 a.m. next Monday morning, but any of you here today who would like to speak on it and again next Monday may do so.

Are there any legislators who wish to speak in favor or in opposition to any bill assigned for a hearing today? If not, the hearing is open on Senate Bill No. 329.

S. B. No. 329 (Sen. Alfano) AN ACT CONCERNING STOCK CORPORATIONS.

Sen. Alfano: We will hear from the proponents of this bill.

David I. Shivitz, Esq., New York: Mr. Chairman and members of the committee, I am an attorney at law practicing in the State of New York. I am a member of the firm of Halperin, Natanson, Shivitz, Scholer & Steingut, whose offices are at 271 Madison Avenue, in New York City.

During the past year, I have been representing the majority stockholders of a Connecticut corporation, involved in litigation with the holders of the minority outstanding stock. One of the principal issues in that litigation was the validity of a by-law requiring a vote of more than a majority of the company's directors in order to take effective Board action. That issue in the litigation was determined in favor of my clients in the Supreme Court of New York, whose judgment was affirmed by the Appellate Division of that court. We are now awaiting the decision of the Court of Appeals, the

Atty. Shivitz: (continued) - highest court of the State and we are confident that the outcome there will likewise be favorable to our position.

While the Stock Corporation Act now being considered by this committee can have no effect on that litigation, or on the respective rights of the parties thereto, my clients, as the majority stockholders of a substantial Connecticut corporation, employing approximately 500 people, deemed it a matter of civic duty to have me appear before your Committee so as to express our thoughts regarding a specific portion of that bill.

I refer specifically to Section 36 of the proposed Stock Corporation Act, particularly subdivisions (b) and (c). Those subdivisions read as follows:

(b) "A majority of the number of directorships at the time shall constitute a quorum for the transactions of business unless the by-laws shall specify a greater quorum or a by-law adopted by shareholders shall specify a lesser quorum, (but not less than one-third of the number of directorships nor less than two).

(c) The act of a majority of the directors present at a meeting at which a quorum is present at the time of the act shall be the act of the board of directors, unless the act of a greater number is required by the by-laws or this act."

Under these two subdivisions, corporations are in effect given the right, by the mere adoption of a by-law, to fix a quorum of its Board of Directors at more than a majority, and/or to require the vote of more than a majority of a quorum of directors in order for a Board to take effective action.

Either of these rights when availed of, has the effect of giving to the minority an absolute and permanent power of veto - a power to frustrate and stymie the business of a corporation either by abstaining from attendance at meetings so as to prevent a quorum or, regardless of the best interests of the corporation, to refuse to vote for a particular action acceptable to the majority - a power that can readily be used by a minority to exact benefits or emoluments to which they may not be entitled.

Atty. Shivitz: (continued) - On the basis of our experience in the litigation that has been pending for more than a year, it is our considered opinion that such important rights, if they are to be granted, should be set forth and provided for in the permanent, officially filed public records of the corporation, namely, its Charter or Articles of Incorporation, or in an amendment thereto - and not in what is generally a private and transitional record in the custody of a single individual -- the company's by-laws.

Original or amended Articles of Incorporation are durable, relatively permanent public records which may be consulted by any one, and constitute notice to everyone. They cannot be surreptitiously altered or changed. A by-law, however, is merely a private record. It is a well-known fact that minutes and by-laws are frequently kept in a rather loose way, and may be lost, mislaid, stolen, altered without authorization, or destroyed by fire or other hazard. To make important corporate issues and very valuable property rights depend upon possibly conflicting recollections as to just what the quorum and voting requirements actually are may create unnecessary hardship, uncertainty, and litigation, and afford a ready opportunity for fraud on the part of dishonest persons handling the corporate records.

Frequently, a new board of directors and officers is voted into office having little or no contact or continuity with those that preceded it. Since the board of directors is vested with the management of the business, requirements which would, in effect, give a minority a veto power over the will of the majority should not be left to the hazard and possible misadventure of amere private record. Only by safeguarding such corporate policy through filing and entering the same as a public record can the necessary certainty exist as to minimize disputes and preclude frauds upon stockholders or persons seeking to purchase blocks of corporate stock.

A power of veto possessed by a minority gives it the power to completely paralyze a corporation and prevent it from functioning, the only relief from which, if such a solution can be called "relief", is the legal death of the corporation by dissolution. Such a drastic result should not hinge on aprivate record, or on anyone's recollection as to what such a private record actually provided in the event that it should be lost, mislaid, destroyed, or altered.

Atty. Shivitz: (continued) - A corporation should be able to continue to function without being hamstrung and paralyzed by a minority of directors who may deliberately abstain from attending meetings so that there will be no quorum. Such continued functioning of the corporation without being so paralyzed and hamstrung is an essential condition for the profitable operation and may well affect the value of the stock held by the stockholders. To permit a corporation to be so paralyzed and hamstrung that it cannot continue to function destroys the good will of the corporation, which may have been built up over many prior years. While a minority may be entitled to protection against the majority, the majority is also entitled to protection, and protection for both can be achieved by the inclusion in the Articles of Incorporation of this provision for quorum of more than a majority of directors and for greater-than-majority voting requirements for action by boards of directors.

One who purchases stock of a corporation should have the right to assume that the corporation will function in the usual manner with respect to directors' meetings, namely, with a quorum which need not be greater than majority and by vote of a majority of the directors present at a meeting at which a quorum is present. Such a purchaser should be entitled to protection as much as a purchaser of a small dwelling, who is protected by law against liens and other matters which will affect his rights as a purchaser if they are not recorded as a public record. It seems to us that as to purchasers of stock, the value of which may be many times that of a small piece of real property, the prospective stockholder should have similar protection by requiring that such unusual provisions for quorums and voting at directors' meetings shall be contained in the Articles of Incorporation and thus a public record constituting notice to everybody and not merely in a private record which, if no longer available, will become the subject of conflicting oral testimony.

Surely, the public interest of the State of Connecticut cannot be advanced by needlessly opening the door to cases in its courts, which parties may bring on the basis of oral contentions as to such a by-law, when it can so easily be avoided by requiring their inclusion in the Articles of Incorporation.

Atty. Shivitz: (continued) - In New York State, where this subject was given considerable research and study, provisions for quorums of directors of more than a majority, or to require the affirmative vote of more than a majority for action by a board of directors, may be made only by including such provisions either originally or by amendment in the Articles of Incorporation (See section 9, Stock Corporation Law of New York).

We have prepared a suggested revision of subdivisions (b) and (c) of Section 36 in the proposed bill and respectfully urge that something similar to what we suggest be substituted for the subdivisions contained in the bill now being considered by your committee.

Thank you, very much.

Sen. Alfano: In other words, you are in favor of this uniform stock corporation act with the exception of Section 36 -- (b) and (c) -- is that right?

Atty. Shivitz: We are in favor of it even in favor of Section 36, (b) and (c) except as to the method by which it seeks to accomplish it. We think that it should be locked in so that anybody who acquires stock in a corporation and find that it is necessary to have more than what the common law requires and what the statute law in this state required up to this time, the mere votes of a majority of directors' action. We think that the substitute bill with that exception is an excellent piece of legislation.

Rep. Barnes: Is there any confliction between, a corporation, that is between sections 8 and 9 where the statute exists now in the State of Connecticut?

Atty. Shivitz: Section 8 and 9 of your present statute? I don't believe there is any conflict there.

Rep. Barnes: This doesn't make any change in our current statutes?

Atty. Shivitz: Well, you are talking about Section 9?

Rep. Barnes: Section 8 and 9.

Atty. Shivitz: There is no conflict with the suggestion that I have proposed and those contained in your Sections 8 and 9. I hope I have answered your question.

Sen. Alfano: Are there any other proponents? If not, is there anyone here who wishes to speak in opposition to Senate Bill 329? The hearing on Senate Bill 329 will be continued until next Monday morning at 10:00 a.m. The next bill is Senate Bill 1214.

S. B. No. 1214 (Sen. Barnes) AN ACT VALIDATING THE NOTICE GIVEN BY WILLIAM DOOLITTLE AND GRANTING PERMISSION TO PROSECUTE TO FINAL EFFECT A SUIT AGAINST THE TOWN OF BRISTOL.

Sen. Alfano: Any proponents of this bill?

Harry F. Pergoda, Esq., Bristol, Connecticut: Mr. Chairman, I am an attorney at law in Bristol, Connecticut. I represent William Doolittle of 22 Salladin Road, Bristol, Connecticut who is a plaintiff in an action presently pending against the City of Bristol. Mr. Doolittle is a white male, twenty-eight years of age, employed at Wasley Products, Incorporated in Plainville, Connecticut. He is married and resides with his wife and four children at 22 Salladin Road, Bristol, Connecticut and has an average weekly rate of between $70.00 and $80.00 before deductions. After deductions his take-home pay is approximately $50.00.

On March 1, 1958 William Doolittle, while walking in an easterly direction on Main Street, Bristol, Connecticut, in the vicinity between the Muzzy's Department Store and the Bristol Savings Bank, tripped on a broken portion of a sidewalk and fell to the ground striking both of his knees. He laid there on both knees for a brief moment and then was helped to his feet by a person who was walking up the street with him at that time, one Alfred Raffaniello, who is a local police officer in Bristol, Connecticut.

This is a type of injury to the knee that is not readily observable at that time. Mr. Doolittle, therefore, for a period of two or three weeks had only stiffness and a little aggrevation from his knee injury. It gradually became worse until on May 5th, he consulted a doctor in connection

Rep. Barnes: They made no statement or promise in regards to this problem?

Mrs. Fisher: No.

Sen. Gloria Schaffer, 14th District: I would like to register in favor of Senate Bill No. 1240. Thank you.

Sen. Alfano: Are there any other legislators? We are going to call one bill out of order this morning and then we will proceed with the Stock Corporation Act. We will open the hearing on Senate Bill No. 1231.

S. B. No. 1231 (Committee) AN ACT CONCERNING ALTERATIONS, REPAIRS OR ADDITIONS TO REAL ASSETS.

Sen. Alfano: We will hear from the proponents of this bill.

Commissioner Murphy, Public Works Department: I want to go on record as approving Senate Bill 1231 which will change the amount of expenses for alterations, etc., from $25,000.00 to $10,000.00 under the jurisdiction of the Public Works Department. Also any alterations between $2,000.00 and $10,000.00 to have prior approval of the Commissioner of Finance and Control.

Sen. Alfano: Any other proponents? Anyone here in opposition to Senate Bill 1231? If not, the hearing is closed on this bill and the hearing is open on Substitute Senate Bill No. 329.

Sub. for S. B. No. 329 (Sen. Alfano) AN ACT CONCERNING STOCK CORPORATIONS.

Sen. Abner Sibal, 26th District: First, I would like to express my appreciation to the Chairman and the members of the committee for the courtesies that have been extended to me and to the members of the Commission who prepared this bill and delaying the hearing until we were able to prepare the substitute for your consideration.

By Special Act No. 663, the 1957 General Assembly established this Commission to study and report on a revision of the corporation laws of the State. Substitute Senate Bill No. 329 is the result of nearly two years of work by the Commission on the subject of stock corporations. The Commission recommends its enactment into law.

5- rsc

General Law Committee

April 27, 1959

Sen. Sibal: (continued) - Since July, 1957, the Commission has been at work. As a basis for its drafting of a modernized corporation code, the Commission has undertaken an intensive study of existing Connecticut corporation laws and a comparative study of the laws of other states, particularly those which have adopted more modern codes. The Commission's six subcommittees, each with two general study topics, have met in frequent working sessions. In addition, the Commission as a whole has held some twenty-four working meetings for consideration of subcommittee reports and drafts.

Substitute Bill No. 329 represents for the most part the Commission's seventh draft of this material. The sixth draft was printed in 4,000 copies and distributed individually to all members of the State Bar Association of Connecticut and other interested organizations and persons. Public Hearing on that draft was held by the Commission at the Capitol in Hartford on January 5, 1959. Substitute Bill No. 329 incorporates many suggestions made to the Commission at the Public Hearing and thereafter.

The Commission has been most fortunate in being able to draw on many sources for its task. These include the work of a volunteer lawyers' committee which operated in 1956 under the Chairmanship of Mr. Norman K. Parsells of Bridgeport who, incidentally, was the majority leader of the House, and a study report prepared for the Legislative Council in 1955 by students at the Yale Law School. Commission member Frederick S. Hoffer, Jr., has participated regularly in the Commission's work on behalf of the Secretary of the State's office. Commission member Bayless Manning, Professor of Law in corporations at the Yale Law School, has acted as Executive Secretary of the Commission and supervised the research.

I would like to interrupt the reading of the report at this point and advise the committee that this is really a completely inadequate resume of the work that Professor Manning has done. He has done more work than any of us in the Commission can possibly measure and it is my view, and I am sure the others agree, that the State of Connecticut as well as the members of the legal profession of the State and other people who are interested in this field, owe him a real debt of gratitude.

6- rsc

General Law Committee

April 27, 1959

Sen. Sibal: (continued) - The Commission has worked in cooperation with the State Bar Association of Connecticut through Commission Member James W. Cooper, last year's president of the Association's Corporation Committee. The broadly representative composition of the Commission itself has made it possible to bring many different kinds of corporate experience to bear from the job of producing a practical, modernized stock corporation law suitable for the State of Connecticut. All Commission members have served without compensation. I might say that not only did Commission members serve without compensation but they have not even drawn the travel paddy which they were entitled to under the bill setting up the Commission, preferring to have this money devoted to research and the necessary clerical work preparing some seven drafts for the job of this size. In addition to that, all this has been for the benefit, we feel, of the corporation laws of the state and we are most happy to contribute these things.

Substitute Senate Bill No. 329, and the work of this Commission, should be seen against a bit of history. In 1837, Connecticut became a pioneer when it adopted the first general Joint Stock Company Act in New England and the second in the United States, making the corporate privilege available to all. This Act underwent successive amendments and revisions. In 1901 the Corporation Act of 1901 was enacted substantially consolidating the prior statutes of the 19th Century. Not since this 1901 Act has there been a major overhaul of the State's corporation laws. Piecemeal amendments have been tacked on at virtually every Legislative session since that date, but no general review or unification of the Stock Corporation Laws has been made for 58 years.

Meanwhile, in other states, progress in this field has been rapid in response to changing circumstances and needs. Since 1927, when Ohio adopted what was then a radically different kind of corporation code, most of the major commercial states have adopted new codes. Awareness of the need for modernization of corporate law which began in the 1930's spread remarkably after the end of World War II, particularly following the issuance of, in 1950, the Model Business Corporation Act prepared by the Committee on Corporate Laws of the American Bar Association. Since 1950, no less

7- rsc

General Law Committee

April 27, 1959

Sen. Sibal: (continued) - than ten states have completely revamped their outmoded corporation statutes, including Virginia, Wisconsin, North Carolina, Texas, Oklahoma, Puerto Rico and the District of Columbia. New York State is currently in the midst of an elaborate and full scale study of its corporation laws through a Legislative Revision Commission, operating with an appropriation of over Two Hundred Thousand Dollars. I might say at this time, the Commission had an appropriation of $10,000 and an original appropriation of $5,000 and an additional appropriation of another $5,000 at one of the special sessions of the 1957 General Assembly and this figure of $10,000, mind you, could very easily have been the Two Hundred Thousand that New York is expending had the members of the Commission had been paid anywhere reasonable fees for the work they contributed to this. In all sincerity, the Connecticut General Assembly in appointing this Commission in 1957, has acted in keeping with the times and has shown itself the aware of the same need for modernization in this field felt in recent years by so many other states.

The Connecticut Commission on the basis of its experience and study, and acting under its legislative mandate offers Substitute Bill No. 329 as its proposal. The problems with which the bill deals are, in substantial part, technical problems dealing with the internal administration of corporate enterprises. But the technical character of these problems is not an indication of their unimportance. Increasingly, business is today conducted in corporate form. There are at present over 20,000 Connecticut corporations. The rate of incorporation has recently spurted, apparently as a result of new Federal legislation granting the option to corporations with few shareholders to be taxed substantially like partnerships. Increasingly, indeed, it is not the large corporation which is the primary concern of legislation respecting corporations, but rather the thousands of small local businesses which are conducted in corporate form with only two or three shareholders. Substitute Bill No. 329 has been drawn particularly with the needs of these small enterprises in mind.

8- rsc

General Law Committee

April 27, 1959

Sen. Sibal: (continued) ---- This statement will not be protracted by a review of the individual changes made in the existing Connecticut law. As a generalization, it may be said that the substitute Bill No. 329 represents an amalgamation of the A.B.A. Model Code, together with existing Connecticut Law, but with individual sections and provisions drawn from the laws of many other states or designed specifically for Connecticut's purposes. The proposed bill provides for an effective date of October 1, 1960 in order to give Connecticut corporations ample time to adjust their affairs in anticipation of its effectiveness and to give the office of the Secretary of State ample time to make whatever administrative changes it may feel are desirable. In regard to this, may I again state that the Commission is not in any way wedded to this state after the committee hears some of the points of view which I am sure will be presented to you. It may well be that you will feel that a different effective date might be in the best interests of the State and the people who deal with this law. It certainly is agreeable with us.

A member of the Commission will be pleased to answer any questions which you may have with respect to specific provisions of the bill.

This bill is the product of long deliberation, full discussion, public hearing and notice. The Commission feels that the bill represents a careful and appropriate balance between needed reform and desirable retention of legal practices long familiar to the Connecticut corporate practitioner.

Change has not been made for the sake of change. Where change has been made it is because the Commission felt that the existing statutes were obsolete, unclear, inconsistent or by far the most usual case, incomplete. Connecticut is an important industrial commercial state. It cannot afford to handicap itself by a body of corporate laws unadopted to modern needs.

This Legislative Commission unanimously recommends that substitute Bill No. 329 is a sound, carefully prepared, badly-needed piece of legislation and we respectfully submit that it should be enacted.

Rep. Barnes: Senator, on the subject of consolidation and mergers, I understand that you have read this over very carefully. Are there safeguards in there for large consolidations in cartels and monopoly?

Sen. Sibal: Well, I believe so. On specific questions, I really think and I am sure the committee would be much better advised if you question Professor Manning when he arrives. There are other members of the Commission who might want to say something.

Sen. Alfano: Are there any other proponents who want to speak on this bill at this time?

Mr. Harry L. Nair, I am a member of the Commission and also Chairman of the Committee of Corporations of the State Bar Association and on behalf of the Bar Association Committee, I would like to urge passage of this particular bill which, as Senator Sibal indicated to you, is the result of more than two years of very devoted and active work by, I would say, most of the members of the Commission.

In attempting to draft a corporation statute of this extensiveness you have the problem at all times of taking care of the need of the large publicly owned corporations and the needs of the small corporations, the one under which most business in this state is done by the little . . . and very often it is difficult to mesh those two points together, but I think this bill does it admirably.

I want to say a few words in regard to how it affects the little fellow. Those of you who practice law know that the average small businessman wants the protection of the corporation against liabilities and the advantages that go with the corporate form but still he likes to operate like a partnership. In other words, there is always that conflict. The Congress recently by providing for the new tax legislation in which corporations may elect to be taxed as partners has recognized that desire on the part of the people in this country to act in the corporate form and yet have the relationship of partners so far as taxes are concerned.

Mr. Nair: (continued) - Now this bill permits it insofar as their liabilities in the corporation as between the individuals are concerned. It gives a great deal of flexibility. In order to illustrate that, if you got just a few minutes, I want to cite a situation that went to our Supreme Court of Errors. There were three people that were partners. There was an individual who had a little bit of money and he had a great deal of skill in a certain manufacturing enterprise -- I think it was making faucets. His partners, a man and a wife, had the money but no skill and they wanted to get together in a corporate form but to prevent either one or the other of being able to have majority control, so they set up an agreement. They provided that the Board of Directors should be named by the unanimous consent of all three; that any decision of the Board of Directors should be taken unanimously so that all three would consent; that there would be no increase in capital stock and no decrease and no other important corporate change without the consent of all the parties. That sounds very reasonable but any lawyer who is on this committee will tell you that whether or not that is legal under our present statute, it is of considerable doubt and as a matter of fact, our Supreme Court has said this: As between the people themselves, this is an agreement. They can agree to vote for whomever they please as directors. As far as the corporation is concerned, it is not binding that we have under our laws certain statutory forms for corporate procedure -- one of those is that corporations must act by a majority of its shareholders -- a majority of its directors and that the courts will not recognize an agreement between them for unanimous consent. That decision, I think, was unfortunate. It deprived these people of an opportunity of carrying on a business in the way in which they intended and wanted to and the court cut down that agreement to something that they had never wanted and what happened to the business thereafter, I don't know, but it was unfortunate.

Under this statute, there are provisions whereby the by-laws or the certificate of incorporation may provide for greater than normal form of directors a less than normal form. There are certain limits on that. It can provide for greater than a majority consent to any decision or the determination of any matters involved in the corporate affairs so that you get this flexibility in this bill which, to me, the most, is the most

Mr. Nair: (continued) - desirable thing about it. It permits the little fellow to set up an organization and handle it in the way he intends without in any way sacrificing the rights of creditors or sacrificing any right of these particular individuals as between themselves.

Another thing the bill does, and I think it is a wonderful provision is instead of providing for meetings all the time, those of you who are lawyers know that small corporations meetings are rare and far between even though there may be a lot of Minutes in the books, the meetings aren't actually held because the people get together and they decide over the luncheon table what they are going to do and that's the meeting. So this bill provides that in lieu of meetings, either a Director's or Shareholder's, the parties can sign a written consent to corporate action specifying what it is and that written consent is legal as the equivalent of action taken at a duly warranted constituted meeting and to me that is a very great advantage.

I am not going to go into any other details on this bill but to indicate that on the whole it seems to me one that is a very great improvement over our present law -- not that the present law isn't one that has worked, I think, fairly well over the last fifty years, but I do think that modern conditions require some changes and this bill does it.

I do want to say that insofar as our committee is concerned, that is the State Bar Committee, and myself individually, there are a few provisions in this bill that I would like to see changed, that is in this draft and I would like to suggest sending to this committee within the next day or two a written statement just pointing up three or four places where I think that it might be improvable.

Sen. Alfano: Mr. Nair, does this act at all cover service of process upon foreign corporations doing business in the State?

Mr. Nair: Well, yes, it does. It sets up a category for that service -- that was one that I was going to comment on in my written statement to you. It provides, of course, for service on corporations that are qualified and also on corporations that

Mr. Nair: (continued) - should be qualified to do business and are not and then it provides for a suit against a corporation whether or not they are transacting business within the meaning of this statute. Under certain circumstances, one of which is tortious conduct -- in other words, I know of one situation where an individual was injured in connection with the construction of the Connecticut Thruway by a truck of a foreign corporation and there was no way -- no, it wasn't a truck, it was in connection with an operation. In other words, the Motor Vehicle statute didn't apply. He was injured in connection with that construction and there was no way of serving that out-of-state corporation in Connecticut.

This bill proports to take care of that situation. I think it goes a little bit too far in some of its provisions in that section, Section 131, and I am going to point that out. In other words, a provision is made for certain service of process in the case of a corporation and involving a contract which is made in this state or a contract made outside of the state for performance in this state. I have my doubts about the contract made outside the state for performance in the state; If you have actually no activity in the state at all to which that applies, but I will make my comment in that little statement.

Sen. Alfano: Any other proponents?

Mr. Harold Read, Jr., Counsel for the Connecticut Bankers Association: Of course, this bill doesn't favor banks as such in too many respects, but we have examined it in detail and we think it is an excellent job and we are very much in favor of it. However, I want to remark briefly on the affect that this has on the matter I spoke to you about in connection with Senate Bill 941 which is the participation by foreign banks in loans made by Connecticut banks. You may remember that sometimes a loan comes along that exceeds the legal limit of a Connecticut Bank and it needs to get out-of-state money. We want to be able to service the customers through a Connecticut bank but the only way to do it is to sell a part of the loan to a foreign company and sometimes all of the bond and that is the other side of the point --

Mr. Read: (continued) - sometimes the bank gets filled up in its lending and wants to, for instance, dispose of interests in some of its loans so that it will have more money available for the people in the State of Connecticut and the only authority for foreign banks doing this has been a series of eight Attorney Generals' opinion. Now, the problem is in Section 132, which is on page 115 saying that: no foreign corporation transacting business in this state in violation of section 116, which includes banks, can maintain any action in any part of this state unless it has obtained a certificate of authority and then step back one section to - Section 115 and you will see that banks cannot obtain a certificate of authority so that if a foreign bank takes a participation in a Connecticut loan, it may be millions of dollars, and there is a default and it wants to collect by way of court action, Sections 115, 116 and 132, take them together, it would prohibit, completely prohibit that foreign bank from maintaining any action in our courts and also under Section 132 it now becomes specific that no successor or assignee of the foreign corporation can maintain such an action. That may have been implied before but it was not a certainty. So that if the foreign bank wants to get into this sort of transaction, it must deal under general law or under Section 117 which recites things which do not have to do doing business.

If you look at Section 117, (b) - (1) -- you will see that maintaining an action in the courts of this state is not doing business, but nothing in this subdivision shall entitle foreign corporations to maintain suit in this state in violation of Section 132.

What this bill is doing is, I am afraid, completely eliminating the possibility when it is necessary for it to come in. Since the hearing on Senate Bill 941, I have been trying to work out a compromise with the opponents. You will recall that the bill was sponsored by the Connecticut Bankers' Association, which is an association of commercial banks, and was opposed by the Savings Banks Association of Connecticut. I have been trying to work out a compromise and I have not been successful. I would like to ask for the privilege offering to you this week some sort of a suggested compromise and I will try to make it as reasonable as possible. I think it is very important for the state that we do not

Mr. Read: (continued) - eliminate the possibility of foreign money under these circumstances. On the other hand, conceivably, I think it will be suggested today that the effective date of this bill, if the committee should decide to postpone it, I would like to suggest that there be an Interim Commission appointed to hold interim hearings on the type of problem that I am presenting and report to the next session of the legislature its recommendations on this subject. I think that that would increase, perhaps, the likelihood of my finding a compromise satisfactory to both the opponents and the proponents. Thank you.

Mr. John Filer, Farmington: I am speaking on behalf of the Connecticut Insurance Companies. We have examined the bill in some detail and think that its thorough and careful revision was needed for a long time. We, therefore, urge its adoption. We have a few specific comments concerning five or six sections, but I will submit to you a statement covering this.

Mr. Robert Hartigan, appearing for the Hartford Electric Light Company and the Connecticut Light and Power Company and the Connecticut Water Works Association: We have reviewed this bill and we would like to add to the comments already made and our enthusiastic commendation of the committee who worked on it.

In addition to the consolidation mentioned by the previous speaker, Mr. Nair, of dealing with the problems of small and large corporations, this bill also puts into one package the corporation law dealing with general corporations, generally chartered corporations and specially chartered corporations. As you might have anticipated from the list of clients, whom I represent, our review of this bill has been directed to an examination of the effect upon specially chartered corporations in particular the utility companies. We have six or eight slight technical changes in mind which I don't intend to go over with you great detail. I am sure you don't want me to. I would like to point a few of them out by way of example so that when this memorandum appears before you at your executive session, you will have some previous understanding of what we are trying to do and what our problems are.

General Law Committee

April 27, 1959

Mr. Hartigan: (continued) - Number one -- in Section 3, there is the definition of the term "certificate of incorporation". In that definition is included the phrase "any general resolutions". We feel that that term is so broad that it may include general resolutions of the Board of Directors which if it, under this terminology, became a part of the certificate of incorporation would now require a two-thirds vote of the outstanding stock in order to affect a change. I don't think that is intended. I think the change that is incorporated in this memorandum would not meet with any resistance from any of the other proponents of this bill and I would like to have the committee consider that amendment.

A more important, serious defect, if I may so characterize it, is filed in subsections 24 and 114 dealing with the Franchise Tax and if I may just give a word of explanation here. Under the present laws, companies -- that is general law companies, companies chartered under the general laws -- pay a franchise tax with respect to their stock when they increase authorized stock, while specially chartered companies pay the tax when they issue additional stock. The bill provides for the computation of the tax at a new rate of tax which will become effective immediately on the effective date of the bill for general law companies under the provisions of Section 24. So far as specially chartered companies are concerned, however, the law contemplates (in Section 114) that they will continue to pay tax at the old rate during an interim period. This interim period will continue under Section 114 so long as the number of shares issued after the effective date of the bill does not exceed the number of shares which they were authorized to issue on such date.

While there is perhaps a certain equity in requiring specially chartered companies to continue to pay tax at the old rate during a short interim period, it is important that the duration of that period be clearly defined. Under Section 114 that period terminates when "authorized" stock is exhausted. It should be noted that the term "authorized" stock can have two entirely different meanings so far as specially chartered companies are concerned: 1. -- stock authorized to be issued by stockholders; and 2. -- stock authorized to be issued by the company's charter. Of these two sorts of "authorized" stocks the amount authorized by charter frequently is

Mr. Hartigan: (continued) - enormously in excess of the amount of stock actually issued, and some specially chartered companies, like the Connecticut Light and Power Company and the Hartford Electric Light Company, actually are authorized by their charters to issue an unlimited amount of stock.

If the interim period specified in Section 114 did not terminate until the amount of stock authorized by charter had been issued, therefore, this, as a practical matter, would mean that that period would be indefinitely extended for many specially chartered companies. Since the rate of tax provided as to general law companies by Section 24 will normally be at a much lower rate than would apply to specially chartered companies under Section 114 during this interim period, the effect of such an extension of the interim would be clearly unfair and discriminatory as to specially chartered companies.

Thus, under present law, which would continue to be applicable during the interim period under Section 114 of the bill, The Connecticut Light and Power Company and The Hartford Electric Light Company presently pay tax at the rate of 2½ to 5¢ a share, as opposed to the 1¢ a share which would be payable by general law companies under Section 24. There is no possible justification for a long continuation of taxation at such unequal rates.

This possible tax discrimination can be largely avoided by a simple change in Section 114 of the bill to make clear that the interim period will terminate when a corporation has issued the full amount of stock presently authorized to be issued by stockholders, rather than the amount authorized by charter. This can be done by inserting the words "by stockholders" in subsection (b) of Section 114 of the bill, after the word "issue" near the end of the first sentence of the subsection, so that the final phrase of that sentence will then read: "not in excess of the number of shares which they are authorized to issue by stockholders on such date".

In other words, at the present time the authority to issue stock can be read "the charter authority", but the stockholders authorize the issuance of stock. If that test is applied, the equity of what we are seeking would be obtained.

Mr. Hartigan: (continued) - Under Section 30 I think there should be some clarification as to voting rights where stock is held in the name of a nominee to permit the corporate secretary to make a reasonable decision as to whether or not the stock standing in the name of the person on the corporate books would have the right to vote or whether the beneficial owner of that stock seeking the right to vote should be given that privilege. We think it is a little vague as it is now and suggest amendments which we think clarify it. We also would have this broadened so that not only the voting right, but the right to subscribe to stock would be treated in the same way as between a nominee and a beneficial owner.

Section 41 makes directors liable if any loans are made to directors, officers or stockholders. Generally this is a satisfactory provision except as it works out in practice with the Connecticut Light and Power Company and Hartford Electric Light Company who, fostering employee ownership of their stock, have the practice of making loans to their employees to permit them to buy the stock in the corporation. We think that this provision might shut off that rather desirable practice and we have a suggested revision which I think will protect or provide all this protection which the section seeks to give and yet permit these loans to be made to employees to permit them to take part in the purchase of new issued stock.

Section 59 contains certain restrictions on the variations between series of a class of preferred stock. The only suggestion is that those variations be broadened slightly to permit additional variations which are customary at the present time.

In Sections 63 and 66 the proposed act would deal with the sale of unsubscribed stock to employees. Here again we have a very special problem due to the practice which I have just outlined which could be easily clarified -- it could be easily taken care of. It is the practice of these companies to permit their employees to purchase any unsubscribed stock with any new issue and at the present time the directors make that decision; they decide at what point there is unissued stock available for employees and the directors see to it that announcement is made to the employees that so many shares are available for purchase.

Mr. Hartigan: (continued) - Under the new act this would have to go back to its stockholders meeting. We don't think that is particularly necessary or desirable and is small change as contained in this memorandum which would straighten that problem out.

There is also a provision in Section 65 prohibiting the issuance of fractional interests in shares. We think there are many times, both in connection with the issuance -- in connection with a merger of two corporations and in connection with the giving of stock dividends for rights to subscribe to additional stock that this prohibition would work a hardship. We are not advocating that fractional shares be permitted or authorized by this committee, but the practice of issuing warrants or rights which are in terms of fractional interest in a share of stock are traded back and forth until some person has enough fractions so that he puts the warrants together and obtains a full share. I don't think this is intended to put a halt to that practice. There would be no reason to do so and we have a small suggested change to take care of that.

Finally I would like to make a comment on the effective date and this is not going to be even a suggestion or a statement of what we think would be desirable, but in your deliberation concerning the effective date of this bill, I would like to suggest that you consider this: if it is made effective as the bill now states, October 1, 1960, there would be three full months of operation, if we don't have a special session of the legislature, during which this act would be tested. I am convinced, and I am sure that you will be, that due to the breadth of these changes that no one can sit down and foresee all the problems that are going to arise. I think perhaps it might be desireable to have three months of operation before you come back in January, 1961 so that the legal profession will have an opportunity to watch this bill in action and perhaps come up with some additional changes. Thank you, very much.

Mr. (Hugh) Wright, I practice law in New Haven with the firm of Wiggin and Dana. When I began to practice twenty years ago, the corporation law of Connecticut was generally referred to as being antique. I am not against antiques and I don't suppose you, gentlemen, are. My wife collects them, but when you are talking about corporation

Mr. Wright: (continued) - laws, we should remember that we are dealing with something that was created by statute in order to help people do business the way they wanted to and our Connecticut law began that way, but now with the passage of time, it has become out-of-date and all that this bill really does is bring Connecticut Corporation Law up-to-date and give the advantages to Connecticut businessmen that businessmen have in many other jurisdictions in the country. Professor Manning can give you a chapter and verse on this and, as you probably all know, many states which have gone way ahead and started long ago. I would just like to say that I am a member of the Commission and I am in favor of the enactment of this bill into law.

Attorney Harmon Lewis, W. R. Grace & Company and I would like to speak and add my support to this bill. We think it is an excellent bill and strongly urge its passage. We think it will go a long way to remove the deficiencies of the present law. In our opinion, the present law, as the speaker just before mentioned, is quite antique and one of the most out-of-date statutes in the United States, and it has created for us quite a few problems. I would say they fall into three categories -- in the places where the present law is ambiguous, or uncertain; places where the present law omits things which you normally find in other states and circumstances where the present law is more restrictive or less flexible. As a matter of fact, we have sometimes thought of moving to another state, such as Delaware, which we would not like to do and which we certainly won't do if this proposed law were passed. As a matter of fact, I wouldn't be surprised if you found that Connecticut would become a State to which other corporations would come to incorporate whereas now, I think, the proposed Delaware law, the present Delaware law, which is usually cited as the sample of the good statute, so we strongly urge the passage and we think they have done an excellent job in this bill.

There are a few places, however, where we think it needs clarification. Many of these points that I have are quite technical and what I would like to do, if possible, is to submit to you a memorandum in the next couple of days thereon.

Atty. Lewis: (continued) - We are also a specially chartered corporation as is The Connecticut Power and Light Company and the two points that the representative of that company made I agree with -- that in the definition of specially chartered corporations are including general resolutions and for that matter I think the inclusion of the other language there raises a very serious problem and we wish to suggest the deletion as referred to the language of the prior draft. We also have some reservations about the change in the franchise tax.

Now, I think the best thing to do rather than discuss these other points we thought rather technical would be to submit to you a memorandum, if I could, in the course of the next few days. Thank you, very much.

John Q. Tilson, speaking as counsel for the United Illuminating Company. We also are a specially chartered utility and wish to endorse the remarks that were previously made by Mr. Hartigan on behalf of Connecticut Light and Power. I think what you heard this morning points out what several speakers have been referring to is the question as to the effective date of this act. I came here this morning expecting to urge that you make the date October 1, 1961, which is the same date as the Uniform Commercial Code is slated to go in effect. The idea being that we get this very desirable piece of legislation on the books so we won't have to go through all this again and yet let the Commission be continued over the next two years to hear possible suggestions for changes in it that I am sure are going to pop up, as they will necessarily come up in any bill of this magnitude. After hearing Mr. Hartigan say that there are some advantages of having the law on the books for three months before the General Assembly meets, I can see some merit to that. I think perhaps the solution lies in whether or not you are going to be able to assimilate and put into effect the various minor suggestions that have been set forth today. If you can do it and get it into the bill, then I think perhaps October 1960 is fine. If you cannot, then I urgently urge you to pass the bill because it is a very good bill and these suggested changes are details only. I suggest that if you can't make all the changes that you pass the bill and make it an effective date of October 1, 1961 and then request this Commission or a successor Commission to stay in office for

Mr. Tilson: (continued) - two years and consider the possible changes in this act.

On the whole this thing is very good and it is something that will reflect great credit on this Legislature if you pass it and I strongly urge that you do give consideration to this minor point and above all, when you come to the end of your conclusions, that you give it a favorable report on this bill and see to it that it becomes the law of Connecticut.

Mr. James W. Cooper, Woodbridge: Mr. Chairman and ladies and gentlemen of the committee, I am a member of the Commission. I would like to add my word in support of the passage of this bill. I would like to emphasize first that the provisions of this bill have followed or do follow the present Connecticut law to every extent possible where that is a modern and up-to-date workable corporate system.

In the second place I would like to emphasize what Mr. Nair said, that in many respects this bill does very important things to help out the small business and does things in such a way that it removes the uncertainty and the doubts as to whether they can be done today. For one thing I would add to Mr. Nair's comments is the provision in this bill concerning a deadlock in a small corporation. That is a terribly serious thing. Nowadays you don't know what to do -- you can't do anything. Now the bill has a provision to take care of this and in the third place I do hope that this committee will feel it possible to report it favorably and I hope that the bill will be enacted. As far as the effective date is concerned, it is one, which to me, is of great importance, technically, but a great deal less important than the positive virtues of having this bill enacted with some effective date, whatever the committee and the General Assembly feel proper. Thank you.

Mr. Frederick Hoffer, I am corporation attorney for the Secretary of State's Office and also a member of this Commission. As representative of the Secretary's Office, I have worked closely with the other members of the Commission insofar as matters of administration of the Legislation are concerned and I feel that a very good job has been done. I would like to point out an interesting figure to

Mr. Hoffer: (continued) - you. Over a recent three-months period there has been an increase of 41% in the number of new Connecticut corporate stock corporations born over a similar period last year. Now, that is quite staggering when you have to cope with them as we do and if this continues, I am sure that the proposed law will facilitate the administration in its new work and will also clarify a great deal of the work which faces the members of the Bar resulting from this new corporation which is being formed.

In my position in the Secretary's Office, I am receiving questions all the time from members of the Bar. I feel greatly flattered that they feel that I have the answers to these questions. I have to disappoint them frequently by saying that all I know is what I read in the book and you got a copy, too. But I am conscious of the uncertainty that faces many of them and when I point out some of the information that I have gathered from talking with others from the Bar, it helps them realize that they are not the only ones who are facing these uncertainties. I feel that with the passage of this law, many of those uncertainties will be resolved. I must say, though, that we are bound to have a few technicalities creep up as a result of the administration of our law which will, undoubtedly, be solved as they come along and which may require a few changes. Thank you, very much.

Mr. William Reeves, Bridgeport, Connecticut: Mr. Chairman and members of the committee, I practice law with the firm of Cullman, Bradley and Reeves. I am also a member of the special Commission appointed in connection with the drafting of this corporation law.

I would like to speak in favor of this bill and its passage. I feel that from the experience that we have had in our office and as has been suggested here, there are many provisions of the bill which are following the Connecticut law that Connecticut lawyers are already familiar with and know about. On the other hand there are certain provisions where changes are being made which the Commission feels will be for the benefit of the lawyers and to the corporate science of the lawyers.

Mr. Reeves: (continued) - The Connecticut law at the present time, I feel, is very much like Topsy -- it just grew. Initially, when it started out, it was felt adequate for the purposes of corporate laws at the time, but we found out and we all know that there have been many changes that have come about. As a result, our present law is sort of a conglomaration of many amendments that the past legislatures have made over a period of years. As a matter of fact, I can remember coming up here at the last minute of the session in May when a particular company was planning to go ahead on an issuance of stock where they had to get a special act to permit a conversion or change from no par to apar stock because at that time it wasn't provided in the law which it now is and so over the years there have been these progressive amendments and as far as the present codification of the law is concerned, it fits even in position in a much more suitable and much clearer way than it has been before as well as adding some provisions. Now I feel that it will be definitely for the improvement of the corporate practice in the State of Connecticut and I think it will be of benefit to the state from the point of view of financial returns as the gentleman who spoke here who represents quite a large corporation and happens to be incorporated here but actually is situated outside the state.

There has been mention of the fact that there are certain provisions in here which is inevitable in a draft of this kind where there are some inconsistencies and perhaps some omissions. I think the matter of time as far as the effective date is concerned will cover that situation.

One suggestion was made here as to the possible appointment of a successor committee or commission to review some of these changes, I think that that would be a mistake, gentlemen, not that the members of this committee, are looking for any additional work, but simply because if you start with another group who are picking this up from scratch, why perhaps two years from now you will get into the same situation that you are now and I think that those who have labored on this and certainly many members of the Commission more than I have, but I feel that they having been so familiar with it that it would be much better that this committee have a chance to check these inconsistencies or these technical changes which have been brought up and I know that so far as the corporation committee

Mr. Reeves: (continued) - and the State Bar, I am sure that they would work along in developing and correcting these deficiencies.

Rep. Barnes: You made a statement that this act would be in favor with the lawyers. Will you clarify that statement?

Mr. Reeves: What I said that if I made that exact statement, I didn't mean to infer it as you stated. I meant merely from the point of view of lawyers being able to more correctly advise their clients as to what the state of the law is which is, of course, the bug-bare of any attorney if he can't interpret and see in pretty precise language what the situation is so that is what I meant to infer.

Rep. Barnes: Thank you. I thought that is what you meant.

Mr. Samuel S. Cross, Jr., I am a member of the Commission that worked on this bill and I am general counsel and secretary of the Bergen-Elmer Corporation in Norwalk and I live in Wilton.

I want to speak whole-heartedly in favor of this bill. The previous persons who spoke here this morning have commented on all the factors that make this a desirable piece of legislation at this time and I can do no more than summarize them. For one thing, there are gaps in the present corporation law in Connecticut which need to be filled in this state and this bill does that.

As was pointed out, too, by Mr. Wright, the bill has some archaic features and has grown, like the last gentleman said, like Topsy so that it needed to be tidied up and the various provisions which have been retained have been intergrated into a consistent, clear, logical pattern and code. Thirdly, there is some, as a result of the second practice, which developed, there are several areas in the present law where the language lacks clarity and precision and this has been dealt with so that lawyers can now deal with much more confidence in giving opinions and indeed you don't cast the possible doubt on the legality of some very important transactions and I personally have no doubt of any transactions which would not be conducted in Connecticut, particularly financial transactions dealing with corporate securities under the present law because of some of the

Mr. Cross: (continued) - uncertainties of what the actual results might be. This is the kind of thing that has been taken care of in the new bill.

Finally, the bill, as Mr. Cooper pointed out, deals with the problems of the small corporation. This is important in Connecticut as we all know because of the many small family corporations of one-man buinesses operated in corporate form. I am with a rather large publicly held corporation. You may wonder why this is important to us, but it is, indeed. The reason it is is because we occasionally engage in a business venture through a subsidiary form. Where we have done this in the past, I have not used the Connecticut practice because the inadequacies of the Connecticut law in dealing with these unique problems, where you have the entire ownership in one stockholder, you need a very simple expedient form of business organization to deal with some of these expanding industrial matters that we get into and this code handles those splendidly in keeping with the modern concepts of this deal that so many of the other states have adopted.

I, therefore, urge you to adopt the bill and recommend its passage in this session. Thank you.

Mr. James Cooper, Woodbridge: May I say just one more thing? Could I emphasize to this committee -- this is not a lawyers' bill in any insidious sense, none whatever at all. This is abill to benefit the Connecticut businesses from the small businessman to the large businessman. It is something which is of great value and importance to the economic life of the state and I do earnestly believe and wish to have you believe with me to such extent that I can make you -- this is nothing of a self-serving lawyers' bill in any way. Thank you.

Sen. Alfano: Are there any other proponents?

Mr. Bayless Manning, Woodbridge: I would like to add just a word or two. I have been amember of this commission and have had the privilege of serving under its Chairman as its Executive Secretary. I am currently Professor of Law at the Yale University of Law School and my field is corporation law. I practiced corporation law for quite a number of years before coming to Yale to teach, although I cannot plan to match the experience of people like Jim Cooper, I have had a fair bit of exposure, I think, to the practical as well as the academic side of the

General Law Committee

April 27, 1959

Mr. Manning: (continued) - problems of the corporation lawyer. The major point I would like to make, for you gentlemen, is really a very simple one and in a way it has already been contained in Mr. Sibal's statement; "Reform of the law to keep pace with changing circumstances goes in cycles". I would like to emphasize that when Connecticut, in 1837, adopted its joint stock company, it was way out on a vanguard and a true leader in the field and conscious of the importance of Jim Cooper's point. It was essential to have a law which could and would work effectively for the industry and the commerce of the day. What happened is, and it has happened in other states -- it happened in New Jersey; it happened in Delaware; is that states make great leaps forward as New Jersey and as Delaware did toward the end of the century, and then what happens is that they then just begin to tinker with the basic statute and they slowly slide behind in another state -- finally it leaps forward.

We are in the midst of one of these periods of general catch-up as many states in the United States. The state will jump forward and most particularly in 1927 the state that jumped forward happens to be Ohio, where I happened to be practicing law, although not in 1927. Since then, particularly since the war and the production of the model code and uniform acts, we are in the midst of a general catch-up on the states which have fallen behind. As a result, this wave of states and wave of new corporations, puts these states in a position of considerable commercial advantage -- these would be the others. The only rough point is that, I say this with some sorrow, but I can only say it objectively, but the fact of the matter is with the possible exception of the code in Maine that the structure of the corporation law in Connecticut today is probably as close to its original form of last intergration to 1901 as any in the United States.

Other states which seem small in commercial significance as compared to Connecticut -- one thinks it is Colorado, North Carolina -- have become sensitive to and have been aware, particularly in the last four or five years, of the importance of this development of their own commercial and industrial strength. I would only argue that Connecticut, in my judgment, should do the same.

27- rsc

General Law Committee

April 27, 1959

Mr. Manning: (continued) - I have a fair number of hours commited to this particular draft, this particular bill. I have no sense of personal commitment to it in the least. I would only argue in the more general terms that we need legislation here and what you have before you is a bill representing nearly two years' of work of some of the finest lawyers that I have ever had the privilege of working with, devoted, may I say, and I would like to make this very special tribute to the Chairman and other members of the Commission devoted for no compensation whatsoever in a selfless effort to improve the law of the state.

I urge strongly that the bill be adopted whether you pick one effective date or another effective date and regardless of that, which all know, which is that small technical problems will always exist in any statute of this length and they will appear over a course of time.

Sen. Sibal: Mr. Chairman, I have spoken before and I will be very brief. I have been listening to the hearing. It is clear that you will receive some suggestions which may be of a highly technical nature and if the committee in its deliberations wishes to consult with any members of the Commission on any of these changes and most particularly with Professor Manning who is certainly the major draftsman of this proposed bill, I would like to make it clear that we are available.

Sen. Alfano: Is there anyone here in opposition to this bill? Before I close the hearing on this bill, I want to say that we have until a week from Thursday to take any positive action on any bills so if people have memorandums they want to send to us on any changes, they should send them in at least by Thursday of this week if they want us to consider them.

The hearing on Substitute for Senate Bill No. 329 is closed. We will take up Committee Bill No. ~~3290~~ 1286.

5.13

S. B. No. ~~3290~~ 1286 (Committee Bill) AN ACT VALIDATING NOTICE GIVEN BY WILLIAM KURDZIEL, GRANTING HIM THE RIGHT TO SUE THE CITY OF NORWICH.

Sen. Alfano: We will hear from the proponents of this bill.

VOL. 8
PART 7

report and passage of the bill. Will you remark?

SENATOR ALFANO:

This bill makes a very minor amendment to section 12-344 of the General Statutes in regard to succession tax laws. And it provides unmarried widows or widowers or the child of the transferral to come within the provision of Class B for taxation purposes.

THE CHAIR:

Will you remark further? If not all those in favor will signify by saying "aye", those opposed "no". The "ayes" have it. The bill is ordered passed.

THE CLERK:

Cal. No. 1437. File No. 1350. Substitute for Senate Bill No. 329. An Act concerning Stock Corporations. Favorable report of the Committee on General Law.

SENATOR ALFANO:

Mr. President..

THE CHAIR:

Senator from the 7th.

SENATOR ALFANO:

I move for acceptance of the committee's favorable report and the passage of this bill.

THE CHAIR:

Question is on acceptance of the committee's favorable report and passage of the bill. Will you remark?

SENATOR ALFANO:

My comment on this bill will also apply to Cal. No. 1439 or Senate Bill No. 1284. This bill is known as the complete revision of the Connecticut Stock Corporation Laws. The first time in over 58 years we finally had a revamping, a complete overhaul of our corporation laws both the stock corporation and non-stock corporation laws which really were badly needed. Several men who have worked for several years in the drafting of the stock corporation laws and non-stock corporation laws, including Professor Manning of Yale University and many other worthy members. I think that a person who has served on our committee and has done a very good job andwho would give you more details about it would be the minority leader here in the Senate. I move this bill's passage.

THE CHAIR:

Will you remark further?

SENATOR SIBAL:

Mr. President..

THE CHAIR:

Senator from the 26th.

SENATOR SIBAL:

For me personally this particular bill and Cal. No. 1439 which follows it two items down the page, perhaps more important to me and I think perhaps as important to the State of Connecticut as any other legislation which this session will consider. It was my distinct privilege and honor to be chairman of

this Commission which worked on the revision of the laws. In 1955 the legislature appointed a committee to look into the provision of the stock corporation laws of the State of Connecticut. The Committee worked as an interim committee between the 1955 and the 1957 session but it became apparent that the job was so gigantic and the amount of research and study and detail consideration was much more than any interim committee regardless of how diligent and howhard-working could accomplish. So in the 1957 session a commission consisting of 20 of the outstanding lawyers of the state was appointed. The commission worked literally thousands and thousands of hours at no cost to the State. Each member of the commission gave his time without reimbursement and even waived the provision of the appropriation which permitted that person to receive travel mileage and out-of-pocket expenses. I don't know how many hundreds but I would guess into the thousands of dollars were for telephone bills were paid out of the pockets of the members of the commission as they discussed various provisions around the state via telephone. Meetings were held most frequently and members travelled to New Haven, to Hartford, to Norwalk, to various other points in the State and spent whole days and evenings working on this revision. Bayless Manning who is professor of corporate law at Yale University was the executive secretary of this Commission and I think it only proper that the record show that he perhaps more than, undoubtedly more than any other member of the Commission devoted his own time and effort to bringing about this very, very monumental work. Connecticut, as the chair-

man of the General Law Committee indicated, has not really touched its corporate law in over 50 years. The last revision we had was in 1901. And in the ensuing 58 years Connecticut has dropped from being in the forefront as a minor state in the vanguard of this kind of law to the rear. We were out-moded, we were out-dated, we were losing business, people were not incorporating in Connecticut even though they might desire to for other reasons because our laws were so archaic. Once again as the result of this work we are in the foreground. I predict that the Connecticut code will be a model for other states to copy at our approach with a most important problem and I predict further that not only will the business man in Connecticut further will out-rate, prosper because of our modern approach but new business will come into Connecticut. Because we now are, so to speak, "on the ball" and in the foreground. The second bill which I will remark on now, with your permission, and not when it comes up, Senate Bill 1284, the non-stock corporation laws. It is merely a necessary adjunct of the stock corporation laws so the two bodies of law will be consistent and will not be out of step. I'm very happy to support this law; I'm very proud to have had something to do with its creation, and I urgently support its adoption.

THE CHAIR:

Will you remark further? If not all those in favor will signify by saying "aye", those opposed "no". The "ayes" haveit. The bill is ordered passed.

1 50

CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
1959

VOL. 8
PART 12

VOL. 8
PART 12
1 50/1 9564

FPD
125 It makes the law easier to enforce and to administer.

It's a good bill and I urge its passage.

THE SPEAKER:

Will you remark further? If not, all those in favor say aye, opposed no. The ayes have it. The bill is passed.

THE CLERK:

Calendar No. 1886. File No. 1350. Substitute for Senate Bill No. 329. An Act concerning Stock Corporations. Favorable report of the Committee on General Law.

THE SPEAKER:

The gentleman from Manchester.

MR. ARONSON OF MANCHESTER:

Mr. Speaker, I move for acceptance of the committee's favorable report and passage of the bill in concurrence with the Senate.

THE SPEAKER:

Question is on acceptance of the committee's favorable report and passage of the bill in concurrence with the Senate.

The gentleman from Manchester.

MR. ARONSON OF MANCHESTER:

Mr. Speaker, as everyone can see from the size of the file on this bill, it is a lengthy bill, it is a technical bill, it is one that has been studied a great deal by a commission. It has been drafted by that commission who studied the laws of stock corporations thoroughly. They have revised them and codified them. It is a good bill, and I urge its passage.

FPD
126 THE SPEAKER:

Will you remark further? If not, all those in favor say aye, opposed no. The bill is passed.

THE CLERK:

Calendar No. 1887. File No. 1349. Senate Bill No. 1284. An Act concerning Non-Stock Corporations. Favorable report of the Committee on General Law.

THE SPEAKER:

The gentleman from Manchester.

MR. ARONSON OF MANCHESTER:

Mr. Speaker, I move for acceptance of the committee's favorable report and passage of the bill in concurrence with the Senate.

THE SPEAKER:

Question is on acceptance of the committee's favorable report and passage of the bill in concurrence with the Senate. The gentleman from Manchester.

MR. ARONSON OF MANCHESTER:

Mr. Speaker, this is the companion bill to the bill we just passed. It too, the subject-matter has been studied thoroughly by the commission. The bill was drafted by the commission. It makes a number of technical changes, revisions and codifications of the law.

It's a good bill and I urge its passage.

THE SPEAKER:

Will you remark further? The gentleman from Brookfield.