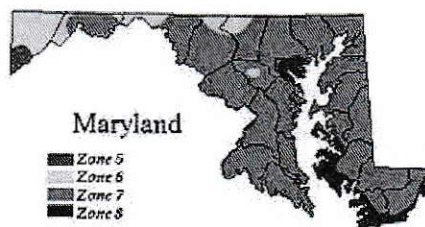


First-Ever Study of Λ Benefit Corps Released



Anne Field Contributor

In April 2010, Maryland became the first state in the nation to allow companies to register as benefit corporations. After that, it also passed legislation creating benefit LLCs (and still is the only state with such a law).



(English: The 2003 USDA Hardiness Zone map of Maryland. (Photo credit: Wikipedia))

So with a few years of experience under the state's belt, Change Matters, a social enterprise consulting firm, working with a group of University of Maryland MBAs, just announced the findings of a study of Maryland-based benefit corporations and LLCs--how many there are, why they filed, and other questions.

Benefit Corporations, of course, are allowed to consider non-financial stakeholders such as employees or the environment, when making business decisions, so the board won't face lawsuits for doing something that might favor, say, the community over the financial bottom line.

The study didn't uncover anything earth-shattering, but, by evaluating the state's Benefit Corporations, it did provide a first-ever comprehensive look at Maryland's companies, as well as comparisons to other places that have passed similar legislation.

"As other states rapidly follow its lead, Maryland has the unique opportunity to leverage its existing resources to support the implementation of the Benefit Corporation Act, and retain its position as a national leader in its successful implementation," says the report.

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Some notable findings:

- Of the 32 registered companies, the overwhelming majority--24--are LLCs, not corporations. (Most of the businesses are Maryland-based).
- The main reason for filing was for the recognition that the company is a social enterprise with other bottom lines. "It's a values thing," says Amy Kincaid, founder of Change Matters. But also she says, "They anticipate they can use it as a positioning differentiation as part of a marketing or branding strategy."
- Because it was the first-ever state to pass the law, Maryland used the model legislation created by B Lab. But other states that came later to the party have their own twists. For example, New Jersey has a provision that if a company hasn't delivered a benefit report in two years, its status will be pulled.
- California has a particularly strong support infrastructure, with a large network of lawyers and other advisors. Maryland, on the other hand, "has relatively few advisory folks," says Kincaid. And the state of Virginia has provided more support in the form of a listing on its web site about the corporate options. "In Maryland, it's not listed," she says.

According to Kincaid, there's also a lot of confusion out there about the difference between B Corp-certification and Benefit Corp. legislation. This is quite understandable. It's an unfortunate confusion that many people have.

At any rate, this kind of study clearly is important for understanding the nascent Benefit Corporation movement and where it's going. Hope we see more such efforts soon.

I'm an award-winning journalist with a particular interest in for-profit social enterprise, as well as entrepreneurship and small business in general. I've