



Atlanta Business Chronicle - by **Dan Kolber** Date: Friday, November 26, 2010, 6:00am EST

Social investors go for-profit

Social investing was just coming into its own in the 1970s.

As a new lawyer, I considered it as a career choice but instead was lured to a Wall Street law firm. The money was good, but I never forgot the words of my favorite professor, **Howard Zinn**, who told me “practicing corporate law is just making rich people richer.”

Yet, I was troubled by the idea of social investing because of the interconnections of our economy. For example, you may not want to help tobacco companies but if you help a trucking company that transports cigarettes you are indirectly helping the industry you are trying to shun.

Instead, in 1984, I moved to Atlanta and helped visionary Atlanta entrepreneur **Michael Hollis** with his brainchild, Air Atlanta — still the best example of a minority-controlled startup in U.S. history.

For me, Air Atlanta was social investing in its purest form. Now, 25 years later, I find myself involved in a new type of social entrepreneurship that finances businesses that address social problems.

In November, I traveled to London, Zurich, Amsterdam and Stockholm to speak to potential investors in companies dedicated to clean or sustainable technologies.

There is more understanding in Europe of a new type of U.S. for-profit corporation than there is here in the U.S.

In April 2010, Maryland became the first state to pass legislation authorizing a new type of corporation called a “Benefit Corporation.” In May, Vermont did the same, and seven other states are expected to pass similar legislation in the next year.

To understand the sea change caused by this new type of legal entity, you must have a bit of corporate law background.

The board of directors and officers of the conventional for-profit corporation (or limited liability company) have a fiduciary duty to protect the interests of shareholders over all other competing interests, such as employees and vendors.

Simply put, a Benefit Corporation changes that by inserting provisions in the articles of organization authorizing the management of a Benefit Corporation to subordinate the interests of the shareholders to the interests of other stakeholders, such as members of the community who want an environment that will be around for their grandchildren.

There are several benefits to the pocketbooks of entrepreneurs who want to go the Benefit Corporation route in starting a business or converting an existing business.

1. There are many federal, state and local tax credits available to corporations that help solve social problems. Becoming a Benefit Corporation is one way to tap into these benefits.
2. More investors want to invest in socially responsible firms. U.S. family foundations alone are estimated to have \$120 billion of available investment capital for socially productive investments.
3. Becoming socially responsible is smart business that attracts customers and employees. Increasingly, requests for proposals are asking about social responsibility policies of bidding companies.
4. The shares of publicly traded companies that address social concerns tend to do better and trade at higher multiples than less-aware companies.

Kolber's Tips

1. Do not confuse becoming a Benefit Corporation with becoming a "Certified B Corporation," which is a company that has met rigorous standards created and enforced by an independent, nonprofit group called B Lab. This group has also recently developed the Global Impact Investing Ratings System, which provides social ratings for companies and funds. You can become a Certified B Corporation without being a Benefit Corporation. To learn more about both, visit www.bcorporation.net.
2. Georgia does not yet have specific legislation authorizing Benefit Corporations. However, you can become a Certified B Corporation by amending your articles of organization to authorize your corporation or limited liability company to consider factors other than short-term maximization of shareholder value.

3. To become a Certified B Corporation, you should adopt several policies manifesting social impact ideals including: 1) a whistle-blowing policy; 2) an employee manual; 3) a supplier code of conduct; and 4) an audit committee.

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About Author [Daniel H. Kolber](#) started his legal career with a major Wall Street law firm in New York City. Also, he has co-founded and served as chief operating officer of a regional airline, and founded and served as chief executive officer of several securities firms and investment advisory firms in addition to Intellivest Securities, Inc. and Intellivest Securities Research, Inc. He has been credited by Inc. Magazine and the Wall St. Journal with designing the zero coupon convertible note for use in the private sector. He has been featured in a book published by Inc. Magazine profiling his creative use of this instrument.

He holds the following securities licenses: General Securities Principal (Series 24), Financial and Operations Principal (Series 27), Municipal Securities Principal (Series 53), Registered Options Principal (Series 4), Research Principal (Series 87), Investment Banker (Series 79) and Registered Investment Advisor (Series 65). He has experience as and is currently on the Chairman Arbitration and Mediator rosters for FINRA (formerly the National Association of Securities Dealers).

His education is as follows: New York University School of Law, LL.M., 1981; University of Virginia School of Law, J.D., 1978; and Boston University, B.A., 1975, magna cum laude. He is an active member of the following bars: Virginia (1978); Florida (1978); New York (1979) and Georgia (1985)