

**Certified**



**Corporation™**  
bcorporation.net

## **FAQs for Investors and Directors of Potential B Corporations**

### **How will B Corp impact our ability to raise money?**

If you're looking for mission-aligned capital, it should help. Social investors want to invest in companies which 1) achieve high social and environmental impact, 2) are structured to maintain their mission after the next financing, sale or IPO, and 3) can command higher valuations. The B Corp legal and performance standards ensure that B Corps can meet all three objectives.

If you're looking for mainstream capital, then it shouldn't hurt. If a prospective investor doesn't want your company to remain a Certified B Corporation, then your shareholders can vote to remove the B Corporation language from your corporate governing documents. If a prospective acquirer doesn't want your company to remain a Certified B Corporation, then they can remove the B Corporation language themselves.

### **How can B Corporations command higher valuations?**

B Corporations can command higher valuations because they are trusted by their customers, employees, suppliers and other stakeholders. The independent third party certification, and the transparent legal and performance standards on which they rest, maintain that trust post-sale. When an acquirer buys a company, any price above book value is called goodwill – or brand equity. When mission-driven businesses are acquired, this brand equity is at risk because customers, employees, suppliers and other stakeholders become uncertain if the values and practices of the company they supported will be maintained. Becoming a Certified B Corporation and maintaining your certification post-transaction minimizes this brand risk.

### **Have any B Corps received outside equity investment (i.e. venture capital)?**

Yes. Many Certified B Corps already had sophisticated outside investors who have vetted and approved the B Corp legal framework (i.e. Method, Seventh Generation, ShoreBank, and IceStone). In addition, there are over 20 financial services companies which themselves have become Certified B Corps, including a regulated commercial bank (ShoreBank) and several private equity firms (TBL Capital, Mindful Investors, Good Capital, Agora Partnerships, IGNIA Partners, Partnership Capital Growth, City Light Capital).

The following is a list of Certified B Corps which have received outside capital since becoming a B Corp or after adopting the B Corp legal framework but prior to certification:

### Certified B Corporation

Better World Books  
Bikestation  
CAP Global (aka Napo Pharmaceuticals)  
Clean Fish  
Evergreen Lodge  
Good Guide  
Guayaki  
Indigenous Designs  
New Leaf Paper  
Numi Organic Tea  
Saber es Poder

### Funder

Good Capital  
Tech Coast Angels  
Asset Management Company  
TBL Capital  
RSF Social Finance  
NEA  
Clif Bar Fund  
Mindful Investors  
Pacific Community Ventures  
RSF Social Finance, TBL Capital  
New Cycle Capital

### **Have any B Corps been sold?**

Many have received private equity investments and four B Corps have been sold to date.

- Nau, an outdoor apparel company with significant private equity investment, sold its assets to Horny Toad Activewear in 2008. Today, Nau is no longer a Certified B Corporation.
- White Dog Café, a restaurant, was sold to a local restaurateur in early 2009.
- Plum Organics, an organic baby food company, was sold to The Nest Collective (backed by Catamount Ventures, Bridgescale, and Simon Equity) in early 2009.
- Waterbirth International sold its assets to Waterbirth Solutions in early 2009.
- The new owners of White Dog, Plum Organics and Waterbirth will meet with B Lab in Q2 2009 to discuss whether each will remain a Certified B Corporation.

### **Will the B Corp legal framework create additional liability for our Board of Directors and officers?**

No. In fact, adopting the B Corp legal framework to expand the definition of the 'best interests' of the corporation will *reduce* the liability for Directors and Officers by creating legal protection (called 'safe harbor') for them to take into consideration the interests of multiple stakeholders when making decisions, particularly when considering financing and liquidity scenarios. Adopting the B Corp legal framework will, however, give shareholders additional rights to hold Directors and Officers accountable for taking into consideration these same interests when making decisions -- and that of course is the whole point.

### **Are there any public B Corps? Can B Corps go public?**

There are no public B Corps yet, but there is nothing in the B Corp legal framework which prevents a company from going public. In fact, the B Corp legal framework was created to enable companies to go public and maintain their social mission.

### **Why would a venture fund want to invest in a B Corp?**

Social investors want to invest in companies which 1) achieve high social and environmental impact, 2) are structured to maintain their mission after the next financing, sale or IPO, and 3) can command higher valuations. The B Corp legal and performance standards ensure that B Corps can meet all three objectives.

### **Why would a company want to acquire a B Corp?**

When an acquirer buys a company, any price above book value is called goodwill – or brand equity. When mission-driven businesses are acquired, this brand equity is at risk because customers, employees, suppliers and other stakeholders become uncertain if the values and practices of the company they supported will be maintained. Acquiring a Certified B Corporation minimizes this brand risk because the transparent standards that determine independent third party B Corp certification maintains the trust upon which brand equity rests post-sale.

### **Are investors currently using the B Ratings System to help with their due diligence or portfolio management?**

Yes. Several financial services firms are using or planning to use the B Ratings System as a part of the due diligence and portfolio management of existing loan portfolios, funds or funds in the process of being raised. Some of these include: Benchmark Asset Managers, E3 Bank, Good Capital, RSF Social Finance, TBL Capital.

In addition, B Lab has been hired by the steering committee of the GIIN (Global Impact Investing Network) to develop a business plan for an independent ratings agency for institutional impact investors. This agency would govern an impact ratings system built on the foundation of the B Ratings System and including the ability to rate funds globally for their social and environmental impact.