



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, they can remove the B Corporation language themselves after the sale.

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 mission-driven businesses are acquired, their 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.

How does becoming a Certified B Corporation help my company raise capital?

Several investors and financial services firms are currently using the B Ratings System as part of the due diligence and/or portfolio management of existing loan portfolios, funds, or funds being raised. These include: Mission Markets, Good Capital, RSF Social Finance, Investors' Circle, New Resource Bank and TBL Capital.

In addition, Certified B Corporations have access to a free GIIRS rating for as long as they maintain their B Corp certification (valued between \$1,000 and \$10,000). GIIRS (Global Impact Investing Ratings System) is an independent ratings agency for institutional impact investors, and will create ratings for companies' and funds' social and environmental impact. GIIRS is currently in beta phase and will go live in summer of 2011, with a full launch including analytics tools in September.

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, IceStone). In addition, there are over 20 financial services companies which themselves have become Certified B Corps, including a regulated commercial bank (New Resource Bank) and several private equity firms (TBL Capital, Mindful Investors, Good Capital, Agora Partnerships, IGRIA Partners, Partnership Capital Growth, City Light Capital).

The following is a sampling of Certified B Corps which have received outside capital:

<i>Certified B Corporation</i>	<i>Funder</i>
Nest Collective/Plum Organics	Catterton Partners
iContact	JMI Equity
Rally Software	Mohr Davidow Ventures, Vista Ventures
RecycleBank	Kleiner Perkins, RRE Ventures, Sigma Partners
Better World Books	Good Capital
Bikestation	Tech Coast Angels
CAP Global (aka Napo Pharmaceuticals)	Asset Management Company
GoodGuide	New Enterprise Associates
Sambazon	Fontis Partners
CleanFish	TBL Capital
Evergreen Lodge	RSF Social Finance
New Leaf Paper	Pacific Community Ventures
Numi Organic Tea	RSF Social Finance, TBL Capital
Saber es Poder	New Cycle Capital

Can I sell my company? What happens at the moment of liquidity?

The B Corp legal framework is designed to enable high-impact companies to maintain their mission through changes in leadership and ownership. Certified B Corporations have increased optionality at the point of sale because they can:

- encourage competition based on commitment to mission in addition to price;
- consider other factors besides price when making the decision of whether and to whom to sell;
- retain or remove certification directly prior or after a sale depending on the current and new owners' preferences

Have any B Corps been sold?

More than 15 B Corps have merged or been sold to date. Some examples include:

- Plum Organics, an organic baby food company, was sold to The Nest Collective (backed by Catamount Ventures, Bridgescale, and Simon Equity) in early 2009. The Nest Collective as a whole became a Certified B Corporation shortly thereafter; Plum Organics remains a Certified B Corporation as a wholly owned subsidiary of Nest Collective.

- 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; however, Horny Toad's leadership is in conversation with B Lab to explore certification.

- White Dog Café, a restaurant, was sold to a local restaurateur in early 2009. The new owner has decided not to maintain the White Dog's B Corporation Certification.

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

It is the opinion of our attorneys that adopting the B Corp legal framework to expand the definition of the 'best interests' of the corporation should *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 public company from becoming certified or that prevents a B Corp 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 mission-driven businesses are acquired, their 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.