

# STRUCTURE FOR IMPACT

@KYLEWESTAWAY

**FORM FOLLOWS FUNCTION**

**HOW DO YOU DEFINE SUCCESS?**

**WHAT IS YOUR BUSINESS MODEL?**

# PROFIT PURPOSE TENSION

- ZERO SUM GAME
- INCREASING PURPOSE AT THE EXPENSE OF PROFIT
- OFTEN BENEFICIARIES ARE A PART OF THE SUPPLY CHAIN

**WARBY PARKER**



# OPTIMAL STRUCTURES

- BENEFIT CORPORATION
- FLEXIBLE PURPOSE CORPORATION
- L3C
- B CORP CERTIFICATION

# PROFIT PURPOSE ALIGNMENT

- WIN - WIN SCENARIO
- INCREASING PURPOSE WILL INCREASE PROFITS
- OFTEN BENEFICIARIES ARE THE CUSTOMER



INDIGO



# OPTIMAL LEGAL STRUCTURE

- CORPORATION
- LLC
- BENEFIT CORPORATION
- FLEXIBLE PURPOSE CORPORATION
- L3C

# DECOUPLED

- ALL PURPOSE / NO PROFIT
- BENEFICIARIES ARE NOT LINKED TO REVENUES
- THIRD PARTY MUST GENERATE A REVENUE STREAM

**CHARITY : WATER**





# OPTIMAL LEGAL STRUCTURE



NONPROFIT

# LEGAL STRUCTURES

# **B CORP CERTIFICATION**

# CERTIFICATION FOR SUSTAINABLE BUSINESS

- VOLUNTARY CERTIFICATION NOT LEGAL STRUCTURE
- CAN BE APPLIED TO ANY LEGAL STRUCTURE
- DIFFERENTIATES GOOD COMPANIES FROM COMPANIES WITH GOOD MARKETING



# FORMATION

- 80/200 ON B LABS ASSESSMENT
- INCLUDE KEY LANGUAGE IN ORGANIZING DOCUMENTS



## E-commerce platform

Brooklyn, New York  
United States  
[etsy.com](https://www.etsy.com)

### About Etsy

Etsy is the marketplace we make together. Etsy's mission is to reimagine commerce in ways that build a more lasting and fulfilling world. As of January 2014, Etsy has 40 million members and over 1 million active shops in 200 countries. In 2013, their sellers grossed more than \$1.35 billion in sales.

### What makes us a better company?

## B Impact Report

**Certified since: May 2012**

Summary:	Company Score	Median Score*
Governance	17	10
Workers	35	22
Community	26	32
Environment	14	9
Overall B Score	105	80

80 out of 200 is eligible for certification

\*Of all businesses that have completed the **B Impact Assessment**

\*Median scores will not add up to overall

# MANAGEMENT

- PERIODIC ASSESSMENT
- MUST PUBLISH RESULTS OF ASSESSMENT

# TAXATION

- DEPENDING ON FORM
- 1ST TAX BREAKS IN THE CITY OF PHILADELPHIA

# CAPITAL

- DEPENDS ON LEGAL STRUCTURE

ETSY

COLUMBUS OIL CLOTH



ETSY.com



**BENEFIT CORPORATION**

# A NEW CLASS OF CORPORATION

- MANDATE TO OPERATE FOR PUBLIC BENEFIT
- INCREASE IN TRANSPARENCY / ACCOUNTABILITY



# GENERAL PUBLIC BENEFIT

- A MATERIAL POSITIVE IMPACT ON SOCIETY AND THE ENVIRONMENT, TAKEN AS A WHOLE, ASSESSED AGAINST A 3RD PARTY STANDARD, FROM THE BUSINESS AND OPERATIONS OF A BENEFIT CORPORATION.

# THIRD PARTY STANDARD

- DEVELOPED BY A PARTY NOT RELATED TO THE ENTITY IT'S MEASURING
- TRANSPARENT IN ITS METHODOLOGY

# SPECIFIC PUBLIC BENEFIT

- PROVIDING INDIVIDUALS / COMMUNITIES WITH BENEFICIAL PRODUCTS OR SERVICES
- PROMOTING ECONOMIC OPPORTUNITIES FOR INDIVIDUALS OR COMMUNITIES BEYOND JOB CREATION
- PROMOTING HEALTH / ENVIRONMENTAL PRESERVATION
- PROMOTING ARTS / SCIENCES

# TRANSPARENCY

- ISSUE ANNUAL REPORT INCLUDING RECORD OF SUCCESSES AND FAILURES FOR GENERAL AND SPECIFIC PUBLIC BENEFIT
- 120 DAYS AFTER THE CLOSE OF THE FISCAL YEAR
- PUBLICLY AVAILABLE

# FORMATION

- FILE ARTICLES OF INCORPORATION STATING BENEFIT CORPORATION STATUS AND SPECIFIC PUBLIC BENEFIT
- IF EXISTING CORP, MUST HAVE 2/3 VOTE
- DRAFT BYLAWS
- HOLD ORGANIZATIONAL MEETING
- ISSUE STOCK INCLUDING SPECIFIC LANGUAGE

# MANAGEMENT

- MANAGED BY DIRECTORS
- OFFICERS RUN DAY TO DAY OPERATIONS
- DIRECTORS MUST TAKE BENEFIT INTO ACCOUNT ON ALL DECISION MAKING
- ANNUAL ASSESSMENT BY 3RD PARTY
- MOST STATES REQUIRE A “BENEFIT DIRECTOR”

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# TAXATION

- SUBJECT TO CORPORATE TAX ON NET INCOME
- IF SHAREHOLDERS RECEIVE DIVIDENDS, THAT IS SUBJECT TO PERSONAL INCOME TAX
- NO TAX FAVORED STATUS.... YET.

# CAPITAL

○ EQUITY

○ DEBT

○ PRI



# METHOD



**SOCIAL PURPOSE CORPORATION**

# A NEW CLASS OF CORPORATION

- **ALLOWS CORPORATION TO PURSUE A SPECIAL PURPOSE**
- **PROTECTS DIRECTORS FROM SHAREHOLDER SUIT**

# FORMATION

- FILE ARTICLES OF INCORPORATION STATING FPC STATUS AND SPECIAL PURPOSE
- IF EXISTING CORP, MUST HAVE 2/3 VOTE
- DRAFT BYLAWS
- HOLD ORGANIZATIONAL MEETING
- ISSUE STOCK

# MANAGEMENT

- MANAGED BY DIRECTORS
- OFFICERS RUN DAY TO DAY OPERATIONS
- DIRECTORS MAY CHOOSE TO INCLUDE BENEFIT IN DECISION MAKING
- NO 3RD PARTY VERIFICATION
- ANNUAL BENEFIT REPORT

# TAXATION

- SUBJECT TO CORPORATE TAX ON NET INCOME
- IF SHAREHOLDERS RECEIVE DIVIDENDS, THAT IS SUBJECT TO PERSONAL INCOME TAX
- NO TAX FAVORED STATUS... YET.

# CAPITAL

○ EQUITY

○ DEBT

○ PRI

**L3C**



# A NEW CLASS OF LLC

- ELEVATES CHARITABLE PURPOSE OVER PROFIT
- ALLOWS A MIX OF PHILANTHROPIC AND PRIVATE CAPITAL

# PROGRAM RELATED INVESTMENT

- TAX REFORM ACT OF 1969 REQUIRED STRICT CONSERVATIVE RULES ON FOUNDATION INVESTMENT
- PRI IS AN EXCEPTION FOR ORGANIZATIONS THAT HAVE A CHARITABLE PURPOSE
- USED INFREQUENTLY

# FORMATION

- FILE ARTICLES OF ORGANIZATION WITH THE STATE
- INCLUDE CHARITABLE PURPOSE IN ORGANIZING DOCS
- NEGOTIATE AND EXECUTE OPERATING AGREEMENT

# MANAGEMENT

- MOST FLEXIBLE
- LEAST AMOUNT OF FILINGS
- MEMBERS CAN OPERATE DAY TO DAY OR DELEGATE THAT TO MANAGERS

# TAXATION

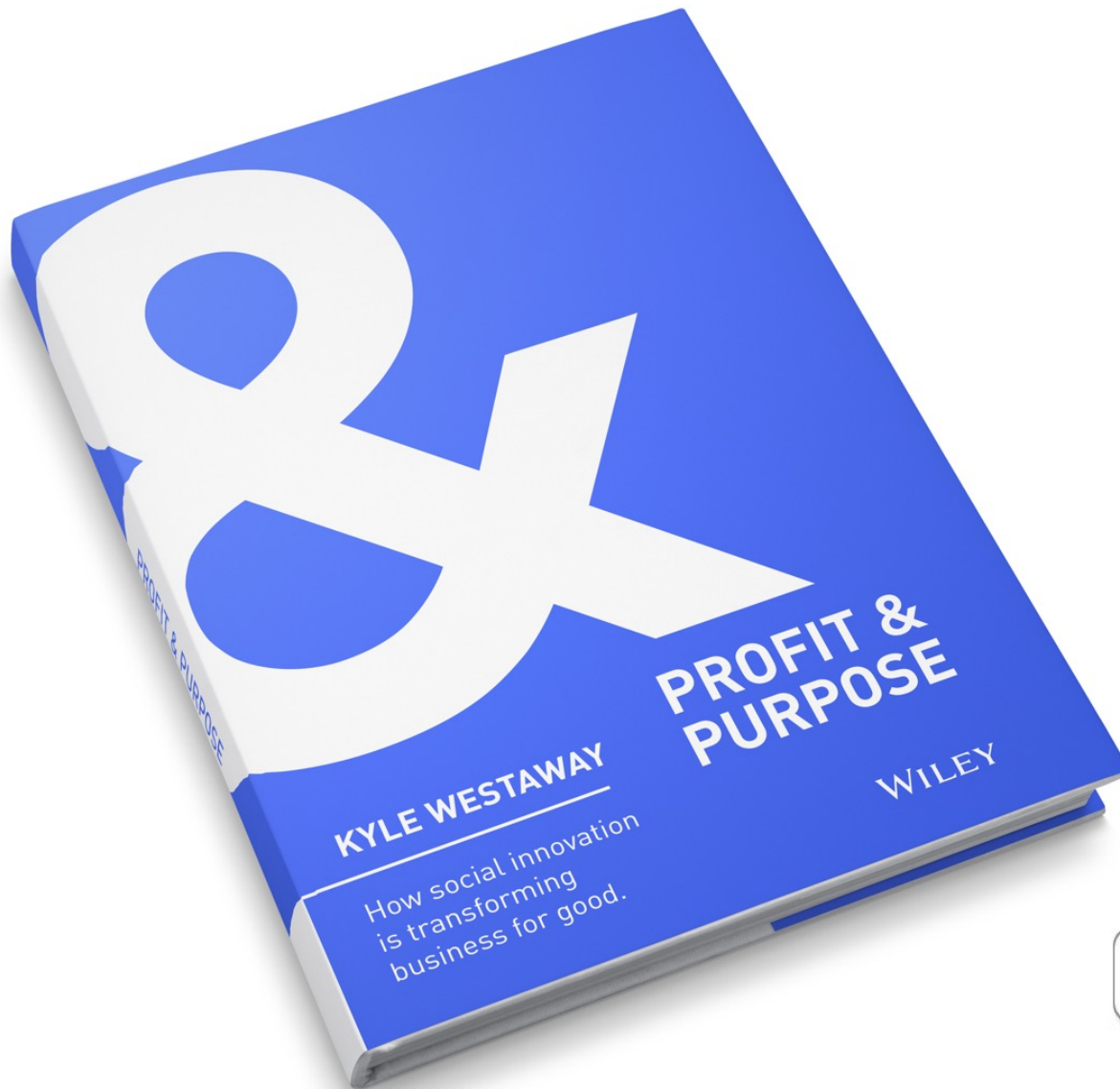
- MOST L3C'S CHOOSE PASS THROUGH TAXATION TREATMENT
- NO TAX EXEMPT STATUS

# CAPITAL

- DESIGNED SPECIFICALLY TO RECEIVE PRI
- EQUITY
- DEBT

# MOO MILK







# JOIN THE CONVERSATION



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**BIT.LY/PPSUB**



**[HTTP://WWW.SLIDESHARE.NET/KYLEWESTAWAY/PROFIT-PURPOSE](http://www.slideshare.net/kylewestaway/profit-purpose)**