

L3C or B Corporation: Which Legal Structure Best Promotes the Growth of Social Enterprise?

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Abstract

The three traditional sectors of society, government, business and nonprofit, are being challenged by a new model: social enterprise. This burgeoning fourth sector of society requires its own infrastructure, including distinctive legal models to support its primary objective to combine market and mission. Legal experts and social entrepreneurs have proposed two new legal structures for social enterprise, L3Cs and B Corporations. This paper examines which of these legal entities is best able to maintain an appropriate amount of liquidity, based on the approximate liquidity target model and the organizational slack theory, through access to capital markets. Using the iron triangle theory, this paper then shows how obtaining an appropriate amount of liquidity is necessary for a social enterprise to grow to scale and on the basis of this analysis recommends which legal structure best promotes the growth of social enterprise.

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Introduction

Three distinct sectors have traditionally defined American society, the public, private, and social sectors. Government, business and nonprofit entities comprise the organizational structures that support these sectors. For centuries, American society has relied on these organizational designs to function. Nonprofit organizations and the government have traditionally worked in partnership to address the social issues plaguing our society such as hunger, poverty, and crime. However, in recent years, the United States and the world have seen new systemic problems emerge as products of our current organizational design. Global warming, human trafficking, and terrorism are the results of rapidly changing technology and an expanding global economy (Sabeti, 2009). Nonprofits and government cannot work fast enough to address the problems perpetuated by the private sector. Consequently, the boundaries of the three sectors have begun to blur. The private sector has become more conscious of the way in which it conducts business and the impact this has on society. Nonprofits on the other hand strive to become more business-like in order to increase resources and maximize efficiency, necessary to meet the demands of these emergent social problems. The blurring of the boundaries between the private and social sectors has given rise to the emergence of a fourth sector of society (See Appendix A). As the new fourth sector, social enterprise seeks to solve a social mission, traditionally the work of the nonprofit sector, using market-driven techniques taken from the for-profit sector.

According to the definition developed by the Social Enterprise Alliance, a social enterprise is “an organization or venture (within an organization) that advances a social mission through market-based strategies” (Community Wealth Ventures, Social Enterprise Alliance, &

Center for the Advancement of Social Entrepreneurship, n.d., p.1). Because the concept of social enterprise grew and spread at such a rapid pace, the development of a proper infrastructure has lagged behind. As a result, social entrepreneurs have been forced to use existing organizational models designed for the private and public sectors to pursue their social missions. These hybrid models include corporate social responsibility programs, nonprofits housing for-profit ventures, and partnerships between for-profit businesses and nonprofit organizations. Because this paper specifically focuses on the legal structure of social enterprise, a more narrow definition of social enterprise is used. This paper defines social enterprise as an organization (with no ties to either for-profit or nonprofit entities) whose primary objective is to advance a social mission through market-based strategies. Discussion of hybrid social enterprise ventures either operated by or within nonprofits or for-profit companies is beyond the scope of this paper.

The primary goal of a for-profit business as well as its legal duty is to maximize profits for the benefit and interest of its shareholders. Since the primary goal of social enterprise is the fulfillment of a social mission, a for-profit legal structure is not adequate for a social enterprise. Similarly, while the primary goal of a nonprofit organization is to fulfill a social mission, it is legally bound from using its finances for the benefit of private inurement. This means it cannot compete competitively in a market economy and, as a result, has traditionally relied on charitable contributions and government assistance. There are loopholes around these legal requirements as evidenced by the creation of hybrid social enterprise ventures. However, hybrid enterprises are forced to work within complex organizational structures as a result of using nonprofit and for-profit models. This leads them to compromise their social objectives and can result in a lack of focus, depletion of resources, and the loss of a competitive advantage (Sabeti, 2009). The

most compelling solution is to create a unique legal structure that allows a social enterprise to pursue its social mission while maintaining adequate access to financial markets.

Leaders of the social enterprise movement have proposed two viable legal structures, Low-Profit Limited Liability (L3C) companies and Benefit Corporations also known as B Corporations. This paper examines which legal structure can best help advance the field of social enterprise by analyzing which entity will enable social enterprise organizations to grow and succeed. The approximate liquidity target model (Zietlow, Hankin, & Seidner, 2007), the organizational slack theory (Bowman, 2007) and the iron triangle theory (Miller, 2001) are used to show how liquidity management and access to capital will allow typically under funded social enterprises to go to scale. Going to scale is defined as the ability of social enterprise to achieve a relative level of growth necessary to properly address the large scale social issues it wishes to transform (Center for the Advancement of Social Entrepreneurship, 2008).

On the basis of this analysis, this paper recommends which legal structure the field of social enterprise should advocate for. Currently, the field of social enterprise is split between proponents of the L3C and proponents of the B Corporation. The result is disunity among social enterprise supporters and confusion for local state legislators who may wish to introduce legislation to create a new legal structure for social enterprise, but do not know which structure to support. Second, this paper recommends to social entrepreneurs which legal structure will best facilitate the advancement of their social mission. It demonstrates how legal structure affects the ability of the venture to secure capital, grow to scale and realize wide-spread success. Through its analysis of legal structure and organizational design, this paper makes an important contribution to the creation of a supportive infrastructure for social enterprise necessary to secure its place as the fourth sector of society.

Literature Review and Background

In a September 2006 meeting sponsored by the Aspen Institute's Nonprofit Sector and Philanthropy Program, titled "Exploring New Legal Forms and Tax Structures for Social Enterprise Organizations," leaders of the social enterprise movement met to discuss possible legal models for social enterprise (Billitteri, 2007). "As quickly became apparent from the discussion, no single definition of social enterprise exists, and no single organizational model covers all possible approaches" (Billitteri, 2007, p.3). Participants discussed whether new legal forms or tax structures are needed to accommodate social enterprise organizations or whether existing laws may be used with minor adjustments. The question at the forefront of the meeting was "is the growth of social enterprise being hindered by the limitations of traditional corporate structures and non-profit tax laws?" (Billitteri, 2007, p.5).

Besides the existing blend of nonprofit and for-profit entities with social enterprise initiatives, two new legal models specifically structured for social enterprise were discussed at the meeting: B Corporations and L3Cs. B Corporations are a corporate approach that "would take into account not only shareholder interests but also the interests of their employees and the communities and environments where they operate; and they would meet a set of social and environmental performance standards" (Billitteri, 2007, p.12). Also discussed were L3Cs, a variation of the traditional limited-liability company (LLC). L3Cs are driven by a social mission, not by profit like a traditional LLC, which allows investment from foundations, individuals and government agencies. The conference demonstrated a split in the field of social enterprise with some advocates leaning toward changing existing state or federal laws to create new legal structures for social enterprise and others believing social enterprise can be

accommodated using existing legal models. For those promoting a new legal structure, B Corporations and L3Cs were the two most likely options discussed (Billitteri, 2007).

Heerad Sabeti (2009) writing for the Fourth Sector Network Concept Working Group, an initiative supported by The Aspen Institute and the W.K. Kellogg Foundation, states that “to function, organizations require a supportive ecosystem within which to operate – regulation, capital markets, technical assistance, standards, accounting systems and so forth” (p.2). He argues that until there is a “developed supportive ecosystem” for social enterprise, entrepreneurs will have to rely on the “support infrastructure of the three existing sectors” (Sabeti, 2009, p.3). This amounts to organizations being constrained by legal and capital impediments and unnecessarily forces them to “compromise their objectives, complicate their organizational structures, and invent circuitous processes that distract their focus and deplete resources” which can cause them to lose their competitive advantage (Sabeti, 2009, p.3). In order for social enterprise, now dubbed the fourth sector, “to move from an idealized model to widespread cultural reality, support in the law will ultimately be required” (Sabeti, 2009, p.5). Sabeti (2009) concludes that once social enterprise is enshrined in law it will symbolize its emergence as the fourth sector of society.

In his paper titled “Law and Choice of Entity on the Social Enterprise Frontier,” Thomas Kelley (2009), Associate Professor at the UNC – Chapel Hill School of Law discusses why he believes the existing legal structure cannot support the growth of social enterprise. Like Sabeti (2009), Kelley (2009) argues that attempts to mold for-profit and nonprofit structures are ineffective and “tend to be expensive to create, burdensome to maintain, and due to their novelty, legally insecure” (pp.3-4). Kelley (2009) states the challenges that face hybrid social enterprises as: a lack of access to investment capital, the challenge of locking assets into the social enterprise

stream and preventing it from being converted to private wealth, the challenge of “branding” a hybrid enterprise for purposes of marketing, the legal challenges represented by failing to maximize financial returns for their shareholders, and the uncertainty of how to tax these entities.

More specifically, Kelley (2009) discusses both B Corporations and L3Cs as the two models that have emerged as new legal structures for social enterprise. He argues that B Corporations fail to address all but one of the challenges he puts forth that face hybrid enterprises. “Most fundamentally, the corporate proposals share a structural weakness in that they do too little to resolve social entrepreneurs’ primary problem: capital formation” (Kelley, 2009, p.36). While B Corporations may attract private investment from socially responsible investors, they do not have the capacity to attract investment capital from the other two sectors – government and private foundations from the philanthropic sector. “Corporations...are simply too inflexible to accommodate that diversity of financial actors,” and “from the perspective of the universe of potential investors, include the unattractive features of both for-profit and nonprofit forms” (Kelley, 2009, p.37).

On the other hand, Kelley (2009) argues that L3Cs have extreme organizational flexibility based on their structure as partnerships.

Where a social enterprise includes both for-profit and nonprofit actors, the two can easily be brought together under the roof of a single LLC because the membership agreement can reward the for-profit actors with a large share of any profits, while the nonprofit actors can retain ultimate decision-making power and thereby ensure that the firm remains committed to its social and/or environmental purpose. (Kelley, 2009, p.38)

The L3C goes one step further than the traditional LLC in that it mitigates “social entrepreneurs’ capital formation problems by signaling to sources of charitable and social benefit capital –

private foundations, governments, and socially responsible investors – that the entity would be dedicated, at least in part, to producing social benefit returns” (Kelley, 2009, p.40).

Kelley’s (2009) argument that one of the biggest challenges faced by social enterprise is the lack of access to available capital is supported by a study conducted by Community Wealth Ventures, The Social Enterprise Alliance, and Duke University’s Center for the Advancement of Social Entrepreneurship (CASE) (n.d.) to assess the current state of social enterprise in the United States and Canada. In a survey of 740 organizations, 80 percent cited the need to access capital in order to stimulate the growth of their social enterprise. Similarly, respondents stated that one of the biggest challenges in launching a social enterprise is a lack of start-up capital (Community Wealth Ventures et al., n.d.). In another study by CASE (2008), it was found that among interview participants there was “widespread agreement that social sector capital markets are deficient in many ways” and that “financial market problems are made worse by the fact that social entrepreneurs can adopt a wide range of organizational forms that often defy old sector boundaries and call for different kinds of financial support” (pp.15-16).

More particularly, most participants in the CASE (2008) study “all seemed to agree that success for the field of social entrepreneurship requires that social entrepreneurs ultimately achieve significant ‘scale’ relative to the magnitude of the problems they are tackling” (p.18). Kelley (2009) also addresses the issue of social enterprises going to scale because of the difficulty of raising capital. Furthermore, one of the main challenges in attracting capital resources from financial markets is the inability to measure the success of social enterprise. “Reliable, timely, and cost-effective measures of social value are crucial for demonstrating success, providing better information to the financial markets, and informing the strategic decisions of social entrepreneurs” (CASE, 2008, p.17).

As social enterprise becomes more mainstream, considerable literature is being devoted to discussing some of the complications faced by these new ventures. Much of the professional and academic literature used for this paper addresses the inability of social enterprise to gain access to capital markets and the difficulty it faces in going to scale. And while scholars of social enterprise (Kelley, 2009) suggest that L3Cs are the better legal structure because of their ability to access capital markets, the literature fails to tie it all together. Current literature does not adequately explain how a social enterprise's legal structure can determine its ability to secure access to capital which then allows the organization to achieve the appropriate amount of liquidity necessary to go to scale and ultimately achieve its social mission. This paper makes an important contribution to current social enterprise literature by bridging this gap.

Social enterprise cannot function effectively using the existing infrastructure of the for-profit and nonprofit sectors. In order for it to truly emerge as the fourth sector of our society, social enterprise needs its own unique infrastructure including the appropriate legal models to support its growth. A viable legal structure is one that solves the most difficult problem plaguing social enterprise today, the lack of access to capital resources. Creating access to capital markets will allow social enterprises to achieve the appropriate amount of liquidity which will then allow them to grow and expand while maintaining financial stability. Capital resources exist from an array of sources; the current hybrid entities being used for social enterprise hinder access to the various types of capital markets. Although both legal structures, L3Cs and B Corporations, have managed to become law in some states, the most viable and sustainable legal structure is the one that provides the most access to each and every source of capital and allows social enterprise to "scale up" in order to achieve the broad and long-lasting social change that defines its existence.

Frameworks for Analysis

Social enterprise uses business models not to maximize profits to increase shareholder wealth like for-profit organizations, but to achieve social change, traditionally the objective of nonprofit organizations. In this regard, social enterprise organizations face the same problem as nonprofit organizations, liquidity management. Unless the organization is in decline, liquidity management is not usually an issue for for-profit organizations. For-profit businesses seek to maximize liquidity which translates into increased profits that are subsequently divvied up among the shareholders.

While conceptualized for nonprofit organizations, the approximate liquidity target model (Zietlow et al., 2007) and the organizational slack theory (Bowman, 2007), can also be applied to social enterprise because like nonprofit organizations, their primary objective is a social mission. Like a nonprofit organization, in order to achieve its social objective, a social enterprise must maintain an appropriate amount of liquidity. The approximate liquidity target model (Zietlow et al., 2007) argues that too little liquidity “jeopardizes the organization’s future both in the sense of limiting its ability to respond quickly to new opportunities and in the sense of providing a buffer against a bad fiscal year; too much indicates ‘hoarding,’ which brings into question... why the organization is not spending more on meeting critical societal needs...” (p.195). While Zietlow et al. (2007) do not provide an exact formula for how to calculate the approximate liquidity target, they do provide guidelines as to how to set the target and how to manage cash flows in order to maintain the target.

Bowman (2007) terms the liquidity management issue organizational slack or financial capacity. Having enough organizational slack provides an organization with a financial cushion to buffer it against difficult times; it allows it to take advantage of opportunities and practice

decision-making with increased independence. “Too much financial capacity can support waste, high executive salaries, lack of discipline, hoarding behavior, and lack of innovation” (Bowman, 2007, p.20). See Appendix B as to how to measure an organization’s financial capacity quotient. Since social enterprise is in its infant stage, most organizations do not face the latter issue of having too much organizational slack. As social enterprise continues to grow and prosper, this could present a problem worth researching in the future. For now, this paper focuses on the issue of not having enough organizational slack because of a lack of financial capacity as this is the problem currently facing most social enterprise organizations.

In meeting its approximate liquidity target and developing organizational slack, a social enterprise organization will be able to go to scale. Going to scale is defined as the ability of the organization to reach an appropriate level of growth necessary to achieve its lofty social goal (CASE, 2008). This growth means expanding the organization’s mission by either increasing the organization’s geographic reach, taking on a new cause, or increasing the number of its beneficiaries. Also developed for nonprofit organizations but applicable to social enterprise, the iron triangle theory proposed by the Nonprofit Finance Fund (Miller, 2001) concludes that there is a fixed relationship between mission and programs, organizational capacity and capital structure in nonprofit organizations. Growth in one area will require growth in all areas, otherwise an imbalance will occur creating an unstable and weak infrastructure. Thus, if a social enterprise increases the scope of its mission as it goes to scale, this will impact its capital structure. The opposite is also true for a mission-based organization. If its capital structure grows, so too must its mission, or else the organization can rightfully be accused of hoarding its resources in lieu of providing more social benefit.

Capital structure is directly tied to liquidity. “One way to gauge the impact of changes in capital structure and asset reallocation on the ‘iron triangle’ is to think about relative liquidity assets and timing of liabilities, because the volume and timing of cash availability is a major determining factor in organizational efficiency, results, and risk” (Miller, 2001, p.3). The approximate liquidity target model (Zietlow et al., 2007), the organizational slack theory (Bowman, 2007) and the iron triangle theory (Miller, 2001) together prove that in order to go to scale (increase its mission/programming and organizational capacity), a social enterprise absolutely must also increase the amount of liquidity in its capital structure. And, since legal structure can affect an organization’s liquidity and capital structure, it directly affects its ability to go to scale.

Methods and Context

In order to recommend the best legal structure for social enterprise, it is critical to define and contextualize social enterprise in relation to the other three sectors. Social enterprise emerged as a result of mixing aspects of both the social and private sectors. Thus, it is important to understand what distinguishes it as the fourth sector of society. Fortunately, although it is a relatively new concept, ample academic literature exists on the subject as prestigious universities such as Duke and Stanford have invested resources in studying the topic. Additionally, national think tanks and research institutions such as The Aspen Institute have devoted considerable resources to disseminating the idea of social enterprise. This academic research provided a solid foundation from which to examine social enterprise as a unique concept separate from the traditional three sectors of society.

Less clearly defined in the literature however, is the use of a uniform organizational structure for social enterprise as evidenced by the varying hybrid organizational models that are

used. The literature substantiated the need to choose the appropriate definition of social enterprise for the purposes of this paper as many forms exist along the spectrum; it also solidified L3Cs and B Corporations as the most popular choices for new legal models. There is adequate academic and professional literature regarding L3Cs and B Corporations. Examination of professional legal publications, academic literature and the efforts of the informal social enterprise network to define L3Cs and B Corporations is used to understand and analyze the organizational structure of these legal models.

Using academic theories derived for nonprofit organizations, this paper bridges the gap in current social enterprise literature. Literature exists which suggests that L3Cs are the better organizational structure because they provide better access to capital markets (Kelley, 2009); other literature proposes that social enterprise needs capital in order to go to scale (CASE, 2008). The methodology this paper employs is to analyze the two legal structures using the above-mentioned academic frameworks to show how an organization's legal structure can determine its access to capital and how this can affect its liquidity and capital structure. It then ties capital structure to going to scale. Utilizing this methodology, this paper produces a compelling argument that is not present in current literature as to which legal structure can best promote the growth of social enterprise.

Results, Discussion and Analysis

Social enterprise is the culmination of combining the best features of the nonprofit and business sectors. Like a nonprofit organization, a social enterprise is formed to address a social ill; however, unlike a nonprofit organization, social enterprise does not rely on charitable donations but on market-oriented business methods taken from the for-profit sector. As the concept of social enterprise becomes widespread, social entrepreneurs are left to develop their

ventures using existing legal models that have been designed to support nonprofit organizations and for-profit businesses. The results are complex hybrid structures which are burdensome and expensive to maintain, legally insecure and fail to protect the social mission (Kelley, 2009).

One such example is the well-known Ben and Jerry's Homemade Inc., maker of Ben & Jerry's ice cream, known for its commitment to social and environmental goals. Structured as a for-profit company, under traditional corporate law, the company's first duty is to maximize shareholder value. When Unilever made an offer to buy the company at a stock value higher than what the stock was worth on the market, the owners were forced to sell or face shareholder lawsuits (Tozzi, 2010). The sale meant a loss of control of the business's social goals. Ben & Jerry's is one example that demonstrates the need for social enterprise to have its own legal structure; it requires the ability to embed its social mission throughout its organizational structure and ensure protection of this mission from the vagaries of the market. As a result of this legal conundrum, experts in the field of social enterprise proposed two legal structures that have recently become law in a several states, L3Cs and B Corporations. This paper examines which legal structure best promotes the growth of social enterprise, the L3C or B Corporation.

Definition of an L3C

L3C is an acronym for low-profit limited liability company. It was designed following the Aspen Institute's 2006 meeting titled "Exploring New Legal Forms and Tax Structures for Social Enterprise Organizations" by Robert Lang, president of the Mary Elizabeth & Gordon B. Mannweiler Foundation, Marcus Owens, an attorney and former director of the Exempt Organizations Division of the Internal Revenue Service, and Arthur Wood, director of Social Financial Services for Ashoka, an international organization that promotes social entrepreneurship and socially responsible investing (Billitteri, 2007). The L3C, as its name

suggests, is intended to make a low profit, anywhere from one to ten percent, and may distribute its low profits to investors. Profit is low because it comes secondary to its social purpose (Woodrow & Davis, 2009). Embedded in the title, low-profit informs investors that profit is not the primary goal.

The L3C is a form of the limited liability company (LLC). The difference is that the L3C is designed to pursue a social purpose. Like an LLC, an L3C is managed by its members (owners) and protects its members from incurring any personal debts as a result of doing business (Lane, 2010).

An L3C is governed according to the terms of its “operating agreement.” An operating agreement is an agreement signed by the members which regulates the affairs of the company, the conduct of its business, and the relationship among the members, the managers..., and the company. An L3C’s operating agreement sets forth the members’ respective rights and obligations; the contributions they are expected to make to the company; the distributions they may be entitled to receive; their voting rights; the rights and responsibilities of the managers...; conditions relating to the members’ ability to transfer their membership interests; and other governance provisions. (Lane, 2010, p.6)

L3Cs are set up in a tiered/flexible ownership structure as part of a layered investment strategy (Dreier & Thatch, 2010). An L3C will have at least two tranches of investment. The “low-return” tranche offers a low-market rate of return and absorbs most of the risk. The “market-return” tranche offers a market-rate of return and represents a lower risk. The L3C also offers “mezzanine” tranches whose risk and rates of return fall somewhere between the low-return and market-return tranches (Dreier & Thatch, 2010). See Appendix C for a visual depiction of the L3Cs’ layered investment strategy. For tax purposes, L3Cs are treated like a

traditional LLC, as a pass-through entity. The entity itself is not taxed, but rather the members are taxed on any profit they make through the L3C when filing their income taxes (Dreier & Thatch, 2010).

In 2008, Vermont was the first state to pass legislation adopting the L3C as an official legal structure. Four states followed suit in 2009 by adopting L3C legislation: Illinois, Michigan, Utah, and Wyoming (Woodrow & Davis, 2009). Maine, Louisiana, and North Carolina all passed L3C legislation in 2010 (“L3C,” n.d.).

Definition of a B Corporation

A B Corporation is a distinct type of corporation designed to create social value as well as to maximize shareholder value. The “B” stands for social “benefit.” Similar to the L3C, the B Corporation is a modified version of existing corporate structures. But, unlike traditional corporations, a B Corporation “redefines fiduciary duty to require consideration of non-financial interests, and reports on its overall social and environmental performance using recognized third party standards” (Clark, n.d.). The third party refers to B Lab, a nonprofit organization started by the inventor of the B Corporation, Jay Coen Gilbert, the founder and CEO of And 1 basketball apparel and footwear company (Kelley, 2009). In order to earn the B designation, the social enterprise must draft or amend its articles of incorporation to include a commitment to serving the interests of the public good. There are five major provisions to a B Corporation: purpose, accountability, transparency, right of action, and change of control/purpose/structure.

Purpose

- shall create general public benefit defined as the material positive impact on society and the environment, as measured by a third party standard
- shall have the right to name specific public benefit purposes

- the creation of public benefit is in the best interests of the Benefit Corporation

Accountability

- directors' duties are to make decisions in the best interests of the corporation
- directors and officers shall consider effect of decisions on shareholders and employees, suppliers, customers, community, environment (together the "Stakeholders")
- shall have an independent Benefit Director accountable for statement in annual Benefit Report whether Board acted consistent with obligation to create general and any specific public benefit purposes, and considered effects of decisions on stakeholders

Transparency

- shall publish an annual Benefit Report in accordance with recognized third party standards for defining, reporting, assessing social and environmental performance, including assessment of successes and failures in achieving general and specific public benefit purpose and in considering effects of decisions on stakeholders
- Benefit Report delivered to: 1) shareholders; 2) to public website with exclusion of proprietary data; and 3) Secretary of State with exclusion of proprietary data

Right of Action

- only shareholders and directors have right of action
- no third party right of action
- if Benefit Corporation is a subsidiary, >5% owners of parent have right of action
- Right of Action can be for 1) violation of or failure to pursue general or specific public benefit; 2) violation of duty or standard of conduct

Change of Control/Purpose/Structure

- shall require 2/3 majority vote. (Clark, n.d.)

Until recently, B Corporations were not legally recognized despite being certified by B Lab. In 2010, Maryland became the first state to pass legislation designating B Corporations as unique legal structures. Through the passage of the legislation, directors of B Corporations are now legally protected from shareholders, enabling them to make business decisions that put their employees, community and the environment above profit (“Maryland First State,” 2010). Like an L3C, they create a distinct brand that encourages consumers and investors who are interested in socially responsible businesses (Kelley, 2009).

Financing Social Enterprise

Liquidity management. While both types of legal structures, L3Cs and B Corporations, may be compared on many levels, this paper compares each entity based on its ability to attract capital from investors and maintain an appropriate amount of liquidity. “Liquidity management in the business sector is defined as the ‘allocation of liquid resources *over time* to meet resource needs for payment of obligations due and for various investments that management undertakes to maximize shareholder wealth’” (Zietlow et al., 2007, p.30) If the words “shareholder wealth” are changed to “social purpose” this definition can be applied to social enterprise. In the for-profit world, the fundamental objective of liquidity management is to minimize “insolvency risk,” the organization’s ability to pay its bills (Zietlow et al., 2007).

Approximate liquidity target model. Not only does appropriate liquidity management ensure the survival of the company, but it is also essential to finance growth initiatives. In a nonprofit organization, Zietlow et al. (2007) suggest that an approximate liquidity target exists. In a for-profit business, having too much liquidity is not usually an issue as businesses are driven to increase profits and cash flow to maximize shareholder wealth. Any excess liquidity is divided among the organization’s shareholders. Zietlow et al. (2007) argue

that too much liquidity in a nonprofit organization indicates hoarding and begs the question why the organization is not using the excess resources to further its social mission. Too little liquidity means that the organization is unprotected from a bad fiscal year and that the organization does not have the financial resources to take advantage of opportunities for growth and expansion. The approximate liquidity target model thus suggests that there is an appropriate amount of liquidity to balance mission and money. Although this theory was conceptualized for nonprofits, it translates for social enterprise as the primary objective of social enterprise is purpose, not profit.

Organizational slack theory. Like Zietlow et al., (2007), Bowman (2007) also suggests that there is an appropriate amount of organizational slack or financial capacity for a nonprofit. His theory can also apply to a mission-focused social enterprise. Slack is defined as “A cushion of potential resources which allow an organization to adapt to internal pressures for adjustment or to external pressures for change in policy, as well as to initiate changes in strategy with respect to the external environment” (Bowman, 2007, p.18). Too much slack “can support waste, high executive salaries, lack of discipline, hoarding behavior, and lack of innovation” (Bowman, 2007, p.18). Whereas an organization with too little financial capacity is “unable to adapt to changing needs of its constituents, unable to invest in training and new technology, and unable to take advantage of opportunities” (Bowman, 2007, p.17). Bowman (2007) identifies three forms of financial capacity, available, recoverable and potential. Available financial capacity refers to ready cash or liquid assets; necessary for the organization to pay its bills. Recoverable financial capacity refers to overhead spending, the amount of resources used for administrative expenses that can be cut or reduced when necessary. The third type, potential

capacity, refers to the capacity of the organization to borrow, necessary for innovation, growth and expansion. This paper focuses on potential capacity as it relates to access to capital markets.

Liquidity management and organizational growth. Both theories stress the need to have an appropriate liquidity target or organizational slack for two reasons: to be able to meet financial obligations and to be able to take advantage of opportunities for growth. Similar to nonprofits, social enterprises may face cash flow issues since their primary objective is not to maximize profits, but to achieve a social goal. More relevant for social enterprise, however, is the need for liquidity or financial capacity to grow or expand which requires access to capital markets. Generally, social entrepreneurs aim to tackle social problems on a large scale. The concept of “scaling up” in terms of social enterprise refers to the organizational growth necessary to maximize impact and effectiveness relative to the magnitude of the problem the organization is tackling (CASE, 2008; Dees, Anderson, & Wei-Skillern, 2004).

Research suggests (CASE, 2008) that a critical challenge to the field of social enterprise is a lack of access to financial markets which prevent organizations from achieving scale. Social financial markets tend to be fragmented around different causes or interests, disjointed with different funders that have varying standards and requirements, and relatively small compared to mainstream capital markets (CASE, 2008). “These financial market problems are made worse by the fact that social entrepreneurs can adopt a wide range of organizational forms that often defy old sector boundaries and call for different kinds of financial support” (CASE, 2008, p.16). Hence, the right organizational form, more specifically the right legal structure that can best promote the growth of social enterprise is one that provides social enterprise with the appropriate amount of liquidity to grow to scale. To achieve this liquidity target, social enterprise must have open access to capital markets.

Types of capital markets. For the purpose of social enterprise, financial capital markets can be broken down along sector lines. Federal, state and local governments can provide capital funding for businesses. Philanthropic investors refer to foundations, individuals or venture philanthropy funds that invest with the exclusive purpose of obtaining a social goal. Finally, there are for-profit investors such as financial institutions, equity investors like venture capitalists and even socially responsible investors whose investment strategy is a mix of creating financial returns and social good (See Appendix D, Financial Capital). The legal structure that has access to all these financial capital markets is the one that can best achieve its approximate liquidity target. If the social enterprise can achieve its approximate liquidity target, it has the resources to achieve the most social mission while remaining financially stable.

While nonprofit-run social ventures are typically funded by government and philanthropy, they lack access to venture capitalists or other for-profit investors. Investors know that a nonprofit is restricted from distributing profits back to their owners. Social enterprise on the other hand, when structured as a traditional for-profit venture is usually cut off from receiving funding from government and philanthropic sources of capital, such as foundations. Furthermore, the normal sources of for-profit capital are reluctant to invest in a social enterprise because they expect market-rates of return. Social enterprise cannot always guarantee market-rates of return because purpose, not profit is their primary objective (Kelley, 2009). Although not the primary objective, social enterprises do aim for financial success, albeit at a slower, steady pace required to achieve their social goals. This requires “patient capital.” Two forms of patient capital that exist are Program Related Investments (PRI) and Socially Responsible Investment (SRI) funds (Kelley, 2009).

L3Cs and capital markets. Because they are organized similar to a limited-

liability company, L3Cs attract an array of investors. In the tiered ownership structure, the “low return” tranche absorbs most of the risk and pays below-market rate of return. This tranche would attract foundations who could invest in the company through Program Related Investments (Woodrow & Davis, 2010). In fact, L3Cs are specifically designed to facilitate PRIs. Marcus Owens, one of the creators of the L3C, formerly held the position of Director of the Exempt Organizations Division of the Internal Revenue Service. He helped design the L3C so that it was compatible with the IRS requirements for PRIs (Kelley, 2009). “A PRI is an investment (1) that is made primarily to accomplish a charitable, scientific, literary, religious, or educational purpose and that significantly furthers the accomplishment of the Foundation’s exempt activities..., (2) the significant purpose of which is not the production of income or appreciation of property and (3) that has no purpose to accomplish one or more political or legislative purposes” (Dreier & Thatch, 2010, p.1). Traditionally, PRIs are seldom used by foundations because they often require a private-letter ruling by the IRS (Minnigh, 2009). In creating the L3C, Owens hoped to eliminate the reluctance of foundations to invest in social enterprise by creating a structure that directly follows the IRS requirements for PRIs (Kelley, 2009).

Each year, foundations are legally required to distribute five percent of their average net assets for charitable purposes. Qualifying under this rule are PRIs, which unlike grants, can be recovered, thus multiplying the effect these investments contribute to the public good. However, the goal of foundations is not to make a return from their PRIs, but to make a social impact. In this regard, foundations can absorb higher risk and forgo the market-rate of returns making them the perfect match for a “low return” tranche investor. This then allows the L3C to attract private-sector investment (Lane, 2010). Moreover, the operating agreement can be drafted in such a way

to create a special class of members with the power to enforce the organization's social mission. These members could be foundations that perhaps do not have a large financial stake in the venture, but hold the power to block other members from making changes to the organizational documents that would threaten its social mission (Kelley, 2009).

The "market-return" tier is able to attract capital from private sector investors such as venture capitalists and financial institutions such as banks. They incur a low-risk, market-rate return on investment. Intermediate tranches are geared toward socially responsible investors who would be willing to accept a low financial rate of return for a high social rate of return. As with foundations, the ability to attract SRIs is crucial to social enterprise organizations as they are a main source of patient capital, mentioned above. Patient capital is necessary for a social enterprise organization that expects to grow at a slow but steady pace. Although the overall financial rate of return on investment for an L3C is below market, the flexibility of the tiered system allows each investor to achieve its desired outcome (Kelley, 2009).

B Corporations and capital markets. A discussion regarding B Corporations and capital markets requires a different approach than that of L3Cs. The nonprofit organization, B Lab (n.d.), the most ardent proponent of B Corporations, claims that this legal structure solves two critical problems which hinder social enterprises from creating a social impact through the course of business: 1) the liability of making business decisions based on social or environmental impact versus making decisions in the best interests of the shareholders and 2) the absence of transparency which makes it difficult for consumers and investors to identify a true social enterprise versus cause marketing. According to B Lab (n.d.),

B Corporations' legal structure expands corporate accountability and enables them to scale and achieve liquidity while maintaining mission. B Corporations' transparent and

comprehensive performance standards enable consumers to support businesses that align with their values, [and] investors to drive capital to higher impact investments... (p.4)

The primary benefit then of B Corporations in relation to access to capital markets is that they create a brand for social enterprise. With this brand, socially conscious consumers and investors have confidence in the corporation's commitment to a social bottom-line (Kelley, 2009).

Creating a B Corporation brand opens the market to socially responsible capital such as SRI funds, a source of patient capital.

Although B Corporations are structured so as to encourage socially responsible investment capital, this represents a small share of the investment pool, albeit an important source of patient capital (Kelley, 2009). While socially responsible investing is an emerging trend, investment markets are made up for the most part of market-driven investors. A B Corporation represents a higher risk for market-rate return investors than an L3C. At least with an L3C, the market-rate return investor knows that the lower tranche investors will absorb the loss if profits are low, reducing their risk; whereas with a B Corporation, this guarantee does not exist.

Furthermore, B Corporations are also unattractive to foundations because they do not solve the IRS problem (Kelley, 2009). Traditionally, foundations have been reluctant to invest through PRIs in for-profit companies for risk of being prosecuted by the IRS. In order to be a completely risk-free investment for foundations, PRIs have needed a private-letter ruling from the IRS or the advice of legal counsel which is expensive and burdensome to obtain (Minnigh, 2009). PRIs are an important source of often underutilized, but abundant capital that social enterprise needs to take advantage of. The inability of B Corporations to access PRIs and

market-driven investment capital represents a critical structural weakness in their design (Kelley, 2009).

Conclusions and Recommendations

The purpose of this paper is to suggest the best legal structure that will allow social enterprise to grow and succeed. The above discussion uses academic theories, the approximate liquidity target model (Zietlow et al., 2007) and the organizational slack theory (Bowman, 2007) to analyze L3Cs and B Corporations as possible legal structures for social enterprise. Because of the L3C's ability to attract investment capital from an array of sources, this paper concludes that it is the better legal structure to promote the growth of social enterprise.

If the fourth sector is to grow to scale and be truly transformative, as its proponents claim it can and should, its...entities must have the capacity to attract investment capital from all sources including government and private foundations and market-oriented venture capitalists and financial institutions. (Kelley, 2009, pp.37-38)

The L3C better facilitates access to capital, which increases the organization's liquidity and expands its financial capacity. Increased financial capacity enables the organization to grow its mission and programming, become more effective and broaden its social impact. This conclusion is supported by the iron triangle theory (Miller, 2001) as discussed below. Based on the conclusion that L3Cs are the better legal structure for social enterprise, this paper provides recommendations to the field of social enterprise and aspiring social entrepreneurs, including nonprofit leaders wishing to undertake social enterprise ventures.

For the field of social enterprise, this paper recommends that social enterprise experts advocate for the passage of legislation to adopt L3Cs as new legal structures in their respective states. For budding social entrepreneurs, this paper recommends that they choose the L3C

structure when incorporating their business. This will allow their business to achieve the scale necessary to conquer the social problem they seek to address. For nonprofit leaders specifically, this paper demonstrates the need to establish a separate legal entity for their social enterprise venture. It recommends that the best way to complement a nonprofit organization's current activities with a social enterprise venture is to incorporate it as an L3C, a completely separate entity from its 501(c)(3) organization.

This paper does not suggest that B Corporations cannot be successful social enterprises. If a B Corporation is able to find enough willing investors, the organization has the potential to grow and succeed. Rather, this paper suggests that in order for a social enterprise to grow and be successful, it must achieve a significant "scale" relative to the size of the social problem it hopes to address; without maintaining an appropriate amount of liquidity through access to capital markets, organizations will not have the resources to either grow or spread. Because of how they are structured, B Corporations will have a harder time encouraging investment capital from an array of sources. The L3C is the better choice for social entrepreneurs and nonprofits wishing to undertake social enterprise ventures. This conclusion is extremely relevant as it relates to the development, growth and success of the field of social enterprise.

Spreading Social Enterprise

The iron triangle theory. The iron triangle theory (Miller, 2001) suggests that any plan to grow an organization's programming, requires a parallel growth of its capital and organizational structure. The overall health of an organization relies on maintaining this balance. Although this theory was derived for nonprofit organizations, it can equally be applied to social enterprise. Achieving scale in a social enterprise is equivalent to a nonprofit growing its

programming. It means achieving a broader impact and reaching more people through innovation.

Internal and external growth. Social enterprise can grow in two ways, internally and externally. Internal growth means the actual organization is growing, producing more mission, affecting more lives. External growth refers to replication or the formation of new organizations which can be broken down into dissemination, affiliation, and branching. “Dissemination is actively providing information, and sometimes technical assistance, to others looking to bring an innovation to their community” (Dees et al., 2004, p.28). Affiliation refers to a network, a coalition of organizations committed to the same goals similar to business franchises. Finally, branching is the method of creating local sites governed by a large, central organization. Each of these mechanisms for spreading social innovations, from dissemination to affiliation to branching, requires an “increasing degree of central coordination, and typically greater resources” (Dees et al., 2004, p.28). In fact, Dees et al. (2004) suggest that “all scaling strategies, even the dissemination of principles, require incremental resources. Before committing to a specific strategy, social entrepreneurs should have a plausible resource plan in mind” (p.29).

Scaling and capital structure. The above-mentioned growth strategies suggest how organizational capacity might grow along with programming. However, the iron triangle theory developed by the Nonprofit Finance Fund (Miller, 2001) concludes that if a social enterprise is to expand its activities either internally or externally through another organization, it needs a parallel capitalization strategy, a plan for how to get the organization from point A to point B. “The net impact of inadequate capitalization is systemic under-investment in the

enterprise as a whole, which, over time, will weaken the organization and undermine achievement of the mission” (Miller, 2001, p.2).

Clara Miller (2001) writing for The Nonprofit Finance Fund suggests that an effective way at looking at capitalization strategies is to focus on the relative liquidity of assets and timing of liabilities which have a direct effect on the availability of an organization’s most liquid asset, cash. “It is the liquidity of an organization’s net assets that has the greatest relevance to its cash flow” (Miller, 2001, p.9). “Matching the relative liquidity and longevity of assets and liabilities is important to keeping the capital structure in balance” (Miller, 2001, p.9). Liquidity management is essential for any business, however, it is vital for a social enterprise which wishes to grow to scale. Access to capital markets provides the cash (liquidity) social enterprise needs to ensure that it has the appropriate capital structure to balance the growth of its programs and organizational structure. An L3C’s tranching capital structure ensures access to the full array of capital markets and thus allows a social enterprise’s capital structure to grow in line with its mission and organizational capacity.

Recommendations

Recommendations to social entrepreneurs. Based on the analysis above, this paper recommends that social entrepreneurs choose the low-profit limited liability structure, L3C, when incorporating their new ventures, and suggests that L3Cs represent the better legal structure to promote the growth of social enterprise as a whole. The more access an organization has to different sources of cash (liquid capital), the easier it is for an organization to maintain the appropriate amount of liquidity. Because the structure of an L3C is designed to encourage investment from all three sectors of society, nonprofit, government, and the business sector, it provides the better alternative for social entrepreneurs. Its tranching capital structure ensures

equal growth of the organization's capital structure by facilitating liquidity management and providing the opportunity for social enterprises to grow to scale.

Recommendations to nonprofit organizations. It is reasonable to assume that nonprofit organizations will continue to be attracted to the prospect of starting a social enterprise to complement the work of their 501(c)(3) organizations. Social enterprise represents an unrestricted revenue stream for nonprofit organizations in an era of economic recession translating in government cut-backs and a decline in charitable giving. In defining social enterprise as a distinct organization separate from nonprofit and for-profit entities, this paper does not wish to discourage nonprofit organizations from exploring social enterprise ventures. Rather, this paper recommends to nonprofit leaders wishing to establish a social enterprise that they establish an L3C, separate from their 501(c)(3) rather than trying to run a for-profit social enterprise venture within their nonprofit organization. Doing so will allow the venture to attract an array of investors, increasing its potential to go to scale and maximize its social mission.

Recommendations to the social enterprise field. Currently, L3C legislation has only been adopted in eight states. Although social entrepreneurs may incorporate their business as an L3C in one state and then operate in another, this is unnecessary and burdensome especially as it relates to taxation (Minnigh, 2009). Social entrepreneurs need the convenience of incorporating in the state in which they will be doing business. Moreover, for a business that wishes to convert to an L3C, high costs can be associated with having the current entity reincorporated in another state (Minnigh, 2009). Therefore, this paper recommends to proponents of social enterprise that they advocate on behalf of L3C legislation in their states.

L3C legislation has faced little opposition in state legislatures. It was approved in full by the Vermont House of Representatives and the Vermont Senate in 2008 ("L3C," n.d.).

Advocates for social enterprise argue that it has the ability to create new jobs and stimulate local economies by encouraging new business growth which would not otherwise exist. Given the current economic climate, few legislators would dare oppose a measure that would encourage job creation and stimulate economic growth. In addition, because L3C legislation already exists in several other states, there is no need to reinvent the wheel. The Vermont legislation is short and simple and can be used as model legislation in other states. T.11, Ch 21 Section 3001(27) reads as follows:

"L3C" or "Low-profit limited liability company" means a person organized under this chapter that is organized for a business purpose that satisfies and is at all times operated to satisfy each of the following requirements.

(A) The Company significantly furthers the accomplishment of one or more charitable or educational purposes within the meaning of Section 170(c)(2)(B) of the IRS Code of 1986, 26 U.S.C. Section 170 (c)(2)(B); and (ii) would not have been formed but for the company's relationship to the accomplishment of charitable or educational purposes.

(B) No significant purpose of the company is the production of income or the appreciation of property; provided, however, that the fact that a person produces significant income or capital appreciation shall not, in the absence of other factors, be conclusive evidence of a significant purpose involving the production of income or the appreciation of property.

(C) No purpose of the company is to accomplish one or more political or legislative purposes within the meaning of Section 170(c)(2)(D) of the IRS code of 1986, 26 U.S.C. Section 170(c)(2)(D).

(D) If a company that met the definition of this subdivision (27) at its formation at any time ceases to satisfy any one of the requirements, it shall immediately cease to be a low-profit LLC, but by continuing to meet all the other requirements of this chapter, will continue to exist as a limited liability company. The name of the company must be changed to be in conformance with subsection 3005(a). (Vermont Secretary of State, 2009)

Recommendations for further research. This paper concludes that L3Cs are better legal structures to promote the growth of social enterprise by analyzing both legal structures based on academic theories derived for nonprofit organizations. This paper does not examine existing examples of L3Cs or B Corporations. Such research analyzing actual L3Cs and B Corporations would have greatly contributed to this paper. As this paper is theoretical, more research needs to be done to explore the practical successes of L3Cs in terms of their ability to access capital markets and grow to scale. As time goes by and more L3Cs are formed, case studies should be done on the real-world success of these organizations as social enterprise ventures. Research should look at the investment profile of these companies to analyze the diversity of their investors and thus determine their ability to access an array of capital sources. Research should also look at whether L3C ventures have grown to scale either internally or externally through replication, dissemination, affiliation, or branching.

Finally, it has been recognized (CASE, 2008) that there needs to be a set of standardized performance measurement tools to measure the social success of these ventures which is a concept nonprofits have traditionally struggled with. Zietlow et al. (2007) have created a social return on financial coverage ratio based on the approximate liquidity target model and social return on investment to measure social return, financial return and analyze liquidity for nonprofit

ventures. This ratio could be a useful starting point for analyzing the financial success of a social enterprise venture in relation to its social successes. Growth and expansion of a social enterprise really has no meaning if the organization is not actually making an impact in terms of solving the social problem or problems for which it was formed. In order for a social enterprise to truly be dubbed successful, it needs to not only be financially successful which can be measured by going to scale, but it must also show measurable achievements in creating social change. Finding a way to measure an organization's social impact will be an ongoing challenge for social entrepreneurs.

Lessons Learned and Insights Gained

Social enterprise has rightfully been established as the fourth sector of our society. Nonprofits and government cannot keep up with the rapid emergence of new social problems created by capitalization and globalization brought on by private sector. Social enterprise has emerged as a solution to the systemic failure of our current three-sector system. The growth of social enterprise is something all of society should invest in. It represents a way to fix the ills of our current global system. In order for it to thrive, it must have the proper infrastructure to support it. This means not only separate legal structures, addressed in this paper, but an entire ecosystem and supportive environment which will allow it to grow and succeed. This ecosystem includes financial, human, social and political, and intellectual capital as well as the right environmental conditions such as public policy, media, and economic and social conditions (See Appendix D). It is critical that research be undertaken to examine each individual component of this social enterprise ecosystem. Once we create the ideal ecosystem within which social enterprise can thrive, we will begin to see the positive, wide-spread, global change it can have.

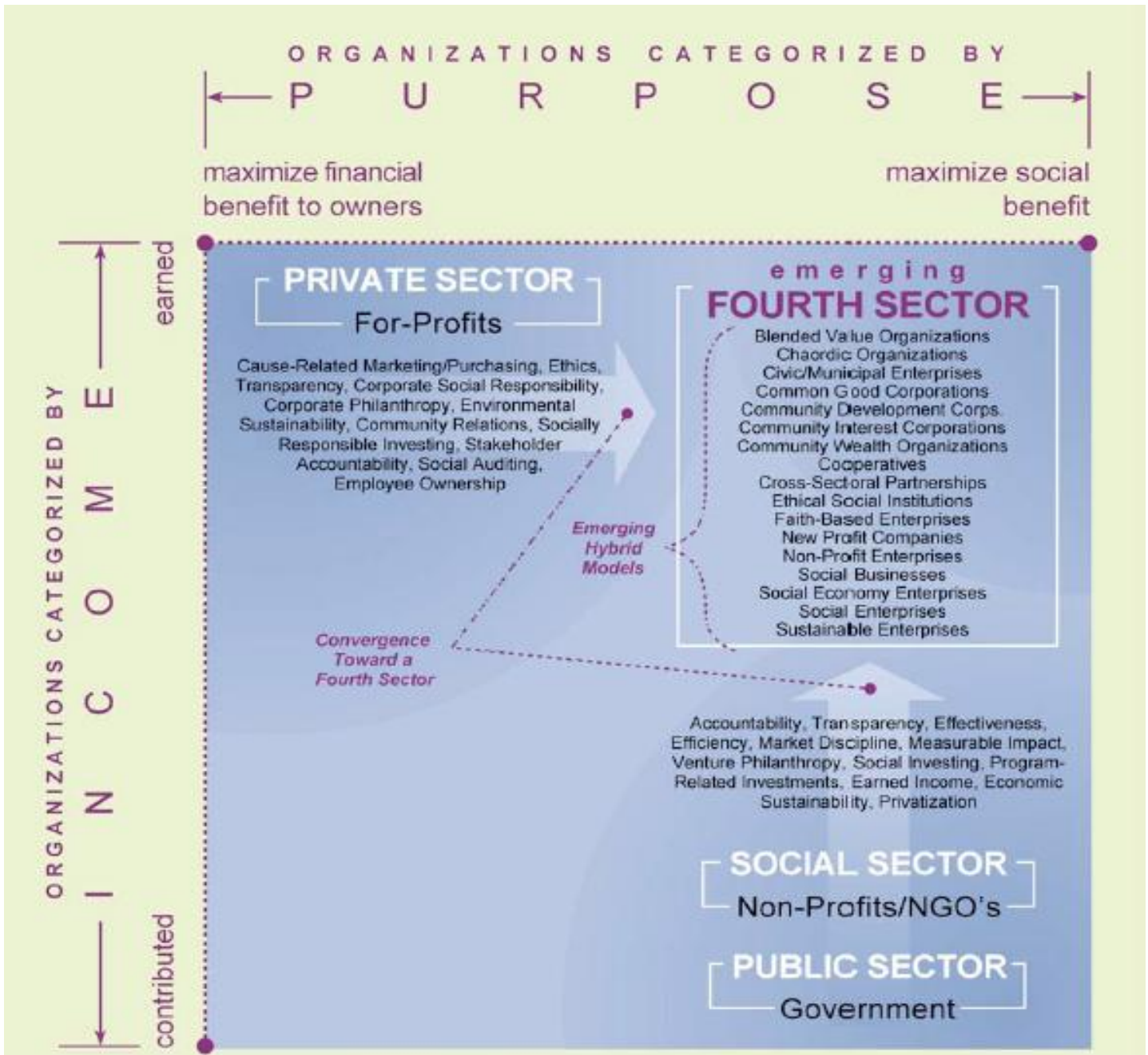
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Appendix A



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Appendix B

What's Your Financial Capacity Quotient?

To find out whether your organization has too little or too much, fill in the scorecard. The number in parentheses after each statement is the score for a true statement. Write it on the line that introduces the statement. The score for a false statement is zero. A statement that bodes well for financial capacity earns a positive score; a statement that implies impaired financial capacity receives a negative score. The highest possible financial capacity quotient is 8; the lowest possible quotient is -8. "Just Right" organizations have low positive scores. Be careful answering questions about surpluses and deficits; they should be based only on unrestricted amounts, including resources released from restrictions.

Item 13 costs more than most people think, but an organization with financial capacity should be able to finance it easily. An organization with a performance budget based on measurable outcomes is probably staying sharp, even if it has a very large financial capacity, but it will need an R&D program to keep its performance measures updated.

The figure 10% in the last two items represents the approximate rate of inflation over the past three years. It is not possible to say exactly how much R&D and training an organization should do without knowing something about its mission and its business model, but one can say that all organizations should be doing some of each and their spending on these activities should keep up with inflation.

The Adjusted Financial Capacity Quotient should be approximately zero. A negative subtotal on the first scorecard and a score of -2 or more negative on the second one indicate that good work is probably unsustainable at its current level.

1. ___ The CEO or CFO has a budgeted contingency account. (+1)
2. ___ Unrestricted income from investments is greater than 10% of annual budget. (+1)
3. ___ Restricted revenue is greater than 1/3 of budget. (-1)

Within the last three years the organization:

4. ___ had a unrestricted surplus every year. (+3)
 5. ___ had a unrestricted deficit every year. (-3)
 6. ___ had at least one unrestricted surplus greater than 10% of revenue. (+1)
 7. ___ had at least one unrestricted deficit greater than 10% of revenue. (-1)
 8. ___ was refused a line of credit, or was refused a higher borrowing limit. (-1)
 9. ___ did not use its line of credit. (+1)
 10. ___ borrowed to the maximum on a line of credit. (-1)
 11. ___ cut general administrative positions. (-1)
 12. ___ added general administrative positions. (+1)
- ___ Financial Capacity Quotient: items 1–12 (range +8 to -8)

Appendix B Cont.

The critical issue is how an organization uses its financial capacity. If your organization has a quotient above zero, then fill in the short scorecard below. These are things that organizations should be doing because they reduce risk and improve service quality, but cold organizations can't. Hot ones have no excuse for not doing all of them. "Just Right" organizations should be doing at least some of them, so their score should be near zero. The item scores are negative because they use financial capacity, but that is the point of this scorecard.

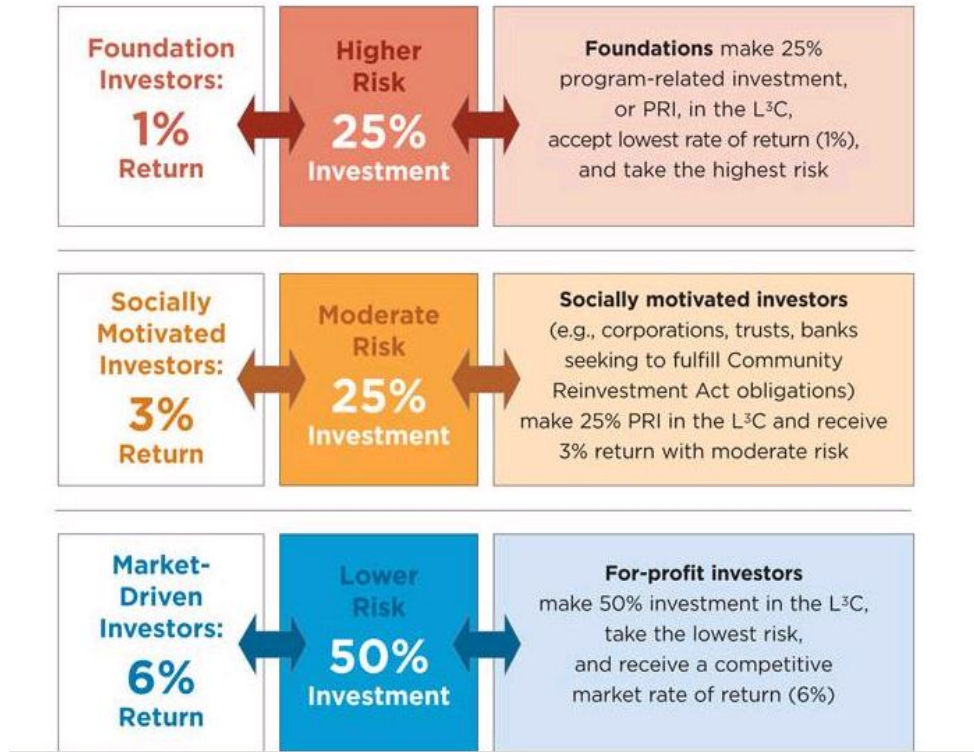
- 13. ___ The organization has a performance budget with measurable outcomes. (-1)
- 14. ___ The program service budget increased every year. (-1)
- 15. ___ The program service budget increased in years when total income decreased. (-1)

Within the last three years the organization:

- 16. ___ made a major investment in new technology. (-1)
- 17. ___ increased its research and development budget by more than 10%. (-1)
- 18. ___ increased its training budget by more than 10%. (-1)
- ___ Adjustment: items 13–18 (range 0 to -6)
- ___ Adjusted Financial Capacity Quotient: items 1–18 (range +8 to -14)

Appendix C

The L³C's Layered Investment Strategy*

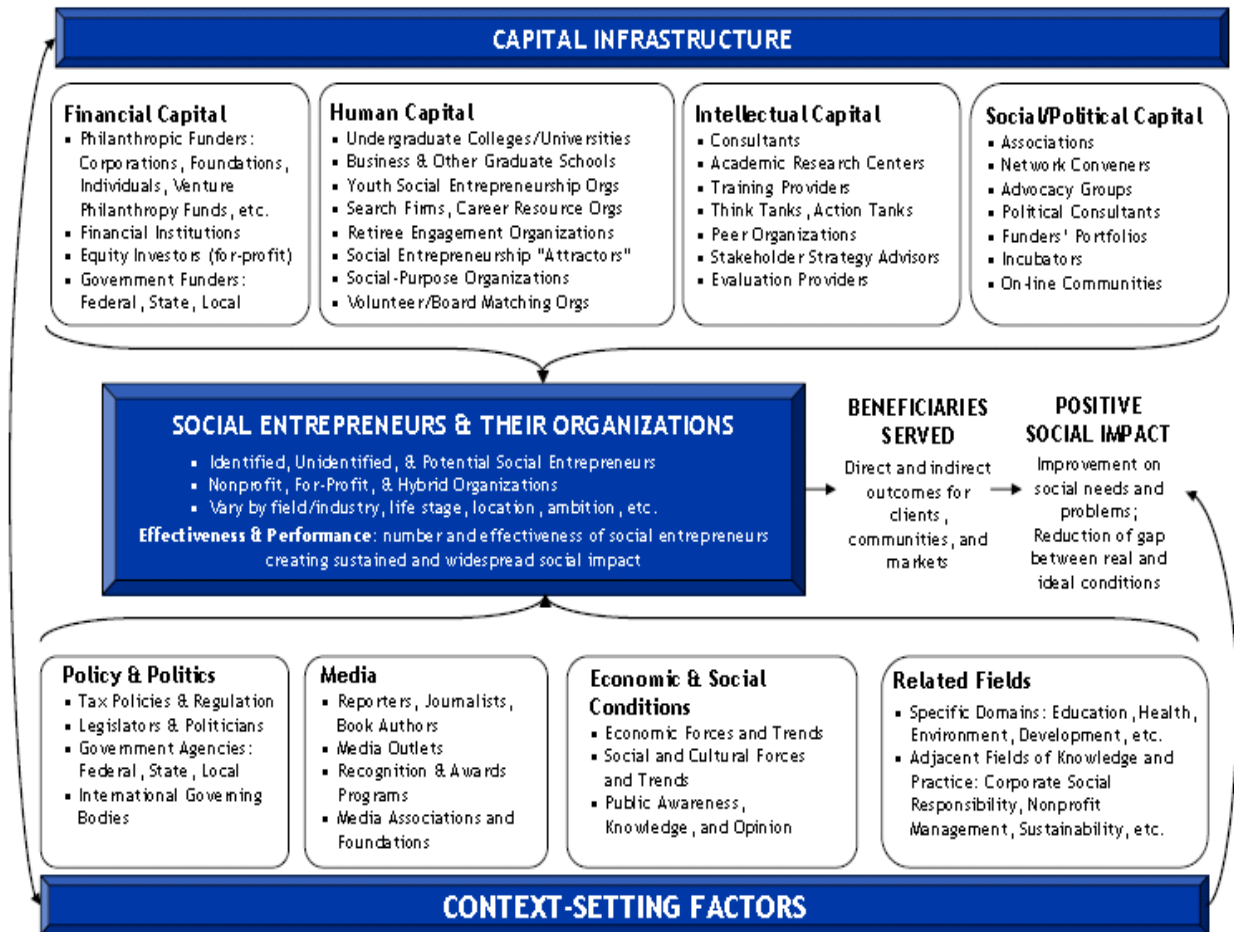


*The percentages listed here are provided for illustration purposes and represent just one of many possible risk-return arrangements for L³Cs.

Woodrow, S., & Davis, S. (2009, November). The L3C: A new business model for socially responsible investing. *Community Dividend, Community Affairs Department, the Federal Reserve Bank of Minneapolis* (4), 4.

Appendix D

Figure 2: Ecosystem of Social Entrepreneurship (with Examples)



Center for the Advancement of Social Entrepreneurship. (2008, June). Developing the field of social entrepreneurship. *The Fuqua School of Business, Duke University*, 14.