

“SRI IS MAINSTREAM AND MAIN STREET. WE ARE AT AN INFLECTION POINT BECAUSE WE ARE NO LONGER SPECIAL. WE NOW NEED TO LOOK AT THE RIVER INSTEAD OF THE STREAM.”

READ THE FULL ARTICLE INSIDE!

INVESTORS' CIRCLE



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**IC LETTER**  
TO IRR IS HUMAN, TO ERR\* DIVINE  
\*EXTERNAL RATE OF RETURN

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## IC LETTER



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### The Road to Transformation

**T**HE CHILDREN'S BOOK *HOPE FOR THE FLOWERS* TELLS THE STORY OF TWO caterpillars who yearn to fly, and in their attempt to go skyward, repeatedly try to climb a pillar. Eventually, they realize that in order to fulfill their destiny, they have to surrender to the cocoon. And so they take a different road, leave behind the blind pursuit of empty achievement, and become - yes! - beautiful butterflies.

This book is an inspiring parable about hope. And I like to think that Investors' Circle brings a sense of hope to a world dominated by financial instability, ambiguity and fear. We stand as a beacon to early-stage mission-based companies. Our community of investors is committed to using financial capital to contribute to a more positive and healthy world.

INVESTORS' CIRCLE BRINGS A SENSE OF HOPE TO A WORLD DOMINATED BY FINANCIAL INSTABILITY

Over the past three months, Investors' Circle has transformed a bit itself, shifting our resources to become more member-led and to celebrate the great talent and experience of our IC community. This has begun to trickle into every activity we do, from company selection for our venture fairs, to program development for our events, to our foundation mission initiatives. Our members and extended community are the pioneers, thought leaders and risk takers in this very important slice of the capital market.

As current Co-Director of Investors' Circle, I have witnessed an encouraging evolution within the IC community over this last five years. We are seeing record growth in our membership, especially surprising in this economic climate. New members are finding us by Googling "sustainable investing", as they seek out ways to put their assets toward more transparent and altruistic investments. The investor mindset is metamorphosing toward using the power of capital to produce positive social and environmental change. Our community is quickly growing beyond the strongholds of Boston and San Francisco, into places like New York, Washington D.C., Philadelphia, Colorado, Minnesota, and even my home state of Missouri!

A transformation in the sophistication of business models and management teams has also occurred over the past years. Pioneers like Seth Goldman of Honest Tea, Bill Niman of Niman Ranch, and Matt Klein of Verdant Power serve as role model entrepreneurs committed to ethical business practices and products that alter the way consumers think about their spending. Over the past year, we have seen close to a 30% increase in companies seeking funding, and expect that number to grow. As an IC member, you can review these deals and interact with other members via our new deal platform on Angelsoft.

The evolution of the double- and triple-bottom line markets has granted opportunities for new funding providers to emerge at each level of the funding food chain. In this newsletter, we will hear from two of our members about post-angel financing capital options for emerging middle market mission-based companies. First we'll hear from Satori Capital, a private equity fund (p. 2), then from Michael Van Patton of Mission Markets (p. 3). They provide alternative funding model solutions to the limited exit options that plague all companies (not just mission-based ones). And in our incubated projects section (p. 12), we'll hear from Sky Lance, Managing Director of the Patient Capital Collaborative, a unique fund that is focused solely on IC dealflow.

We are also looking at the next phase of innovation in the social enterprise sector, including transformative opportunities for 2010. This November, we will explore public and private partnership opportunities as we host our Fall Conference and Venture Day in Washington D.C. The piece by Michael Gurau, IC member, on page 8 provides a reality check for small businesses and the opportunities that the government can offer.

Come 2010, I suspect IC will emerge from this metamorphosis a beautiful butterfly positioned to promote a healthier and more sustainable world through catalyzing, designing, and promoting the role of capital. With my Co-Director, Matt Lombardi, we are committed to pushing the envelope of what is possible and exploring ways for our member community to provide leadership in our sector.

*Deb Parsons*

Deb Parsons, Co-Director

INNOVATE. INVEST. INSPIRE.

# Creating Value for All Stakeholders: Satori Capital

By Randy Eisenman

**INVESTORS' CIRCLE RECENTLY SPOKE WITH IC MEMBERS RANDY EISENMAN and Sunny Vanderbeck about Satori Capital, the sustainable private equity firm the two co-founded and manage.**

## What is Satori Capital?

**RE:** We operate as a private equity fund focused on mid-sized, profitable, sustainable companies. Our long-term intent is to build the Berkshire Hathaway for sustainable businesses. Our team is committed to becoming the preferred capital partner for companies building long-term value through a sustainable approach.

## What do you mean by a sustainable approach?

**RE:** We invest in privately-held companies run by talented leaders that operate their businesses with a long-term perspective, are committed to their mission or purpose, and focus on creating value for all of their stakeholders. These stakeholders include employees, customers, partners, the community, the environment, and shareholders.

**SV:** We believe that these businesses offer excellent opportunities for growth with lower overall risk to investors. And it's not just a nice concept; there is data to back this up. A recent study by Goldman Sachs showed that sustainability leaders outperformed their same-sector peers by almost seventy-five percent in a two-year period. In a book called Firms of Endearment, the authors show significant data suggesting an even greater outperformance over a longer-term time horizon.

**MID-SIZED SUSTAINABLE BUSINESSES THAT WANT AN ALIGNED LONG-TERM CAPITAL PARTNER HAVE VERY FEW OPTIONS.**

## Why did you form Satori?

**RE:** We believe sustainably-run businesses create more value for all stakeholders, and we have a true passion for helping grow these businesses. For many years, we've been active with IC and other organizations promoting sustainability and Conscious Capitalism. During this time, we've observed a vast gap in the capital markets. Specifically, venture funds and groups like IC are a good capital source for early-stage sustainable businesses, while SRI funds are an increasingly popular buyer of the stocks of publicly-traded sustainable companies. However, there is an enormous funding gap for privately-held, sustainably-run, mid-sized companies.

**SV:** Significant capital has also poured into clean-tech, but other types of mid-sized sustainably-run businesses have fewer options. Mid-sized sustainable businesses that want an aligned long-term capital partner have very few options. That's the need we founded Satori to address: capital for emerging middle-market, sustainably-run businesses.

**THE LEADERS OF OUR PORTFOLIO COMPANIES ARE OUR MOST IMPORTANT PARTNERS, AND WE VIEW OUR ROLE AS THEIR TRUSTED ADVISORS.**

## What has the response been so far?

**SV:** Extremely positive. We have a very experienced investment team of private equity veterans and successful executives who have operated sustainable businesses. Also, we have an actively-engaged advisory board comprised of world-class executives and thought leaders from the sustainable businesses community. Some of the names you might recognize include: John Mackey (from Whole Foods), Terry Mollner, Jed Emerson, Patricia Aburdene, and Paul Ray.

**RE:** Fortunately, we're also seeing plenty of very interesting potential portfolio companies and significant interest and commitments from aligned investors.


## Once you invest in a company, what can they expect?

**RE:** We operate with a business owner mindset. This is a material difference from most private equity investors who view themselves simply as buyers and sellers of businesses. We take a partnership approach to growing these sustainable companies. The leaders of our portfolio companies are our most important partners, and we view our role as their trusted advisors. While we let them run their businesses day-to-day, we collaborate closely with them in many key areas including strategic planning, recruiting and team building, mergers and acquisitions, and risk management. The Satori team has deep operational experience; we've been CEOs of successful public and private companies, and we want to leverage that experience to the benefit of our portfolio companies. It's really a combined effort to build businesses of enduring value through organic- and acquisition-based growth.

## Do you have any advice for companies looking to position themselves for an investment from Satori?

**SV:** We are focused on profitable, growing businesses with between \$25 million to \$150 million in revenue. But you have to get there the right way. We strongly encourage businesses to think long-term, stay committed to their mission, and focus on creating value for all stakeholders. This type of behavior, when combined with the right products and/or services, can be the foundation for a business with enduring value.

## How can our members learn more about Satori?

**RE:** They can visit [www.satori-capital.com](http://www.satori-capital.com). We're always looking for companies that matter and investors who care. Members are welcome to email me at [randy@satori-capital.com](mailto:randy@satori-capital.com). 

# Re-Envisioning Funding Structures: Mission Markets

By Mike Van Patten

**ONE OF THE CHALLENGES THAT FACE MOST MISSION-FOCUSED INVESTORS** who commit capital to private social enterprises is the limited availability of viable exit events. This can create unwanted pressure on entrepreneurs and management to satisfy the liquidity needs of their shareholders. Typically these are limited to a merger or sale to a larger social enterprise or conglomerate, management buyback of shares, or a sale to another investor group or social venture fund.

The use of alternative funding structures enables investors to receive financial returns and/or benefit from the growth of the company without forcing management to sell or use capital to buy back shares. These structures also make the potential for resale of the private companies' restricted shares more desirable to other investors in secondary transactions.

SERTS, or "Social Enterprise Royalty Trust Security," is an example of a financing structure that allows a company to satisfy both the investor and the management team, aligning both of their interests.

SERTS pay out a dividend based upon a percentage of the company's revenues, providing investors with ongoing cash flows and a potentially growing income stream while they wait for a possible exit event, if exiting even is management's goal. This also makes SERTS a more desirable purchase in a secondary market transaction should a shareholder desire liquidity. There are various ways to structure SERTS including provisions that allow the company to call the security at a premium to the original issue price or cap the SERTS at, say, a 6 or 7% annual dividend yield.

"Through its social and environmental electronic marketplace, my company Mission Markets Inc. ([www.missionmarkets.com](http://www.missionmarkets.com)) will support the facilitation and settlement of both primary transactions, capital raising, and secondary transactions, transfers of restricted private debt and shares from sellers to buyers. SERTS is just one of the financing structures that we intend to


promote to various social enterprises seeking capital."

Below are some of the services and markets we will support.

## OUR MARKETS:

- **Environmental Markets:** ecosystem services and conservation finance, renewable energy, sustainable fisheries, sustainable water solutions
- **Social Capital Markets:** L3C's, B-Corps, CDFI's, microfinance, the LOHAS sector, sustainable agriculture

## PRODUCTS AND SERVICES INCLUDE:

- **Capital Raising from Mission Focused Investors** for social enterprises, environmental projects, MIV's, fisheries trusts, wetlands, habitat and TDR banks
- **Secondary Liquidity and Transactions** for private debt, shares, environmental notes and credits, transferable development rights
- **Geographic Search and Filtering** allowing users to invest and direct impact regionally or globally
- **Public/Private Partnering** for financing fisheries and conservation investment opportunities
- **Innovative Environmental Financing Structures** including carbon notes, renewable energy notes, biodiversity notes
- **Transaction Data, Research and Market News Aggregation** for the environmental and social capital markets
- **Creation of Pilot Programs** for catch shares, marine impact and water footprint credits
- **Metrics Quantifying** environmental and social performance, return on investment
- **Stringent Screening and Certification Standards** for social enterprises and environmental projects 

## Sustainable Business Leadership Forum



Hanson Bridgett an IC Member and supporter, is a leading provider of legal services to organizations engaged in sustainable business. Their Sustainable Business Leadership Forums feature monthly presentations and networking focused on advancing sustainable businesses. Past topics have included legislation, cleantech, venture capital, green building, microfinance and energy management. At HB forums, you will get in-depth information about the opportunities, challenges, and profits associated with going green. The forum provides attendees the opportunity to learn and connect with like-minded business people who can help you advance your venture or area of interest in the sustainability movement. Hanson Bridgett's clients are diligently engaged

to make improvements in the following areas:

- Clean Technologies
- Socially Responsible Investing
- Organic Agriculture and Food Products
- Smart/Green Development and Transportation
- Green Building and Development
- Water and Waste Recycling/Environmental
- Sustainability Education, Training and Services
- Renewable energy supply, conservation and energy efficiency

By helping their clients succeed, HB is not only fulfilling their responsibility as lawyers; they are doing their part to create a more sustainable world. For more about Hanson Bridgett and its forums, please visit [www.hbsustainable.com](http://www.hbsustainable.com).

# Spotlight on Inspiration: Penelope Douglass

Creating Support System for California Companies

INVESTORS' CIRCLE MEMBER PENELOPE DOUGLAS HAS BEEN A LEADER IN THE social capital space for over ten years. Her organization, Pacific Community Ventures, opened its doors in 1999 to develop and invest in businesses providing economic gains to low/moderate income communities in California. PCV helps companies in traditionally overlooked areas gain access to capital, business advice, and critical resources that will accelerate company growth. PCV targets existing businesses throughout California, with a particular focus on the Bay Area, Los Angeles, San Diego and the Central Valley.



*Could you share the story of why you launched PCV ten years ago?*

We launched PCV because we saw intractable problems here in California: the rising disparity between those who “have” and those who “have not” plus the market failures in lower income communities. I felt passionately that it might be possible to use entrepreneurship, the tools of business and venture capital, and an orientation toward community to provide some piece of the solution to these complex problems.

*You have seen a variety of businesses apply for funding and advisory services over the years. Which business sectors are better positioned to deliver on a positive social or community development mission?*

Small companies that are natural employers of lower income workers – such as those in food processing and manufacturing – are a great fit for a blended-value proposition that returns wealth to all stakeholders. We see a wellspring of interest in small business owners to be part of a socially responsible network; the connection they feel between their businesses and the society

they wish to help create and nurture is stronger now, as a consequence of the economic recession.

*Over the past six months, I have had many conversations with potential members who have “woken up” because of the Wall Street and banking meltdown. There appears to be more money available to mission-based companies. Do you think this increased interest in the “impact investing” sector is real or just a naïve hope?*

I think there are more and more individual investors and foundations interested in this sector. At the same time, it is a little early to say that there is a sea change on the institutional side. With returns to investors at a low and with assets depleted due to down markets, appetites seem generally low for any type of risk capital allocation.


*One way PCV helps low income communities is through your Business Advisory Services. What are some ways that IC members can be engaged with entrepreneurs beyond investing?*

Engaging IC Members and other investors is core to our mission and our strategy for the next ten years! We are building alliances with key partner organizations that are passionate about volunteering and advising small business entrepreneurs.

*Some of your past portfolio companies have also received funding from IC members, such as Niman Ranch, Adina, and New Leaf Paper. What advice would you give angel investors who invest alongside venture funds?*

It is often challenging for small angels to play alongside a fund. Often, early investors feel the pride of ownership and think they should have more influence. But as the company evolves and takes on different types of capital, the governing requirements shift and those small investors must respect the change. Each investor, be it an angel or institutional fund, must realize how their role adds value at a specific stage of the company's life.

*What is your outlook for PCV and other mission-focused companies for 2009 and 2010 regarding stimulus funding or the focus on the new “green” economy?*

Navigating a political, and by its nature, bureaucratic landscape is always hard for us, as we are quite small. It's frustrating because PCV companies create good jobs that would benefit from stimulus funding, but don't necessarily qualify. We all need to help and support one another to be able to benefit substantially from these monies. 

Learn more about Pacific Community Ventures at [www.pacificcommunityventures.org](http://www.pacificcommunityventures.org) and about Penelope Douglas' colleagues, Eduardo Rallo and Jesse Brandl on P. 14 and 15 of this newsletter.

# Spotlight on Innovation: An interview with AlterEco

Fair Trade Distributor Setting Impressive Standards

ALTER ECO AMERICA IMPORTS AND SELLS FAIR TRADE ORGANIC and carbon-neutral products including sugar, rice, olive oil, quinoa and chocolate. Co-Founders Edouard Rollet and Mathieu Senard recognized that the burdens carried by coffee producers in the developing world hold true for other types of farmers as well: they aren't paid a fair price for their products, must survive on a dollar a day, lose money on their operations, and end up accumulating debt. Today Alter Eco works with forty-five developing countries and fifty-five farmer cooperatives to overcome these hardships, one farm at a time. Edouard was recently interviewed by Investors' Circle.



*How did you become a social entrepreneur?*

Mathieu worked for an orphanage in Cambodia and at the age of 17 became the orphanage's manager. I also worked in orphanages in South East Asia as well as in organizations like UNICEF. We'd been following what was happening with Alter Eco France. Social enterprise work was a natural development for us. “Trade not Aid” is the motto of Fair Trade. It's the difference between handing someone a little bit of money on occasion versus paying them what they deserve. The latter affords great and long-term benefits, as it creates a balance that promotes dignity and equality.

*What were the biggest challenges you faced as an early-stage social entrepreneur?*

We act as both a food company and a development organization, so building that triple-bottom-line business model is challenging. On the supply side, we're working with farmers who are often in remote, isolated areas. Many of them haven't been shopping in their own capital city, and yet they're making a product that competes in a Whole Foods in New York. On the demand side, U.S. consumers are very generous, but won't buy food products at a premium just to support a mission—quality is key. The reason Alter Eco foods get so much support and loyalty is because quality is always there. Our farmers put all their love, pride, and ancestral know-how into their products.

*Do you use particular metrics to assess your business?*

Definitely. We want to make sure that each co-op is operating at a high standard, so we've developed (with Price Waterhouse Cooper) a proprietary audit methodology: The Fair Trade Audit 200 (FTA200) assesses the triple-bottom-line standard of each co-op every other year. There are eighty economic measurements, eighty social metrics, and forty related to the environment. They include things such as the development of social projects (schools, nursery, social security programs, etc.) that are being funded by the co-ops, the accessibility of roads, and where waste water is disposed of. This helps the co-op improve from one year to the next and also helps us assess the risk of working with a particular co-op.

*How have you gone about raising funds to date?*

Our seed funding came from Alter Eco France, our friends and family, and ourselves. In 2008 we started looking for financial partners in the U.S. and established a great short-term financing relationship with Root Capital. In early 2009 we got a lead investor at \$750K. It was probably the worst time ever to raise money, but we found that this investment, with this timing, sent a great message to Alter Eco's partners and the community at large: triple-bottom-line business models are the future of the new economy.


*How have you been affected by the current economic climate?*

Our growth has been slower. In 2007, we grew by 300% compared to 20% growth in 2008. Fortunately, we're a lean operation. And we've adapted. Our pricing strategy has changed, as has our marketing outreach. At the same time, our bulk sales have been really strong. People are cooking more often and buying meals out less. That means they're more likely to buy our olive oils, grains, sugar and chocolate.

*Ideally, where do you see your business in five years?*

We'd like to be the household transversal brand for high-quality, healthy products as well as the standard for other companies: green business ethos combined with premium products and the ability to create opportunities for people in our world's poorest areas. We'd like to expand our reach so that customers who don't live near a Whole Foods can still purchase our products. We plan to grow the number of farmers up from the 300,000 in our current network.

*What type of exit do you see for your business?*

Acquisition is a typical path for food companies, and we became a B Corp in order to protect our mission if such a scenario comes up. Alter Eco's model is already unusual, so we'll need to be creative as we grow. But we do want to grow significantly. In order to have an impact on the farmers we work with, we need to drive volume. We can do much more by playing a leadership, advocacy, and intellectual role on issues of global poverty, disparity, and the environment. 

# Are All Ventures Social Ventures?

The IC Spring Conference Plenary set out to answer this question, evoking even more question. By Strauss Communications

**ARE ALL ENTERPRISES SOCIAL ENTERPRISES? THIS WAS THE FUNDAMENTAL** question posed by Jerry Engel, moderator for the Investors' Circle Spring Conference Plenary session. In true IC fashion, the session titled Prospects for Social Enterprise provided fertile soil for a lively debate among the audience of leading social investors and entrepreneurs.

Engel, UC Berkeley Professor, General Partner for Monitor Venture Partners, and Founder and Executive Director of the Lester Center for Entrepreneurship and Innovation at the Haas School of Business, set the stage for this discussion, giving a thorough overview of the work being done at the Lester Center, including the successful Global Social Venture Competition.

Engel shared with the audience that SRI is nothing new, providing a timeline of the history of SRI dating back to the 19th century, when religious investors rejected investments in activities they opposed such as alcohol, tobacco, and weapons manufacturing. Although SRI has been around for a while, it lingered on the fringes until recently. Social Investment Forum's SRI Trends Report for 2007 found that SRI assets rose more than 324% from \$639 billion in 1995 to \$2.7 trillion in 2007.

"This [SRI] is not a trivial exercise," noted Engel, "SRI is mainstream and main street. We are at an inflection point because we are no longer special. We now need to look at the river instead of the stream."

As Chair of the Board of the Social Investment Forum, as well as President and Senior Portfolio Manager at Trillium Asset Management Corporation, Cheryl Smith brought to the discussion her perspective as an investment manager who puts together portfolios of listed stocks and funds for her clients, who expect a return on their investment. "Luckily, my clients understand that ROI doesn't stop with financial returns," said Smith, adding that "they also understand that mission-based organizations are a longer-term investment." She noted that the SRI investment numbers within the Trillium network are not going down as quickly as profit-only investments during this current financial crisis. From Smith's perspective the financial crisis is not just about housing and credit. She explained, "we're working with an arcane model. It's an issue of transparency and disclosure. If we know what the companies we're investing in are about, the less likely we are to fall off a cliff."

**GOVERNMENT POLICIES NEED TO SUPPORT SUSTAINABLE BUSINESSES NO MATTER WHO IS IN POWER, AND NOT PICK WINNERS AND LOSERS**

David Crane, Special Advisor to the Governor for Jobs and Economic Growth, began his introduction by telling the audience, "We have been here before," citing the 1973 oil embargo as a tough economic period when the country was looking for innovative solutions. While his reference was specific to the need for energy independence, he believes that 1973's incident was a lesson about



Plenary Panel: Peter Frykman, David Crane, Cheryl Smith, Jerry Engel


the importance of government's role in fostering a supportive environment of innovation where all social ventures can thrive. "Government policies need to support sustainable businesses no matter who is in power, and not pick winners and losers," said Crane, "government shouldn't place bets; just provide a fair, level playing field where innovation can thrive."

Entrepreneur Peter Frykman, founder and CEO of low-cost drip irrigation company Driptech, couldn't agree more. Frykman believes Driptech has found the winning formula for a mission-driven business that is solving a critical problem in developing countries while also providing his investors with good financial returns. "What's most exciting to me is if Driptech can create a strong return on investment it will encourage others to pursue social enterprises," said Frykman.

One of the most repeated quotes of the conference came from Crane, who said "there is no bright line between social ventures and non-social ventures," echoing Engel's earlier statement that SRI can no longer be considered a niche.

"If this is true, what are we doing here?" asked Investors' Circle Board Member Jay Coen Gilbert. Jay explained, "many people at this event do believe there's a difference between Wal-Mart's efforts to become more sustainable and Driptech's sole purpose of delivering low-cost drip irrigation to small farmers in developing countries. We believe Impact Investing is a distinct, emerging asset class."

Later, during his panel presentation on Impact Investing, RSF Capital's Don Shaffer told the audience, "I was dumbfounded when David called all enterprises social enterprises. We are looking for those ventures that will change industries holistically."

Despite differing viewpoints, all present agreed that mission-based and profit-based businesses do not need to be in conflict. Reconciling the finer points is a dialog in progress. It is this creative tension that makes the IC Conference such an important event. Through these gatherings, the best minds in social enterprise converge, debate and innovate to evolve business and financial markets into engines for social and environmental sustainability. 

# Fall Conference Preview

## Access to Capital Through Public and Private Partnerships

Many early stage companies benefit from a variety of different funding sources. What partnership opportunities are available to IC companies and funders? How do you navigate the bureaucracy of public partnerships? Featuring speakers from the Obama Administration and leaders in public and private partnerships, The Investors' Circle Fall Conference will tackle these questions and more. Join us for three days of innovative entrepreneurship, investment opportunities, and inspiring dialogue.

Register today at [investorscircle.net!](http://investorscircle.net!)

**INVESTORS' CIRCLE  
FALL CONFERENCE**

**2009** November 15-17  
Willard InterContinental  
Washington, D.C.

## Upcoming Events Calendar

SoCap09	September 1, 2009	San Francisco, CA	<a href="http://socialcapitalmarkets.net">socialcapitalmarkets.net</a>
1st European Impact Angel Investing Summit	September 3, 2009	Geneva Switzerland	<a href="http://go-beyond.biz">go-beyond.biz</a>
Tides Momentum	September 7, 2009	San Francisco, CA	<a href="http://tides.org">tides.org</a>
Cleantech Forum XXIII	September 8, 2009	Boston, MA	<a href="http://cleantech.com">cleantech.com</a>
14th Annual Social Venture Institute at Hollyhock	September 9, 2009	Cortes Island, BC	<a href="http://renewalpartners.com">renewalpartners.com</a>
Slow Money National Gathering	September 10-11, 2009	Sante Fe, NM	<a href="http://slowmoneyalliance.org">slowmoneyalliance.org</a>
Sustainable Agriculture Investment Conference	September 17, 2009	New York, NY	<a href="http://newseedadvisors.com">newseedadvisors.com</a>
Natural Products Expo East	September 23, 2009	Boston, MA	<a href="http://expoeast.com">expoeast.com</a>
Green Festival D.C.	October 10, 2009	Washington, DC	<a href="http://greenfestivals.org">greenfestivals.org</a>
Bioneers	October 16, 2009	San Rafael, CA	<a href="http://bioneers.org">bioneers.org</a>
Social Venture Network Fall Conference	October 22, 2009	La Jolla, CA	<a href="http://svn.org">svn.org</a>
Social Venture Partner Conference	October 23, 2009	Dallas, TX	<a href="http://svpi.org">svpi.org</a>
SRI in the Rockies	October 25, 2009	Tuscon, AZ	<a href="http://sriintherockies.com">sriintherockies.com</a>
Women Donor Network	November 5, 2009	New Orleans, LA	<a href="http://womendonors.org">womendonors.org</a>
NetImpact	November 13, 2009	Ithica, NY	<a href="http://netimpact.org">netimpact.org</a>
<b>Investors' Circle Fall Conference &amp; Venture Fair</b>	<b>November 15, 2009</b>	<b>Washington, DC</b>	<b><a href="http://investorscircle.net">investorscircle.net</a></b>

# Stimulating the Small Businesses Market

By Michael Gurau

**AS HAS BEEN WELL COVERED BY THE BUSINESS PRESS, THE CURRENT** economic environment has dampened not only the business outlook for large and small companies but also their access to capital, both debt and equity. This pullback comes at the very time when the need for capital is at its greatest. Small companies have planned for revenue growth that may not arrive in the near term, exacerbating their capital requirement. Small “capital gap” funding has never been easy to access; today’s economy has made the gap even wider. With private markets out of the funding market in the near term, small companies must look to federal and state government programs for available equity, credit, and grant funding.

## Your Tax Dollars at Work for Small Businesses

In good economic times, the U.S. government has played an important role in lending and equity markets, whether stimulating lending by lowering interest rates, providing SBA- and USDA-backed loans, offering Treasury sponsored tax credits, or (with the exception of the last eight years of the recent Bush Administration), matching private equity capital through SBA’s Small Business Investment Company program. Since 1994, the U.S. Treasury’s Community Development Financial Institutions Fund has provided equity and grant capital to mission-centric community development organizations. Equity funding enables certified CDFI’s to leverage their private equity capital with that of the CDFI Fund for the benefit of small businesses in which they invest.

**SMALL COMPANIES MUST LOOK TO FEDERAL AND STATE GOVERNMENT PROGRAMS FOR AVAILABLE EQUITY, CREDIT, AND GRANT FUNDING.**

The feds have long provided early-stage grant money in several forms: SBA’s Small Business Innovation Research and Small Business Technology Transfer programs provide sizable R&D grants to small businesses so that these companies can get their share (alongside universities and larger corporations) of government-funded research dollars. The U.S. Department of Agriculture also supports small businesses with its Rural Business Enterprise Grant programs, which support value-added agricultural businesses, including natural products businesses like those supported by my fund and IC.

## Stimulus for Small Businesses

The American Recovery and Reinvestment Act of 2009 provides considerable stimulus dollars to and through existing agencies that support small business. ARRA’s lending support comes in several forms—in some cases increasing capital to (and improving terms and rates for) existing borrowers, in others providing new and varied grant pools to address the impact of the downturn. As part of its renewable energy push, the Obama administration has also allocated grant funds to support small business’s efforts to improve their energy efficiency. The Department of Energy and the Treasury offer tax credits and loan guarantees for commercial energy projects that leverage renewable energy. This would seem to be good news for clean energy investors (such as my new fund-in-formation) and IC investors. Recovery.gov is a supersite for recovery related info, while each agency has a home page with information related to its allocation of ARRA.




## The State of the States

While most state economies have suffered budget contraction due to the downturn, many states still have something to offer small businesses. In my home state, Maine Technology Institute provides both grants and limited early-stage equity to companies that fall within its target technology clusters. Often, states offer investment tax credits that provide incentives to individual and state-based entity investors to provide equity to early-stage (often pre-revenue) companies. Many states also fund—typically through a bond-issue—early-stage venture capital programs.

## Outlook for 2009 and 2010

From an investor’s perspective, it is the best and worst of times: the worst for investors who have existing fund commitments and no path to liquidity in their portfolio; the best for investors with liquid capital in a market in which demand has never been greater. The venture capital fund that I’ve been managing since 2001 is an SBIC-like program called the New Markets Venture Capital Program. The NMVC scheme mandates that fund managers drive eighty percent of their capital into federally designated underserved communities—in CEI Community Ventures’ case, northern New England. On March 12th, the bi-partisan Congressional duo that advocated for that program in 2000 announced a bill (HR 1491) to refund the NMVC program so that regions less well-served by capital may see resource for growth. The new fund I am setting out to raise will pursue this capital for New England, should the bill pass.

For small companies, it’s going to be a rough couple of years, marked by contraction, survival and few capital sources. Early-stage equity is going to be very hard to come by. Accordingly, small businesses need to look to federal and state sources and use some creative bootstrapping. 

*Michael Gurau is Managing General Partner of Clear Venture Partners (www.clearvcs.com), an early-stage venture capital fund-in-formation targeting a \$50-75M pool aimed at select sectors (clean energy, health and wellness, and IT) in underserved and distressed secondary New England cities and towns. Clear is a new fund, wholly unaffiliated with CEI Community Ventures and CEI. You can reach Michael at mg@clearvcs.com.*

# Trend Watch

**\$787 BILLION**

AMOUNT ALLOCATED TO THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 SIGNED INTO LAW BY PRESIDENT OBAMA

**\$53 BILLION**

AMOUNT OF STIMULUS DOLLARS GOING TO EDUCATION AND TRAINING

**3.5 MILLION**

NUMBER OF JOBS TO BE SAVED OR CREATED BY THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

**91**

UNIVERSITIES OFFERING SUSTAINABLE MBA PROGRAMS IN 2005

**1.25 MILLION**

NUMBER OF THOSE JOBS THAT WILL BE GREEN-COLLAR

**111**

UNIVERSITIES OFFERING SUSTAINABLE MBA PROGRAMS IN 2007

**\$43 BILLION**

AMOUNT OF STIMULUS DOLLARS GOING TO ENERGY

**34%**

PERCENTAGE OF MBA PROGRAMS THAT REQUIRE STUDENTS TO TAKE A COURSE DEDICATED TO BUSINESS AND SOCIETY ISSUES IN 2001

**\$59 BILLION**

AMOUNT OF STIMULUS DOLLARS GOING TO HEALTH CARE

**63%**

PERCENTAGE OF MBA PROGRAMS THAT REQUIRE STUDENTS TO TAKE A COURSE DEDICATED TO BUSINESS AND SOCIETY ISSUES IN 2007

**80%**

PERCENT OF U.S. CONSUMERS WILLING TO ACT ON ENVIRONMENTAL CONCERNS IN 2008

**7**

NUMBER OF IC STAFF WHO PERFORMED THE ELECTRIC SLIDE AT THE SF MIXER

# Spotlight on Investing

The following companies are ventures that received funding through our network or have IC-involvement



## Banyan Energy

### THE BUSINESS IN A NUTSHELL:

Banyan has developed breakthrough optics technology that solves the problems of cost and scale for the silicon solar panel industry.

### SOCIAL ENTERPRISE? PROVE IT.

The specific mission of Banyan Energy is to make solar energy less expensive and more scalable by developing innovations in the field of optics for solar concentration.

### MISSION FIRST?

Banyan Energy was founded to address the global energy problem. The imperative transition to clean energy is one of the largest and most difficult problems facing this generation of human beings. We believe solar photovoltaics provide a promising pathway to clean energy generation.

### SURVIVAL MODE:

The economic crisis has created uncertainty and obstacles for the solar industry. Funding problems have hit almost everyone in solar, from early-stage start-ups to shovel-ready projects. Nonetheless, aided by their prototype results and business progress, Banyan recently closed their Series A financing. They also became one of thirteen companies selected from across the U.S. for a Photovoltaic Technology Pre-Incubator Award by the Department of Energy's National and Renewable Energy Lab. In addition, Banyan has been able to capitalize on the silver linings of this economic crisis, including increased availability of talented hires, and increased flexibility of key suppliers. Ultimately, their resiliency lies in a commitment to building a lean organization that carefully aligns product development, customer development, and company growth.

### CONTACT:

Shondip Ghosh, CEO,  
shondip.ghosh@banyanenergy.com,  
415.305.0463



## Rivertop Renewables

### THE BUSINESS IN A NUTSHELL:

Rivertop develops chemicals and bioproducts from plant sugars—not petroleum, natural gas, or minerals. These non-toxic, renewable chemicals help industrial and consumer products biodegrade.

### SOCIAL ENTERPRISE? PROVE IT.

Rivertop's key chemical, glucarate, has a variety of applications across several large markets. The Department of Energy counts glucarate among the top twelve renewable chemicals and says it "could address a market of over 9 billion pounds per year with values between \$0.85 and \$2.20 a pound." Rivertop's production process employs the Twelve Principles of Green Chemistry. Each Rivertop chemical has a Renewable Carbon Index of 1 since all of the carbon atoms come from plant sugars, not hydrocarbons.

### MISSION FIRST?

Over a 40-year career in chemistry, Rivertop's founder, Dr. Don Kiely, created a vision for making non-toxic chemicals in high volumes and at a low cost. Built from renewable sources, these chemicals will protect clean water and safeguard public health because they biodegrade—they are not persistent, toxic chemicals.

### SURVIVAL MODE:

The following are a few ways that Rivertop runs lean:

- 100% employee participation in temporary salary reductions
- Judicious use of consultants
- Security of a low-interest equipment loan
- Renting low-cost office and lab space in a business incubator
- Enjoying a grant-funded build-out of a specialized laboratory

### CONTACT:

Jason Kiely, Director of Marketing,  
jason@rivertop.com, 406.549.6126



## Social Imprints

### THE BUSINESS IN A NUTSHELL:

Social Imprints is a full-service custom printer that provides printed or embroidered sweatshop-free hats, T-shirts, brochures, stickers, bags, pens, etc. for special events, identity wear, marketing collateral, and retail sales.

### SOCIAL ENTERPRISE? PROVE IT.

While most social enterprises focus on offering lower-paying transitional jobs in production and assembly, Social Imprints provides high-functioning at-risk applicants with white-collar career opportunities in management, sales, marketing, accounting, and customer service. The company offers its employees an array of supportive benefits including counseling and housing, legal, and educational support. Employees are treated as owners and will receive generous profit-sharing plans once the company becomes profitable.

### MISSION FIRST?

Social Imprints started with a unique social mission: to provide higher-paying professional jobs to at-risk adults including ex-offenders, recovering drug addicts, and economically challenged individuals.

### SURVIVAL MODE:

Although they've estimated roughly \$60K worth of canceled orders due to rough economic conditions, overall the launch of Social Imprints has been a great success. The company started in April and has exceeded projections for the first three months of business. Co-founders Jeff Sheinbein and Kevin McCracken have over twenty years of industry experience and were able to bring key starter accounts to Social Imprints.

### CONTACT:

Jeff Sheinbein, CEO/Co-Founder,  
jeff@socialimprints.com, 415.956.0269



## New Leaf Paper

### THE BUSINESS IN A NUTSHELL:

New Leaf Paper is a North American developer and distributor of environmentally responsible printing paper, office paper, and retail paper products.

### SOCIAL ENTERPRISE? PROVE IT.

New Leaf provides leadership, developing a vision for a sustainable paper industry (coined Pulp Non-Fiction), and creating products that fit this vision. Their pioneering product development has already manifested tremendous change within the industry.

### MISSION FIRST?

New Leaf Paper started with a theory: that the paper industry needs to change from within. They have been 100% committed to sustainability since day one. And because they sell only the most environmentally responsible products, every transaction serves this mission.

### SURVIVAL MODE:

Paper is ultimately a commodity and the market is declining. Fortunately, New Leaf Paper's customers value their products, service, and mission. They have seen demand fall, but core customers continue to use their products. New Leaf's approach to the current economic crisis is to both restructure the company to match market conditions and invest in setting the company up for great success when the market turns.

### CONTACT:

Jeff Mendelsohn, CEO / Founder  
jeff@newleafpaper.com 415.830.4539



## Boston Heart Lab

### THE BUSINESS IN A NUTSHELL:

Boston Heart Lab delivers the most comprehensive personalized therapy guidance for patients with Cardiovascular Disease (CVD). Their services of state of the art and proprietary blood tests allow them to predict effective therapies for patients.

### SOCIAL ENTERPRISE? PROVE IT.

BHL strives to deliver the most meaningful cardiac health data in the most understandable and helpful form. They deliver test results in a personalized book explaining in detail the cause and state of the patient's disease and propose a detailed and effective personalized therapy plan. Their core values include: being the patient's advocate, being data-driven and at the forefront of science, and encouraging open and honest discussion to solve problems.

### MISSION FIRST?

Mission is core to BHL's business. They were founded to help people understand and manage their disease as well as make meaningful treatment decisions.

### SURVIVAL MODE:

BHL is selling services and growing steadily. Currently they double sales every 3 months and are weathering the economic crisis surprisingly well.

### CONTACT:

Wolfgang Daum, President & CEO,  
wdaum@bostonheartlab.com, 508.877.8710

## SEEKING FUNDING?

Investors' Circle seeks early or expansion-stage companies whose businesses address significant social or environmental issues. Typically these companies are focused in the following sectors:

- Energy & Environmental Solutions
- Sustainable Consumer Products
- Education & Media
- Health & Wellness
- Community & International Development

Investors' Circle serves as a bridge between social entrepreneurs and our investor members, bringing the two sides together and fostering successful mission-driven investments. Behind the dollars invested are stories of innovative entrepreneurs pioneering the transition to a sustainable economy. As social entrepreneurs, we praise your innovation and passion and welcome you to join the network. We are currently accepting applications for our spring event.

Apply at [investorscircle.net](http://investorscircle.net)

## NEW SOFTWARE!

Investors' Circle has transitioned to Angelsoft for our deal-screening and company database functions. Over 400 angel groups currently use Angelsoft, which enhances our capacity for deal syndication. We hope you'll find that the software is easy to use and encourages exploration of our companies.

Visit [angelsoft.net/angel-group/investors-circle](http://angelsoft.net/angel-group/investors-circle)

"SOCIAL IMPRINTS IS A GOOD IC EXAMPLE OF A COMPANY WITH A SIMPLE BUSINESS MODEL THAT SERVES A SPECIFIC SOCIAL BENEFIT."

Henry Vandermark, IC Member

"NEW LEAF CEO JEFF MENDELSON IS A VISIONARY WHO HAS REMAINED TRUE TO THE COMPANY MISSION DESPITE ECONOMIC CHALLENGES."

Ken Merritt, IC Member

# Incubated Project Updates

## Patient Capital Collaborative

The Patient Capital Collaborative (PCC) is a venture capital fund that invests primarily in companies that come through Investors' Circle. PCC funds are typically raised every twelve to eighteen months, and are generally invested in four promising IC companies (in terms of triple-bottom-line impact) in any given investment period. PCC funds offer our Limited Partners portfolio diversity and the investing expertise of our seasoned General Partner and Investment Committee, and are open to accredited individual investors as well as larger parties.

PCC '09 LP plans to invest in companies presenting at IC conferences in 2009 and 2010. In fact, the '09 Fund has already closed an investment in one IC Spring 2009 Conference company: a \$200,000 common stock purchase in Boston Heart Lab ([www.bostonheartlab.com](http://www.bostonheartlab.com)).

The '09 Fund is on pace to be some thirty percent larger than the '07 Fund, due in part to that fund's successful launch and ongoing management. According to General Partner Sky Lance, "The first fund had thirty limited partners. With [PCC '09 LP] we are looking to expand that number, as well as to attract a handful of larger institutional investors to expand PCC's reach even further."

The PCC series of funds seeks portfolio diversity by investing in a variety of industries. The '07 Fund invested in organics, renewable energy, health and wellness, and environmentally-friendly materials. PCC '09 expects to invest in a similarly diverse portfolio of IC companies.

*For further information, please contact Isaac D. Van Wesepe, Associate, at [Isaac@sustainvc.com](mailto:Isaac@sustainvc.com); 978.451.0299.*

## SLOW MONEY

"You had me at 'earthworm.'" So said a new member of the Slow Money Alliance at a recent meeting.

The Slow Money Alliance now has approximately 150 such soil-loving souls, and is growing each week through a social media campaign revolving around the Slow Money Principles (visit [www.slowmoneyalliance.org/principles](http://www.slowmoneyalliance.org/principles)). In mid-May, the Slow Money Principles went live on the internet. The goal is to garner at least 5,000 Signatories and 500 Slow Money Alliance Members by year's end.

As of June, Slow Money has held four Slow Money Institutes: day-plus workshops that bring together 50-100 regional stakeholders to explore strategies for investing in local food systems. Institutes have been held in Vermont, California, Washington and New York. The fifth is scheduled for Wisconsin in late July, with institutes in New Orleans and Kentucky planned for late fall.

Slow Money's inaugural national gathering will be held in Santa Fe this September 9-11. With panels exploring food, money and soil, and a showcase of twenty small food enterprises, the event will focus on strategies for supporting Slow Money initiatives emerging in regions around the country and

will celebrate, with food, film and music, what is increasingly being called "the movement" by participants and journalists alike.

Inquiries Into the Nature of Slow Money: Investing as if Food, Farms and Fertility Mattered, by Woody Tasch, is in its second printing, and will be published in Japan and Italy this fall.

*For more information visit [slowmoney.org](http://slowmoney.org)*



## B LAB

As of mid-2009, there are approximately 200 Certified B Corporations from over 30 industries with \$1B in collective revenues and over \$6B in assets under management. Recently certified companies include E3 Bank, Sunrise Banks, RSF Capital Management, Worthwhile Ventures (Grey Ghost Fund), GoodGuide, and Ignia Partners.

B Lab (the nonprofit that supports B Corps) has launched the Impact Reporting and Investing Standards (IRIS) initiative in partnership with the Acumen Fund, the Rockefeller Foundation, and the Global Impact Investing Institute. IRIS is a common framework for defining, tracking and reporting the performance of impact capital. To view the draft taxonomy, visit [iris-standards.org](http://iris-standards.org).

B Lab is also leading the development of a ratings organization for Impact Investors. The goal of GIIRS (the Global Impact Investing Ratings System) is to drive more capital to higher-impact investments by providing institutional investors with both company and fund-level impact ratings, each with current and historical analyses of impact performance for comparative use.

Finally, B Lab is addressing the impediments to mission aligned growth and liquidity for sustainable businesses through its policy work. It is leading several state and national policy efforts to establish a new corporate forum that would allow businesses to give due consideration to social value creation, not just shareholder value maximization, when making important operating and liquidity decisions.

*For more information on B Corporations or B Lab's work on social capital, contact IC Board member Jay Coen Gilbert at [jay@bcorporation.net](mailto:jay@bcorporation.net) or B Lab co-founder Andrew Kassoy at [andrew@bcorporation.net](mailto:andrew@bcorporation.net).*

# Spotlight on Action

**T**HE INVESTORS' CIRCLE COMMUNITY IS BUILT AROUND PEOPLE OF GREAT PASSION. OUR MEMBERS WORK TO CREATE A MORE sustainable economy through direct investing, but that is but one tool in the chest. Our Taking Action Partners, BALLE and Ashoka, demonstrate opportunities to get involved both locally and globally. Learn how you can "take action" with these groups.



### WHAT?

The Ashoka Support Network (ASN) is a global network of successful entrepreneurs, with local chapters in communities all over the world. ASN members have financial resources as well as knowledge, skills and networks that, when shared, can increase the impact and scale of Ashoka and its Fellows.

### WHY?

Ashoka is the largest association of social entrepreneurs in the world – men and women with system-changing solutions for the world's most urgent social problems. Since its founding almost thirty years ago, Ashoka has provided start-up financing, professional support, and connections to a global network of more than 2,000 leading social entrepreneurs, elected as Ashoka Fellows, in over sixty countries. Ashoka is now a professional home for all entrepreneurial individuals from the business and social sectors, and a platform for the growing global network of people dedicated to changing the world.

### HOW?

For us to achieve an 'Everyone A Changemaker' society, we need the support of individuals and organizations like Investors' Circle – institutions that understand the importance of leveraging one's entire toolkit.

### CONTACT

Holly Roberson, Director, [hroberson@ashoka.org](mailto:hroberson@ashoka.org), 917.549.8335

**"OVER THE LAST 14 YEARS I HAVE HAD THE PLEASURE OF PARTNERING WITH ASHOKA AND HAVE SEEN FIRSTHAND THEIR EXTRAORDINARY ABILITY TO IDENTIFY AND NURTURE SOCIAL ENTREPRENEURS AND CHANGEMAKING INITIATIVES THROUGHOUT THE WORLD."**

*Stuart Davidson, Labrador Ventures, IC Member*

**"MORE THAN EVER BEFORE, WE NEED FINANCIAL TRANSACTIONS THAT ARE DIRECT, TRANSPARENT AND PERSONAL, BASED ON LONG TERM RELATIONSHIPS. BALLE IS DEVELOPING A VIBRANT WEB OF SUSTAINABLE, LOCAL BUSINESSES – AN IMPORTANT RESOURCE FOR ANY SOCIALLY RESPONSIBLE INVESTOR!"**

*Don Shaffer, President/CEO, RSF Social Finance, IC Member*

### WHAT?

Business Alliance for Local Living Economies (BALLE) is the fastest-growing network of sustainable independent businesses in the country, with 70 local member networks representing more than 20,000 businesses.

### WHY?

BALLE believes in the power of locally-owned businesses to transform communities and society. Every dollar spent at a local business (versus non-local) contributes roughly three times the number of jobs to the local economy, three times the boost to income, and three times the tax benefits. Member networks help build community assets such as sustainable agriculture, green building, renewable energy, community capital, zero-waste manufacturing and independent retail. These networks provide local businesses with the tools for success and the peer-learning community to realize their commitment to people, place and planet... as well as profit.

### HOW?

BALLE catalyzes and strengthens local business networks, provides educational and community economic development tools, and promotes public policies that enable local living economies. To get involved, join or start a member network in your community, invest locally, or bring a BALLE speaker to your town.

### CONTACT

Mary Rick, Program Director, [mary@livingeconomies.org](mailto:mary@livingeconomies.org), 415.255.1108

