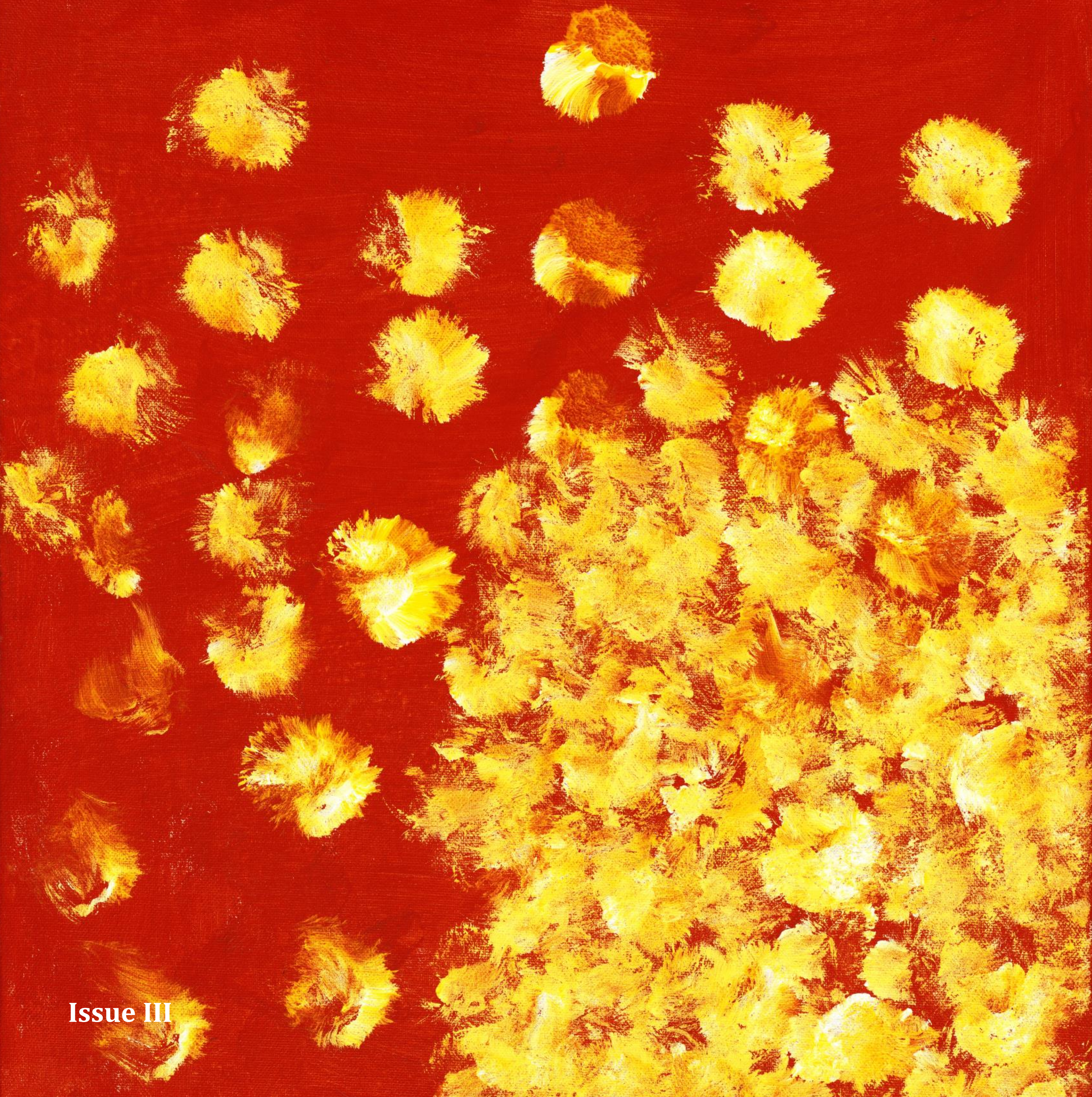
The Impact Journal

Insights into trends in the capital markets, mergers & acquisitions and corporate finance for social enterprises and impact capital.



Issue III

THE IMPACT JOURNAL

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For more information, please visit: ArtLifting.com

In the News

Rubicon Global Becomes Newest Certified B Corp Unicorn after Raising $50M

In September 2017, Rubicon Global, the Atlanta-based waste management startup that marketed itself as the "Uber for trash," raised $50 million. Rubicon provides cloud-based waste and recycling solutions. The company's software connects waste collectors and businesses to enable smoother trash pickups.

The strategic investment comes from Mexican private equity firm Promecap and will allow Rubicon to continue to expand in the U.S. market and eventually open operations in Mexico. At a valuation of $1.0 billion, Rubicon Global officially joined the list of B Corp unicorns.

Since its founding in 2008, the company has raised around $200 million in total funding from investors like Nima Capital, QuarterMoore and Goldman Sachs. Rubicon became a Certified B Corp in 2012. It emphasizes the potential of its business model to divert waste from landfills and increase recycling, as well as its responsible business and labor practices.

Additional current and former Certified B Corp unicorns include Warby Parker and The Honest Company.

B Corporation Unicorns

Company	Total Funding	Selected Investors
WARBY PARKER	$216M	T. Rowe Price, Tiger Global Management, General Catalyst
THE HONEST CO.	$303M	Fidelity, Glade Brook Capital Partners, General Catalyst
RUBICON	$196M	Promecap, SUEZ Environmental, Nima Capital

Sources: Company press releases, Company websites, Crunchbase, Keene Advisors estimates

Renewal Funds Exits Four Portfolio Companies

2017 was an active year for Renewal Funds.

Investment	Investment Year	Acquirer
better bean	2014	Hain Celestial
Aquatic Informatics	2010	xpv water partners
Sweet Earth	2014	Nestlé
Alter Eco	2010	nextworld evergreen

In June, Renewal announced the sale of Better Bean, a prepared bean and bean-based dip company to Hain Celestial. This acquisition is the first for Hain Celestial Cultivate Ventures, the venture arm of Hain Celestial that was announced in November of 2016 to acquire and invest in better-for-you businesses that are complementary to Hain Celestial.

In July, XPV Water Partners, a water-focused private equity firm, announced a majority investment in Aquatic Informatics, a water data management software solution, to fund the amalgamation of Aquatic Informatics with two complementary businesses, WaterTrax and Linko Technology. Aquatic Informatics was an early investment for Renewal2, which was the Company's sole institutional investor.

In September, Nestle announced its acquisition of Sweet Earth, a plant-based food manufacturer. Co-Founders, Brian and Kelly Swette, will continue to lead the management team. Renewal Funds invested in the 2014 Series A and has supported the Company's growth through multiple rounds of funding. Renewal Funds was the Company's only institutional investor.

In December, Next World Evergreen, a consumer and retail private equity fund, announced its acquisition of Alter Eco, a fair trade focused chocolate and snack food brand. Alter Eco was an early investment for Renewal2. Other investors included Good Capital.

We caught up with Renewal Funds' Chairman & Co-Founder, Joel Solomon, in our Impact Capital Corner on page 12.

In the News

sPower Acquired by AES, AIMCo Joint Venture for $1.6B from Fir Tree

In July 2017, private equity firm Fir Tree Partners completed the sale of sPower, the 10th-largest solar developer in the U.S., to a joint venture co-controlled by The AES Corporation (NYSE: AES) and Alberta Investment Management Corporation (AIMCo). The total transaction value was $1.6 billion, including $853 million in cash and $724 million in assumed debt. The transaction represents one of the largest clean energy deals to date.

At the announcement of the deal, sPower owned a portfolio of approximately 1.3 gigawatts of operating solar projects across 11 states and 10 gigawatts in development. To put sPower's environmental impact in perspective, upon completion of its near-term pipeline in 2017, approximately 250,000 homes will be powered by sPower's clean energy, reducing three million metric tons of carbon pollution each year. This is roughly equivalent to either taking 450,000 cars off the roads in the U.S. or planting 2.3 million acres of forest, about the size of the entire state of Connecticut.

According to Fir Tree, sPower attracted interest from prospective U.S., Canadian and European buyers, including institutional investors before its eventual sale to AES and AIMCo.

The move was interpreted as a commitment to solar on a utility scale for AES, which had acquired only individual projects before. According to the acquisition plans, AES was to take on sPower's operations and a 50 percent equity stake in all projects. AIMCo was to take on the other 50 percent stake in projects.

Certified B Corp Bank Acquires Fellow B Corp Bank

In December 2017, Certified B Corp, Amalgamated Bank announced its acquisition of fellow Certified B Corp, New Resource Bank for a total purchase price of $58.5 million (1.4x book value of equity as of September 30, 2017), which will be paid in the stock of Amalgamated Bank.

The combined company will have deposits of $3.4 billion, making it one of the largest values-based bank in the United States. New Resource Bank and Amalgamated Bank had deposits of $0.3 billion and $3.1 billion, respectively as of September 30, 2017.

The acquisition is complementary in many ways. From a geographic perspective, Amalgamated Bank is focused on the East Coast, with its headquarters in New York City and operations in Washington, DC. New Resource Bank is focused on the West Coast and Colorado. From a business perspective, New Resource Bank will benefit from being a part of a larger financial institution with the access to a broader range of financial products, and Amalgamated bank will deepen its expertise in impact banking. From a mission perspective, both banks are values aligned being Certified B Corps and members of the Global Alliance for Banking on Values.

The transaction is subject to review by the Federal Deposit Insurance Corporation (FDIC), as is required when any two depositary institutions combine. The review is focused on the competitive implications to consumers as well as the long term financial stability of the newly combined company. This review is independent of any review by the Federal Trade Commission and the Department of Justice for anti-trust concerns.

amalgamated bank.

newresourcebank
planet-smart banking

Other Certified B Corp Banks include: *Beneficial State Bank, Mascoma Savings Bank, First Green Bank, Triodos Bank, Sunrise Banks and Circle Alliance Bank*

Sources: Company press releases, Company websites

In the News

Sundial Brands to be Acquired by Unilever

On November 27, 2017, Unilever announced the acquisition of Sundial Brands, the personal care products company behind brands like SheaMoisture, Nubian Heritage, and Madam C.J. Walker. SheaMoisture is a Certified B Corp, and throughout its brands, the company strives to source responsibly and empower women-led businesses. The details of the transaction were not disclosed.

In September 2015, the company received a minority investment from Bain Capital Private Equity to accelerate growth. At the time, Sundial Brands was valued at a reported $700 million.

Through the Unilever deal, Sundial renews its commitment to purpose with the formation of New Voices Fund, a $50 million fund to invest in and empower black women entrepreneurs. Sundial and Unilever hope to grow the fund to $100 million by attracting outside investors.

Sundial is expected to generate approximately $240 million in revenue in 2017.

This acquisition represents Unilever's newest addition to a portfolio of purpose-led companies that already includes Ben & Jerry's and Seventh Generation.

Accelerator Inspired by Pope Francis Introduces Inaugural Cohort

The Laudato Si' challenge is an accelerator supporting early stage companies alleviating social or environmental problems. The accelerator was launched in March 2017 and accepted applicants from around the world to an eight week program in Rome that provided mentorship and equity funding. The thematic focus for the program for 2017 was energy, food, water, urban solutions, human potential, conservation, and finance.

As reported by Fast Company Magazine last summer, participating companies would receive $100,000 in seed funding in exchange for a 6% to 8% equity investment, and expert mentorship. On December 4, 2017, the Laudato Si' Challenge presented its inaugural nine companies at a Demo Day held in the Vatican City.

The selected companies are Aqus, Innov8tia, Mandulis Energy, Nokero, Papr, Protrash, Rise Products, Scooterino and Smart Yields. Each has a unique model to tackle the challenges of climate change and human migration.

Examples include:

RISE Products, which up-cycles spent grain (waste) from breweries, turning it into a delicious high-protein, low-carb, cholesterol free flour. Their up-cycle technology can also transform other food waste from grapes and soy into healthy, sustainable food products.

Scooterino is the first ride-sharing platform in Europe using scooters.

Protrash pays community members for recyclables with cash cards that can only be used for food, medicine or other basic necessities.

Sources: Company press releases, Company websites

In the News

Techstars Launches Impact Accelerator

In October 2017, Techstars, an early stage venture capital accelerator program and Certified B Corp, launched the Techstars Impact Accelerator in order to back for-profit, mission-driven founders building tech to solve social and environmental problems.

The fund is backed by Morgan Stanley Investment Management AIP Private Markets Team, Impact America Fund, and Cotter Cunningham, CEO of RetailMeNot, Inc.

The impact accelerator is led by Zoe Schlag, who was previously the founder and CEO of UnLtd USA a mission-driven company tackling social and environmental challenges. UnLtd will bring its global network of social enterprises to Techstars.

The Impact Accelerator's sector focus includes, but is not limited to: Financial Services, Affordable Housing, Migration, Workforce & Future of Work, Education, Diversity & Inclusion, Democracy, Impact Investing, Clean Energy & Climate Change Solutions, Food Supply & Security, Oceans, Water & Sanitation.

Techstars Overview

Techstars has been amongst the most successful and recognized accelerator programs in the venture community. To date, they have worked with 1,192 companies in 113 difference cohorts. $4.4 billion of investor capital has been raised by Techstars alumni.

Status	# of Co.'s	%
Active	928	78.1%
Acquired	131	11.0%
Failed	133	11.2%

Notable Techstars alumni include: Class Pass, Plated, Remitly, Distil Networks, Bench, DigitalOcean, Leanplum, DataRobot, Sphero, Contently, PillPack, Grove Labs, Next Big Sound

Techstars achieved B Corp certification in October 2016.

Voltea, Leading Water Desalination Startup, Raises $10M

Voltea, a leader in water desalination, announced it completed a $10 million raise in October 2017. Voltea's technology desalinates brackish water at a lower economic and environmental cost than any other available technology. All existing investors (ETF Partners, Unilever Ventures, and Rabobank Ventures) participated in the round, along with new investors IDO Investments (majority owned by the State General Reserve Fund, an Omani sovereign wealth fund) and individual investor Detlef Taprogge. Proceeds will be used to support the commercialization of the company's product lines, launch new offerings and make key hires.

Voltea has developed CapDI, a tunable water deionization technology that is designed to remove dissolved salts from a variety of water sources ranging from tap water and brackish groundwater to industrial process water. According to Voltea, CapDI achieves this at a lower economic cost and reduced environmental impact than any other available technology. Voltea offers solutions for AgTech, commercial and industrial, consumer and residential clients.

Voltea's investor group is diverse and includes traditional venture, corporate venture, angel and sovereign wealth fund-backed venture investors.

Sources: Company press releases, Company websites

In the News

Socially Oriented Fund Formation Continues

Several new impact oriented direct investment funds have been raised recently, heralding the continued growth of the sector.

salesforce

On October 3, Salesforce announced the launch of a $50 million impact investment fund through its corporate venture arm. Investments will focus on workplace development, equality, sustainability and social sector companies that leverage Salesforce.

Portfolio companies receive funding as well as access to the world's largest cloud ecosystem and the guidance of Salesforce's innovators and executives. With Salesforce Ventures, portfolio companies can also leverage Salesforce's expertise in corporate philanthropy by joining Pledge 1% to make giving back part of their business model.

First funding recipients include Angaza, Ellevest, Hustle and Viridis Learning.

TPG THE RISE FUND

Private equity firm TPG surpassed its $1.5 billion target and closed at the $2 billion hard cap for outside investors on October 3. TPG employees plan to commit additional money before a final close.

TPG Rise will tailor its measure of impact for each investment opportunity, and plans to make its approach public as a blueprint for others to follow.

The Rise fund's backers include Washington State Investment Board and Swedish pension fund Andra AP-fonden, McGlashan said. New investors to TPG also joined in, including Bank of America Corp., which invested from its balance sheet, and Regents of the University of California and UBS Group AG.

Etsy Gets an Extension and Decides to Pass

As previously discussed in Issue II of The Impact Journal, Etsy was fast approaching the deadline to convert to a Delaware public benefit corporation or forfeit its Certified B Corp status.

In early August of 2017, B Lab released a statement granting Etsy an extension to reincorporate as a public benefit corporation. The basis for this decision was the amendment to Delaware benefit corporation law that reduced the threshold for shareholder approval of reincorporation from 90% to 67%. This amendment was approved in late 2015, so B Lab sought to extend Etsy's deadline four years to late 2019.

However, on November 30, 2017, Etsy's CEO, Josh Silverman, announced that Etsy decided to let its Certified B Corp status expire because of the burden and risks imposed by reincorporating as a Delaware public benefit corporation.

From a corporate governance standpoint, the conversion of a publicly traded company to a benefit corporation remains elusive.

Etsy Timeline

- **July 2005: Etsy founded**
- **May 2012: Became Certified B Corp**
- **April 2015: Initial Public Offering**
- **March 2017: Activist Shareholder, black-and-white capital, sent letter to Etsy's Board**
- **May 2017: Chad Dickerson replaced as CEO**
- **August 2017: B Lab grants Etsy possibility of extension for public benefit corporation, pending re-certification**
- **November 2017: Decides to let B Corp certification lapse**

Sources: Company press releases, Company websites, Bloomberg

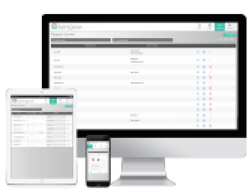
Ecosystem Integrity Fund Portfolio Company, LumiGrow, Completes Bridge Round

LumiGrow, a leader in smart horticultural lighting, completed an oversubscribed bridge financing, raising $5.1 million from a group of new and existing investors. Ecosystem Integrity Fund, a Certified B Corp, led LumiGrow's previous financing and participated in the bridge round.

LumiGrow offers a range of proven grow light solutions for use in greenhouses, controlled environment agriculture and research chambers. LumiGrow's technology and lighting solutions empower growers with the ability to improve plant quality, boost crop yields, and achieve cost-saving operational efficiencies.

The registered principals of Keene Advisors advised LumiGrow in connection with the bridge round.

lumigrow
Growth Through Connectivity



THE ECOSYSTEM INTEGRITY FUND

Bain Double Impact Completes First Investments

In July 2017, Bain Capital Double Impact announced the closing of the fund's first two investments, Impact Fitness and Living Earth.

Impact Fitness is a franchisee of 13 Planet Fitness gyms based in Indiana and Michigan. Bridges Fund Management joined Bain as a co-investor. Financial information was not disclosed.

Living Earth is the largest recycler of tree limbs, leaves, brush and grass clippings in Texas. SJF Ventures joined Bain as a co-investor. Financial information was not disclosed.

In September 2017, the fund announced the closing of its third investment, SpringWorks Therapeutics. SpringWorks is a spin-off of Pfizer that will seek to develop drug compounds that are currently owned by Pfizer but do not fit its core strategy for various reasons. The strategy will be to acquire other experimental therapies, primarily focusing on therapies that have minimal competition and that are ready for Phase 2. Springworks obtained the rights to four clinical-stage experimental therapies from Pfizer. The $103 million Series A was funded by Bain Capital Life Sciences, Bain Capital Double Impact, OrbiMed, Pfizer and LifeArc. The transaction will provide SpringWorks with the capital needed to complete the studies on the initial four therapies. Deval Patrick will represent Bain Double Impact on the Board of Directors.

Bain Capital Double Impact is targeting 12 to 15 investments for the $390 million fund so we can expect a number of additional investments over the coming years as capital is deployed.

Sources: Company press releases, Company websites, Keene Advisors estimates

Impact Activism

An "activist" investor, formally defined by the Securities and Exchange Commission (SEC), is any investor who owns more than 5% of a public company and intends to use that ownership position to influence the company. Traditionally, activist investors seek to implement changes they believe will increase the value of their equity stake. These changes may include new executive leadership, share buybacks, M&A transactions, etc.

Impact activist investors (not an SEC defined category) leverage their influence to promote more responsible social and environmental practices.

Activist Investor, JANA Partners, Launches JANA Impact Capital

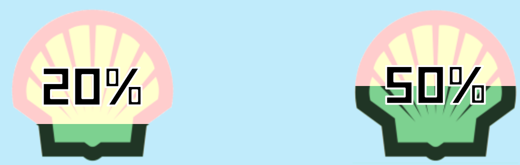
In January 2018, JANA Partners, a leading activist hedge fund, announced plans to launch JANA Impact Capital this year. The new fund will take a shareholder activist approach to investing in publicly traded companies attempting to influence their behavior to have a greater social and environmental impact. Although the fund has not officially been formed or capitalized, JANA partnered with California Teachers' Retirement System to push Apple to review questions about teenager's addiction to iPhones and its long-term impact. The board of advisors for the fund will include: Sting, Trudie Styler, Sister Patricia A. Daly, and Robert Eccles.

Shell to Cut Carbon Emissions Under Pressure from Activist Shareholders

In November 2017, the activist shareholder group called Follow This successfully lobbied Shell to adopt more serious environmental commitments in alignment with the Paris Climate Agreement.

Shell, Europe's largest oil company, pledged up to $2 billion per year in renewable energy spending from 2018 to 2020. It also communicated goals to reduce greenhouse gas emissions by 20% by 2035 and by 50% by 2050.

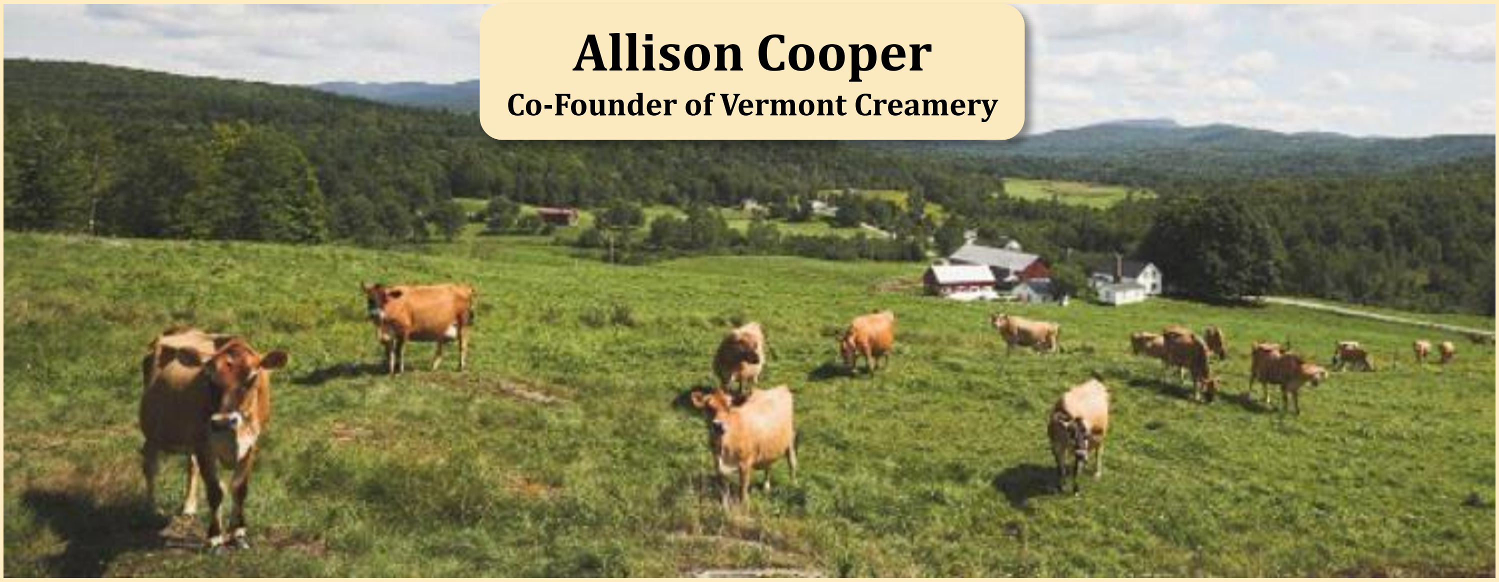
Greenhouse Gas Reduction Goals



2035 2050

Shell's renewable energy investments will include wind, solar and hydrogen power projects as well as the installation of fast charging stations along European highways for electric cars. The progress of its carbon reduction effort will be reported every five years.

Sources: Company press releases, Company websites



Allison Cooper

Co-Founder of Vermont Creamery

In March 2017, Vermont Creamery, pioneer artisan cheesemaker and Certified B Corp, was acquired by Land O'Lakes. To discuss the combination of these iconic dairy companies, both rooted in strong rural values (Land O'Lakes is a farmer-owned cooperative), The Impact Journal caught up with Allison Hooper in December. Allison co-founded Vermont Creamery with Bob Reese, and steadily grew the company to a reported $25+ million of annual revenue.

What follows is a transcript of our conversation with Allison, lightly edited for clarity and brevity:

You started Vermont Creamery in 1984 and built it over many years to a leading socially responsible, innovative company. Earlier in 2017 you went through a sale process. What prompted you to decide that it was time to sell?

Bob and I had been growing this business over 30 years through debt financing. We expanded by going to the bank and financing our capital improvements, our working capital and growing through using our cash. We got to a point where we were looking at our company and realized that the next jump was going to be a big one. We were going to have to put a lot more capital into the business to keep up and we really didn't want to continue to take on more debt. So we thought "well, if we can't fund our growth through our cash we need to bring capital into the business and really think about selling a majority share of the company."

We were among a handful of companies in the United States who got into the artisanal cheese business right around the same time and grew our businesses. Some of us sold to strategic partners. There was a trend where particularly European companies saw great opportunity for growth in the United States in the artisan cheese space and so they were very interested in acquiring successful brands here.

So there was that activity and Bob and I were getting to a point in our careers where we felt like the business had outgrown us in some respects.

We also realized a couple of years ago that we needed to build new leadership in the company so that if and when we wanted to step back (whether we sold the business or not) we didn't have to be the ones in here grinding it out every single day. It was best for the business and for us personally to develop a management team, a group of young people who were highly skilled, highly motivated to take the business to the next level with fresh new energy. We knew having that strong leadership in place when we went to sell the business was going to be the best chance we had to preserve a lot of the culture of the business and the core values of what we had started.

How did you choose Land O'Lakes as the buyer?

We hired an M&A advisor and they urged us to open up the process to consider private equity, a strategic buyer, a family fund—all kinds of opportunities for new ownership in the business—and not get too focused on one or two buyers, because we had already had several interested parties.

A couple of strategic buyers had approached us as early as seven years ago and for years we said, "no we're not ready, we're still growing, we have a lot of things to do." We were also trying to build value in the business before we sold. But we had these buyers at the ready and we needed to pay attention.

"We were trying to build value in the business before we sold"

Our M&A advisors cast a wide net into the industry and contacted a number of potential buyers; they interviewed them and presented a webinar (30 slides about the business) and if they showed enough interest they moved to another level. And Land O'Lakes was, unbeknownst to us, very interested in our company.

We had a handful of possibilities, including financial investors, a family fund and multiple strategics. Land O'Lakes was the most compelling. They have tremendous experience in plant operations, dairy industrial design and engineering. They also had significant resources to bear on the growth of our business. What we worried about with some of the other buyers was that they would buy the business and then not have the resources to invest in what the business needed to grow sustainably and thoughtfully. It was also nice to sell to an American company.

They also offered opportunities for our people: benefits and wage enhancements, paid time off, 401k... I mean we thought we were doing pretty well all along; it's always been an important priority for Bob and me to pay a living wage and offer paid maternity and paternity leave and some of the things that are more progressive for business owners. When we left, we knew our people, our 100 employees, would have really good jobs.

Land O'Lakes kept every single employee; there were no layoffs, they're busy trying to hire more people and they made a huge commitment to keeping our operations in Vermont. They're investing heavily in our creamery here in Vermont. So that's a great legacy for Bob and me to know that the business will thrive.

"That's a great legacy for Bob and me to know that the business will thrive"

Will Vermont Creamery continue being a Certified B Corp?

Yes. Land O'Lakes has agreed that Vermont Creamery should continue as a B Corp. Our president Adeline Druart really emphasized the importance of the B Corp to our brand, to our consumer, to the core values of the business. The advantage of having a third party audit and a certification for a huge company like Land O'Lakes is it helps them understand that there's a roadmap, there are standards, there are goals that you have to meet. There's nothing ambiguous about it. It's a little bit like the third party audits for safety and plant operations and so forth that are common in the food industry. And in the building industry, it's LEED certified. It has taken some time to sensitize Land O'Lakes as to why this is important and what his means to Vermont Creamery, our culture and customers. While they don't necessarily totally understand the value, they agree that if this is important to us that they will continue to support us to become recertified every year. And when you sell your business you have to become recertified right away, that's a rule of B Corp, so we did that and we're recertified.

Do you have any advice for someone contemplating strategic alternatives such as a sale of their company?

"You can never start too early"

You can never start too early for this process. When we started thinking about selling the business, it was emotionally very difficult for me. I wasn't feeling that ready to let go of the business.

There are many ways founders can find their place in the business. There are times when the new owner insists that the founder stay and have an earn-out or work for the business. Because Bob and I had done such a good job of putting in new leadership—had a president and management team—Land O'Lakes didn't feel it was necessary for us to be there. That wasn't altogether flattering but something you can get used to. I sort of felt like chopped liver there for a bit. I was surprised at how quickly I moved on from owning this company because for 3+ decades this was my identity. This is what defined who Allison Hooper was and what she stood for and I was scared to death that I would be lost and I wouldn't know what to do with myself. And what you quickly find out is that there is a lot of life, a lot of things in the world besides cheese and running a company. It's incredibly liberating. My recommendation to anyone is that if they have an opportunity to walk away and not have to work in the business that's a great outcome

After the transaction did you completely walk away from any formal role with the company?

Yes. My role in the business had been more in the outside of the business, so I spent a lot of my time in the marketplace representing the brand. I was always the face of the brand and so the transition from my being there and then, suddenly, not, was a little bit hard on the trade, on our customers and a little bit on our employees. So I made the decision to continue to work and I scheduled many of my regular appearances whether they were a show or a seminar or a speaking engagement as I would have if I still owned the business. The way that the M&A advisors had suggested was that Bob and I pay ourselves a bonus and put ourselves in the bonus pool along with all the other employees. (When we sold the company we created a bonus pool and we distributed a special one-time bonus to all our employees to thank them for helping us get to where we were. It was a wonderful way for us to tell the employees how much we appreciate them.) We put ourselves into that pool so that if we wanted to continue to do some work we didn't feel like we were doing it for nothing, but we also were not employees of Land O'Lakes. So it was a bonus from our Vermont Creamery shareholders. I worked about 75 days after March 30th 2017 to do a victory lap, see people and be present during the transition and help our customers understand that good things are happening at Vermont Creamery: our products will be distributed more widely and we're thoughtful about how we're going to do that. It was an opportunity for me to say goodbye to the trade because I won't continue to do those things on a regular basis in 2018.

When you started Vermont Creamery, you were a pioneer in that you were creating a market segment that was almost nonexistent in the US (i.e., fresh goat cheese, French-style butter, all done sustainably). Can you talk about what goes into being at the forefront in terms of sourcing, educating consumers, etc.?

I knew if we made awesome cheese out of goat milk, (which I had made in France and so I tasted and knew what we were making) that people would buy this and we would create the market, we'd create demand for the thing that we were making. And that was the thing that just propelled us year in and year out.

"we were making a difference just by nature of the kind of business that we had created"

One of the things that was probably most gratifying about having this company was the longevity of the business. In the first ten years we were just heads down, going to the mailbox hoping there was enough cash coming in to keep us in business. We were not thinking about great employee benefits, company culture, or making a difference, but we were making a difference just by nature of the kind of business that we had created. Here we were developing a new agricultural sector for Vermont in artisanal cheese. And now today there are over 50 artisanal cheese makers in Vermont. In the process of just gritting it out and staying in business, we created a following and a path for others to milk cows and make cheese or create other kinds of interesting cheese products. Vermont has become kind of a mecca, a highly concentrated industry cluster of the very best cheeses made in the United States. And Vermont Creamery was the catalyst to that and that's an incredible legacy for me. I'm so proud of that.

Impact Capital Corner
Joel Solomon, Renewal Funds

We caught up with Joel Solomon, Chairman & Co-Founder of Renewal Funds, a leading early-stage venture capital firm, to discuss their investment focus, fundraising, recent exits, and Joel's new book.

Joel Solomon
Chairman & Co-Founder
Renewal Funds

renewal Funds

Renewal Funds is an early-stage venture capital firm dedicated to generating both strong financial returns and measurable social impact.

Renewal Funds was founded in 2007 and has been a Certified B Corp since 2010.

Renewal Funds currently has $98 million in assets under management and is planning to raise their next fund in 2018.

Certified B Corporation

Investment Criteria

Industry Focus	Organics (Food & Beverage and Personal Care) and Environmental Technology
Stage	>$1M in annual revenue
Geographic Focus	North America (40% Canada / 60% United States)

Selected Current Portfolio

Organics		Environmental Technology	Exits
Back to the Roots	Prana Organic • Biologique	Cascadia Windows & Doors	Alter Eco
Farmhouse Culture	Rustic Crust	FoodLogiQ	Aquatic Informatics
goddess garden organics	sensible organics Established 1996	Opti	better bean
Ian's Trust made simple.	Sustainable Produce Urban Delivery Local Organic Groceries	Lotek Wireless Fish & Wildlife Monitoring	horizon distributors
MamaEarth organics		miovision technologies	seventh generation
		Terramera	Sweet Earth Enlightened Foods

What is Renewal Funds' current focus area (size, industry, stage, situation, etc.)?

We call Renewal Funds mission-venture capital and we do that to make sure that mission-first is our investment criteria. We have been operating for 10 years as Renewal Funds. We grew out of a very active one-person, family office, Renewal Partners. As we saw more people who wanted their money aligned with their values, we launched Renewal2. We spent one and a half years during the recession putting together a $35 million fund. At close, we had 80 investors, mostly individuals, families, charitable foundations (out of their asset base) and a couple of boutique wealth managers that had clients that wanted values aligned investment product. As a fund, we invest after companies have achieved at least $1 million in sales. We focus on organics (that is food and skin care) and environmental technologies. Our investments and investors are in both Canada and the US, about 60-40 American companies to Canadian. Investors are about equal and we also take people internationally.

"Mission-first is our investment criteria"

We built a portfolio of about 10 companies with $35 million in the first fund. Two of the companies were rolled in as LP contributions, one was Seventh Generation and the other was a major organic food distributor in Canada called Horizon. We did that so that as the fund managers we had skin in the game and to create a situation where investors were buying into existing companies with likely exits. From there we raised Renewal3, a $63 million fund, about three years ago. We have completed that portfolio with the possibility of one more company investment and plan to save the rest of the fund for follow-ons. We are currently in the legal and planning stages to launch Renewal4. We plan to raise a bit more money this time.

Can you describe the fundraising environment shift between Renewal2 and Renewal3? How has that impacted the approach for Renewal4?

It was very very, hard work the first time. It took one and a half years to raise the $35 million fund. We went to family and friends first, put in resources ourselves, and then went out and hit the pavement. Fortunately, I had been involved in the impact investing world for quite some time before that, investing personally in seed rounds and in modest ways in a number of private companies. I was, early on, someone who did not want to have my money in places I did not understand or did not agree with.

I inherited a bit of money, but I also invested in what turned out to be a quite successful real estate company that developed downtown areas in Nashville, TN where everything else was going suburban. I got connected to the Social Venture Network, which led to connections to the many other networks, which are proliferating faster than I can keep up with these days, where impact investors, entrepreneurs, social enterprises are growing a culture and a movement. It was helpful to be in early and get to know a lot of people in the field that were interested in having their money better aligned with their values. I was more the American partner, although I have been living in Canada for quite some time in Vancouver, but my partner Paul Richardson, who is President & CEO of Renewal, had a good base in Canada. So, we really used personal relationships in the beginning, built enough of a base, and then leveraged into some of the early adopter boutique wealth managers that had clients that needed something like this, as well as a few of the charitable foundations that had committed to invest in something that they thought was credible.

We had a track record going into it, which was essential. People liked our premise. We felt organics and environmental technologies were under-invested in and left a good deal of opportunity. They are still emerging industries. We could make the case on the food side really well because organics were still very small even 10 years ago. The sector started to pick up momentum and we had history and track record there. Now, with 20 companies and 2 portfolios, 6 exits, 1 loss, we are comfortable with what we believe our IRR to be, with our track record, and the base area to find additional investors. We have never really gone institutional. In Renewal3 we took in over 100 new investors. It is a lot of extra work on administrative, communication and relationship side, but it kept us in charge of our business.

"We had track record going into it, which was essential"

We also felt that one of the most important impacts that we make as a fund is on our investors, families, friends and advisors. We can influence them to have more confidence that mission investing is not necessarily a concessionary investment sector. Our job is to prove that in Canada and the US you can invest and make a market rate of return on things that are greener, cleaner, fair, while thinking about what is coming tomorrow, rather than incumbent industries that will probably fade in the future.

You mentioned that when you started with Paul Richardson, organics and environmental technologies was an under-invested segment of the market. Can you speak to how it has changed, if it has?

It has definitely changed. We broke into the industry at a sweet spot and developed a track record as a fund. The attention to the sectors we are in has grown enormously. It is much more competitive. The example I like to talk about is how big food is struggling. Its growth rate is slowing, market share is shrinking, and consumers are demanding something different. So, these companies started out buying other companies. By a crude measuring stick, it seemed to me that if you reached $50 million in revenue then you were an acquisition candidate. Then it dropped to $25 million a couple of years ago. Pretty quickly, places like Expo West are crawling with a lot more money for M&A. It had begun to get big enough to attract the attention of all kinds of additional players, including bigger players that wanted to pick up products with authentic brands and alignment of product and mission.

"Reputation means everything"

Another thing that happened was "Big Food" would create a venture fund and want majority control; they were basically buying the company. Then, they moved to preferred shares and the ability to control the company. And then we started seeing transactions with no preferred rights, and no other special controls. The corporate investor's premise being that the company is going to get to know us and love us so that we will be the preferred buyer. We have even seen even smaller transactions where bigger companies are trying to catch companies closer to start up. They are trying to acquire new ideas and innovation because they are too cumbersome to do it on their own. Organic food is still under 10% of North American food spend and it is probably under 1% globally.

The environmental technologies sector is experiencing considerable growth because we are finally waking up to the global environmental crisis. The public sector, corporate sector, consumers, and millennials, recognize that business is going to be an important part of the solution. We need to innovate new solutions to the built environment, transportation infrastructure, and resource use (energy, water, soil). I believe that there is huge opportunity to make investments in reinventing how our economy is designed.

Because SaaS and other tech companies can be replicated at scale, they command a significantly higher valuation multiple than our investments in the organics sector. We like our portfolio balanced between those two sectors.

We have been in this space for 25 years, 10 of those years as Renewal Funds. Our edge comes from this experience as well as the relationships and track record we have built. Although we are not a huge player, we have worked very hard to build and keep our reputation as an effective, collaborative investor that is sensitive to needs of entrepreneur. For us, reputation means everything.

How does Renewal Funds think about impact?

We call it mission-venture capital. That is a term we came up with because we could not find another way to make clear why we were in this business and what we believe it can do. We are focused on sectors we understand, but then we look at the mission. Is this someone who has just found an angle that consumers are buying, and they don't really care that much? If that is true, it will show up in their hiring practices, their business practices, and probably other ways. We were a founding Canadian B Corp and a pioneer fund for their GIIRS fund rating process. We look at the B Corp assessment and use the questions that we have to answer about our practices and supply chain, hiring, employment, gender balance, to define that fuzzy values area. We do this because we want to go into business with people who actually care about the future of civilization and the world. Their business practices reflect that. It is important to stand by these companies that are actually moving the bar with each investment.

"A lot of investment and money is going to be made by reinventing how the economy is designed."

How involved does Renewal Funds get in the day to day operations of its portfolio companies?

It is a learning experience every time. We continue to broaden our network of professionals whether that is board members, VPs of Sales, CEOs, or colleague funds. Who can we work well together with and how can we gain the expertise of trusted partners as we invest together? How involved we get is variable. I would say in a portfolio of 10 companies, we get deeply involved in 6, even more involved in a couple because they get into some trouble and we have to take more of a role than we intended. We get involved as much as is required. Of course, we like to find super capable CEOs and leadership.

Impact Capital Corner

2017 has been an active year for Renewal, with the exit of Better Bean in June, Aquatic Informatics in July, Sweet Earth in September and Alter Eco in December. Can you briefly speak about these transactions? How did the transactions come together?

In the beginning of 2017, senior management was looking towards Renewal4 and realized that some of our investments were getting seasoned. We set our minds on getting some exits. We went to work on that with our colleagues who had invested, together with the entrepreneurs. We have taken the position that we are not looking to force entrepreneurs to sell on a given schedule.

With the entrepreneurs, we talk in advance, on the front end, and let them know what our needs are, and what our investors expect. We want to know how in 5+ years you are going to get us out. There are occasions where we have negotiated put options, but we have not been forced to exercise any yet. We are finding the entrepreneurial landscape is changing from what it was in my father's era. A lot of people are not looking to build companies that they will stay in for life. They are not looking to build family businesses that will go on for generations. They are thinking let me use my creativity and build something important and get it in bigger hands that have more muscle. In most of the companies, the entrepreneur is ready to go.

"A lot of people are not looking to build companies that they will stay in for life."

Basically, we get the board and entrepreneurs together to talk about it. We end up talking to folks like Keene Advisors, investment bankers. Sometimes we are lucky and offers come in the door, but usually it is just the next batch of hard work, which is building the package, the premise, a prospect list, the positioning and seeing who is interested.

Better Bean was a signal. Let's just say Better Bean is not a $50M company. Hain has a good formula: they bring in sales and then they can rationalize marketing and distribution and they have a lot of muscle across the bigger landscape. They can end up doing things that the company cannot do on its own.

Aquatics was a part of a roll-up to build a water analytics company because water is going to become perhaps the most important issue to the future.

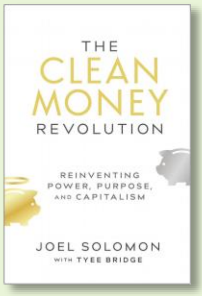
Sweet Earth is a fascinating one. It was a great transaction for us from a much smaller company to a bigger one and a good exit in a couple years. There were a number of potential suitors, and Nestle was the final winner. Nestle had made a commitment they are going to go into plant based foods in a big way.

Alter Eco has a deeper mission. Their commitments go way beyond trying to figure out how to make money. We invested in them through Renewal2 and we really found a perfect mission exit as well as financial exit. We are going to shoot for that with every company the best we can. It is an important part of the B Corporation premise and our reason for existence.

"Impact investing is only the beginning."

Your book, Clean Money Revolution, had lots of insights. Is there a key point to the book that you would like to share with our readers?

The real point of the book is to invite the reader to consider our personal connection to our money and what it is doing to people and places. We have created a system where we don't think about that and it is even hard to find out. In our bones, we know that a lot of what we buy and invest in are doing pretty serious damage and we believe that we act as individuals with integrity and values, but our money does not. I challenge all of us to understand that our money is representing us; our money, with our name on it is working 24/7 around the world. When we do business with an institution, a bank, an insurance company, it should be the norm that we want to understand the effects of that money and make sure it represents our values and belief system. I believe if enough of us do that we will create a better world. I believe that over time our better judgement will lead us to create a thriving, regenerative, stable future. So that is what the book is about, and I share stories, interview people, give examples and share things from my life to bring that out of the theoretical into the practical.



Selected Recent M&A Transactions

Acquirer	Target	Announced Date	Commentary
next world evergreen fund	Alter Eco	Dec 2017	▪ Alter Eco is a snack company offering mainly chocolate products with $20 million in sales last year and a compound annual growth rate of +35% ▪ Alter Eco, formerly a portfolio company of Renewal, will maintain its social mission and its 25 employees and co-founders/co-CEOs will remain with the brand ▪ Alter Eco is a Certified B Corp
amalgamated bank	newresourcebank planet-smart banking	Dec 2017	▪ Total purchase price of $58.5 million (1.4x book value of equity as of September 30, 2017) ▪ Both banks are Certified B Corps
Unilever	Sundial Brands	Nov 2017	▪ Sundial Brands owns several hair and personal care brands, including SheaMoisture, a Certified B Corp ▪ 2017 estimated revenue of approximately $240 million
The Builders Fund	MPOWERD	Nov 2017	▪ Builders Fund acquired a significant stake in Certified B Corp MPOWERD ▪ Category leader in portable clean energy products ▪ Creator of inflatable solar light called Luci to specifically empower those living, working and playing off the grid
Tetra Tech	Glumac	Oct 2017	▪ Glumac is a leader in sustainable infrastructure design including LEED and Net-Zero infrastructure ▪ Glumac has over 300 employees ▪ Tetra Tech (NASDAQ:TTEK) is provider of consulting, engineering, program management, construction management and technical services worldwide
enel	eMotorWerks smart [grid] EV charging	Oct 2017	▪ eMotorWerks is a supplier of electric vehicle (EV) charging stations called JuiceBox ▪ The company employs 55 people and was listed as the 7th fastest growing company in Silicon Valley ▪ It has deployed more than 25,000 smart-grid enabled charging stations to date ▪ eMotorWerks was a portfolio company of impact investor Ecosystem Integrity Fund (EIF) ▪ The acquisition marks Enel's entrance into the US electric mobility market
SC Johnson	method / ecover — made by and for people against dirty.	Sep 2017	▪ Ecover merged with Method in 2012; both companies were owned by People Against Dirty and offer home care, hand and body, and laundry products ▪ Second Certified B Corp acquisition for SC Johnson
Nestlé	Sweet Earth Natural Foods	Sep 2017	▪ Sweet Earth is a vegan / vegetarian frozen food company ▪ Sweet Earth raised an undisclosed amount of capital from Renewal Funds, its only institutional investor, in April 2014

Sources: Company press releases, Company websites, Keene Advisors estimates

Selected Recent M&A Transactions (cont'd)

Acquirer	Target	Announced Date	Commentary
Unilever	Pukka	Sep 2017	▪ Pukka Herbs is a Certified B Corp organic herbal tea company ▪ The UK based company has annual revenue of over £30m and growth of approximately 30%
Improving	ProSource Solutions	Aug 2017	▪ Improving is a full-service technology consulting and training firm; ProSource Solutions is a management and information technology consulting firm ▪ Expected to increase Improving's annualized revenue by more than $10 million in 2018 ▪ Expand geographic reach within the Midwestern and Southeastern regions of the U.S.
YourCause	Good Done Great	Aug 2017	▪ Good Done Great is a corporate philanthropic technology company serving over 60 clients and over two million employees ▪ The acquisition brings together two leading providers of corporate philanthropic technology ▪ With the addition of Good Done Great, the YourCause Global Good Network expands to more than 6,500,000 employees coming from 160+ countries and collectively delivers philanthropy to over 100,000 unique nonprofit organizations, including $0.5+ billion in donations annually
AES, AIMCo	sPower	Jul 2017	▪ sPower, the 10th largest U.S. solar developer, was a portfolio company of Fir Tree Partners ▪ The acquirer is a joint venture controlled by AES and AIMCo ▪ Total transaction value: $1.6 billion
XPV Water Partners	Aquatic Informatics	Jul 2017	▪ Aquatic, a Renewal Funds portfolio company, offers a water data management software solution ▪ Acquired to found the amalgamation of Aquatics Informatics with two complementary businesses, WaterTrax and Linko Technology.
Hain Celestial	Better Bean	Jun 2017	▪ Better Bean, a Renewal Funds portfolio company, is a food company offering bean-based products ▪ First acquisition for Hain Celestial Cultivate Ventures, the venture arm of Hain Celestial
3BL Media	TriplePundit	Jun 2017	▪ Triple Pundit and 3BL Media are media platforms covering corporate social responsibility ▪ Triple Pundit is a Certified B Corp ▪ Triple Pundit will continue to operate independently ▪ Seventh acquisition by 3BL since 2011
Synova	Dahlman Renewable Technology	May 2017	▪ Synova, a portfolio company of Ecosystem Integrity Fund (EIF), is a waste-to-energy project developer ▪ Synova acquired 100% of Royal Dahlman's renewable division ▪ The acquisition strengthens Synova's capabilities to develop and deploy their a waste to energy solution to replace landfills and incineration plants

Sources: Company press releases, Company websites, Keene Advisors estimates

Selected Recent Capital Raising Transactions

Company	Investor Group	Industry	Announced Date	Round / Size ($M)
VARO	Warburg Pincus, TPG The Rise Fund	Financial Services	Jan 2018	Series B / $45.0
OFF·GRID ELECTRIC	Helios Investment Partners, GE Ventures	Renewable Energy	Jan 2018	Series D / $55.0
BEAUTYCOUNTER	Mousse Partners, TPG Growth	Cosmetics	Jan 2018	Venture / $65.0
Lemonade	SoftBank Group, Aleph, Allianz, General Catalyst, GV, Sequoia Capital, Sound Ventures, Thrive Capital, Tusk Ventures and XL Innovate	FinTech	Dec 2017	Series C / $120.0
greenlight planet	Apis Partner, Eight Roads Ventures and Bamboo Capital	Renewable Energy	Dec 2017	Private Equity and Debt / $60.0
chefs plate	Acton Capital, Emil Capital, InvestEco Capital and Comerica Bank	Meal Kit Delivery	Dec 2017	Series C / $10.0
Nada moo!	InvestEco Capital, District Ventures, Working Lab Capital	Food & Beverage	Nov 2017	Venture / $4.0
OMNIDIAN	Congruent Ventures, City Light Capital, Blue Bear Capital, Energy Foundry, Ekistic Ventures, and Avista Development	Renewable Energy	Nov 2017	Venture / $5.1
lumigrow Growth Through Connectivity	Ecosystem Integrity Fund	AgTech	Nov 2017	Venture Bridge / $5.1
Voltea	Innovation Development Oman (IDO), Detlef Taprogge, Unilever Ventures, Rabobank Ventures and ETF	Water	Oct 2017	Venture / $10.0
Jiko	Upfront Ventures, Radicle Impact, Social Capital, 500 Fintech, Digital Currency Group, Core Innovation, Embark Ventures and Story Ventures	Financial Services	Oct 2017	Series A / $7.7

Sources: Company press releases, Company websites, Keene Advisors estimates, Crunchbase

Selected Recent Capital Raising Transactions (cont'd)

The Impact Journal

Company	Investor Group	Industry	Announced Date	Round / Size ($M)
SafeTraces Origin Assured	Omidyar Network, UL Ventures, S2G Ventures, Maumee Ventures, City Light Capital, and Tuscan Management	Food Safety	Oct 2017	Series A / $6.5
True Link	QED Investors, Radicle Impact, Initialized Capital	Financial Services	Oct 2017	Series A / $8.0
angaza	Emerson Collective, Rethink Impact, Salesforce Ventures, Social Capital, and the Stanford StartX Fund	Renewable Energy	Oct 2017	Series B / $10.5
RUBICON (unicorn status)	Promecap	Waste Management	Sep 2017	Growth Equity / $50.0
JOPWELL	Cue Ball Capital, Kapor Capital, Y Combinator, Omidyar Network, Valar Ventures, SJF Ventures, Blue Ivy Ventures, and Teneo Ventures	Recruiting	Sep 2017	Venture / $7.5
FoodLogiQ	Renewal Funds	Food Safety	Sep 2017	Series B / na
MycoTechnology Simply Better Taste	S2G, Bunge Ventures Ltd., and Emerson Collective, Health For Life Capital / Seventure Partners, Middleland Capital, Tao Capital Partners, Eighteen94 Capital, Continental Grain, GreatPoint Ventures, Closed Loop Capital and Windy City, LLC.	Food & Beverage	Sep 2017	Series B / $35.0
Aunt Fannie's	RCV Partners, CircleUp, Monica Nassif	Home and Personal Care	Sep 2017	Venture / $2.5
vemo EDUCATION	University Ventures and NextGen Venture Partners, Route 66 Ventures, Third Kind Venture Capital, Haystack Partners, and Task Force X Capital	Education	Sep 2017	Seed / $7.4
PEGASUS SOLAR LightSpeed Mounting Systems	Ecosystem Integrity Fund, Okapi Capital, Howard Wenger, Mike Miskovsky	Renewable Energy	Sep 2017	Series A / na
vericool	BillerudKorsnäs Venture AB	Packaging	Sep 2017	Venture / $5.0

Sources: Company press releases, Company websites, Keene Advisors estimates, Crunchbase

Selected Recent Capital Raising Transactions (cont'd)

The Impact Journal

Company	Investor Group	Industry	Announced Date	Round / Size ($M)
SpringWorks therapeutics	Bain Capital Life Sciences, Bain Capital Double Impact, OrbiMed, Pfizer and LifeArc	Healthcare	Sep 2017	Series A / $103.0
SVAcademy	Bloomberg Beta, 500 Startups, Rethink Education, Precursor Ventures, City Light Capital, Uprising Ventures, Reggie Bradford, WTI	Business Development	Aug 2017	Venture / $2.0
CareAcademy™	Rethink Education, Lumina Foundation, Techstars	Healthcare / Education	Aug 2017	Seed / $1.7
tinkergarten	Owl Ventures, Omidyar Network and Reach Capital	Education	Aug 2017	Series A / $5.4
TemperPack	SJF Ventures, Interplay Ventures, Third Prime Capital and Dolik Ventures	Packaging	Jul 2017	Venture / $10.0
BlueInGreen solutions for water quality	WindSail Capital	Water	Jul 2017	Growth Capital / $7.0
leesa	One Better Ventures, Blake Mycoskie, Peter Graham	Mattress	Jul 2017	Series B / $23.0
SYNOVA	Caterpillar Venture Capital	Renewable Energy	Jul 2017	Venture Bridge / na
Living Earth® Mulch · Compost · Soils Where Sustainability Begins™	Bain Capital Double Impact, SJF Ventures	Waste Management	Jul 2017	Private Equity / na
CarrumHealth	Wildcat Venture Partners, SJF Ventures and SpringRock Ventures	Healthcare	May 2017	Seed / $6.5

Sources: Company press releases, Company websites, Keene Advisors estimates, Crunchbase

About *The Impact Journal* & Contributors

The Impact Journal provides insights into trends in the capital markets, mergers & acquisitions and corporate finance for social enterprises and impact capital. We consider a social enterprise any company that uses its commercial business to intentionally create positive social and environmental impact in connection with financial success.

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