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Measuring the Social Responsibility Discount for the Cost of Equity Capital: Evidence from Benefit Corporations

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Abstract

In 2010, Maryland became the first state to allow firms to incorporate as "benefit corporations," which are for-profit entities with a social purpose. Since then, several other states have followed. Using survey data from the population of 94 benefit corporations existent at the time of the survey, this paper directly measures the "social responsibility discount" – the degree to which investors in a benefit corporation have a lower required return on equity than they would have for traditional firms. This paper finds that the discount is approximately 35%. This paper also provides unique descriptive statistics about benefit corporations and their founders.

Keywords: Cost of Capital, Private Capital Markets, Benefit Corporations, Social Enterprise, Corporate Social Responsibility, Socially Responsible Investing

JEL Classification: G02, G30, L21, M13, M14

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I. Introduction

In corporate finance, maximization of shareholder wealth is generally assumed to be the goal of managers. This goal is quite convenient, since it is easily measured – and allows managerial performance to be evaluated in an unambiguous way. In 2010, however, the State of Maryland made this process more complicated by passing legislation that allows firms to incorporate as benefit corporations. These new entities are very similar in most ways to traditional for-profit corporations, except they each have a social purpose explicitly enshrined in their articles of incorporation. Thus, corporate social responsibility is a mandate for them, even if it is at the expense of profits. The advent of this new corporate entity-type that is integrated with a corporate social responsibility (CSR) mandate may be considered the next logical step in the rapid growth in attention to social responsibility for businesses, both domestically and internationally (Galema, Plantinga, & Scholtens, 2008; Harjoto & Jo, 2011).

Of course, this new development in corporate structure (and governance) makes the evaluation of managerial performance much less clear-cut. Investors in benefit corporations can be assumed to have dual requirements - financial return on their investment as well as psychic benefits related to the fulfillment of the firm's social purpose. Since the psychic benefits provide utility to the investor, there must be a value associated with them. In other words, the investor in a benefit corporation must be willing to accept a lower rate of financial return than he or she would for an investment in a traditional firm. This paper identifies that difference as the social responsibility discount, with the obvious implication that the cost of equity capital is lower for benefit corporations.

So how much is the social responsibility discount? Using detailed survey responses from benefit corporation investors in eight states, it is clear that there is a wide range of perspectives regarding how much of the required financial return is replaced by social impact. If fact, the survey responses spanned the entire possible range – from 0% (meaning the investor would not be willing to accept any return less than that of a traditional corporation) to 100% (meaning that the investor required no return at tall. The mean, however, was thirty-five percent, which for example, would mean that if a traditional corporation had a required return of 10%, then the equivalent benefit corporation would have a required return of 6.5%.

This paper adds to the corporate finance and entrepreneurial finance literature by estimating the discount factor by which to reduce the required return on equity for this new type of corporate entity. This information is quite useful for valuation purposes. It also adds to the body of knowledge by providing many descriptive demographic statistics about benefit corporations and their founders. Until now, very little was known about these entities and the entrepreneurs behind them.

Section II provides background about the history and nature of benefit corporations as well as the relevant literature concerning the intersection of cost of capital with corporate social responsibility. Section III discusses the survey data and resulting variable definitions. Section IV provides the analytical results and descriptive statistics. Section V concludes.

II. Background

II.a Benefit Corporations

Maryland was the first state to enact legislation authorizing benefit corporations on April 13, 2010. The statute in Maryland was modeled after the boilerplate legislation suggested by the founders of B-Lab, a Pennsylvania non-profit firm that provides CSR certification services to firms that wish to demonstrate sustainability to or social responsibility to customers. The statute allows new firms to incorporate as the entity type "Benefit Corporation" (hereafter in this article referred to as a "bencorp") or existing firms can switch to the new entity type with a two-thirds vote of the shareholders. The law requires that each bencorp shall have the purpose of creating a public benefit, which may include any of the following:

- Providing low-income or underserved individuals or communities with beneficial products or services.
- Promoting economic opportunity for individuals or communities beyond the creation of jobs in the normal course of business.
- Preserving the environment.
- Improving human health.
- Promoting the arts, sciences, or advancement of knowledge.
- Increasing the flow of capital to entities with a public benefit purpose.
- Conferring any other particular benefit on society or the environment.

It is important to recognize that these bencorps are *FOR-profit* firms. The difference is that in addition to seeking profits, they also have some other "higher" purpose. The idea is that officers and directors of these bencorps are not required, either explicitly or implicitly, to pursue shareholder wealth maximization to the exclusion of all other goals and constituencies. In fact, the legislation actually requires directors to consider the impacts of their actions on the following constituencies:

- The shareholders of the benefit corporation.
- The employees and work force of the benefit corporation, its subsidiaries, and its suppliers.
- The interests of customers as beneficiaries of the general public benefit or specific public benefit purposes of the benefit corporation.
- Community and societal factors, including those of each community in which offices or facilities of the benefit corporation, its subsidiaries, or its suppliers are located.
- The local and global environment.

The statute also includes a requirement that the bencorp be assessed under a third-party standard for corporate, social and environmental performance. Coincidentally, the original promoters of this legislation provide assessments such as this. There are already actually several organizations that would be qualified to perform these assessments, including B-Lab, Ceres, and GRI. The bencorp is then required to post the assessment results on their website within 120 days of fiscal year end (Maryland Senate Bill 690, 2010). Ten other states have also enacted benefit corporation legislation, or something essentially equivalent. Figure 1 contains a list of benefit corporation states and the relevant dates.

[Insert Figure 1 Here]

There is an important semantic point to be made in this paper. There has been a lot of confusion in media reports between the terms "benefit corporation" and "b-corp." They are two entirely different things, which is why I use the term "bencorp" in this paper as the abbreviated

term for benefit corporation. "B-corp" is a trademarked term used by the non-profit company B-Lab to describe companies that are clients of theirs that have received the B-Lab CSR certification. The B-Lab directors have also been the significant driver of lobbying to the individual state governments to pass benefit corporation legislation. Hence the confusion. In a nutshell, "b-corp" is a private CSR certification, whereas "benefit corporation" (or bencorp) is a legal entity type. A bencorp can also be a b-corp – if they hire B-Lab to certify them.
[Insert Figure 2 Here]

Historically, legislation is proposed and enacted in order to solve a legal problem that existing law does not adequately address. So what problem is bencorp legislation attempting to resolve? This question is answered in the white paper that proposed the idea of benefit corporation legislation.

> *"For-profit companies pursuing a social mission face increasing difficulty as they scale; as officers and directors of these entities consider investments, mergers or liquidity events, the default position tends to favor the traditional fiduciary responsibility to maximize returns to shareholders over the company's social mission. Many leaders of early and growth-stage mission-driven businesses fear being pressured to change business practices or pursue strategic alternatives to independent growth by investors whose financial interests often diverge over time from the social mission of the company. Whatever the letter of the law, these fears, combined with both prevailing business culture and advice of counsel about the risk of litigation if one fails to maximize shareholder value, have a chilling effect on corporate behavior as it relates to pursuit of a social mission."* (Clark & Vranka, 2012)

The authors of the white paper appear to recognize (via usage of the phrase "Whatever the letter of the law") that there may not be an actual legal danger to officers and directors for pursuing a social purpose at the expense of maximizing shareholder wealth. There is little unambiguous evidence of this danger in existing case law. On the contrary, officers of corporations appear to have a great deal of latitude in what actions they take in pursuit of the goals of the firm (Underberg, 2012).

The idea of establishing for-profit companies with an overriding social purpose did not originate with benefit corporations. Muhammad Yunus, founder of Grameen Bank of Bangladesh, proposed a very similar structure. He put forward the idea of entrepreneurs that would compete against all other firms in the marketplace, but be guided by a social objective. Personal profit would be encouraged, but subordinate to the social purpose. And finally, there would be an objective way to measure the social impact of the firm and thus establish a rating for the social enterprises (Yunus, 1999, p. 251).

II.b Socially Responsible Investing (SRI)

The premise of this article is that benefit corporations, since they have a social purpose in addition to shareholder wealth maximization, cater to a particular class of equity investors, which I will call social investors. Furthermore, since social investors receive a psychological benefit from investing in firms that promote a favored social purpose, they should require a lower return on equity than a traditional investor would.

The study of this phenomenon is somewhat problematic, since traditional pricing models such as CAPM make the assumption that all investors agree about the probability distribution of each firm's expected payoff, and then make their investment decisions based on those distributions. Social investors defy this model by taking other factors into consideration. Fama and French (2007) posit that equity ownership in social enterprises may be viewed as a consumption good, subject to tastes, since investors receive utility that is non-pecuniary. This taste for SRI assets could therefore create an arbitrage opportunity, due to the prices of SRI assets being bid up by social investors, followed by commensurate under-performance. Unlike disagreement about distribution of expected returns, which causes a temporary price effect (until the actual distribution is revealed over time), differences in tastes cannot be assumed to be temporary, thus there may be a more permanent price effect (Fama & French, 2007).

There is substantial empirical evidence that social beliefs impact investment holdings, and thus affect prices and returns. Hong and Kacperczyk (2006) find that the avoidance of sin stocks by norm-constrained investors may be the cause of underpricing of those stocks, rather than any intrinsic qualities of those stocks. This neatly aligns with Becker (1957), who posits a discrimination model that it should be costly for an agent to limit themselves to business dealings with certain types of people. This model could clearly be extended to SRI, where investors limit their equity purchases to firms that adhere to certain social purposes. The penalty for investing in SRI funds has been measured as between 3 and 30 basis points per month. (Geczy, Stambaugh, & Levin, 2005)

Investment discrimination has been shown to be sensitive to political affiliation. Far left voters are between seventeen and twenty percent less likely to own equities than right-wing voters. The explanation put forth is that there may be a cognitive dissonance between the personal values of left-wing voters and the stock market in general (i.e. corporations are inherently evil). This isn't just an income effect, where rich republicans are more likely to own stocks than poor working-class democrats. The empirical findings are robust to controls for education, wealth and income (Kaustia & Torstila, 2011).

The political investment biases are not limited to amateur investors. The portfolios of professional investment managers who are donors to the Democratic party are underweighted in non-SRI stocks. Intuitively, SRI funds are more likely to be controlled by democrats. So the authors also control for fund and manager characteristics, and the results still hold (Hong & Kostovetsky, Red and blue investing: Values and finance, 2012)

Aversion to financial markets in general appears to be influenced by whether or not the individual investor's party is currently in power. When the investor's own political party is in power, he or she perceives the market to be either less risky or more undervalued. Thus the investor is more likely to take financial risks (Bonaparte, Kumar, & Page, 2012). This phenomenon is consistent with the idea that comfort level with investing is associated with the level of trust between the investor and the markets. It has been demonstrated that in communities with high levels of trust (aka social capital), there is more credit available and more investment in equities. Thus, within the fellowship of corporate social responsibility (CSR) advocates, individuals that are typically averse to equity investment may be enticed to jump in, assuming the target firm is like-minded and therefore a member of the same trust community (Guiso, Sapienza, & Zingales, 2000). They find that these effects of trust are higher among less educated people. An equity investor receives little protection, and since the entire investment is at risk, he only invests in firms that he trusts.

In another paper, using a probit analysis with dummy for direct stock ownership as dependent variable, the same authors find that trusting others increases the probability of the investor participating in the stock market by 6.5 percentage points. They also find that stock investing increases with education and wealth, but decreases with age (Guiso, Sapienza, & Zingales, Trusting the Stock Market, 2008).

Although there is theoretical support for both underperformance and outperformance of SRI, the actual empirical tests have been ambiguous thus far. For example, from 1990-98, the Domini Social Index (DSI), a stock index of socially responsible firms, slightly outperformed the S&P 500 in raw returns, but was more volatile. Thus, after adjusting the DSI returns for risk, there was no significant difference between it and the S&P 500. (Statman, 2000)

II.c. Cost of Equity Capital

This paper departs in major ways from other research regarding the cost of capital for socially responsible companies. First and foremost, I do not attempt to directly estimate the cost of capital. Rather, the purpose of this paper is to estimate the discount in the cost of capital, or in other words, how much less investors in benefit corporations require in financial return. Previous research has used public company data to calculate the implied cost of equity in variety of ways; using residual earnings and book values (Claus & Thomas, 2001), Forecasted return on equity (Gebhardt, Lee, & Swaminathan, 2001), the price-earnings-growth model (Easton, 2004), and forecasted earnings per share using a variation of the Gordon Growth Model (Ohlson & Juettner-Nauroth, 2005). Hail and Leuz (2006) and El Ghoul et al. (2011) use all four of these models to calculate the implied cost of equity. El Ghoul et al. 2011, in a process that is very relevant to this paper, go on to regress implied cost of capital against CSR variables and find a significantly negative relationship. Unfortunately, this paper could not duplicate any of these approaches to calculate the cost of equity since the benefit corporation sample had no public companies and therefore no stock prices.

Of course the nature of expected returns of social enterprises is critical to the formation of the investors' idea of required return on equity, which in aggregate is the firm's cost of equity capital. Socially responsible investing may increase the cost of capital for non-SRI firms. By reducing demand for these stocks, the price is depressed, which will increase the cost of equity. (Heinkel, Kraus, & Zechner, 2001). If this line of reasoning is correct, then we should observe the opposite effect for socially responsible firms. Higher than average demand for the stocks should artificially increase the price, thus lowering the cost of capital.

My paper posits that the higher demand for stocks of socially responsible firms is driven by a lower required return on equity, due to the offsetting non-pecuniary psychological rewards that SRI investors receive from investing in social enterprises.

It must be kept in mind, however, that socially responsible firms tend to be smaller than the general population of firms with outside equity investors. The cost of equity has been shown to be negatively associated with the size of the firm and the level of the stock market, so any analysis must control for these characteristics (Archer & Faerber, 1966).

III. Data

Data were gathered via telephone surveys to founders of benefit corporations that were incorporated as of as of May 1, 2012. The questions asked regarded line of business, revenues, demographics of the founder, and attitudes about investments and politics.

The list of benefit corporations was gathered by a variety of means. Some states posted a list of benefit corporations on their website, other states provided a search capability within their entity database, and others kept a manual list in the office of the secretary of state that was available upon request.

The number of existent benefit corporations as of that date was ninety-two. I randomized the list of firms and then I attempted to contact each founder to ask the survey questions. The complete set of survey questions is provided in Appendix A. Beyond the demographic and firm characteristic questions, there were three survey questions that specifically address the social responsibility discount in their *required* return on equity, as follows:

- "These next few questions are not about your company specifically, they are questions about your perspectives generally as an investor in social enterprises. If you had a choice between investing in two firms, both not evil, and identical in every way except that one was a benefit corporation with a social purpose that you advocate, would you prefer to invest in the traditional firm or the benefit corporation?"

- "Following on with this same investment choice, would you be willing to accept a lower financial return from the benefit corporation than from the traditional corporation?"

- [*If the answer to the previous question was 'yes'*] "So in that case, how much less of an annual financial return on your investment would you be willing to accept from the benefit corporation? For example, if you required the traditional company to provide an expected annual return of 10% in order to convince you to invest in it, how much less would you require from the benefit corporation?"

Assessing the political attitudes of the respondents presented some difficulty. At first, I only asked which presidential candidate they voted for in 2008 and which they support in the 2012 election. When it became clear that 100% of the responses were Barack Obama, the survey had to be modified in order to provide some variability. So a question was added that asked their opinion of the Occupy Wall Street (OWS) movement on a Likert scale of 1 to 5. OWS affinity is a reasonable proxy for the degree to which the respondent leans to the political left, particularly as it related to financial markets.

A significant contribution of this paper is the descriptive data that it presents about the founders of benefit corporations. Since benefit corporations are a new phenomenon, relatively is known about these founders and their companies. Table I presents the summary statistics.

[Insert Table I here]

IV. Results

IV.a. Univariate Results

The primary purpose of this paper is to establish an estimate for the social responsibility discount, or in other words, how much less of a required return on equity do social investors have for social enterprises in the private capital markets. The inferences from Table I are dramatic. The mean social responsibility discount is 35%. This means that for a traditional investment that the social entrepreneur would require a 10% return, for example, that entrepreneur would only require a 6.5% return from an equivalent benefit corporation.

The demographic details from the survey are also very interesting. I find that there is very little racial diversity in this entity space. 88% of benefit corporation founders are white. About half are married. The idea that these founders are idealistic youth is not supported by the data. The median age is 43.5. For the most part, bencorp founders voted for Obama in 2008 (84%)

and will vote for him again in 2012 (78%). They are college-educated with about 17 years of experience in their industry.
[Insert Figure 3]
[Insert Figure 4]

The firms themselves are quite small, with a median of three employees and approximately $250,000 in annual revenue. This is to be expected, since the firms are for the most part, very new. Subsequent follow-on surveys will determine their growth rate, and will be incorporated into future papers.
[Insert Figure 5]

IV.b. Multivariate Results

Table II presents the results of the OLS regression analyses with the social responsibility discount as the dependent variable. The full model is represented in column 1 of the table and is defined as follows:

$$SRD_i = \alpha \quad + \; \beta IC_i + \gamma FC_i + \varepsilon_i, \tag{1}$$

where SRD is the social responsibility discount, IC are investor characteristics and FC are firm characteristics. The age of the firm is negatively associated with the level of the discount and is significant at the 5% level. Education is also negatively associated with the level of the discount – the higher the education the less willing the investor is to accept a lower return. The strongest determinant of the discount appears to be gender. Women are willing to accept a much lower return on equity than men are, provide the firm is a benefit corporation. Being married, on the other hand, is associated with a higher discount.

With respect to political attitudes, being an Obama supporter in the 2012 election appears to be associated with a stingier attitude toward social investing. It should be noted, though, that no respondents indicated support for the Republican candidate. The handful that are not supporting Obama are either voting for a third party candidate or have decided not to vote at all. OWS affinity, on the other hand, is associated with a greater discount and is significant at the 10% level.
[Insert Figure 6]

IV.c. Limitations

The most important potential implication of this study is whether the results can be generalized to socially responsible investment overall. At this point in time, that may be too much of a stretch. The individuals surveyed for this study were founders of benefit corporations. Although they are indeed investors in socially responsible enterprises, founders may exhibit different investment preferences than investors in SRI generally. As these benefit corporations grow and attract outside investors, it will be possible to survey those new investors in order to tease out any founder effects.

There may also be unique effects associated with benefit corporations, as compared to other CSR firms. For example, benefit corporations theoretically have less recourse available to stockholders if the officers or directors do not maximize profit. This lower level of shareholder protection could result in an *increase* in the required return on equity.

V. Conclusion

Although informally proposed by Muhammad Yunus over two decades ago, the real-life implementation of benefit corporations is a very recent phenomenon. In 2010, Maryland became the first state to allow firms to incorporate as this new entity type. Ten other states have since followed by passing their own laws enabling this new kind of company.

Information about these new firms is quite scarce, but is slowly emerging. From the data gleaned from telephone surveys, the author of this article finds that founders of benefit corporations are predominantly middle-age college-educated Caucasians, who tend to lean left politically.

This paper also finds that investors in social enterprises are willing to sacrifice return on equity in return for the social benefits provided to the greater community by the firm. This discount in the required return on equity is estimated to be 35%. The implications of this finding are quite dramatic with regard to capital markets. If two firms are identical in every way except that one of them is a benefit corporation, the survey data implies is that the benefit corporation has a significantly lower cost of equity capital, given by the equation 1,

$$r_{be} = r_e * (1 - 0.35), \tag{2}$$

where r_{be} is the required return on benefit equity and r_e is the required return on external equity for the equivalent traditional firm. Thus, in terms of private capital markets, there would appear to be a strong incentive for firms to incorporate as benefit corporations due to the potentially low cost of equity capital. This phenomenon warrants further study as more data becomes available.

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APPENDIX A

Q1 What type of business are you in?
Manufacturing (1), Retail & Consumer Services (2), Wholesale & Distribution (3), Business Services (4), Basic Materials & Energy (5), Health Care (6), Information Technology (7), Financial Services (8), Other - please specify (9) _____

Q2 What is the social purpose of your company?

Q3 When did you incorporate as a benefit corporation?

Q4 In what state did you incorporate?

Q5 If your company previously incorporated before becoming a benefit corporation, when did the business originally incorporate?

Q6 When did your company start actual business operations? (can be a future date)

Q7 Are you the founder? Yes/No

Q8 How many shareholders are there in your firm?

Q9 These next few questions are not about your company specifically, they are questions about your perspectives generally as an investor in social enterprises. If you had a choice between investing in two firms, both not evil, and identical in every way except that one was a benefit corporation with a social purpose that you advocate, would you prefer to invest in the traditional firm or the benefit corporation?

Q10 Following on with this same investment choice, would you be willing to accept a lower financial return from the benefit corporation than from the traditional corporation?

Q11 [*If the answer to the previous question was 'yes'*] So in that case, how much less of an annual financial return on your investment would you be willing to accept from the benefit corporation? For example, if you required the traditional company to provide an expected annual return of 10% in order to convince you to invest in it, how much less would you require from the benefit corporation?

Q12 What is your headquarters zip code.

Q13 Is your firm currently financed by any of the following sources? (Check all that apply.)
Personal funds (12), Friends and family (1), Credit card financing (2), Angel investors (3), Venture Capital Fund (4), Mezzanine Fund (subordinated or junior debt) (5), Private Equity Fund (6), Hedge Fund (7), Factor (8), Asset based lender, excluding factor) (9), Bank Loan (10), Other - please specify (11). __

Q14 How many employees does your firm have?

Q15 Which of the following best categorizes the size of your annual revenues (last 12 months)?
- $0 (1)
- More than $0 but less than or equal to $100,000 (2)
- More than $100,000 but less than or equal to $250,000 (3)
- More than $250,000 but less than or equal to $500,000 (4)
- More than $500,000 but less than or equal to $1 million (5)
- More than $1 million but less than or equal to $5 million (6)
- More than $5 million but less than or equal to $10 million (7)
- More than $10 million but less than or equal to $25 million (8)
- More than $25 million but less than or equal to $50 million (9)
- More than $50 million but less than or equal to $100 million (10)
- More than $100 million but less than or equal to $500 million (11)
- Greater than $500 million (12)
- Unknown (13)

Q17 In what year were you born?

Q18 What is the highest level of education that you have completed?

Q19 How many years of experience do you have working in your industry?

Q20 How many years of experience do you have in business management?

Q21 What is your Gender?

Q22 What race do you identify yourself as?

Q23 What is your Marital Status?

Q25 In the 2012 Presidential Election, which candidate do you support?

Q24 In the 2008 Presidential Election, which candidate did you support?

Q26 Which political party are you registered with?

Q27 What is your opinion of the Occupy Wall Street movement?

1-Very Unfavorable
2-Somewhat Unfavorable
3-Neutral/Unknown
4-Somewhat Favorable
5-Very Favorable

Table I
Descriptive Statistics

This table presents summary statistics of results of a survey conducted between May 1, 2012 and August 31, 2012 of founders/investors of benefit corporations.

Variable	Mean	SD	Min	Max	Median
Male	66%	0.48	0	1	
White	88%	0.34	0	1	
Asian	6%	0.25	0	1	
Black	3%	0.18	0	1	
Native American	3%	0.18	0	1	
Married	56%	0.50	0	1	
Social Resp Discount	35.3%	0.28	0%	100%	31.5%
Age	43.7	11.3	26	63	43.5
Occupy Wall Street	3.4	1.01	1	5	3
Education	16.7	2.02	12	22	16
Industry Exp	16.6	11.1	1	40	16
Mgmt Exp	13.9	11.6	0	40	11
Num Employees	15.8	47.9	0	260	3
Revenue	3.4	2.4	0	10	2.5

Table II
Determinants of the Social Responsibility Discount

This table presents the results of ordinary least squares regressions where the social responsibility discount (expressed as a percentage) is the dependent variable. Column (1) is the full model. Column (2) is restricted to firm characteristics. Column (3) reflects all investor characteristics. Column (4) reflects investor demographics. Column (5) is restricted to investor political leanings. Figures in parentheses are p-values. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)
Has Business Started?	-0.3592	0.3292			
	(0.159)	*(0.167)*			
Age of Firm	-0.0245**	-0.0017			
	(0.024)	*(0.862)*			
# Shareholders	0.0042	-0.0014			
	(0.484)	*(0.813)*			
# Employees	0.0075*	0.0025			
	(0.052)	*(0.538)*			
LTM Revenue	0.0219	-0.0046			
	(0.486)	*(0.903)*			
Founder?	0.1692		0.1313	0.0930	
	(0.284)		*(0.365)*	*(0.524)*	
Age of Investor	0.0004		-0.0063	-0.0059	
	(0.952)		*(0.406)*	*(0.437)*	
Education	-0.0732***		-0.0439*	-0.0569**	
	(0.009)		*(0.087)*	*(0.028)*	
Industry Exp	-0.0010		-0.0001	-0.0011	
	(0.885)		*(0.989)*	*(0.888)*	
Mgmt Exp	0.0118		0.0142	0.0160*	
	(0.170)		*(0.132)*	*(0.081)*	
Male	-0.3458***		-0.1417	-0.1072	
	(0.010)		*(0.220)*	*(0.343)*	
White	0.5148**		0.2729	0.3250*	
	(0.019)		*(0.151)*	*(0.095)*	
Asian	0.7552**		0.2930	0.4234	
	(0.019)		*(0.301)*	*(0.132)*	
Married	0.3251**		0.2066**	0.1582	
	(0.013)		*(0.043)*	*(0.110)*	
Voting for Obama	-0.2656**		-0.0997		-0.1241
	(0.035)		*(0.423)*		*(0.307)*
Opinion of OWS	0.0883*		0.0829*		0.0715

	(0.072)		*(0.093)*		*(0.161)*
Intercept	1.0315*	0.0474	0.5687	0.9466*	0.2082
	(0.083)	*(0.819)*	*(0.326)*	*(0.094)*	*(0.277)*
Observations	32.0000	32.0000	32.0000	32.0000	32.0000
R^2	0.7674	0.1018	0.5680	0.4914	0.0887

Figure I
State-by-State Status of Benefit Corporation Legislation.

State	**Bill**	**Status**	**Date**
States Which Have Already Approved Benefit Corporations			
Maryland	HB1009	Approved by Governor	4/13/2010
Vermont	S0263	Approved by Governor	5/19/2010
New Jersey	S2170	Approved by Governor	3/1/2011
Virginia	HB2358	Approved by Governor	3/26/2011
Hawaii	SB 298	Approved by Governor. Called Sustainable Business Corporations.	7/8/2011
California	AB361	Approved by Governor	10/9/2011
New York	S00079	Approved by Governor	12/12/2011
Washington	HB2239	Approved by Governor. Called Social Purpose Corporations. Third-party CSR standard is only required if included in articles of incorporation.	3/30/2012
Louisiana	HB1178	Approved by Governor (Effective 8/1/2012)	5/31/2012
South Carolina	S1405	Approved by Governor (Effective 6/12/2012)	6/12/2012
Illinois	SB2897	Passed Senate. Passed House	8/2/2012
States With Pending (or Failed) Benefit Corporation Legislation			
Alabama	SB569	Referred to Senate Judiciary Committee	4/26/2012
Colorado	SB182	Passed Senate with Amendments, Failed to Pass House. Likely to be re-introduced in 2013	5/15/2012
Connecticut	HB05490	Referred to Joint Judiciary Committee	3/15/2012
Florida	H0757	Died in Business and Consumer Affairs Committee	3/9/2012
District of Columbia	B19-0584	Referred to Public Services Committee	11/15/2011
Michigan	S359	In Committee: Senate Reforms, Restructuring And Reinventing Committee	10/4/2011
Minnesota	HF2499	Referred to House Civil Law Committee	3/27/2012
North Carolina	SB26	Re-referred to House Commerce and Job Development Committee	4/7/2011
Pennsylvania	S433	Tabled	12/7/2011
Wisconsin	AB742	Failed to Pass Senate	3/23/2012

Figure II
Benefit Corporations by State.

This figure represents the entire population of firms incorporating as benefit corporations in each state as of 5/31/2012.

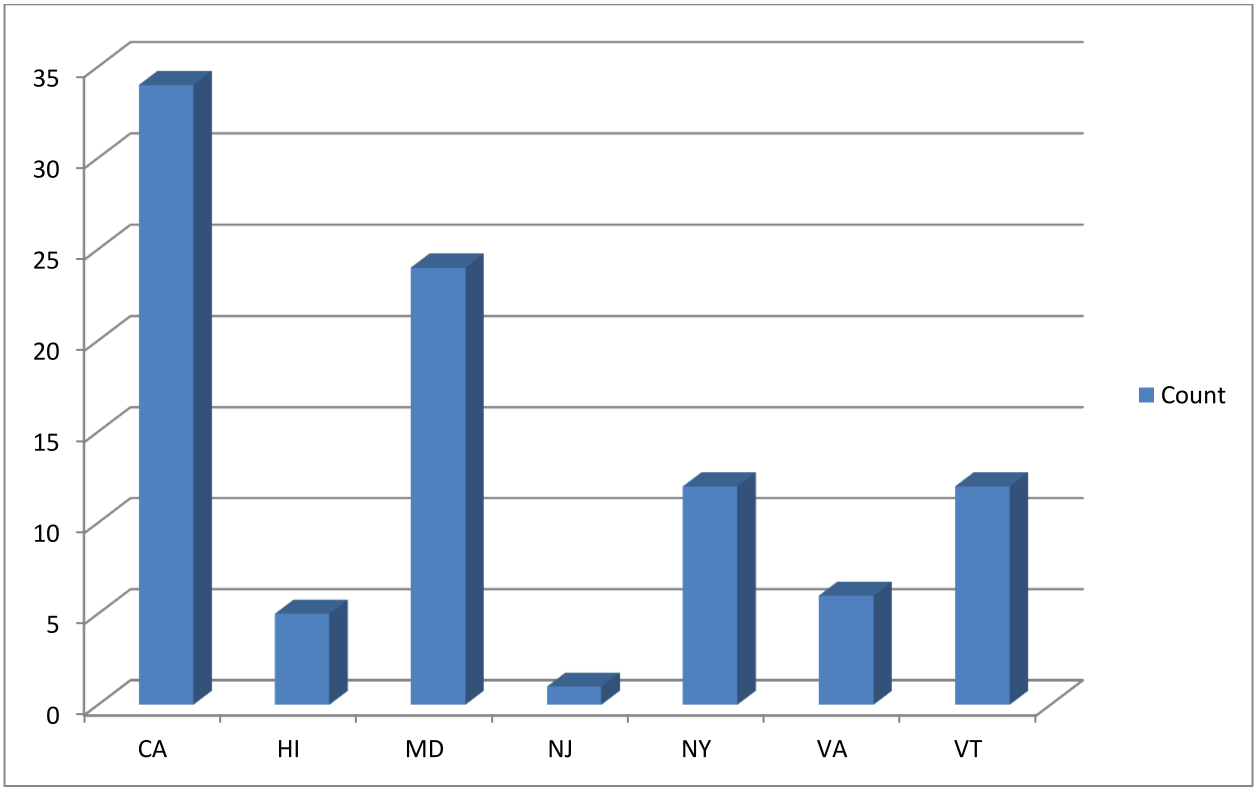

Figure III
Voting Plans

2012 Presidential voting plans for founders of benefit corporations, based on 32 survey observations.

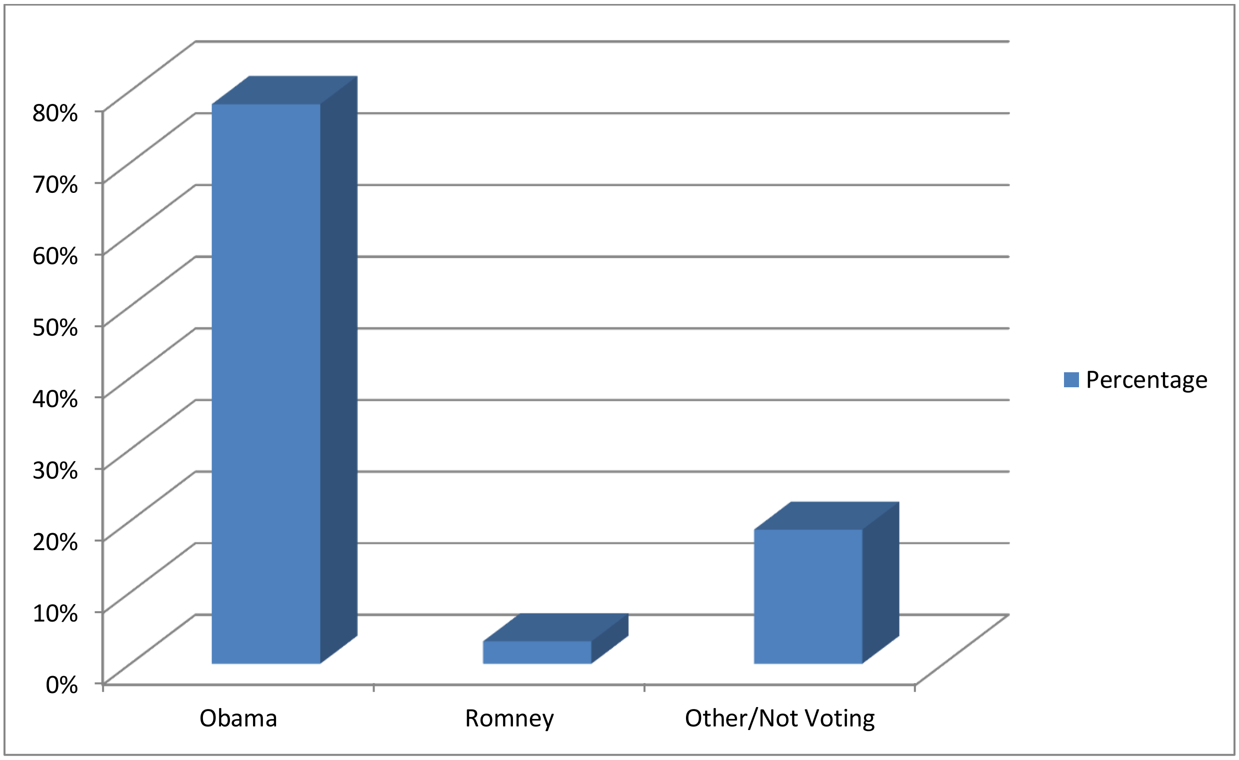

Figure IV
Education Years (Beyond High School)

Number of years of education beyond high school of the founders of benefit corporations, based on 32 survey observations.

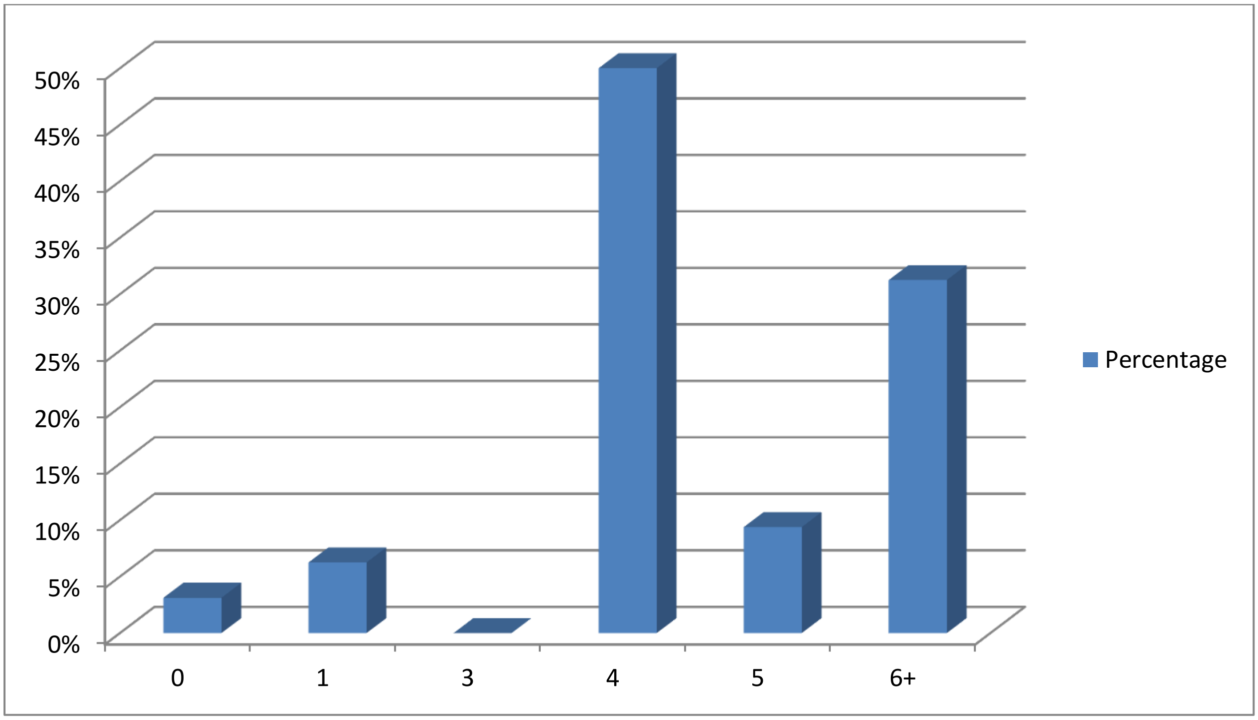

Figure V
Revenue for Last Twelve Months

Firm revenue estimate for last twelve months, based on 32 survey observations of benefit corporations.

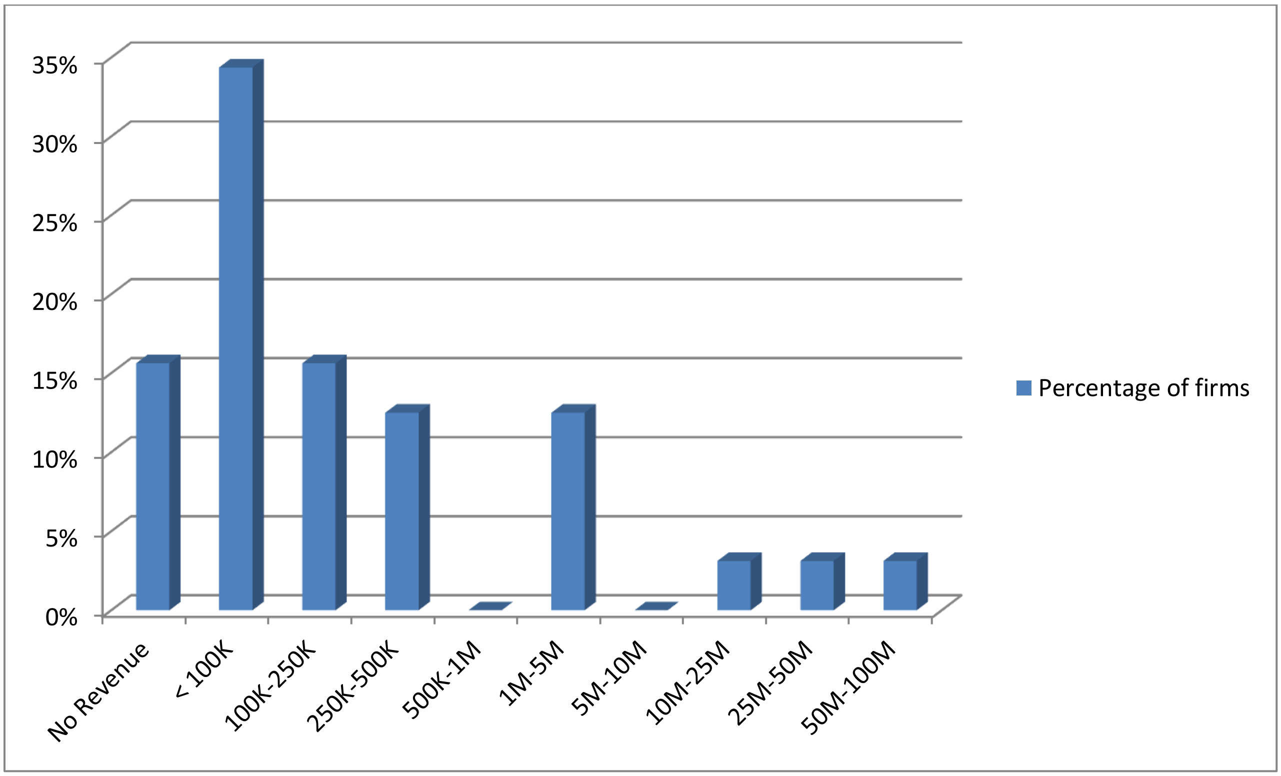

Figure VI
Opinion of Occupy Wall Street

Benefit corporation founder's opinion of the Occupy Wall Street movement based on 32 survey observations. This survey question is intended to measure the degree to which the respondent leaned to the left. Nearly 100% were Obama voters, which did not provide enough variation to be able to proxy for political views.