THE 2016 CLAY AWARDS
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Mergers & Acquisitions
Demonstrating that socially impactful investing can be profitable

Susie Mac Cormac has aligned her work as a Morrison & Foerster LLP partner with her passion for promoting socially impactful investing in her life living lightly on earth. “I got the bug to live sustainably,” she said of her current home in a repurposed army officer’s house in San Francisco’s Presidio, part of the Golden Gate National Recreation Area. “We’re killing our planet, but I can live 20 minutes from downtown in a national park.”

Mac Cormac fed her appetite for environmental and social progress by engineering the sale of client Imprint Capital Advisors LLC, a California-based innovator in investments that generate measurable social impacts plus financial returns, to Goldman Sachs Asset Management, a world leader in investing for high net worth individuals and institutions. The deal was announced on July 13, 2015. The innovative transaction was the first in which an impact investing firm was acquired by a large institutional suitor. The deal shone a bright light on the rapidly expanding impact investing field which, according to Goldman, has seen sustainable investment assets jump from 61%, to about $21.4 trillion, in the period from 2012 to 2014.

Prior to Goldman’s purchase, Imprint had 17 employees and $550 million in assets under management. Goldman supervises $1.8 trillion in assets. So Imprint will be a tiny part of Goldman, but it may punch above its weight in influence. Imprint has eight years’ experience in finding investments and a network of more than 40 clients. “Imprint made between 15 and 30 investments in any given year,” Mac Cormac said.

Among their clients are the $8 billion W.K. Kellogg Foundation and the $2 billion McKnight Foundation. Imprint co-invested with Goldman Sachs’ Urban Investment Group on a $20 million early childhood education initiative. It includes a “social impact bond” to fund high-quality preschool for at-risk Utah children, according to published reports.

The deal Mac Cormac oversaw opened the door for large institutional investors to explore acquisitions as an entrance into impact investing, mirroring Goldman’s strategic move. “The talk has been not if, but how, the big players will get involved,” said a consultant who follows the industry, Ron Cordes of AssetMark. “The talk has been not if, but how, the big players will get involved,”

Goldman’s goals in acquiring Imprint were social impact linked with profitability. Mac Cormac’s task for her client was to ensure that the investment “would remain mission-aligned post sale with Impact’s founders’ mission,” she said. “So we discussed how to go beyond the economic factors within a larger institution. It was fun and interesting.”

Mac Cormac teaches a course in social enterprise at UC Berkeley School of Law, encouraging future entrepreneurial lawyers toward the impact investing model. She was also part of a 2010 initiative with other lawyers to create a new business structure, the Public Benefit Corporation, in which shareholders agree that the board of directors has a fiduciary duty to focus on social and environmental goals.

Mac Cormac and colleagues made sure the new model has teeth. “The board has to do it or they can be sued or voted out of office,” she said. “That’s my specialty,” Mac Cormac added of her urge to combine rigorous business procedures with loftier goals. “I view Imprint as an extension of philanthropy—the question is how to move a lot of money and still ensure there’s impact.” It hasn’t always been smooth sailing. “In some deals in the [Silicon] Valley, people don’t want to think creatively,” she said. “‘That’s not market,’ they say, meaning everyone does things a certain way. I do use ‘market’ as a baseline, but when I hear the phrase, I know it often means people simply aren’t smart enough to think beyond normal.”

— John Roemer