EXEMPLAR

2013-2014 EXEMPLAR'S FIRST ANNUAL BENEFIT REPORT

About the Company

Exemplar is a holistic Professional Services Firm representing Revolutionaries, Game-Changers, and Impact Businesses globally, by combining the first corporate law firm in American history to abandon hourly billing in favor of exclusively fixed, value-based pricing, with a business advisory firm, and a FINRA Member Broker-Dealer Investment Bank, all operating on Exemplar's Quadruple Bottom Line values, encompassing Financial, Social, Environmental and Spiritual Bottom Lines.

CEO's Letter to Stakeholders, from Christopher Marston

Exemplar is proud to have become Delaware's first (inaugural) Benefit Corporation, together with other values-based leaders and clients who are forging a path towards making conscious and responsible corporations the standard globally. This is Exemplar's first annual benefit corporation report and it serves as the baseline for our future. Exemplar was founded in late 2004 with a Quadruple Bottom Line – Financial, Social, Environmental and Spiritual. We set out to create a conscious, abundant, and responsible professional knowledge firm representing growing companies lead by revolutionaries, game-changers, and impact-makers. This first year of reporting has been a real experience for us! Overwhelmingly, the knowledge industries have been devoid of meaningful social, environmental and spiritual values, above and beyond mere marketing statements.

Exemplar has brought together a Noah's Ark of knowledge professionals across law, business advisory, tax, and investment banking; professionals who for their first time collaborate as colleagues and equals to one another. Each of our Exemplarites brings to the organization their core values, resonance with the business model and new paradigm, social and environmental consciousness, etc. In many ways, our corporate values are a combination of the consciousness and values of our people as they are lived out by each of us, as well as the unified action we take as an organization to live out the specific values we have undertaken as a part

of our identity. These Key Performance Indicators we define serve to support the informal self-regulation that occurs in the smaller, familial culture of the firm.

This year we spent a significant amount of time using the B Impact Assessment to measure our success as a social enterprise. We found that this assessment primarily covers two of our core values, albeit with many facets of the two that only apply to companies with hourly workers, manufacturing facilities or products. That being said, it served as the best starting point and prompted us to begin to define our own KPI's (Key Performance Indicators) that will more accurately measure our values in the coming years. On the basis of our B Impact Assessment, we have a long way to go as an organization in the environmental and social impact categories to reach our goals. I am excited for our journey and to share it with you, our stakeholders and supporters, who make our efforts to change the paradigm of the knowledge firm worth all the while.

Introduction from our Sustainability Steward, Lara Pearson

I have served as Exemplar's volunteer Sustainability Steward since I joined the organization in July, 2012. I came to the position with 6 years' experience, my own law firm having become a member of 1% for the Planet in 2006 and one of the first Certified B Corporations in February, 2008, as well as the 15th law firm in the country and the first in Nevada to meet the American Bar Association's Law Office Climate Challenge. Immediately prior to joining Exemplar, I served as the Chief Sustainability Officer of a San Francisco law firm that was a Certified B Corporation as well as an inaugural California benefit corporation.

Managing the sustainability efforts of a company that's headquartered across the country is far more challenging than managing my own enterprise or one where I see the my teammates more daily or even every few months. There also are differences between west coast and east coast cultures that make fostering new environmentally and socially responsible behaviors at Exemplar more difficult than I have experienced previously. While Exemplar excels in some areas, we also have significant work to do.

This inaugural report is the baseline from which we will measure our success as a responsible company that takes good care of its stakeholders and the natural environment. I am hopeful that a combination of perseverance and dedication from those on our sustainability committee coupled with the assistance of well--paid interns will enable us to set and meet meaningful metrics each year hereafter. I am honored to lead our team on this journey.

Third Party Standard: B Lab Impact Assessment

Benefit Corporation status requires the use of at least one recognized third-party standard in the measurement of the values of the organization. It is understood that a Benefit Corporation may undertake and define any set of values it chooses, that may or may not correspond well to any published third-party

standard. Exemplar has chosen to use the B Lab Impact Assessment ("Assessment") because it is one of the leading and most comprehensive standards for corporate social and environmental responsibility. The non-profit B Lab (http://bcorporation.net) administers this survey and certifies for-profit entities that meet a high standard of social and environmental performance.

Exemplar's Public Benefit

Our innovative Quad Bottom line – including Financial, Social, Environmental, and Spiritual Bottom lines — enables us to create a public benefit. First and foremost, it takes happy people and a supportive and collaborative work environment to create meaningful external impact. Furthermore, our brand is our people and our ability to act responsibly as an organization is dependent upon scaling with knowledge professionals who personally and professionally live the values of the organization in varying manifestations. In growing with great care for our team's culture, values and spiritual health, we promote an environment that empowers our knowledge workers to be passionate, conscious stewards while they support the revolutionaries and serve the change-makers and partake in other activities that promote our Quadruple Bottom Lines.

Exemplar's Quad Bottom Line

Financial

Exemplar's Financial Bottom Line, like any, is to be a professional knowledge firm that is at least as profitable as our well-managed peer group. Put simply, it's "doing well by doing good." Exemplar firmly believes that being an organization that embodies environmental and social values does not make it less profitable, but in fact more so. Exemplar's Financial Bottom Line is NOT about next quarter's earnings or even the next year or two, but instead about building a financially responsible, stable, well-managed and profitable enterprise of significant value for our shareholders over the long-term.

Our people are the heart of our organization! For the past sixty years, the knowledge professions, particularly law, consulting and accounting, have operated on Billable Hours, a product of Karl-Marx's Labor Theory of Value. Known to be flawed before its use in manufacturing, Labor Theory is responsible for commoditizing the workforce, super-specializing labor, and destroying the spiritual connectedness that professionals feel towards the value they create in the marketplace. To honor our professionals for dedicating their careers to knowledge work, Exemplar's Value-Based Pricing and Compensation model makes economic partners of knowledge workers who otherwise would be a cog in a wheel at a peer firm. This

creates a direct connection between the work we do and the value we create each day with our customers, restoring the Spiritual Bottom Line to our professional environment.

This economic partnership, supports our Spiritual Bottom Line and also establishes a financial bottom line for team members that is truly team and merit-based system, rather than individually contrived. It is designed to encourage team members to gravitate to their strengths, and achieve earnings limited only by the value they can create in the marketplace. Where Karl-Marx's Labor Theory pits the economic interest of its people

against the profits of the company creating a zero-sum game, Value-Theory aligns the economic interest of our professionals with that of our company, creating a larger-pie and greater abundance for all to share.

Social

We continually strive to enhance our social policies and practices to ensure that they reflect our commitment to our employees, clients, vendors and the community at large.

Internally, we constantly strengthen our team and build a better professional services firm, by adhering to eight core values which each team member is expected to exemplify. As we scale, it is important to note that our core values are not for sale and will be quantified and included as a component of compensation. A core facet of our values is that the ONLY relevant judge of these values comes from outside of one's self. Put differently, our peers and customers define whether each of us is living up to these standards. There is no leader who is not followed. There is no respectful professional whom everyone believes to be really rude. Understanding this principle is to truly live our values as an organization and be the peers to one another that make our work environment the top of its class:

Each of these values reinforces the vision behind Exemplar and reminds us why we do what we do:

1. *Entrepreneurship* – We strive to innovate and create, taking calculated risk

2. *Excellence* – We strive to be the best humans and professionals we can be, taking feedback, constantly learning and growing

3. *Integrity* – We say what we will do, and we do what we say

4. *Communication* – We communicate often, thoroughly, in the right time and manner and with care

5. *Respect* – We demonstrate deference for one another's professional judgment and bravery to express and appreciate a difference of opinion

6. *Leadership* – We set a positive example unto others, taking initiative, thinking and acting for the better of the organization, our profession and other stakeholders

7. *Team* – We play well together, help customers together and care about each other

8. *Trust* – We count on each other to come through for us, our clients and the organization

Externally, within the local professional community of our headquarters (Boston, MA) we support the largest non-profit entrepreneurs' organization in Boston: Revolve Nation. We make volunteer and financial contributions that provide networking, discussion groups and seminars to entrepreneurs and business owners in the Metro Boston area. Within our client community, we focus on serving other social enterprises and social entrepreneurs, which magnifies our collective impact (not to mention that they are the most fun people with whom to work!).

We recently developed written social and environmental policies to better address our commitment to supporting responsible vendors that encourage sustainability and social justice within their own businesses. These policies also give preference to local suppliers, as well as those owned by women and minorities.

Within our community at large, our team members work collaboratively with stakeholders to enhance the well-being of others through pro bono legal services, volunteer efforts and philanthropy.

Environmental

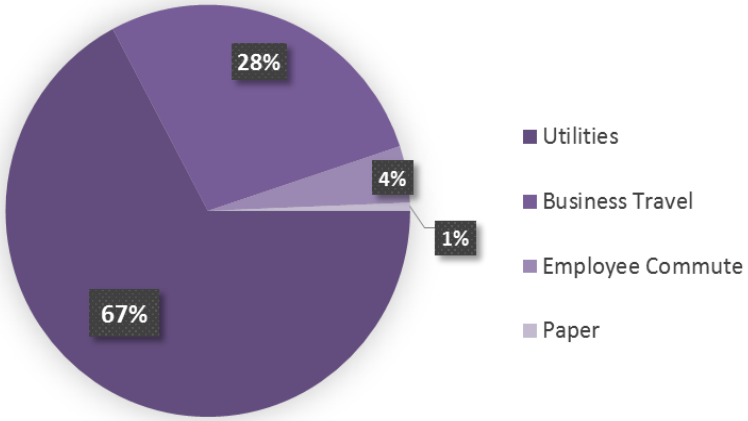
We continually strive to develop policies and practices that reflect our commitment to preservation of the natural environment. We have committed to undertake an annual carbon audit of our organization's Scope 2 and 3 greenhouse gas emissions, specifically examining emissions from office energy use, business travel, commuting and paper consumption. Our baseline measurements are included below.

Within our firm, we encourage the use of electronic documents and telecommunicating. Our Headquarters is located in the most central location in downtown Boston (Faneuil Hall Marketplace), accessible to all forms of public transportation. Every employee at HQ bikes or commutes using public transportation, including bus, subway, or boat. Additionally, we have put new purchasing policies into practice and are in the process of vetting our significant suppliers and allocating resources for switching to more responsible alternatives.

Exemplar's carbon footprint was approximately 66 tonnes of Carbon Dioxide equivalent in 2013:

Total Metric Tons of CO_{2e} by Source

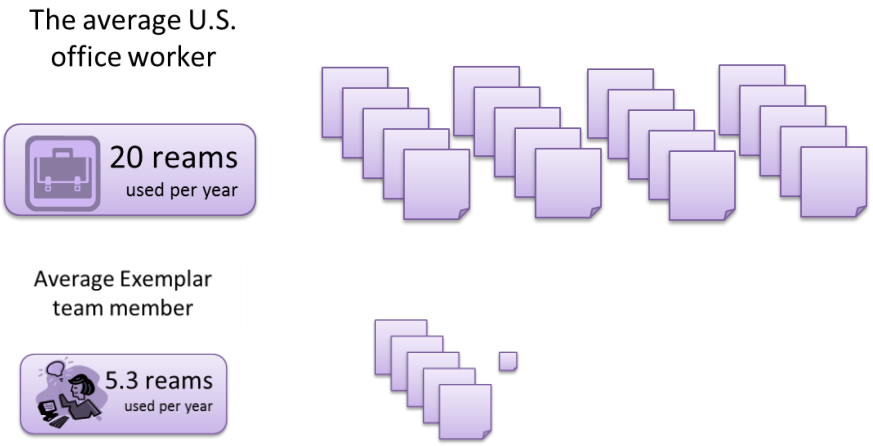
Scope 2	Utilities	44.2
	Business Travel	18.2
Scope 3	Employee Commute	2.9
	Paper	0.4
Total		**65.7**



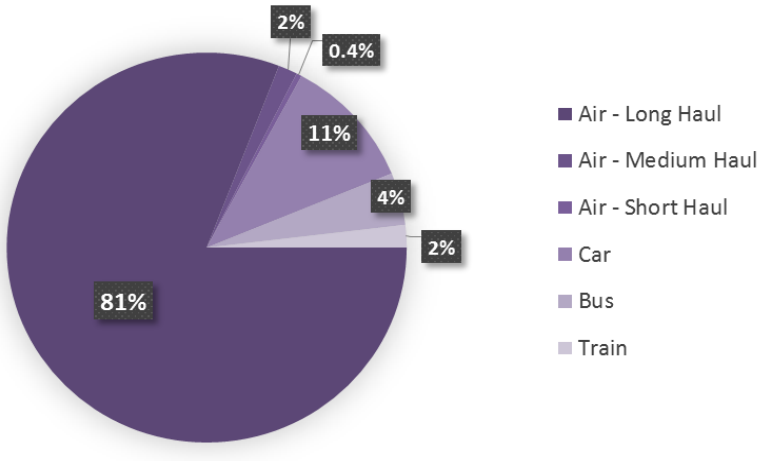
Business Travel - Metric Tons of CO_{2e} by Type of Transportation

Air - Long Haul	14.7
Air - Medium Haul	0.3
Air - Short Haul	0.1
Car	2.0
Bus	0.8
Train	0.3
Total	**18.2**

When it comes to our paper consumption, Exemplarites used way less office paper than average office workers in 2013:



But . . . that success was bittersweet since we had a bad paper cup habit to overcome:



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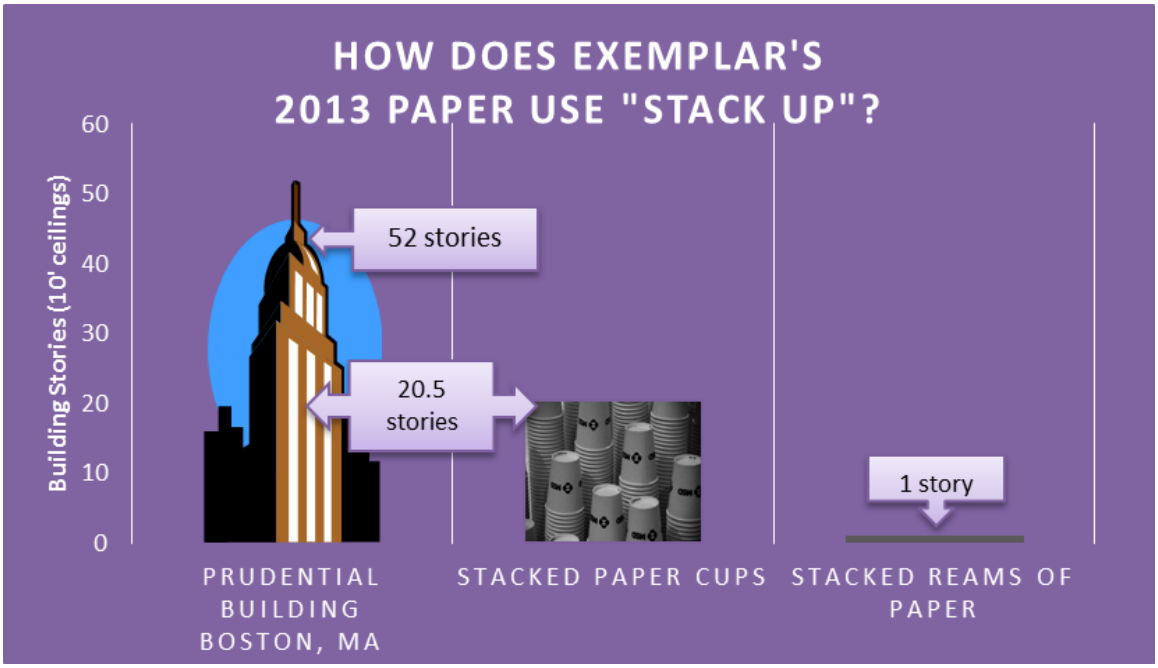

We will continue to measure (and reduce!) our paper consumption of all types at each of our locations.

Spiritual

Exemplar's Spiritual Bottom Line is premised on three very important things:

1) *Value-Based Economics*

The operation of the company on Value-Based Economics rather than Karl Marx's Labor Theory (Billable Hours) allows our professionals to be trusted advisors and invaluable assets to our customers rather than fungible billing units relegated to justifying micro-tasks in six-minute increments, which customers do not want to buy in the first place.

2) *Meaning*

We work closely with each professional to help shape a career path with meaningful challenges and responsibilities that help them to explore and deepen their areas of interest, test their own boundaries and feel meaningfully connected with the work they do every day

3) *Balance*

Adding value to customers requires that we are whole people. As whole people, we make balance in our lives for family, hobbies, health, exercise and community. We work closely with our team to help make sure they are striking the right balance, enjoying activities they love, valuing family life and are tending to their mental and physical health needs. Exemplar is a people-first organization, and we feel that caring about our people, both personally and professionally, is integral to our mission and long-term success.

In addition to the actions described above, Exemplar incorporates a number of other socially and environmentally responsible business practices, including:

1. Exemplar hires people not proximity. When we find the right people, we hire them, and we let them stay wherever they are happy.
2. Exemplar offers flexible scheduling, professionals can work as much or as little as they like.
3. Exemplar's professionals are compensated according to the value they create, not based on the hours they invest.
4. Exemplar invests in its team members by providing coaching, education and other professional development benefits.

B Lab Impact Assessment

Our sustainability committee spent many sessions together completing the B Lab Impact Assessment, which includes broad definitions of Social and Environmental Bottom Lines that accommodate businesses such as manufacturing and product-based companies and thus don't always apply to a professional services firm. The B Lab Impact Assessment does not capture our Spiritual Bottom Lines nor does it adequately measure our Financial Bottom Line in a way we find meaningful. However it remains the most relevant of the third party standards for use in connection with our Benefit Report. This process helped us understand the importance of defining our own Key Performance Indicators to measure our performance on our Quad Bottom Line and that has been the focus of our work this year, in addition to improving our B Lab score.

According the data that we provided for the B Impact Assessment, our overall social and environmental performance has significant room for improvement. Exemplar completed V3 of the B Impact Assessment Survey in the Summer of 2013 and our initial score was in the 40s. Using B Lab's *Improve Your Score* tool, we were working to improve our practices and increase our score. And we did it! We brought our score up to 60 points when B Lab issued V4 of the survey. We took V4 of the Survey in February, 2014 and our score is once again in the 40s, which is very disappointing to us, especially as we have continually increased our environmental and social practices. This further reinforced the significance of Exemplar's development of its own KPI's that will form the basis of consistent measurement of our values for years to come.

Contact Information

If you want to discuss this report, or other matters pertaining to our sustainability initiatives, please contact our Sustainability Steward, Lara Pearson, C/O Exemplar Companies, LLC 4 Faneuil Hall Marketplace, 3rd Floor, Ste 4005, Boston, MA 02109. You may also e-mail Lara at LPearson@Exemplarlaw.com.