

# Blue Dot Advocates, PBC      Public Benefit Report 2017

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## Welcome to our first public benefit report

This report is for the 2017 calendar year, but in a way the story starts on July 1 of that year. That's when Blue Dot reincorporated as a public benefit corporation organized under the Colorado Cooperative Act. We did so for many reasons, among them because -

*Organizing as a public benefit cooperative aligns our governance with our mission. We have always believed that thoughtful conduct of business and finance can improve the quality of life for everyone. We think choosing a form of governance that gives legal standing to our social mission will help us walk that talk.*

As a Colorado public benefit corporation we are [required to report publicly](#) every year on how we pursued our public benefit purposes, and on our overall social and environmental impact. This report is where we do that.

The report falls into two sections –

- In “**Serving Our Purposes**” we look at how we pursued the specific public benefit purposes described in our [articles of incorporation](#). We break this down into the six benefit purposes specified in our charter.
- In “**Overall Impact Performance**” we report our impact on key stakeholder groups, as measured by the [B Impact Assessment](#).

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## Blue Dot Advocates, PBC

We are a corporate law firm serving investors and enterprises with a core social mission. As a very small service organization, our tangible impacts are sometimes hard to measure. But, we aim to have an outsized impact in some respects, by providing world class legal services, at affordable rates, to purpose driven clients.

Much of our work looks a lot like what other corporate lawyers do for more conventional businesses: company and fund formations, capital raising deals, IP, and commercial contracts. Some of it is less common, like our work in nonprofit law and cross-border transactions. And some is specific to the social enterprise field, like advising on governance structures designed to lock in mission, and more innovative financing terms being pioneered by impact investors.

Our clients seek to do good in the world. If we can help them raise and deploy capital, manage risk, and execute on their mission, then good things will follow. In that sense, social benefit is intrinsic to our service, and we think of ourselves as a social enterprise.

Of course our clients' impact is not our own. They would be doing the same good things if they were working with other lawyers, but we think coming to the field with values alignment also helps us bring added impact.

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## Serving Our Purposes

This section reports on how we promoted the specific public benefit purposes identified in our charter. These are six ways we seek to dedicate our time and resources as a firm to building an economy that values well-being, community, socioeconomic equity, and living systems:

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### **PURPOSE 1:** *Providing legal expertise to organizations that apply ethical, market-based solutions to social and environmental problems*

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We focus on providing legal services to purpose driven enterprises. In 2017 we established an internal screen that new clients must meet. Of the 106 organizations<sup>1</sup> that accounted for Blue Dot's 2017 gross revenue, 83 satisfied our screen, representing 89% of our income. Of those:

**19** were impact investors, funds, or fund managers (including charities that formed and/or managed investment funds)

**30** were social enterprises, of which

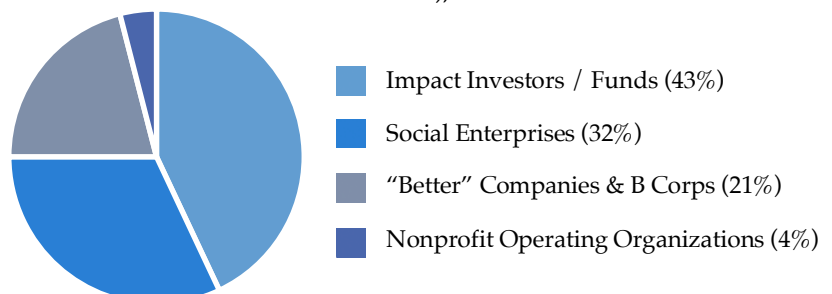
**17** were at least 50% women and/or minority owned, founded, or managed

**11** were 501(c)(3) nonprofits

**23** were doing business "better" (as defined in our New Client Screen), of which

**14** were certified B Corps

Our gross revenue by category  
breaks down like this:



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<sup>1</sup> Our new client screen covers organizations, not individuals, so we have excluded our immigration clients from these numbers. Our immigration practice was added in July 2017, and accounted for less than 5% of our 2017 revenue.

## BLUE DOT ADVOCATES' NEW CLIENT SCREEN

The field has not converged on a single definition of what counts as a purpose or impact driven enterprise. A new client meets our screen if they are:

- An investor that has the intention to generate positive social and/or environmental impact alongside a financial return
- An enterprise whose purpose to address social or environmental benefit is intrinsic to its product or service (e.g. renewable energy, affordable housing)
- An organization that self-identifies as seeking social or environmental benefit that is primary or on par with financial return
- A tax-exempt charity or private foundation
- Genuinely working to do business "better," in a way that considers the well-being of their employees, communities, and the environment (e.g. certified B Corporations)

New clients also must pass a negative screen that addresses involvement in intrinsically destructive industries or practices.

## **PURPOSE 2:** *Building legal structures based on shared prosperity, mutual respect among stakeholders, and restoration of natural systems.*

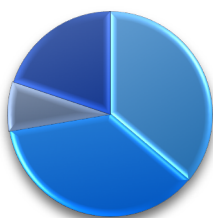
We contribute to the development of new legal structures that are designed to address social and economic problems that conventional approaches are incapable of remedying. Our contribution includes architecting and building these structures ourselves, as well as providing pro bono and financial support for organizations focused on innovation in the field.

An example of a legal structure that we helped to innovate in 2017 is the [Buen Vivir Fund](#), which seeks to heal the adverse effects of colonialism and predatory capitalism in the global south by shifting the power balance of conventional funds. We worked with [Thousand Currents](#) to design a Delaware LLC with the following features:

- Although investors are the legal owners of the LLC, community groups have contractual membership rights that entitle them to participate in all material decisions of the fund.
- The fund restricts distributions to investors to return of capital, unless otherwise agreed by all stakeholders (including community groups).
- Any disputes must be resolved within the fund community through a mediated process; there is no recourse to outside courts or arbitrators.
- The recipients of investment, not the fund, determine the amount and timing of interest paid to the fund.

Our four full-time workers contributed pro bono hours valued at \$58,223 to the following projects:

- the [Impact Terms Project](#)
- improving benefit corporation law and practice in Colorado and nationally; and
- forming and managing [B Local Colorado](#), a nonprofit supporting the B Corp community in the mountain west region



- Impact Terms Project (36%)
- Benefit Corp Legislation (36%)
- B Local Colorado (8%)
- Other (20%)

The [Impact Terms Project](#) (ITP) is an online library of impact investing deal terms that can be used to prepare financing term sheets designed to preserve social mission and provide liquidity to investors without a conventional exit. ITP encourages the growth of impact investing by helping investors and organizations learn from and build on the experience of pioneers in the field. ITP continues to build an online library of real-world knowledge and expertise on structuring impact investments. As the field evolves, we hope ITP expands to accommodate new approaches and lessons learned, and grows more valuable over time.

We also provided a \$5,000 grant and \$13,600 in fee discounts in support of the [Buen Vivir Fund](#).

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**PURPOSE 3:** *Engaging in conversations that re-examine norms around wealth and resource allocation*

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Prominent thinkers and organizations across the globe, including the U.N. and the World Economic Forum, have concluded that current levels of income and wealth inequality represent an existential threat to our global economic system. Many in the discipline of impact investing focus on generating "market" returns for people of already tremendous wealth. For those investors, that means continuing to grow wealth at rates that far exceed the rates of wealth growth for most households. We wonder about the implications of such market returns for global income and wealth inequality.

Others in the field are re-examining deal terms to address inequality directly, by accepting lower returns and reinvesting the difference in the growth of the impact business, or distributing it to employees and other stakeholders. We seek to contribute to those conversations.

We have not yet determined how to measure our performance in this area, but some of our early efforts included the following:

- We actively participated in and financially supported [Transform Finance](#) over the course of the year.
- We financially supported [Resource Generation](#), including as a sponsor of their "Making Money Making Change" conference in November 2017. We also provided one-on-one advice as a member of their "Consulting Café."

[Transform Finance](#) is a network of investors, funders, and thought leaders who are exploring how to deploy capital for social change and empower community-based organizations to advance their missions. Blue Dot has been an advisory member for several years now, and we regularly participate in helping define impact theses, investment policy statements, and alternative deal structures centered on mission preservation.

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**PURPOSE 4:** *Reducing our harmful environmental impacts, individually, collectively, and in collaboration with our clients*

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We rely on the [B Impact Assessment](#) to track our performance against this purpose. See "Overall Impact Performance – Environment" below for details.

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**PURPOSE 5:** *Cultivating a culture that supports mindful work of the utmost quality, as well as the health, happiness, and fulfillment of each of our workers*

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This purpose speaks to our desire to offer a radically different workplace for attorneys and other employees. We have formed a "Happiness and Human Capital" committee, which seeks to promote and celebrate the well-being of our people. We have no formal program yet to promote this purpose, nor have we yet determined how to measure our performance in this area, however we do think we're probably off to a good start by re-organizing as a benefit corporation and worker cooperative.

In accordance with cooperative principles, each member shares in the control of the firm on the basis of one-member, one-vote, and we have crafted a "modified consensus" method of decision-making. We consistently strive to maintain a shared vision, and trust each person's work ethic and life balance.

We are seeking to align a high happiness culture with the highest quality work product. Not many law firms do this well, but we believe that the democratic and community-centric principles of our business co-op will help.

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**PURPOSE 6:**     *Valuing positive change and growth – in ourselves, in our clients, in the law, and in the practice of law*

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We see work as more than a place to get things done. People tend to spend more time engaged in work than in any other single activity, and may spend more time with colleagues and professional contacts than with family and friends. This means that work is necessarily a place where we will be challenged with a host of personal issues.

We have a vision in which our firm, our profession, and our clients are all positioned to encourage and support work as a place for personal enrichment and growth. As a wise teacher once said “Each of you is perfect the way you are ... and you could use a little improvement.”

We have yet to put in place a formal program to promote this purpose, and we have yet to determine how to measure our performance in this area. We have, however, contributed to some of the positive changes we see occurring in the law (see “Purpose 2” above), and hope to see and do more of that in coming years.

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## Overall Impact Performance

The [public benefit statute](#) requires PBCs to assess and report on their overall social and environmental performance, benchmarked against a third-party standard that meets statutory criteria of transparency and credibility.

We think the [B Impact Assessment](#) (BIA) is the best impact standard available for that purpose. The BIA is developed through a transparent process, continuously improved, and audited by [B Lab](#), an independent nonprofit. The standard is based on [IRIS metrics](#) covering impacts on four broad stakeholder groups - customers, workers, community, and the environment - as well as governance factors. Using the BIA allows us to benchmark against an objective standard used by over 40,000 businesses.

As a certified B Corporation, we have completed the BIA every two years since 2013. Our board has unanimously supported both renewing our certification and using the BIA as our impact performance benchmark. Each trip through the assessment process gives us a measure of how and what we are doing better, and also provides us plenty of room for further improvement.

A breakdown of our most recent certification score by category is available [here](#).

The BIA covers hundreds of data points. Following are some in each category that we found interesting:

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### Clients

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Most of our clients are purpose driven organizations, and many are directly serving in-need populations. Some of their 2017 projects included creating jobs and improving lives in Somalia, funding hygiene and sanitation projects worldwide, developing affordable housing opportunities in underserved communities, and providing flexible, small grants for NGOs in Africa, Asia, and Latin America. Quite a few have had an emphasis on empowering women.

What makes us a better company?

### B Impact Report

Certified since: 2013

Summary:	Median Score	Blue Dot 2013	Blue Dot 2015	Blue Dot 2017
Environment	7	6	8	8
Workers	18	24	29	25
Customers	n/a	17	19	21
Community	17	17	18	26
Governance	6	16	13	21
Overall B Score	55	81	87	101

80 out of 200 is eligible for certification

\*Of all businesses that have completed the B Impact Assessment

\*Median scores will not add up to overall



Our services help facilitate the flow of capital and other resources to support these efforts. We can't measure how much that impacts the ultimate beneficiaries, but we can track the proportion of our work that goes to these clients. We are also working to improve how well we capture this data – and our gradually climbing score in this category reflects those efforts – but there is still plenty of room for better visibility into who our clients serve and how they measure impact.

More directly, we also take steps to make our services accessible, by discounting our fees for early stage and nonprofit organizations.

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## Workers

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We got high marks for workplace flexibility and employee ownership, but fell short on benefits that can feel expensive for an organization of our size. For example, we would like to do better on the portion of healthcare premiums that we cover for our attorneys. We trimmed that benefit last year due to cost increases, and that cost us a few points over our 2015 score in this category.

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## Community

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We kept our charitable donation commitment at 1% of revenues and added paid time off for volunteer service. We also moved our banking to a B Corp bank and member of the [Global Alliance for Banking on Values](#), so we can be happy with where our money spends the night. That helped us score notably better in this category over 2015.

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## Environment

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This is our weakest category, with no improvement over 2015 and a score only one point better than the median<sup>2</sup>. We each work mostly from home, using co-working spaces for meetings and team time. This reduces our commuting miles, but also makes it challenging to gather the kind of data we would need (for example) to measure and manage our carbon footprint. We have not yet developed a measurement protocol we are satisfied with, but we are experimenting with self-reported survey estimates of data like driving miles, flying miles, paper and electricity use.

We do have policies in place to buy carbon offsets for air travel, and we offset 31,660 miles in 2017. We also subsidize transit passes, encourage recycling and reducing materials use, and are a mostly paperless office, printing only when there is a specific need (on recycled paper of course). We seek out co-working spaces that are eco-conscious, and are members and tenants of [Impact Hub Boulder](#) and [Denver's Alliance Center](#).

Going forward, we plan to work toward more active management of our environmental impacts.

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## Governance

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Governance is where our 2017 certification score took the biggest jump, so much so that we won B Lab's coveted [Best for the World](#) award in this category (meaning our governance score was in the top 10 percent of B Corporations).



We put points on the board for having a social and environmental mission and tracking our performance, but especially for building a mission lock into our governance structure by incorporating as both a public benefit corporation and a worker cooperative.

We could still improve in this category, by engaging more with our external stakeholders (especially clients) and formalizing a process for receiving their feedback on our performance.

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<sup>2</sup> Median scores include all BIA users, including those that would not qualify for B Corp certification.

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## Conclusion

We devoted a lot of time in 2017 to our own restructuring as a public benefit cooperative, and all of the policies and procedures that go along with that. That kind of time can be hard to find among competing priorities, but the investment is already paying off. Now, we go to work within a governance structure that aligns with our values. That boosts our confidence in the future of our organization, improves our performance as a team, and helps to position us for growth.

On the challenge side of the ledger, we have had difficulty allocating resources to match our aspirations around impact measurement and reporting. Some other impact driven businesses, including some of our clients, are much further along in this than we are, and they set a pretty high bar. We'd like to see impact reporting generally approach the rigor of financial reporting, so we welcome the challenge to up our own game.

We are also quite diversity challenged, like many law firms. Our team reflects gender diversity and some ethnic diversity, but our ownership doesn't. Only full-time Blue Dot lawyers can be owners, and so far those are all white men. We hope to change that as we grow, and are seeking ways to demonstrate that the path to ownership in our firm is accessible and supported regardless of race, gender, or sexual identity.

We aspire to continuous improvement, both in our impact outcomes and in the rigor with which we track them. With all its gaps, this report gives us a baseline from which to begin that improvement.

We'd love to hear what you think.

