

Blue Dot Advocates, PBC

Welcome to our 2018 public benefit report.

As a public benefit cooperative, Blue Dot is [required to report](#) each year on how we pursued the public benefit purposes described in our charter, as well as on our overall social and environmental impact as an organization.

We organized as a public benefit cooperative in order to align our governance with our mission. We believe that thoughtful conduct of business and finance can improve the quality of life for everyone, and our reason for being as a law firm is to facilitate efforts to do business that way. We chose a form of firm governance that gives legal standing to our social mission, to help us walk that talk.

This report covers the 2018 calendar year. It contains 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](#).

Who We Are

Blue Dot Advocates, PBC is a corporate law firm that has been serving investors, enterprises and nonprofits with a core social mission for over a decade. We are a small organization, but we aim to have an outsized impact by providing world class legal services, at affordable rates, to purpose driven clients, and by contributing our talents and expertise to the continued development of the fields of impact investing and social enterprise.

Much of our work looks a lot like what other corporate lawyers do: company formations, fund formations, financing deals, intellectual property, commercial contracts, and acquisitions. Some is specific to the impact investing and social enterprise fields, like advising on governance and investment structures designed to lock in mission. To all of our work we bring a focus on how the tools of business law can be used to build infrastructure for an impact driven economy.

If we can help our clients 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 too.



Serving Our Purposes

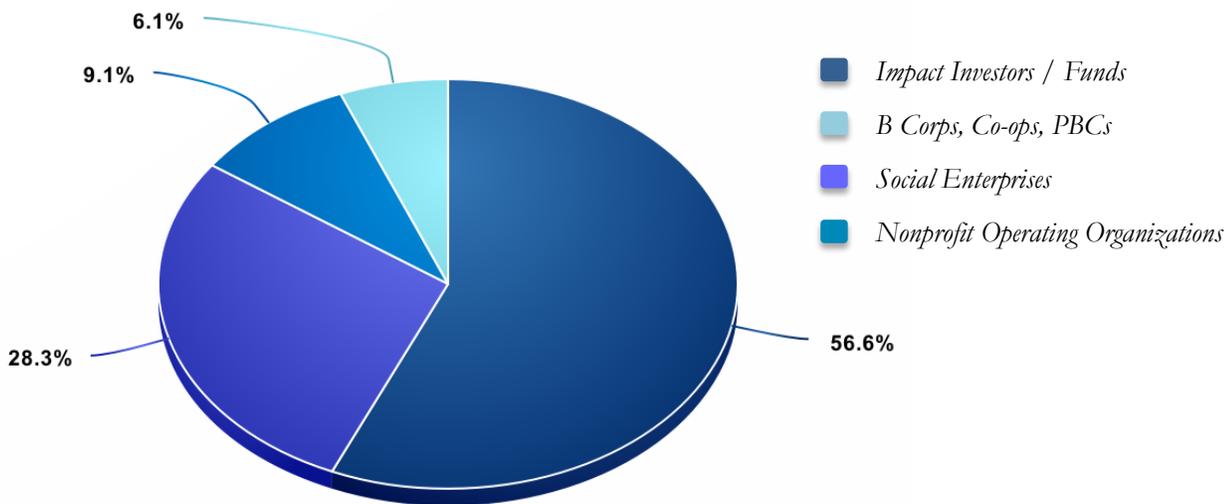
This section reports on how we promoted the specific public benefit purposes identified in our charter. These are six ways we seek to dedicate our time and resources as a firm to building an economy that values well-being, community, socioeconomic equity, and living systems.

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

To help us focus on providing legal services to purpose driven enterprises, we apply a screen (see below) as part of our client intake process. Of the 89 organizations¹ that accounted for Blue Dot’s 2018 gross revenue, 75 fully satisfied our screen, representing 91% of our income.

- 25** are impact investors, funds, or fund managers
(including charities that formed and/or managed investment funds)
- 17** are social enterprises, the majority of which serve in-need populations². Of these,
 - 13** are at least 50% women owned, founded, or managed; and
 - 5** are at least 50% owned, founded, or managed by people of color
- 12** are 501(c)(3) nonprofits
- 21** are doing business “better” (as defined in our Client Screen), of which
 - 9** are certified B Corps, Public Benefit Corporations, and/or Cooperatives

Our 2018 gross revenue by category breaks down like this:



¹ Our immigration practice, again comprising about 5% of our 2018 revenue, is excluded from these calculations.

² We use the definition of in-need groups from the B Impact Assessment, which includes low income, poor or very poor individuals, as well as demographic groups that may not traditionally have access to the product or service provided, for reasons including gender, ethnicity, sexual orientation, and/or differing abilities.

BLUE DOT ADVOCATES' CLIENT SCREEN

Our goal is to take on only mission driven enterprises as new clients. A 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 credibly 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, cooperatives)

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.*

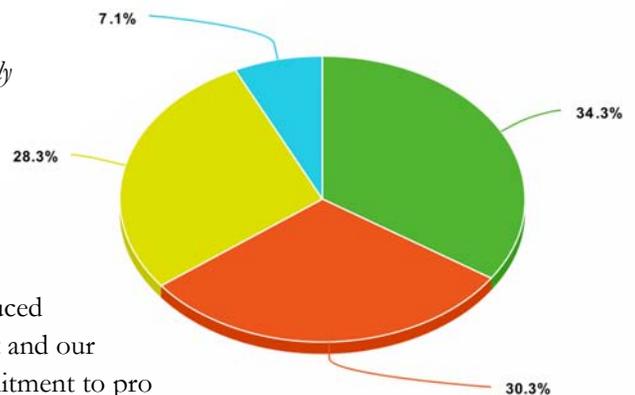
Our field is all about using business tools to address social and environmental problems. That project sometimes requires the development of new legal structures, and creating structures that work for such purposes is core to our mission. We also provide pro bono and financial support for organizations focused on innovation in the field.

An example of our work in developing new legal structures is our involvement with the financing of [Organically Grown Company](#) (OGC). In 2018, OGC initiated the [transition from an ESOP](#) employee owned company to an ownership model in which a “Purpose Trust” owned a majority of the voting stock. The Purpose Trust structure preserves the company’s mission while providing voice to a variety of stakeholders through an elected governing body. To complete the transition, OGC needed to raise equity capital to fund the buy-out of the employee owners.

Blue Dot represented one of the anchor investors in the OGC equity financing. The financing raised a number of novel issues because of the complexity and uniqueness of OGC’s structure and the terms negotiated with the investors. The [terms sought to balance](#) the primacy of non-financial interests while also recognizing the legitimate interests of financial investors to participate in collective decision making as a stakeholder. Blue Dot was a lead contributor in thinking through the legal issues and in drafting the agreements.

In 2018 we contributed pro bono and other public service hours valued at \$35,815 to the following projects:

- *The [Impact Terms Project](#)**
- *Improving benefit company law and practice in Colorado and nationally*
- *Treasurer and Board service for [B Local Colorado](#), a nonprofit supporting the B Corp community in the mountain west*
- *Researching grants and philanthropic structures*



This represents a significant decrease from the pro bono and public service hours we reported in 2017. This reduction stems from a reduced need for our support with respect to both the Impact Terms Project and our largest pro bono enterprise client. As we grow, we expect our commitment to pro bono /public service work to become increasingly more intentional and less ad hoc.

*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/or 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. In 2018, Tonic Institute assumed leadership of ITP from Blue Dot. We will remain involved as ITP expands its mission to make impact driven deal terms smarter and more accessible.

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

We note more attention to this topic in the impact investing community. The increased attention seems to stem both from more and perhaps clearer examples of social, political and economic harm caused by current levels of wealth concentration and from books such as “[Decolonizing Wealth](#),” by Native author and philanthropist Edgar Villanueva, and “[Winners Take All: The Elite Charade of Changing the World](#),” by Anand Giridharadas. Both of those authors (and many others) invite us to reexamine the practice of impact investing, and to reflect in particular on the fact that most of those empowered to make decisions about wealth and resource allocation are men who have benefitted from systems of exploitation.

We do not yet have a concrete action plan for this purpose, but we seek to learn from movements that are led by people who are representative of the communities and interests for whom they are advocating. Our sense is that it is time for us to look to how we can empower those that have historically been silenced, rather than to hold these conversations exclusively with those that are already in a place of privilege and power. In 2018, we supported [Transform Finance](#) and [Thousand Currents](#) largely because of their focus on these questions.

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

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

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*

In 2018 we continued our quest to cultivate a culture of happiness and well-being, while producing the highest quality work product. We take seriously the cooperative principles of democratic governance and consensus decision-making, and we have always sought to offer a flexible workplace based on trust for each team member’s work ethic and life balance.

We also seek to be in a true relationship with each other, and to bring our whole selves to that relationship. We are willing to accommodate our team members’ important life needs and transitions. In late 2018, for example, one of our paralegals was able to spend an extended period with her father in his last few months of life, several states away from her home office. She was by his side, advocated for his care in-person, and modulated her work flow to fit a time when family needed more attention. Through this important period the rest of the firm stepped up to get the work covered, and were happy to provide extra moral support.

We don’t have billable hours requirements. We strive to maintain a shared vision, with what we put out in the world and also with thoughtfulness, curiosity, and a sense of humor. We devote time each week to stay in touch with each other as a group, on a personal and professional level

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

We don’t yet have a formal program to promote this purpose, but we did have occasion in 2018 to consider what growth means to us as a firm in a quite literal way, as we embarked on a plan to grow our attorney roster.

That undertaking naturally led us into a conversation about diversity in hiring. As mentioned elsewhere in this report, we seek to use business tools to address some of the problems created by how business has historically been done, and we seek to expand the conversation around wealth to include voices that do not come from places of historical privilege and

power. Change begins at home, and for that and many other reasons, we would like our firm's membership to include more non-white, non-male persons.

We know that efforts like this are not short-term. In our case, the change is complicated by our small size, the lengthy training periods lawyering requires, and the [rule](#) that says only lawyers may own a law firm. Our recruiting effort was officially launched in early 2019. We will continue to report on how we address diversity and inclusion in our 2019 report and beyond.

Our vision remains to be a place where enrichment and growth is encouraged and supported, for individual team members, for the firm, and to the extent of any influence we may have, for our profession. We believe that paying attention to questions of diversity, equity and inclusion will support growth, and action, on all those levels.

Overall Impact Performance

PBCs are required by [statute](#) to report on their overall social and environmental performance, as assessed against a third-party standard that meets statutory criteria of transparency and credibility. We have chosen to use the [B Impact Assessment](#) (BIA) for that purpose, as it is:

- ✓ **comprehensive**, based on [IRIS metrics](#) covering impacts on four key stakeholder groups – customers, workers, community, and the environment – as well as indicators of good corporate governance;
- ✓ **independent**, developed through a transparent process and continuously improved by [B Lab](#), a global leader in impact measurement and certification; and
- ✓ **comparable**, using the same metrics tracked by over 50,000 businesses worldwide.

Also, Blue Dot is a certified B Corporation, so our BIA score is verified by B Lab when we recertify every three years. A breakdown by category of our most recent certification score (based on 2017 numbers) is available [here](#). Our 2018 data is not verified, but our internal review provided an overall score of 98.0, compared to 100.9 for our last certification.

We have committed to complete the full assessment after each fiscal year end. For the current review we used Version 6 of the BIA, which was released in January 2019. The BIA is updated on a three-year revision cycle (and generally gets more rigorous with each iteration), so the metric set we used for 2018 is not an exact match to our 2017 assessment.

While the BIA covers hundreds of metrics, following are some of the 2018 data points that caught our attention:

Clients

Most of our clients are purpose driven organizations. (See “*Serving Our Purposes – Purpose 1*” above.) Within that category, we also track which clients are directly serving in-need populations, such as traditionally disadvantaged demographic groups including the very poor.

As measured by our 2018 revenue, 43% of our work went to organizations that are directly serving in-need populations – for example by investing in community-led initiatives in the Global South, or by training women living in poverty to build sustainable businesses. We can't measure how our work affects the ultimate beneficiaries, but we know that we are helping facilitate the flow of capital to support these efforts.

Another 48% of our work went to organizations with a mission to pursue other social and environmental benefits, such as building carbon capture technology, building tech tools to enable civic engagement, or making and distributing organic food.

We also strive to make our services accessible by discounting our fees for certain startups and nonprofit operating organizations that meet our client screen. In 2018, the aggregate value of our fee discount program was \$105,697.

Workers

We again earned high marks for employee ownership and team engagement, for workplace flexibility (including generous leave policies), and for paying everyone on the team a living wage. As in last year's assessment, we did not score as well for supplementary benefits or healthcare coverage, but we do continue to make available 100% coverage for our full-time, non-attorney employees.

Community

After a big bump up in 2017, our 2018 score in this category dropped by more than 6 points. We think our actual performance has been more consistent than that would suggest. For example, we kept up our commitment to support charitable organizations with at least 1% of revenues, and again provided paid time off for our employees to participate in volunteer service. We continue to use a B Corp bank and member of the [Global Alliance for Banking on Values](#).

We think some of the point drop may be attributable to the change in assessment version. In particular, Version 6 of the BIA includes more metrics on diversity, equity and inclusion, which is an area where we know Blue Dot has challenges. We are between certification years however, so haven't sought confirmation of this theory from B Lab staff.

Environment

We are a small organization with a relatively small environmental footprint – which we intend to keep reducing as we grow. We subsidize transit passes, encourage recycling, and run mostly paperless. We meet mostly virtually, and seek out eco-conscious working spaces; we are members and tenants of the [Alliance Center](#) in Denver and [Innosphere](#) in Fort Collins, both of which operate LEED Platinum certified buildings.

Our biggest challenge in this category relates to carbon reduction. Our team is geographically dispersed, working from traditional offices, co-working spaces, home offices and mobile outposts. This makes it wickedly complex to capture reliable data on actual carbon emissions generated by our work as an organization (except for air travel, which is easily tracked).

Nevertheless, we believe every business has a responsibility to reduce or eliminate its net contribution to climate disruption. For air travel, we are using carbon offsets to address this responsibility. In 2018 we offset 24,709 air miles. The offsets were purchased from Native Energy, a B Corp offset provider funding community-based renewable energy and GHG-reducing infrastructure projects. Our contributions went toward the [Honduras Coffee Growers Clean Water Project](#).

We don't yet have a program to tackle emissions not from air travel. We have experimented with surveying our team on the carbon-producing activities they do for work, and with treating work-related emissions as a percentage of each team member's estimated annual carbon footprint as an individual. Neither approach gave us data we were satisfied with. We will continue to seek an approach that allows us to pull our weight as an organization, and hopefully to keep reducing our carbon intensity over time.

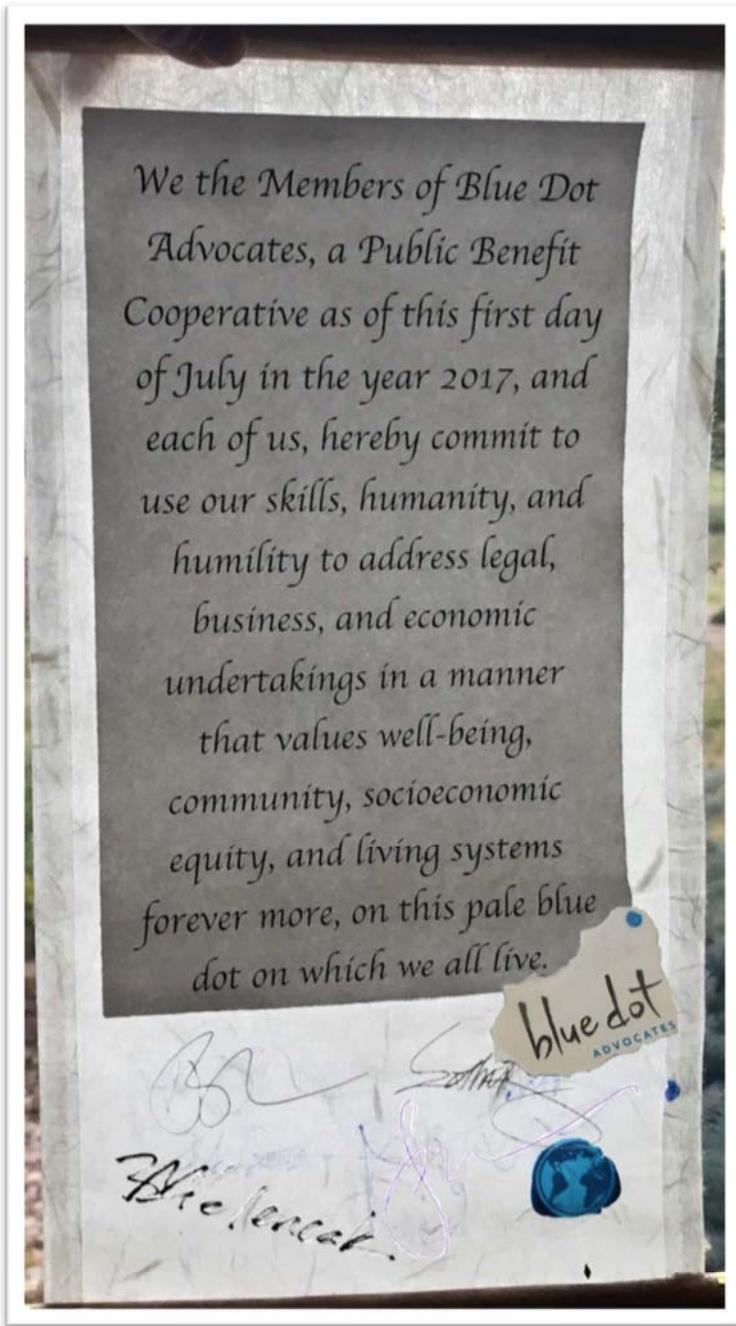
Governance

We continued to post strong performance for the same metrics that won us B Lab's [Best for the World](#) award for governance in 2018 – formalizing our social and environmental mission, tracking our performance, and locking the mission into our governance as a public benefit corporation and worker cooperative.



We still see room for improvement in our stakeholder engagement (especially with our purpose driven clients).

Conclusions, Reflections, and Challenges



Our main strategic aim in 2018 was to secure a foundation for growth. This focus inspires a couple of reflections. First, we are riding a rising tide. 2018 was a year of [many milestones](#) around the mainstreaming of impact driven business and finance, and we don't see that slowing down any time soon. Given the magnitude of the task at hand (e.g. the \$2.5 trillion+ per year [funding gap](#) to meet the UN's Sustainable Development Goals), that mainstreaming is not just welcome; it is essential, and must accelerate.

Second, while the impact economy could fail by not moving fast enough, we could also fail by not going deep enough. Mainstreaming impact only brings more urgency to questions about what counts as impact, how we account for that, and who gets to decide. Those among us who have been working in the impact economy through its laboratory phase now have an opportunity to influence those conversations. With that opportunity comes great responsibility.

Whatever else comes out of those conversations, we know that transparency is key because it builds trust. In that spirit, we'll keep reporting on our impact journey.

The journey is not unhindered. As previously mentioned, all the firm's owners are white men. We know that looking more like the world we seek to serve would make us more mission aligned and better at what we do. Aside from the details reported above ("*Serving Our Purposes – Purpose 6*"), we don't yet have a program to address that.

We also continue to face resource constraint around impact measurement and reporting. We are, however, finding ourselves energized by the process, and are committed to continuing to improve as we grow.



We'd love to hear what you think.