This workshop was held at the 2017 Equal Justice Conference in Pittsburgh, Pennsylvania

Title:
Legal Services for Low-Income Social Entrepreneurs

Presenters:
Jaclyn Clifford, Trellis Legal, Pittsburgh, PA
Stephanie Dangel, University of Pittsburgh, School of Law, Pittsburgh, PA
Rondell Jordan, Pitt Law School and Carnegie Mellon University’s Heinz School of Public Policy
Michael Madison, University of Pittsburgh Law, Pittsburgh, PA
Nicole Muise-Kielkucki, Idea Foundry, Pittsburgh, PA

Social entrepreneurs use business principles to tackle social problems, such as TOMS Shoes, which developed a "one for one concept" business model that delivered a pair of free, new shoes to a child in need for every sale of their retail product. Similarly, lawyers can positively change lives and communities, while simultaneously sustaining businesses for themselves, their clients and their communities. Join Pitt Law School's Innovation Practice Institute for an interactive conversation about how we use leadership development, experiential courses, public seminars, internships and fellowships to train our law students.
LEGAL SERVICES
FOR LOW-INCOME SOCIAL ENTREPRENEURS

IDEA FOUNDRY

Carnegie Mellon University
Heinz College

TRELLIS LEGAL LLC

PittLaw
TODAY’S PANELISTS

• STEPHANIE DANGEL, EXECUTIVE DIRECTOR, INNOVATION PRACTICE INSTITUTE (IPI), UNIV. OF PITTSBURGH SCHOOL OF LAW (PITT LAW)

• NICOLE MUISE-KIELKUCKI, DIRECTOR OF SOCIAL ENTERPRISE INITIATIVES FOR IDEA FOUNDRY

• PROF. MICHAEL MADISON, IPI FACULTY DIRECTOR

• RONDELL JORDAN, STUDENT @ PITT LAW SCHOOL & CARNEGIE MELLON UNIVERSITY POLICY SCHOOL, INTERN FOR ASHOKA & URBAN INNOVATION 21

• JACLYN CLIFFORD, PITT LAW ALUM & CO-FOUNDER OF TRELLIS LEGAL
Overview of Today’s Talk

• NICOLE: WHO ARE SOCIAL ENTREPRENEURS & WHERE CAN WE FIND THEM?
• STEPHANIE: WHY SHOULD LAWYERS & LAW SCHOOLS SERVE LOW-INCOME SOCIAL ENTREPRENEURS?
• MIKE: HOW THE IPI TRAINS LAWYERS TO BE AND TO SERVE SOCIAL ENTREPRENEURS
• RONDELL: WHAT LAW STUDENTS CAN DO TO SERVE LOW-INCOME SOCIAL ENTREPRENEURS
• JACKIE: WHAT LAW FIRMS CAN DO TO SERVE LOW-INCOME SOCIAL ENTREPRENEURS
• YOUR QUESTIONS?
• WHEN CAN YOU SERVE LOW-INCOME SOCIAL ENTREPRENEURS? NOW!!

LAW & SOCIAL ENTREPRENEURSHIP EXERCISE:

“IT AIN’T EASY BEING GREEN”
WHO ARE SOCIAL ENTREPRENEURS & WHERE CAN WE FIND THEM?

NICOLE MUISE-KIELKUCKI
DIRECTOR OF SOCIAL ENTERPRISE INITIATIVES

IDEA FOUNDRY
Transforming Ideas Into Businesses
Launching Companies with a Purpose of Social Good

Supporting Social Enterprise at

IDEA FOUNDRY

Transforming Ideas Into Businesses
Idea Foundry—Our History

- 501(c)(3) economic development agency
- To create jobs in Western PA
- By delivering services and early-stage funding to entrepreneurs and innovators to help them commercialize technologies
- 200+ companies
- $1 billion impact
Idea Foundry- Our Model

$ and Services via 2 Flagship Programs:
- **Accelerator**- early stage, business model discovery and validation
- **Fellowship**- more mature, ready to launch

Innovation Sector Focus Areas
- **Science Based Tech Transfer**
  - Healthcare & Life Sciences
  - Advanced Materials
  - Intelligent Systems
- **Social Enterprise Companies**
  - Sustainable Water Innovation
  - Energy Efficiency & Renewables
  - Food and Agriculture Innovation
  - Education Technology
A Shift Toward Social Enterprise
We're witnessing An historic culture shift

No longer: Business v. Charity

We are recognizing that we CAN harness the power of business to help address society’s greatest challenges and build a more inclusive and sustainable economy.
Defining Social Enterprise
A New Paradigm

- *Using business to drive social change*

- Any **Triple Bottom Line** company developing *efficient, scalable, market-based solutions* to the world’s most *pressing social and environmental challenges*

- *Business for good!*
InterSector: Cultivating Social Enterprise

- At InterSector, we help entrepreneurs:
  - define their niche
  - discover market opportunities
  - prove their business case and concept

- *We also help social entrepreneurs meet the unique challenges of balancing profit with purpose*
  - build the foundation for a business that delivers measureable *social, environmental, and economic impacts* to a diverse community of stakeholders
STEPHANIE DANGEL
EXECUTIVE DIRECTOR OF PITT LAW SCHOOL’S
INNOVATION PRACTICE INSTITUTE (IPI)

• 10 YEARS AS A LAWYER

• 10 YEARS AS A SOCIAL ENTERTAINMENT ENTREPRENEUR

• 4 YEARS AS IPI EXECUTIVE DIRECTOR

WHAT HAVE I LEARNED?
WHY SHOULD LAWYERS SERVE LOW-INCOME SOCIAL ENTREPRENEURS?

BECAUSE WE HAVE MUCH TO LEARN FROM EACH OTHER
MY DEFINITION OF A SOCIAL ENTREPRENEUR?

A PERSON WHO BALANCES DOING WELL WITH DOING GOOD
WHERE DO WE FIND SOCIAL ENTREPRENEURS?

- FOR-PROFITS, NON-PROFITS, & HYBRID ENTITIES
- GOVERNMENTAL & NGO SECTORS
- MILLENIALS, WOMEN, VETERANS & UNDERSERVED COMMUNITIES

WHERE SHOULD WE FIND SOCIAL ENTREPRENEURS?

IN THE LEGAL SECTOR, BECAUSE,

IN THE WORDS OF NAACP LITIGATOR & LAW SCHOOL DEAN CHARLES HOUSTON, ....
“A Lawyer is Either A Social Engineer or A Parasite on Society.”
HERE’S THE GOOD NEWS:

Equal Justice Lawyers

*Are* Acting as Social Engineers!!

Whenever We Argue Cases,
Write Contracts,
or Pass Laws,

We Re-Engineer Society

From One in Which “Might Makes Right”
Into One in Which “A Legal Right Has Might”
IN OTHER WORDS, LAWYERS ARE SOCIAL ENGINEERS WHO BALANCE THEIR OBLIGATIONS TO:

THEIR CLIENT & THE RULE OF LAW

NOW FOR THE BAD NEWS...
Being a Lawyer/Social Engineer Is No Longer Enough!

In Today’s Rapidly Changing, Increasingly Interconnected & Highly Competitive World, ...
TODAY’S LAWYERS NEED TO BE SOCIAL ENTREPRENEURS CAPABLE OF JUGGLING:

DEMANDING CLIENTS

CONFLICTING COURTS

AND LIMITED FINANCIAL RESOURCES

BUT FEAR NOT, ...
Successful Lawyer/Social Entrepreneurs Do Exist: See, e.g.,

BILL DRAYTON,
LAWYER,
SOCIAL INNOVATOR
& FOUNDER OF
ASHOKA

But the World Needs More Lawyer/Social Entrepreneurs, Which is Why ...
The IPI Is Training Lawyers
To Be and To Serve Social Entrepreneurs, i.e., Lawyers Who Balance the Interests of:

Their Clients

Society

& The Lawyer’s Own
Financial Sustainability
HOW DOES THE IPI TRAIN LAWYERS TO BE & TO SERVE SOCIAL ENTREPRENEURS?

PROF. MICHAEL MADISON
PROFFESSOR OF LAW
FACULTY DIRECTOR
INNOVATION PRACTICE INSTITUTE
Mike’s Background:

-- Silicon Valley native
-- Stanford Law
-- 10 years of law practice in SF and SV
-- IP teacher & researcher (Prof. of Law since 1998)
-- focus in research and teaching is “innovation institutions” & the new roles of law and lawyers amid changing economics (community, profession), changing demographics (community), changing technology (everything).
-- 1-to-1 model of lawyer-client service as outmoded; the world is more diverse; we have to train a new generation of professionals to play key roles with institutions, ecologies, and technologies.

http://innovation-practice.net/what-we-do/
The IPI trains new lawyers. We do not serve clients. We do not run law clinics.

- We produce innovative new lawyers who contribute to the renewal of the regional economy via for-profit, not-for-profit, and blended enterprises.
- The IPI’s training is curricular, co-curricular, and extra-curricular.
- The IPI organizes programs and courses around 5 themes:
  1. Innovation and creation as subject matter.
  2. Innovation as practice.
  3. Innovation as system.
  4. Innovation as personal advancement.
  5. Innovation via social enterprise and social entrepreneurship.

http://innovation-practice.net/what-we-do/
Curricular innovation:
• New methods of teaching and assessment in the classroom, emulating the contemporary professional world.

• Co-curricular innovation:
  • Partnerships providing academic credit for students, with local not-for-profit tech transfer, incubation, and translational research programs at Pitt and CMU and in the Pittsburgh community.

• Extracurricular innovation:
  • Weekly lunch-and-learns for students – Innovators, Esq.
  • Monthly intro-to-law-for-entrepreneurs presentations with CMU Project Olympus, for law and CS students and community entrepreneurs, in partnership with local law firms
  • Leadership training for law students & law graduates

http://innovation-practice.net/what-we-do/
How Can Law Students Serve Low-Income Social Entrepreneurs

RONDELL JORDAN

INTERN

STUDENT

Carnegie Mellon University

Heinz College

ASHOKA

URBAN INNOVATION
Urban Innovation21’s pro bono project with Reed Smith focuses on the critical legal needs of seedling and growing businesses in some of Pittsburgh’s most underserved areas.

The Grunin Center for Law and Social Entrepreneurship—the first center of its kind at a law school—is a trailblazer in social justice and education innovation. The Center is poised to spark a movement that transforms the way law creates positive impact in the world.

http://socentlawtracker.org/#/map
HOW CAN LAW FIRMS SERVE LOW-INCOME SOCIAL ENTREPRENEURS?

JACLYN CLIFFORD

MARLENE VAN ES
What We Do

• **Mission Based:** provide legal support to small businesses, nonprofits, and individuals dedicated to local food, agriculture, and sustainability

• **Backgrounds:** environmental law, agriculture, and food-related businesses

• **Areas of focus:** entity formation, business transactions, contracts, and land use
Social Enterprise Law Firm

• Revenue Model and Innovation
  • Subscription Fees
  • Flat rate fees
• Partnerships with Nonprofits
• Education and Outreach
• Lean Business Model
  • Co-working Space
  • Network of Mentors and Service Providers
Content Marketing and Legal Unlocked

• Content Marketing
  • Communicating with clients in a way that adds value, without the direct sales pitch.
  • Compelling, useful, focused message that triggers people to act
  • Examples: Blog, whitepapers, videos
Content Marketing & Legal Unlocked

• Intelligent Content
  • A strategic approach to developing and managing content as a business asset;
  • An efficient use of content processes, people, and technology;
  • Content designed for automation, including content components that can be mixed and matched assembly-line style;
  • Content that’s appropriately structured for retrieval and reuse; and
  • Content that’s personalized in ways that deliver value for customers and potential customers.
LEGAL UNLOCKED

1. DISCOVER
   Identify Your Need

2. PRICE
   Estimate Your Cost

3. SCHEDULE
   Set Up A Meeting
TRELLIS LEGAL PRESENTS

LEGAL UNLOCKED

We're providing the key to transparent and affordable legal service!

Our 3 step process gets you legal help in minutes!

Step 1-Learn more about your legal need;

Step 2- Estimate the cost of your legal service;

Step 3- Put a meeting on our calendar.

Legal as easy as 1, 2, 3...click below to start!

START
Entity Formation

+ Limited Liability Company

+ Corporation
WHAT ARE YOUR QUESTIONS?
WHEN CAN YOU SERVE LOW-INCOME SOCIAL ENTREPRENEURS? NOW!!

Law & Social Entrepreneurship Negotiation Exercise: IT’S NOT EASY BEING GREEN
VACANT LOTS IN PITTSBURGH

From 1940 to 2010, Pittsburgh lost more than half of its population due to suburbanization, declining household sizes, and outmigration, among other reasons.

One of the most lasting effects of this population decline is the prevalence of vacant lots throughout the City.
The Negative Impact of Pittsburgh’s Vacant Lots

Today, there are over 27,000 vacant lots in the City of Pittsburgh. These properties can compromise quality of life for residents, reduce property values and weaken the City’s tax base. Approximately 7,300 of these vacant lots are city-owned. Maintaining a single vacant property can cost the City over $500 per year, an estimated $3-4 million based on current number of city-owned vacant lots.
The Impact of Gentrification

While much of the existing vacancy is concentrated in low-demand areas, dealing with vacancy in transitioning and high-demand areas poses its own set of challenges. In areas of rising market demand, the question is how to concentrate and focus development through strategic redevelopment as well as vacant lot reuses.

This hypothetical takes place on the edge of Pittsburgh’s Garfield neighborhood, which borders the fast-growing neighborhood of East Liberty, home of Google Pittsburgh.
1 VACANT LOT
3 Entrepreneurs Applying to Own the Lot

FARMER  
INCUBATOR  
ARTIST

WAIT, NOT 3 TRADITIONAL ENTREPRENEURS....
3 Social Entrepreneurs

FARMER

INCUBATOR

ARTIST
THE URBAN FARMERS
THE TINY-HOUSE ARTISTS
Legal & Business Issues

• Which entity is right for your client?
  – Urban Farmers?
  – Tiny House Artists?
  – Startup Incubator?

• What is Your Client’s Proposal for Using the Lot?
  – Community Garden & Farmers Market
  – Tiny Houses & Gallery Space for Artists
  – Office Space for Startup Companies
CHOICE OF ENTITY

• INITIAL CHOICE OF ENTITY IMPACTS:
  – FINANCING
  – EMPLOYEES
  – TAXES
  – CUSTOMERS
  – PARTNERS...

• OPTIONS:
  – NON-PROFIT ORGANIZATION
  – FOR-PROFIT COMPANY
  – HYBRID ENTITY
NoT-For-profit entities (“Non-profits”)

• What Is a Non-Profit Organization?
  – An organization formed under a state nonprofit corporation statute
  – Must have a charitable purpose (as described in the tax code) in order to qualify for tax-exempt status

• How Do I Form a Non-Profit?
  – Two step process:
    • Incorporate under state nonprofit corporation statute
    • Apply for tax-exempt status (both federal and state)
Non-Profit Structure

Like a corporation, a Board of Directors oversees the management, but the board’s obligation is to the general public (as opposed to shareholders)
Non-profit Advantages

- Mission-based organization
- Tax deductions for Contributions
- Legally able to use unpaid volunteers
- Foundation grants
NON-PROFIT disadvantages

• You do not own it – the public does!
• You cannot make a profit
  – Non-profits can pay you a reasonable salary and reimburse legitimate expenses
  – You cannot share in the financial upside/success of the organization
  – Serious penalties for private inurement and conflicts of interest
MORE NON-PROFIT Disadvantages

• Management – Decisions Made by Board acting for the public, not Founders
  – Founders’ Syndrome

• Administrative Burdens
  – Public filings
    • Initial filing
    • Annual return
      – Includes disclosure of all potential board conflicts of interest
  – Grant reporting

• You Cannot Engage in Political Activities
For-profit entity choices FOR SOCIALLY RESPONSIBLE ENTITIES

• Three “REAL” choices
  – C Corporation
  – S Corporation
  – Limited liability company

• Others
  – Limited Partnership
  – Sole Proprietorship
  – Partnerships
# FORM OF FOR-PROFIT ENTITY: CONSIDERATIONS

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<th>Corporation*</th>
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For-profit structure FOR A SOCIALLY RESPONSIBLE ENTITY

- Advantages - $$$$$
  - Familiarity of Investors with the Structure
  - Predictability / Available Case Law
  - Flexibility Regarding Tax Treatment
  - Branding as a Socially Responsible Entity May be Achieved Through Other Means
For-profit structure FOR A SOCIA LLY RESPONSIBLE ENTITY

Disadvantages

– Branding/Public Perception
– Director Liability / Corporate Law Protection
– Limited Flexibility for the Board in Case of Sale of the Company
HYBRID ENTITIES

• For-Profit, With a Look Beyond
• Purpose: “General Public Benefit” or a Specific One
• Adopted in 31 States (including Pennsylvania and Delaware)
• Universe of Hybrid Entities:
  – Benefit Corporations/Companies
  – Low Profit Limited Liability Companies (LC3)
  – Others
• Taxation Options: May be Taxed as a C Corporation, Partnership or as an S Corporation
Most Common: Benefit corporation – PA Also has Benefit LLC

• Advantages
  – Great Marketing Tool
  – The Sustainability Factor
  – Strong Commitment to Social Purpose
  – Legal Protection for Directors
  – Flexibility for the Board in Case of Sale of the Company

• Disadvantages
  – Investor Hesitancy / Raising Funds
  – Legal Uncertainty/No Legal Precedents
  – Additional Reporting and Disclosure Requirements
  – No Tax Incentives
B Corp certification

• Third Party Certification
• **Not a Legal Entity** – Can Be Used with Any Legal Entity
• Laundry List of Requirements
  – Purpose
  – Amendment of Certificate of Incorporation
  – Annual Reporting Requirements
  – Other Burdens
B Corp certification

• Advantages
  – Commitment to Social Purpose
  – Access to Community of Other B Corps
  – Marketing Tool for Consumers
  – Does Not Intimidate Investors

• Disadvantages
  – No Tax Incentives
  – Burden; Stringent Requirements
Legal & Business Issues

• Which entity is right for your client?
  – Farmers?
  – Artists?
  – Incubator?

• What is Your Client’s Proposal Use of the Lot??
  – Community Garden & Farm Market
  – Tiny Houses & Gallery Space for Artists
  – Office Space for Startup Businesses
THE SOLUTION: LATHAM COMMONS

Where extraordinary things happen everyday

- Diabetes screening for seniors
- Group cooking classes
- Low-tech tinker shop for tweens
- Grow food to be sold at teen-run cafe

ROBOTANY HIGH BAY FOR EXPERIMENTAL GROWTH CHAMBER

- COMPOST/MUSHROOM SECTION
  Mushrooms produce CO2 which promotes the growth of micro-greens, shared compost will generate heat

- COMMUNITY KITCHEN FIT OUT
- DESIGN/BUILD LAB TRAIL POD
- MILE-A-MINUTE FILM SCREENING
FINAL THOUGHT
FROM BILL DRAYTON

“TIME AND AGAIN, ENTREPRENEURS WITH NARROW OBJECTIVES PULL THE WORLD ASTRAY. SOCIAL ENTREPRENEURS ARE THE ESSENTIAL CORRECTIVE FORCE.”

LAWYERS HAVE LONG BEEN THE CORRECTIVE FORCE IN COURT ROOMS, LEGISLATURES, AND BOARD ROOMS. IT’S TIME FOR LAWYERS TO PLAY THAT ROLE BY PROVIDING LEGAL SERVICES TO LOW-INCOME SOCIAL ENTREPRENEURS.
THANK YOU!