

Hogan
Lovells



Why Social Enterprise?

Social Enterprise and Social Finance Practice
Summary Impact Report for London

July 2014



The firm's social enterprise practice is a significant and very successful part of the firm's engagement with our communities. For us, it aligns the strengths of the firm's commercial practice with a real demonstration of our corporate responsibility in a very practical sense. Being able to engage with some of the firm's commercial clients is also an important aspect in delivering value to our communities. We have made a significant investment into this programme as we believe it is important to support the SME and social enterprise sector in the UK, particularly in view of its ability to create jobs and provide an innovative way to tackle some of the more intractable social issues.

*David Hudd,
Deputy CEO*



Introduction

Hogan Lovells' social enterprise and social finance practice is a significant and very successful part of the firm's engagement with our communities. We strongly believe that social enterprises play a crucial role both in tackling and addressing social and community problems and in enhancing the economy. We advise domestic and international social enterprises across a vast range of legal issues.

Our social enterprise and social finance practice, which forms part of our wider international pro bono practice and has been running for over seven years, represents both a practical demonstration of our corporate responsibility and is also in alignment with our commercial practice. It also provides an avenue through which we are able to engage some of the firm's commercial clients in delivery of that practice.

Hogan Lovells' social enterprise and social finance practice is led by a board of partners from across the firm and is coordinated by a full-time dedicated social enterprise and social finance associate.

The social enterprise and social finance practice aims to deliver outstanding advice and business support to:

- allow potential high growth social enterprises the opportunity to become investment ready and attractive propositions for investment and growth from the social finance sector
- enhance the capacity of social enterprises to become sustainable businesses
- facilitate investment into social enterprises from social finance institutions
- increase the social impact made by our social enterprise clients.

The work taken on by our lawyers through our social enterprise and social finance practice deals takes a variety of forms, including:

- legal workshops for UnLtd's Big Venture Challenge
- legal advice on issues ranging from corporate governance through to employment and intellectual property
- legal training for social finance institutions
- drafting legal agreements for social enterprise clients, such as shareholder and investment agreements
- facilitating consultation and research to foster a better understanding of policy issues affecting social entrepreneurs.



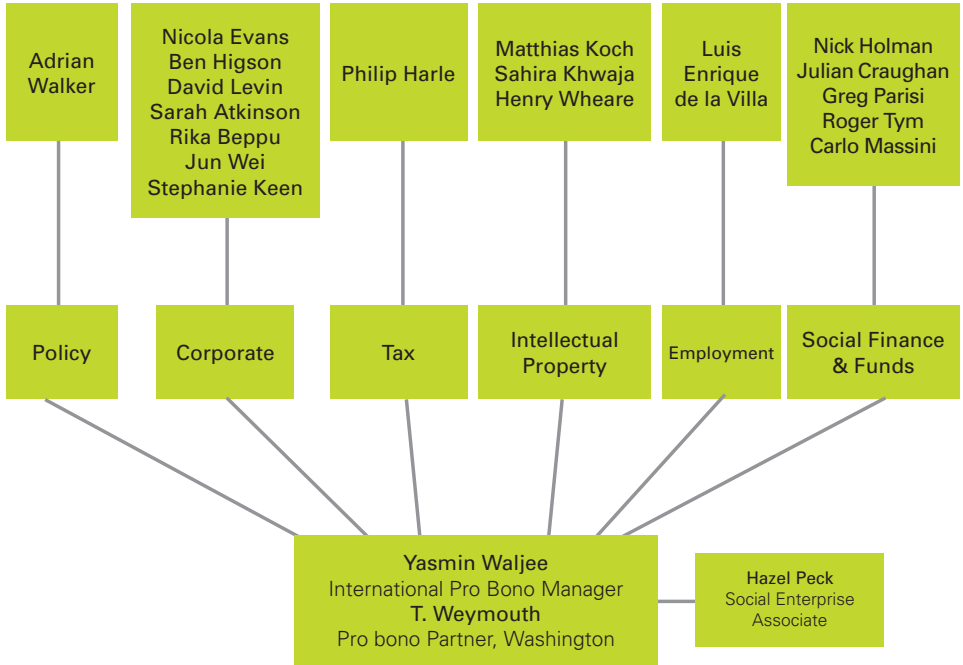
I think the Hogan Lovells social enterprise programme is second-to-none – a different league from many other pro-bono programmes I have experienced. In terms of speed of response, quality and timeliness of work provided, attention to detail, proactive interventions and on-going commitment – it is an absolute pleasure to work with Hogan Lovells and we hope Oomph! Wellness will continue to benefit from their support for years to come.

Oomph! Wellness



Who is involved

Hogan Lovells Social Enterprise and Social Finance Board



Impact made by our social enterprise and social finance practice

In London, over the past three years:

- more than 200 Hogan Lovells staff have been engaged in our social enterprise and finance practice
- more than 140 social enterprises have been supported.

Through the UnLtd Big Venture Challenge programme and our on-going support for social enterprises introduced to us through this programme, we have:

- directly enabled £2.7m of investments into the businesses leading to the creation of 65 jobs through advice to 30 Big Venture Challenge social enterprises
- engaged over 100 lawyers from across the firm to provide the advisory services and in addition, have involved our business support services such as marketing, to assist with brand design
- engaged 20 in-house counsel from some of the firm's major corporate clients, including Ford, Vodafone and Citibank, working alongside Hogan Lovells' lawyers to deliver quarterly advisory workshops for the social enterprises
- introduced social enterprises into the supply chain of the firm to strengthen the income generation and sustainability of the social businesses. For example social enterprise chocolatier Harry Specters, which provides employment for those with learning disabilities, has been contracted to our catering department for specialist chocolate.



Citi, Hogan Lovells and UnLtd share a common desire to support individuals and organisations that do not have the means to access legal advice. Providing our expertise collaboratively to help inspiring social entrepreneurs through tailored workshop sessions helps them achieve their vision in a tangible way. It's been a fantastic team building experience for our in-house team and I've personally been inspired to do more and have encouraged our teams to become more involved.

Nigel Kemp, Citibank



In relation to the first Big Venture Challenge cohort (2011/2012) during the period 2011–2013, UnLtd have found that there has been:

- an increase in annual turnover of 35%
- the number of staff employed has grown by 33%
- volunteer positions have increased by 25%
- the number of beneficiaries they help has increased by 25%.

Our Social Enterprise clients include:



Case Studies

Oomph! Wellness

Who they are:

Oomph! Wellness provides fun, interactive, popular and proven health and wellbeing classes for the elderly. They offer a range of classes based on proven medical and physiological research and methodology to over 500 care homes in the UK.

Hogan Lovells' involvement:

Hogan Lovells has provided a wide range of advice to Oomph! Wellness, covering employment, real estate, governance, intellectual property and commercial law. Hogan Lovells' advice on legal structure helped them lock in their social mission as the venture grew and took in investment.

Hogan Lovells' also prepared an investment agreement for Oomph! Wellness which enabled them to raise approximately £300,000 and unlock a matching financial investment from the Big Venture Challenge.

This is a pioneering case, showing that companies limited by shares can make money

whilst their social mission remains locked in at the heart of their business.

Impact:

"I cannot stress enough how invaluable the support we have received from Hogan Lovells has been in getting us to this position... devoting many, many hours – often long into the night – offering advice and protecting Oomph!'s interests at all times... we really couldn't have done it without all of you."

"In short, the pro-bono Hogan Lovells support has helped Oomph! Wellness grow from a one-man band to a rapidly growing social enterprise, raising investment, working with major established national partners and clients and scaling across the UK."

Oomph! Wellness is now in an incredible position to scale the business and deliver real impact to many hundreds of thousands of older adults over the next few years.



Insane Logic

Who they are:

Insane Logic created MyChoicePad, an educational iPad app that uses symbols and signs which convert to speech, providing a vital mechanism for children and adults with learning or communication difficulties. MyChoicePad uses symbols and signs from the Makaton Language Programme and is available on the iTunes Appstore.

“Life changing may sound extreme when talking about an app but for us it really is! My daughter struggles with the world understanding her; with this app she has a voice in society. MyChoicePad really has opened up a whole new world in terms of freedom, independence and choice.” – Eve, Mum to Charmaine

Hogan Lovells’ involvement:

Hogan Lovells have assisted Insane Logic with two rounds of investment, including drafting the necessary shareholder and investment agreements and ancillary documentation, and provided advice on a number of governance, employment and intellectual property issues.

Impact:

“The legal help you gave has helped us to raise two rounds of funding the first round was £50,000 and the second round totalled £320,000. We have grown from one full time and two part-time staff members to eight full time employees.

If we had not had the help we would have got much worse terms of investment and less control of the company in terms of day to day governance. The money we have raised will go further because it has not been eaten up in legal fees, which gives us a better chance of succeeding and being able to take on more employees and help impact more lives.”



Timewise

Who they are:

Timewise are a unique publications and recruitment agency for senior level professionals wanting to re-structure their working lives.

More than half a million professionals in the UK hold senior level roles and work part-time. The company's unique approach arguable represents the future of recruitment.

Hogan Lovells' involvement:

Hogan Lovells advised on the establishment of Timewise and continue to advise on legal issues related to their strategic development for growth.

We have also advised Timewise on an investment package, raising £320,000 and providing a new capital, critical to the future of the business.

Impact:

The support from Hogan Lovells has enabled Timewise to use money and time that would have to have been devoted to legal fees and issues to growing their business.

"Amanda has gone the extra step to ensure that we are covered in all possible ways, ensuring the deal works for the long-term, not just the matter in hand.

We have not felt like we were receiving "pro-bono" support in the sense that we have been made to feel, and received, client service."



Latimer Group

Who they are:

Latimer works with young people, inspiring and mentoring them into long term employment by co-creating and distributing authentic campaigns and content for brands, charities, broadcasters and government.

Hogan Lovells' involvement:

We have provided advice on governance and structure as well as external investment and employee tax issues. We advised Latimer on a recent approx. £120,000 fund raise.

Impact:

"First Impressions: The initial meeting... was extremely useful and demonstrated your firm commitment to the Startup / Social Enterprise sector... it was refreshing to see so many of your senior team round the table for that first meeting. We also were impressed by the time, thoughtfulness and how engaged

your team were during the breakout sessions we had that day. This set the tone for our relationship with you."

"Bringing in new investment has been critical to the growth of the business but we had very little experience about how best to navigate our way through the process. Hogan Lovells'... advice was sensitive to this fact and made the process infinitely less scary than it might have been."

"The advice we received... has helped us think more long term and challenged us to broaden the ambitions and scope of the business [and] we felt very much supported and looked after by your team."

"You've provided an invaluable service and you've played a key role in helping us take on an investment that will ultimately massively increase our social impact across the UK and internationally."



Beyond Youth

Who they are:

Beyond Youth is a Community Interest Company originally set up to give support to young offenders to enable them to lead positive, fulfilling lives, through promoting and increasing the self-esteem, self-confidence and self-belief of offenders by delivering a range of topics that are both educationally and therapeutically based.

Their programme has been so successful, producing non re-offending results of around 75%, three times that of the national average, that Beyond Youth now offers its services to adult offenders in the community and in custody.

Hogan Lovells' involvement:

Hogan Lovells has advised Beyond Youth on a range of issues, from trademarks and copyright, office premises rental negotiations, drafting of franchise contracts and employment advice as well as hosting key events and making introductions to key business contacts. One of our partners is now also on Beyond Youth's board of directors.



Impact:

"The support we received from Hogan Lovells was invaluable in helping us establish our position in the market and increase our negotiating power. It has increased our presence and credibility as a serious social enterprise."



Overall the Hogan Lovells social enterprise programme has been exceptional. We have been treated with a first class standard of professionalism and received support that has gone over and above what we could ever have expected. The support provided by Hogan Lovells has played such a vital part in our growth and development not only professionally but personally as well. As the Founder and Managing Director of Beyond Youth it has been a privilege to have had the opportunity to work with, and been support by the Hogan Lovells team.



MyKindaCrowd

Who they are:

MyKindaCrowd was founded in 2011 and quickly became known as a ground breaking social enterprise, their mission being to transform the way young people connect with the world-of-work. They were the first enterprise of their kind to offer the opportunity for companies to engage with students and teachers. MyKindaCrowd set challenges for young people and connect them to exciting brands and the work place.

Hogan Lovells' involvement:

Hogan Lovells has advised MyKindaCrowd on two rounds of investment and assisted with negotiating and documenting a new services agreement with a major investor.

"Without Hogan Lovells' advice we could not have completed our early-stage investment round. Our investor was an expert deal-maker with vast legal resources who could easily out manoeuvre a start-up. Hogan Lovells allowed us to compete on a level playing field and reach a fair agreement that both parties were happy with."

Impact:

Hogan Lovells' assistance with the two rounds of investment has enabled MyKindaCrowd to employ 11 full time team members, build their website and ultimately achieve proof of concept and month-on-month profitability.

"Fast forward 15-months on from the first investment round and our average sale size has risen from £10,000 to £100,000."

"Our social impact has risen in line with our company growth; we recently delivered a programme for a client which trained 1,000 apprentices with work-ready skills across the UK."

"The Hogan Lovells programme is not just another company talking a good talk. Hogan Lovells is delivering real impact for high growth social entrepreneurs. And that means Hogan Lovells are fuelling the creation of jobs, social impact, and the next generation of entrepreneurs."



Green Roots Law CIC

Who they are:

Green Roots Law is a unique type of legal services provider and is an example of the future of the legal aid sector. It is a “fair trade” law firm, regulated by the Law Society to provide immigration and employment advice which is no longer attainable through legal aid. Any surplus income generated by the company is returned to its parent, Islington Law Centre, a charity which provides free advice to those on low incomes.

Hogan Lovells’ involvement:

Hogan Lovells developed the corporate structure, provided employment advice and secured regulatory consent from the Law Society for this new type of law firm. We also developed the branding design for the business and assisted them with printing.

Impact:

Following the radical cuts in legal aid, the new structure helps ensure that the not-for-profit

free legal advice sector survives and becomes more sustainable going forward, with the flexibility of social and private funding and the ability to generate its own income through charging fees on a means tested basis which can subsidise the free services provided by the charity. The structure is designed to allow for growth and expansion, and to modernise the way the sector is run to avoid heavy reliance on public funding, whilst still providing access to justice to those who cannot afford to pay for legal advice at commercial rates.

Hogan Lovells’ assistance has enabled Green Roots Law to open their business in March this year, providing a very necessary legal service as well as providing new employment for two solicitors.

“We have found the firm’s support to be invaluable and are very excited to have been able to launch the social enterprise.”



Other social enterprises we have assisted

Reds10

Reds10 is an innovative social enterprise that is going to the heart of the problem of UK unemployment. Entrepreneur Tom Storey has created an employment and training recruitment agency to provide local labour and apprentices to the construction industry. He works with young people to develop their job ready capacity and then develops their skills in modern methods of construction. Reds10 now works in 18 Boroughs in London, providing 182 apprentices to the construction industry and they have 300 young people in sustainable employment.

We provided Reds10 with advice on their strategic growth plan.

Rubies in the Rubble

Food waste statistics never get any less shocking. In the UK more than 7 million tons of food is wasted each year; 2 billion tons worldwide. Jenny Dawson saw a way to make use of such waste and set up Rubies in the Rubble which produces jams and chutney which are now on sale in Waitrose and are attracting considerable interest across the UK.

We have advised Rubies in the Rubble on numerous corporate law issues.

Active Minds

In 2009, entrepreneur Ben Atkinson-Willes experienced first-hand what it's like to care for a loved one with dementia. Ben was a design student at Kingston University when his grandfather developed Alzheimer's disease. He very quickly found that there was a lack of suitable activities available for people and carers living with dementia. This meant families and carers would usually resort to using children's toys to provide stimulation to those they cared for. However, these were not age-appropriate and were therefore unsuitable. For this reason Ben created a range of activities as part of a University project for adults living with dementia. He was offered funding by the University to turn it into a business venture and so, at just 23, Ben had founded Active Minds.

Ben worked closely with St. Georges Hospital and Kingston University to develop his first range of jigsaw puzzles designed specifically for people with dementia. He arranged consultations with carers in a local home and began working with the head of dementia care at St. George's hospital.

We have advised Active Minds on equity investments and corporate governance

**ACTIVE
MINDS**
Activity Products
for Dementia



Non-transaction Social Enterprise work

We are involved in a wide range of policy initiatives aimed at ensuring the best policy and legislative frameworks are in place to support the social enterprise and social finance sector globally. Our work in this area has included:

- supporting the World Economic Forum's policy initiatives, working through our membership of the Social Innovation Council
- contributing press articles on the subject of social enterprise (<http://www.theguardian.com/social-enterprise-network/2013/jul/24/social-investment-long-way-to-go>)
- actively participating in consultations to optimise a range of legislation in such areas as social investment tax relief.

In addition to our transactional and policy work, we also provide advice to social enterprise initiatives across the globe, for example Promoting Education in African Schools (PEAS). PEAS works to address the fact that 20 million children across Africa are not receiving a secondary education by developing a network of quality, sustainable secondary schools and catalysing systemic change across the continent.



This isn't corporate social responsibility. It's corporate organisations doing what they do best – using their skills and resources to create new revenue and financing models – in partnership with leading charities and social entrepreneurs to jointly tackle social problems. Speak to the professionals at Hogan Lovells, Accenture and Deloitte and they will tell you how much this means to them. This goes beyond charity – it's a unique and exciting opportunity to reinvent the entire way a sector works, and come up with badly needed new ideas to help the social enterprise sector become financially sustainable.

The Guardian, 8 June 2012



Feedback from those involved

Comments received from our corporate clients who have partnered with us in providing legal workshops for the UnLtd Big Venture Challenge winners:

“Each and every one of our team was sold on this and want to do more.”

“It was very interesting to learn about the area of social enterprises and it required me to think outside of my comfort zones... it was fun to be able to bounce ideas as a team of lawyers to come up with a solution.”

“Can I just say what an immensely good event yesterday – it really was just what we all needed. It also had the added bonus of being an excellent team build.”

“It was a pleasure and glad to help out in this worthwhile cause. Yes please let me know if there are any other workshops.”

“I very much enjoyed the session, and shall definitely recommend that other colleagues get involved.”

“It was inspiring to hear the founders’ passion for their projects. And of course it was nice to have an informal catch-up with our Hogan Lovells colleagues at the end of the day!”

“The pairings seemed to work very well, and it was clear that some work had gone into ensuring that the ventures’ priorities for the session were understood. As a consequence, it felt like we had time to properly discuss the issue and to provide relevant advice, if not to solve it entirely.”

“I, for one, would be very happy to support future events and I have been encouraging others to participate too.”

Feedback from UnLtd:

“The Hogan Lovells support is by far and away the most successful external support programme that our entrepreneurs receive. The quality of the legal support, the insightfulness of advice, the speed of turnaround – these are all factors that make our entrepreneurs love working with you and your lawyers, and also make our venture managers extremely happy too.”

Comments from Hogan Lovells staff:

“Working with the firm’s social enterprise clients, with their infectious enthusiasm and drive, has and continues to be a fantastic part of my work life. It is easy and gratifying to see how our advice impacts their businesses and them as individuals and helps them to achieve their aims. It is great to have the chance to use and improve my legal skills to this end.”

Associate

“I have been very fortunate to work with an inspiring social enterprise (MAC-UK) as it has expanded and developed over the past couple of years. It has been great to work so closely with a unique organisation which is addressing a pressing social need both creatively and effectively. The project has given me the opportunity to work with people who are passionate about social justice and empowering young people. It is very rewarding to be able to assist them in achieving their goals by tapping into the wealth of resources and talent we have at Hogan Lovells.”

Senior Associate

"The Hogan Lovells Social Enterprise initiative is truly impressive in its strength in terms of commitment of the many people involved across all offices; the depth in terms of the resources the firm makes available to the interested individuals and breadth in terms of the reach of the team. Led by lawyers who are committed to making a difference – it opens avenues to contribute beyond putting one's hand in their pocket which, though undeniably valuable, is rather remote. In this way we can help more directly, for example advising reformed gang leaders."

Partner

Client feedback:

"Thanks again for all the incredible help Hogan Lovells has been able to offer FotoDocument. I know some companies want to support social enterprises but it ends up being mere lip service.... but Hogan Lovells is the real deal!"

FotoDocument

"Hogan Lovells was very pro-active and quick in providing us with the right lawyers... We subsequently went ahead with the investment deal, which has turned out to be very advantageous for Luta. So again, thank you very much for being there with us when it mattered."

LUTA Limited

"We have really enjoyed working with Matthew Nortcliff and his team in Singapore on our recent investment into Vietnam. They are a great team and wonderful to work with."

Unitus Impact

"As ever, the Hogan Lovells people were generous with their time, and spot-on with their insight. Priceless."

Moodscope

"Thank you so much for all your work on this for us – you made it so simple and stress-free throughout! Winsome and Wataru were amazing and such a help. We were in admiration and huge appreciation of their time and work on our behalf."

Rubies in the Rubble

"We're all really grateful for the work you've done. You helped us navigate our way through what's been a really big step change for the business and we couldn't have done it without you!"

Latimer

"As a resource constrained social entrepreneur, with too many balls to juggle and limited knowledge and skills, I greatly appreciated the investment of time and knowledge by highly experienced lawyers who listened well and made it easy for me to understand some of the key actions I needed to take."

Arrival Education

"I would like to thank you all again for investing your time and expertise with me yesterday, it really is appreciated. This opportunity was of considerable value to my organisation and to me personally."

Worhstone

"The services provided by Hogan Lovells to charities and social enterprises are a fantastic resource for organisations such as ours, and have been a practical and effective way of helping to further WSUP's mission of improving the lives of the urban poor."

Water and Sanitation for the Urban Poor (WSUP)

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