



Impact and Philanthropy Profile

Ropes & Gray has represented individuals, institutions and families in their charitable pursuits for more than a century. That focus on charitable giving led the firm to organize this year's conference on philanthropy, *Leading By Example: Best Practices in Charitable Giving*, as a way to encourage dialogue within the philanthropic community in Boston and beyond. We are pleased to provide some highlights of our recent work in this area.

A DEAL TO EXPAND THE GLOBAL REACH OF TOMS

The founder of TOMS shoes, Blake Mycoskie, developed a company with a charitable cause at its core: for every pair of shoes sold, TOMS provides a pair for a child in need, a one-for-one business model that has propelled the company's sales and served as an example for retailers with charitable aims. TOMS has now given more than 10 million pairs of new shoes to children in need, and through a similar model for the sale of eyeglasses, has provided over 200,000 pairs for individuals in need through a one-for-one matching program.

Advised by a Ropes & Gray team, Bain Capital reached a deal with TOMS in August of this year that enabled the private equity firm to acquire a 50 percent stake in the company. As part of the deal structure, Bain agreed to continue the company's one-for-one policy. Furthermore, Mr. Mycoskie will use 50 percent of the proceeds from the Bain acquisition to start a new fund that supports socially minded entrepreneurship. Mr. Mycoskie told a reporter: "We got a great partner who believes in our model and not changing that, but on top of that, wants to make a difference in people's lives through philanthropy."

The Ropes & Gray team was led by private equity partner [Will Shields](#), finance partner [Byung Choi](#), tax partner [Amanda Holt](#), benefits partner [Renata Ferrari](#), labor & employment partner [Peter Ebb](#) and intellectual property partner [Edward Black](#). ■

SUPPORTING THE INNOVATIVE MASSACHUSETTS JUVENILE JUSTICE PAY FOR SUCCESS INITIATIVE

Pay for success (PFS) initiatives and social impact financing have begun to emerge as vehicles for encouraging social intervention on a large scale. A team of 22 Ropes & Gray lawyers from five offices has provided more than 1,500 hours of *pro bono* support to the Massachusetts Juvenile Justice Pay for Success Initiative – one of the first such initiatives launched in the United States, and the largest social impact financing raised to date. The innovative new program aims to reduce recidivism of young men who are in the probation system or exiting the juvenile justice system. The project is the largest *pro bono* effort in Ropes & Gray's history.

The roots of the effort date back to January 2012, when the Commonwealth of Massachusetts issued a request for responses on a PFS project. Third Sector Capital Partners, a nonprofit advisory firm that develops and launches PFS projects in conjunction with governments, service providers and funders, submitted a response in partnership with venture philanthropy fund and social innovator New Profit. In August 2012, Third Sector and Roca, a Massachusetts-based nonprofit with a 25-year track record of high-impact social intervention, were selected as the intermediary and service provider, respectively, for the Massachusetts PFS project.

The Massachusetts Juvenile Justice Pay for Success Initiative is one of the first state-level PFS projects, and is the largest such project measured by up-front capital commitment. Additionally, the scale of the initiative – both in terms of the level of capital commitment and the number of parties involved (including government, service providers and funders) – as well as the need to take funder input into consideration in the development of project design and financing structures, made the project an extremely complex undertaking. In fact, while helping Third Sector establish and structure the initiative, the Ropes & Gray team drafted, negotiated and arranged for the signing of 27 separate agreements. The



complexity of the project required the perspectives of every corporate practice group in the firm.

The impact of the Massachusetts Juvenile Justice Pay for Success Initiative will be measured over the course of seven years. The initiative is anticipated to serve more than 900 young men between the ages of 17 and 23 in the Boston, Chelsea and Springfield areas. Success will be measured by comparing the incarceration records and job readiness of young men going through the program with those of a randomized control group of young men eligible for, but not referred to, the program. If the program performs as expected, Massachusetts should see reduced incarceration rates among participants, which would generate a cost savings for the commonwealth. This savings will be distributed to program funders, who provided \$18 million in social impact financing, as well as to Third Sector and Roca, which deferred \$3.3 million in service fees. Depending on the specific outcomes of the program, the commonwealth may distribute up to \$27 million in success payments.

The program is supported by several providers of commercial and philanthropic funding – Goldman Sachs, The Kresge Foundation, Living Cities, the Laura and John Arnold Foundation, New Profit and The Boston Foundation. These parties have committed \$18 million to finance the program with the condition that they will be repaid with interest by the Commonwealth of Massachusetts if the program demonstrates measurable social impact and saves the commonwealth money it would have otherwise spent on incarceration.

Finance partner [Win Minot](#) has led the Ropes & Gray team in providing *pro bono* assistance to Third Sector. ■

PRESERVING THE WORLD'S IMPERILED COASTAL AREAS THROUGH DEBT SWAPS

To preserve the world's most imperiled natural resources, The Nature Conservancy (TNC) utilizes debt-for-climate adaptation swaps, in which portions of a developing country's debt are forgiven in exchange for conservation measures. These creative strategies for encouraging conservation have become increasingly important as island and coastal nations face the challenges of climate change.

Ropes & Gray lawyers in London, including finance partner [Matthew Cox](#) and finance associates [Alice Dawson](#), [Kasia Walawska](#) and [Fergus Wheeler](#), and [Ben Morris](#) in Tokyo, have been working to help engineer these innovative and complex financial structures, which involve TNC, the debtor nation, the creditor nations, the funders and local stakeholders.

In the Seychelles, Ropes & Gray is working on legislation and bylaws necessary to establish a governing trust structure and assisting with the implementation of the funding arrangements to purchase the debt of The Paris Club, a group of financiers from the world's leading economies, in exchange for establishing 30 percent of the country's coastal zone as marine protected areas.

In Grenada, Ropes & Gray drafted bylaws and legislation to create and implement a local conservation trust that will receive funding from TNC and other donors. This local conservation trust is designed to support the long-term management and expansion of Grenada's marine protected areas, in furtherance of the country's commitments under the Caribbean Challenge Initiative.

In Antigua, Ropes & Gray is working on a similar arrangement to establish a trust structure to acquire and forgive debt owed to the government of Brazil in exchange for protecting 20 percent of Antigua's marine area and 15 percent of its land, and also creating a sustainable effort to help the island nation adapt to climate change. ■

■ HELPING ACCION DRIVE MICROFINANCE INNOVATION

An estimated 2.5 billion people across the globe lack access to basic financial tools and services such as loans, savings accounts and insurance. Microfinance has played an integral role in filling this financial void.

Since 2010, Ropes & Gray has worked with global microfinance leader Accion International to help extend the benefits of microfinance to underserved populations worldwide. Founded in 1961, Accion is a global nonprofit dedicated to creating a financially inclusive world in which people have the financial tools they need to improve their lives. The Boston-based organization works to build the next generation of top-tier microfinance institutions, to accelerate start-up companies that serve the poor through its impact-investing initiatives, and to help create high standards in the microfinance industry.

A team of Ropes & Gray attorneys has helped the nonprofit organization on a range of *pro bono* projects – primarily in the areas of corporate, intellectual property, tax and investment law – that span many of the firm's practice groups.

Fundamental to Accion's mission is an effort to develop high standards of industry transparency, consumer protection and social performance. To that end, Accion has been a leader in the Smart Campaign, an industrywide movement to embed a set of client protection principles throughout the microfinance industry. Key to the campaign is the Client Protection Certification Program, through which microfinance organizations are evaluated by third-party rating agencies to determine whether they meet industry standards for consumer protection. The Smart Campaign then reviews these decisions and grants compliant organizations a "Smart Campaign Certified" mark that alerts donors, investors and clients to the organization's commitment and sound practices. Such a certification program is complex both to develop and to monitor. In 2012, a team of Ropes



& Gray attorneys worked closely with Accion on the certification project, providing strategic guidance on issues ranging from intellectual property to contract protections. The certification program launched in January 2013, and throughout the year, Ropes & Gray provided program support involving amendments to, and foreign translations of, the template agreements used by Accion to implement the program.

Ropes & Gray's ability to provide Accion with sophisticated legal resources in the areas of corporate, intellectual property, tax and investment law has enhanced Accion's ability to drive microfinance innovation and empower people worldwide.

The Ropes & Gray team included investment management partner [George Raine](#), intellectual property litigation partner [Dalila Wendlandt](#), life sciences associate [Lindsay Tunney](#), hedge funds associate [Michael Doore](#), intellectual property rights management associate [Nicole Rizzo Smith](#) and intellectual property litigation associate [Jenny Kwon](#). ■

■ NEW EDITION OF *TAX ASPECTS OF CHARITABLE GIVING*

Late in 2013, Ropes & Gray released the third edition of *Tax Aspects of Charitable Giving*, a treatise on the law of charitable giving co-authored by private client partner [Martin Hall](#) and retired tax partner [Carolyn Osteen](#). Sometimes referred to as the "Harvard Manual," reflecting the publication's history as a guide for the Harvard University development team, the treatise has become a trusted resource for major gift officers and planned giving teams, as well as legal and tax advisors, across the nation. The updated version of *Tax Aspects of Charitable Giving* includes new chapters on private foundations, supporting organizations and donor-advised funds. ■

■ COMPREHENSIVE SOLUTIONS FOR PRIVATE FOUNDATIONS

Private foundations can be powerful tools for achieving family philanthropic goals. But foundations are also subject to myriad rules and regulations, and without sophisticated, well-coordinated advice, it's easy to commit technical foot faults. Ropes & Gray has developed a comprehensive suite of services for private foundations, aimed at easing the legal and compliance burdens for foundations and helping foundations keep the focus on their philanthropy. Whether a foundation needs sophisticated tax advice, support on governance issues, or creative grant-making strategies, the multidisciplinary Ropes & Gray private foundations team can tailor a customized set of services to meet its needs. The private foundation team includes tax partner **Kendi Ozmon**, private client partners **Martin Hall** and **Cameron Casey**, tax counsel **Carolyn (Morey) Ward**, and private client associate **Geoffrey Mason**. ■

■ IMPACT INVESTING OPPORTUNITIES AT ROPES & GRAY

As part of its longstanding management of assets for fiduciary clients, Ropes & Gray provides an impact investing strategy for clients interested in aligning their trust and foundation investments with their personal values. The approach utilizes both public and private investment opportunities, and a high level of diversification, to achieve market returns and drive impact in areas such as community development, education, health and wellness, financial inclusion, the environment, and sustainable agriculture. Ropes & Gray's chief economist Michelle A. Knight notes, "The impact investing movement has established itself for the long term. These investments fill a much-needed void, especially now that cash-strapped governments can no longer afford to intercede in social issues. In many cases, impact investors can solve complex challenges with greater efficiency than ever before." ■

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