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Dear clients and friends,

Time is money, so the saying goes. And, money has come to equal power. Both of these adages make assumptions about the nature of time and money that need unpacking if we are to make progress in serving social transformation as a financial organization.

First of all, time does not equal money unless you think of time as a commodity with a market-based price. Time is not for sale, nor can it be bought or traded unless it is a marker of something else, such as the labor of a human being. If we want to build a world in which human dignity is central, we have to move away from the concept that labor is for sale. Turning the equation around, all the money in the world can’t buy us another human minute in the day, regardless of what technology comes online. For more on this, I recommend a beautifully alarming article by my colleague John Bloom about artificial intelligence, morality, and the nature of work and how to organize it.

Another axiom of our economic system is the time-value of money: money loses its value over time and is offset by inflation. This factor is one reason to charge interest: to calculate the present-time value of a dollar we will receive in the future. This kind of thinking distracts from the role that money can play here and now, in the present moment, to help solve today’s challenges.

It is hard to argue against the notion that money now equals power. Actually, in an economy in which a combination of special interests and market forces dominate, money is attached to enormous power. The questions are how that power is being used, what intentions money is ‘charged’ with when it is sent out into the world, and, ultimately, what purpose it is serving. If we could rewrite this equation as ‘money equals responsibility,’ what enormous forces of change would be unleashed?

One way we at RSF are helping our community rethink its relationship with money and the power (or, better yet, responsibility) that comes with it is by enabling new legal incorporation forms for social enterprises—forms that favor mission over financial returns and aim to de-couple shareholder power from economic ownership. Recently, we helped realize the transformation of ownership at Organically Grown Company, which you can read more about in this newsletter.

Innovative concepts are needed to effect systemic change. RSF is committed to leading these efforts so that one day, we can all liberate our innate capacity to use money for compassionate action and ends.

Jasper J. van Brakel,  
Chief Executive Officer
A Company’s Groundbreaking Move to New Ownership Structure

by Melinda Cheel | Marketing Director

Natalie Reitman-White’s phone at Organically Grown Company (OGC) has been ringing off the hook for weeks. The calls began right after OGC announced in early July that it had become one of the first companies in the U.S. to be owned by a purpose-driven perpetual trust.

This trailblazing move means that the company can never be sold. The trust’s only mandates are to uphold the OGC mission of advancing organic agriculture in service to healthy people and planet, and to make decisions that ensure the ongoing health of the companies the trust owns.

“Most of the calls in the deluge have been from other organic companies seeking advice about how to maintain their independence,” says Reitman-White, OGC’s vice president of organizational vitality and trade advocacy. “It’s very difficult for these enterprises to obtain the capital and investment they need to grow without losing ownership control or the ability to make their mission a priority.

“Most of us didn’t get into the business because we wanted to make a buck,” she says. “We did it because we wanted to transform the world with healthier products and services.”

OGC’s new ownership form just may transform the organic farming industry, and even extend to other sustainability-focused businesses that work for people and planet as well as profit.

“We think it has the potential to shift the industry,” says Kate Danaher, senior director of integrated capital at RSF Social Finance, financier of the buyout. “What OGC is doing is a beacon of hope for a lot of independently owned, values-driven food businesses that want an alternative to the ‘grow fast and sell’ model they are typically limited to.”

Embracing a progressive vision

Started as a nonprofit in 1978 by a self-proclaimed bunch of hippies, gardeners, and small-scale farmers, OGC has grown into an industry leader in promoting health through organic agriculture.

It is now one of the largest independently run organic produce distributors in the nation. Last year alone, the company moved more than 100 million pounds of fresh fruit and vegetables across the Pacific Northwest.

What OGC is doing is a beacon of hope for a lot of independently owned, values-driven food businesses that want an alternative to the ‘grow fast and sell’ model.”

(CONTINUES ON PG 7)
On Money, Race, and Power

Interview by Deb Nelson
Vice President, Client & Community Engagement

RSF’s Deb Nelson speaks with Deborah Frieze and Konda Mason about investing for justice.

Deborah Frieze
Boston Impact Initiative

Konda Mason
Runway Project Oakland

Deb: I have had the good fortune of working with both of you and would love to hear more about the work that you’re doing to build a more equitable economy. Can you tell us about what you do?

Deborah: I co-founded the Boston Impact Initiative, a place-based impact investing fund focused on closing the racial wealth divide. We work in Eastern Massachusetts, which has one of the highest rates of economic inequality in the country. As I learned from RSF, we are deploying integrated capital—a combination of equity, debt, and grants—to address this problem. Our purpose is to restore the productive capacity of communities of color by putting ownership and control over assets—buildings, land, and the means of production—back into the hands of communities.

Konda: Working with Jessica Norwood, the founder of the Runway Project nationally, I am the co-founder of the Runway Project Oakland. We believe that business ownership creates wealth in communities. At the beginning stages of an entrepreneur’s journey, finding institutional or bank funding is not an option so people are advised to get friends and family money. In the U.S., $60 billion passes hands at that friends and family level yearly.

But the wealth gap is reprehensibly wide in America. Currently, the average wealth of a white family is a hundred and forty-three thousand dollars. The average wealth of a black family is eleven thousand. It’s not that black entrepreneurs have fewer ideas or are less innovative; it’s the economic gap that holds them back from getting their businesses off the ground. The Runway Project is filling the gap for African-American entrepreneurs with very friendly loans, at 4 percent interest rate and interest-only payments for the first 18 to 24 months.

Deb: This kind of work is what will help speed the transition from an economy that’s based on extraction to an economy that’s regenerative and restorative. Can you tell us more about your personal background and what motivated you to think about money and capital in different ways?

Konda: I come from Southern California, from the most amazing family ever—so much love. We had a lot of love capital and not much financial capital. When I was 12, my parents moved to the suburbs and so began my journey towards understanding the racial inequities in America. For the first time, I was exposed to white people with money. I discovered racism. We were one of only four black families in the entire town. That was the beginning of my understanding that the world was different from the fun-loving community I knew in my old neighborhood.
My mother was an activist and always taught us to stand up for those less fortunate. In 1973, I went to the University of California at Berkeley, and my life exploded. I began to understand the world as a political machine and what my role was. I spent my college years as an activist—and I never stopped.

I feel a total responsibility to my community. I feel a responsibility to the planet and to all of us, because nobody is winning. If we don’t acknowledge this, we will all continue to suffer and continue to lose our humanity. It is a lack of humanity that allows us to create a world that’s predicated on racial oppression, gross inequity, and planetary devastation. I hope that we can all wake up to the understanding that all life is so deeply interconnected.

Deborah: Konda, I feel as if you were channeling my great-grandmother, which is where my story originates. My great-grandparents came over as immigrants escaping anti-Semitism in Eastern Europe. My great-grandmother is a legend in the family. She was poor and outspoken, with very strong opinions about our economy and justice. According to family lore, she said, “What happened to us over there, when no one stood up for us, is happening to black folks here. And now, we have to stand up for our humanity.”

On the other side of my legacy is my great-grandfather; he was an entrepreneur. Everything he touched turned to gold. He was creative, inventive, and playful. My father is an entrepreneur, and I, too, became an entrepreneur.

During the dot-com boom and bust, I witnessed people behaving unethically, which challenged my belief that people are fundamentally good. The economic game that our culture has been playing is organized around the belief that we’re self-focused, rugged individualists; that we’re out there competing to win; and that the winners are smarter while the losers are less capable and need our help. Those beliefs have given rise to today’s competitive and selfish economic system.

The belief system I hold recognizes that humans are, by nature, generous, interdependent, and cooperative. The economic system that emerges out of that is the solidarity economy, the regenerative economy, and the local living economy where we turn toward each other.

Konda: People have absolutely bought into the hyper-individualism myth. This idea of a society based on merit makes you feel like if you’re not making it, it’s because you are not trying hard enough. We pretend as if we were all born with the same advantage and it’s just not true.

Deborah: We impact investors tend to get excited about our issue areas—food systems or clean energy. But investing for justice is not just another choice of focus area. In every kind of investment we make, we need to consider who has access to products or services and who benefits from ownership and control.

When our impact investing products continue to build wealth for folks who already have wealth and don’t work to restore productive capacity for low income communities, we are perpetuating economic inequality.

Deb: Konda, I really appreciated what you were saying about how this system is not working for anyone. If you look at it financially, it sure looks like it’s working for some people. But, really, what everybody needs is safety and connection, and our current economic system is not fostering that. None of us can truly be safe or connected when so many people are suffering.

Konda: Right. Those who are seemingly benefiting from this system of gross racial and economic inequity tend to isolate and build literal walls around themselves and their homes to create some so-called version of safety, when the human heart actually longs for connection.

Deb: Can you both share a bit about your personal journey around questioning assumptions about money and aligning your values with your money?

Deborah: It was not a hard decision to move my money out of conventional finance into impact investing. What’s been more challenging has to do with decision-making. Am I willing to give up or to
share power in decisions about where that money goes? That’s the frontier for me. Our partnership with the Boston Ujima Project is an exploration in creating a community-controlled capital fund. Together, we’re exploring what it looks like to shift decisions about capital from the oligarchy into a participatory and democratic process.

Konda: I’ve been connected to the entrepreneurs and communities where capital doesn’t flow and where, in fact, there is a disinvestment of resources. I always thought, isn’t this a no-brainer? You’ve got money, you’ve got a need—meet each other.

I never understood the process and the challenge of deploying money. Now, having a fund and being involved in finance and understanding it, there are many dimensions and a lot of complexity to it based on the way the system is set up.

What prompted me to go deeper is when, as an entrepreneur raising capital, I began to understand how the system is built for those who have the capital to continue to have it. My leading edge right now is to help disrupt the system and create alternatives. The Runway Project is a part of that alternative. In the last nine months, we’ve deployed ten loans to ten amazing African-American entrepreneurs who would not have been capitalized otherwise. I’m really proud of that.

Deb: If you could issue a call-to-action that gets people to think differently, act differently, do things that will help speed this transformation—what would it be?

Konda: I think that there’s basically two sides of life: being and doing. We are great at doing. We need to develop the being side. Create an internal space to understand who do we need to “be” to create the world we really want. Slow down and allow yourself to get in touch with that internal essence. Then you can begin to come face to face with that cognitive dissonance that knows something is terribly wrong. Humans are built to care for each other, to have compassion, and it is painful when we realize we are contributing to others’ pain.

Get involved. Move your money. Money has to move. Have the courage to let go. Open up the hand, open up the heart, and let it flow. Get connected to life. We need to move from the “me” economy to the “we” economy. None of us is winning until all of us are winning; that is just the interconnected nature of reality, as Dr. King so beautifully said.

Deborah: I couldn’t have said it better than Konda. I’ll just add in terms of the external side. One thing we can do is look at our portfolios, even where we hold our savings and mortgages. Look on the leadership team page. If you find that everywhere you look, the team is all white, you might want to make some different choices.

Know what you own and know that you have an abundance of choices. Your advisors may tell you that there aren’t options out there, but they’re wrong. There are funds led by Black and Latino entrepreneurs. You can move your money to local Community Development Financial Institutions (CDFIs), and you can move your money into credit unions (such as Self-Help Credit Union) and local banks.

Instead of racial justice being another sector that you choose to invest in, it can be a lens that accompanies you in every choice you make about the direction of your capital, both philanthropic and investment.

Deb: You both are collaborating, innovating in some pretty extraordinary ways. Is there anything that you’d like to share about what you’ve learned from collaborating?

Deborah: Doing this work, you all fall in love with each other. This is work that comes from love and comes from trust, and Konda is my sister. I want to go wherever she’s leading. We need each other in ways that are so profound. I don’t know of any way to do this as just a business partner—that’s not the place this collaboration arises from.

Konda: Thank you, Deborah, I feel the same way. As we collaborate, it is love. We have to be able to say that word. We have to be able to say that word in connection with business and finance, and we also need to talk about money and race.

People don’t want to talk about race or love. Only in little groups will we talk about money. We need to come out. We all need to come out of the love closet, the race closet, and the money closet. Come out of those closets and come together honestly and authentically. It is not about shame or blame. It is about our humanity and this beautiful earth that we are sharing with other species. We’re sharing information and resources, and we’re sharing our hearts, and it’s a beautiful thing.
Along the way, OGC morphed from a nonprofit into a grower’s co-op. In 2008 it adopted a hybrid model, becoming an S Corporation with employee stock ownership plan (ESOP) governance.

The company has been particularly progressive in partnering with its farmers and developing long-term solutions. When a number of local organic berry farmers were struggling to get time at big packaging houses, for example, OGC created its own infrastructure to help the farmers pack their produce and get it to market. When Pacific Northwest farmers suffered financially because of their short growing season, OGC helped them grow and market a new crop, the winter-hardy purple sprouting broccoli.

The company is also committed to corporate social and environmental responsibility. OGC obtains all the energy it uses from renewable sources or offsets it with renewable energy credits. Only four percent of the waste it generates goes into landfill—no small feat for a food company. OGC works to find homes for unsellable produce through connections to food processors, food banks, livestock farmers, and even animals at the Oregon Zoo. Bike delivery service B-Line, an OGC partner, delivers produce in Portland by cargo trikes—a notable 301 tons in 2017. OGC takes good care of its 230 employees, too, by offering health insurance, 401(k) plans, and, until the recent transition to the perpetual trust, an ESOP. (Under the trust, employees are eligible for profit sharing.)

Striving to preserve independence

As OGC neared its 40th anniversary, however, the company was at a crossroads. Many founders were contemplating retirement and wanted to cash out their stock. But the company wasn’t sure how it could service its retirement commitments while remaining true to its original mission.

“Unless we found an alternative, we were going to be on a treadmill of buying out stock and creating liquidity, and using our profits for that instead of reinvesting in our suppliers, our workers, and our community,” says Reitman-White.

OGC’s leaders had watched similar companies navigate this territory by taking on equity investors or selling out to corporations like General Mills or private equity firms—and sacrificing their ideals in the process.

And the company was vulnerable. The Employee Retirement Income Security Act (ERISA) governs it as an ESOP, and federal law required it to maximize stock value and retirement plan assets. If somebody tried to buy the company out in a deal that would maximize retirement plan assets (that is, share value), OGC would be required to accept the offer, regardless of other anticipated impacts on the business or employees. OGC adamantly wanted to stay independent.

To figure out what to do, the company enlisted the law firm Stoel Rives, which has one of the
Kim Coburn is closely familiar with the coffee world. Now with Equal Exchange, she previously worked as a fundraiser for the financier, Root Capital, where she managed relationships with investors and donors and led trips to coffee origins. Before that, Coburn managed relationships with donors to support improving the livelihoods of smallholder farmers on behalf of Fair Trade USA.

At Equal Exchange, we are committed to building a more equitable, democratic, and sustainable world through the aggregation and distribution of Fair Trade organic coffee, chocolate, and other products. We are a worker-owned cooperative that recognizes the interconnected nature of our position and the role we can play in ensuring that our farmer cooperative partners are treated with respect and fair prices and thrive in supporting their local economies.

The way we work with our community of cooperative farmers is multifaceted, going beyond just a purchase order for their products. We take a more holistic approach, exploring ways to support rural livelihoods and nurture agricultural lands.

In 2016, we began working with RSF Social Finance on a new initiative, the Fair Trade Capital Collaborative, to address one of the largest challenges within the coffee supply chain: la roya or coffee leaf rust. La roya is a fungus, the spread of which has been accelerated by climate change, and it has swept through Central and South America, decimating harvests. The Collaborative supports four of our coffee cooperatives, by offering a combination of loans and technical assistance grants. The combination of different forms of capital is really exciting. So often, loans are given in isolation of technical assistance; however, we know that when they go hand-in-hand, the outcome is much more successful. The loans helped with renovation projects and
the grants provided the training and guidance needed to support more regenerative agricultural practices.

Early last year, we once again connected with RSF about the options available for our own corporate giving. We decided to open a Donor Advised Fund (DAF) as a way of streamlining our granting activities and to open up opportunities for more collaborative giving with RSF. Most of the DAF money comes from our annual proceeds, but also from our community. We are often asked by customers if they may donate money to us, but we have turned them down in the past, because of our for-profit status. With the DAF, we now welcome the contributions that help to support our broader mission.

Last year, we also began exploring a participatory approach to strategic planning with our coffee cooperatives. Along with our implementing partner, Root Capital, we brought six cooperatives together in Chiapas, Mexico. Our aim was to find ways where Equal Exchange could provide small grants over a year to support their planning and development as a cooperative.

Each co-op worked over the course of two days to self-identify strengths and weaknesses, areas for growth, and resource needs. This approach enabled the cooperatives to first discuss their perspectives, and then engage in a meaningful discussion with the other cooperatives to present their learnings. It was powerful to witness. While the six co-ops in the room were at drastically different stages, many had asked the same questions, faced similar barriers, and had tried to implement similar initiatives. And yet, they had each come up with a different path forward.

Typically, a technical assistance provider completes diagnostics on a farmer’s cooperative, an assessment of different capacities, including production, organizational, and financial. Then, the co-op waits to hear the results and what funding might be available to support their needs. In bringing the cooperatives together and allowing them to complete self-diagnostics while getting real-time feedback from funders and peers, they were able to refine their plans and proposals for funding. It was refreshing to see co-ops pitching us on their unique projects. There is definitely a need for this kind of larger-scale technical assistance project.

“"The combination of different forms of capital is really exciting. So often, loans are given in isolation of technical assistance; however, we know that when they go hand-in-hand, the outcome is much more successful.”"
In the past couple of years, the majority of technical assistance available for coffee producers has been focused on mitigating la roya—which, while critical, hasn’t addressed the needs beyond the health of their crops. The grants we were able to provide through our DAF at RSF helped not only address la roya, but also other areas, including leadership development and engaging youth and women in farming and community-building work. To date, we’ve granted $146,000 to support various initiatives that advance the resilience and vitality of these cooperatives, and build the rural economies and communities around them. Along with the other ways we partner with RSF, the DAF has allowed us to channel funding to our supply chain in a customized and integrated way.

The DAF work will continue throughout 2018 and beyond, as we hope to keep innovating with our producer partners. In keeping with RSF and Equal Exchange’s shared vision for participatory approaches to allocating resources, it is imperative we work to support the cooperatives to realize the best path forward. We look forward to sharing exciting project updates with you as they emerge.

FAIR TRADE CAPITAL COLLABORATIVE

The Fair Trade Capital Collaborative at RSF is a philanthropic initiative that supports the development of high-integrity supply chains abiding by fair trade and organic principles.

Gifts made to this collaborative allow us to use an integrated capital approach—the coordinated use of different forms of financial and human capital—to best support the creation of jobs, improved working conditions, positive environmental impact, and growing local economies.

Learn more: rsfsocialfinance.org/fair-trade
Support the Social Enterprise Movement with a Social Investment Fund Note

We are experiencing unprecedented interest in our loans from social enterprises doing incredible work supporting sustainable food & agriculture, education & the arts, and ecological stewardship. By opening a Social Investment Fund* account, you’ll help provide loans while earning a return. $1,000 minimum. Current interest rate is 1.00% annualized.

Key benefits include:

Community: Join a community of nearly 1,700 values-driven investors. Discuss and make recommendations on the current interest rates with other community members.

Transparency: Know the people and projects your money is supporting.

Liquidity: A 90-day note allows you to redeem your funds at the end of every quarter.

Track Record: Since our start in 1984, we have had a 100% repayment rate to investors (principal + interest).

Learn more: rsfsocialfinance.org/invest

*RSF Social Investment Fund, Inc., a 501(c)(3) nonprofit (the “Fund”), offers the Social Investment Fund Note. The Note is subject to certain risks and is not FDIC or SIPC insured. Any decision to invest in the Note should only be made after reading the Fund Prospectus. The Fund is not currently authorized to offer or sell in certain U.S. states or Canada.
INTRODUCING OUR 2018-2019 FELLOWS

RSF’s Integrated Capital Institute prepares financial practitioners to activate the positive potential of capital. Fellows learn alongside a group of experts in the field who are leveraging capital with an integrated and strategic approach to create lasting, positive change. Below is a list of the new cohort of Fellows.

Daniel Change, Social Entrepreneur and Sustainable Development Advocate
Wendy Cooper, Tides Canada
Juan Pablo De Tavira, Iberoamericana University in Puebla, Mexico
Tory Dietel Hopps, Dietel and Partners
Mandy Ellerton, Bush Foundation
Kristi Fairholm Mader, Scale Collaborative
Kathryn Gilje, Ceres Trust
Travis Green, LOCUS Impact Investing
Amy Gudgeon, Studio Watershed
Alex Haber, RSF Social Finance
Derek Hansen, Brightfire Impact
Nikisha Iyengar, The Guild
Sarah Kelley, Island Foundation
David LeZaks, Delta Institute
Roger Milliken, Baskahegan Company
Aisha Nyandoro, Springboard To Opportunities
Marcus Owens, African American Leadership Forum (AALF)
Sofia Robledo Rower, Threshold Foundation
Janice St. Onge, Flexible Capital Fund, L3C
Meredith Storton, RSF Social Finance
Dominique Tan, Unical Aviation, Inc.
Stefanie Thomas, Impact America Fund
Manuel Vega, Compañía Valuadora de Activos Financieros (COVAF)
Stephanie Wong, Movement Strategy Center