

**Terms of the Trade****SRI (Socially Responsible Investing):**

a values-based investment strategy

Social Entrepreneur:

a person who uses a business approach to create and manage enterprises dedicated to social causes

Triple-Bottom-Line

Accounting: an expansion of the traditional financial-reporting framework that incorporates environmental and social performance

Patient Capital:

values-driven investment funds that will stay in a privately held company long enough to support its growth

Venture Philanthropist

Woody Tasch's network of investors looks for businesses that can better the world. The group puts capital into community-development, energy, organic food, and health-care sectors to bolster an "alternative" economy that cares. / By Arnie Cooper / Illustration by Suki Swafford

WHAT HAPPENS WHEN A CHILD OF THE '60s encounters the world of finance? He ends up like Woody Tasch, the chairman and CEO of Investor's Circle, who has more on his mind than offering his members a high rate of return.

If you think every venture capitalist these days is focused solely on making money, hold on. Tasch is one of a growing number of social entrepreneurs who view business as an agent for social change, and his Investor's Circle (IC) is a network of investors with kindred views. The 55-year-old venture capitalist and, yes, poet wants to transform capitalism by reformulating the way investors, shareholders, and CEOs measure success. An advocate of "triple-bottom-line" accounting, Tasch believes that environmental sustainability and social justice should be factored in with financial results.

"It's a different kind of value creation," he says. "You can think of it as grass-roots; you can think of it as very conservative or as very liberal. But I think any prudent person who sees the stresses and strains on the global system today will view this type of investing as a kind of safety net and alternative."

Tasch, who grew up in Merrick, Long Island, got his first exposure to class issues at his father's small manufacturing company in New York's Garment District. And though Tasch became an English major (and poetry-prize recipient) at Amherst College, his life path took an unexpected turn upon graduation.

"I kind of faced the end of my formal education and looked out at the world and thought: The world doesn't need another literary masterpiece, even if I were lucky enough to be able to create one." So, instead of holing up in a dusty attic, pen in hand, Tasch decided to focus on "doing" rather than writing. After a brief stint teaching English, he embarked on what he calls his "three-part non-MBA."

This included writing case studies on food policy, managing a start-up company, Health Data International, and working as treasurer for Jesse Smith Noyes' Foundation, an environmental grant maker that integrates philanthropy and asset management.

Tasch never abandoned his social-justice roots. In the mid-'70s, he came across E.F. Schumacher's book *Small Is Beautiful*, which attempts to inject economics

with a dose of humanitarianism and ethics. Says Tasch, "That made sense to me. It was almost like business was too important to leave to businessmen or financing to the financiers." ►

Tasch, a 55-year-old entrepreneur and, yes, poet, wants to transform the way investors, shareholders, and CEOs measure success.



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Fast-forward to the late '80s. A small group of wealthy individuals and early social entrepreneurs such as Gary Hirshberg of Stonyfield Farms and Anita Roddick of The Body Shop got together to start a new kind of venture fund. At the time, they belonged to the Social Venture Network, a group of for- and nonprofit entrepreneurs and a few investors pursuing a progressive business agenda. In 1991, they decided to form their own organization, which became Investor's Circle (Tasch, a member since 1992, took the reins in 1999).

What started out as a network of high-net-worth angel investors has evolved into a network, fund, and foundation all rolled into one. These days, Investor's Circle is still primarily populated by angels, but a third of the members are institutional members, including small venture-capital funds as well as foundations and financial institutions interested in socially conscious investing.

One such institutional investor, John Biebel, who joined Investor's Circle in 2001, began attending socially responsible investing (SRI) conferences after one of his clients expressed an interest. Investor's Circle was his favorite SRI group. "It was so intimate, and the quality of the thinking was really, really energizing," he says. Although Biebel's wealth-management firm has its share of mainstream clients, he's become the go-to guy for individuals interested in triple-bottom-line accounting. "IC is very idealistic and cutting-edge in what it's trying to do, but it's also raising money for companies that are doing things for tomorrow as opposed to for 10 years from now," Biebel says.

The tricky part is that SRI can mean different things to different people. Pam Kossian, a vice president and portfolio manager at T. Rowe Price, says there isn't one way to define it. "One person's idea of sustainability may be very different from another's, and certainly one's idea of social justice could be opposite someone else's," she says. And a company's prospects must be assessed. "If you just choose companies that strike you as doing something beneficial, you could end up with a poor-performing investment portfolio," Kossian says. ►

Kathy Odell, the CEO of Inogen, a maker of oxygen-therapy devices, agrees. She says investors must be diligent in applying criteria to a given business. That voice that urges, "Oh, but it's a really good thing," may lead you to put money in the wrong place, she says.

Biebel says the primary thing is to address investors' fears. "You have to assure people that there's a range of opportunities, and they can be in control over whether or not they want to give up returns," he says.

A 2002 study with Harvard Business School and McKinsey & Co. found that Investor's Circle did manage to generate gains between 5 percent and 14 percent for investors. And since 1992, Investor's Circle has moved \$107 million into 170 early stage companies spanning the energy, organic food, community-development, and health-care sectors.

That's just a drop in the bucket compared with the hundreds of billions of dollars that go to traditional enterprises, but this smaller scale is precisely

what Tasch believes the financial world should pursue. "It seems intuitively clear to me that the 20th century was about speeding up and scaling up," he says. "The 21st century will almost certainly have to be about slowing down, breaking things into smaller units, and going local."

Nothing illustrates this better than Tasch's commitment to "slow money," a term he coined several years back. Borrowing from the slow-food movement's playbook, which highlights community, localism, and a return to a slower-paced life, Tasch's slow-money project began two years ago with a grant from the W.K. Kellogg Foundation.

The idea is to support local, niche, sustainable-food enterprises that are popping up everywhere, thanks to the explosive growth of the organic food industry. The big challenge here, according to Tasch: It's basically impossible to get a competitive rate of return investing in small organic farms or local restaurants that are sourcing their food locally.

That didn't stop Tod Murphy, the founder of the Farmer's Diner, from pursuing his dream of creating an affordable restaurant that uses local ingredients and exemplifies the interconnectedness of farmers, producers, and consumers.

After selling his start-up coffee company, Murphy left New York in 1997 to become a farmer in Vermont. Two years later, the idea of a farmer's diner popped into his head. But finding the necessary financing was a struggle. Then, in 2000, just as he was ready to give up, he was contacted by an Investor's Circle member. After describing his idea at an IC conference, Murphy got the financing he needed.

All of this raises the question: Why not just focus on philanthropy? Suzanne Biegel, an Investor's Circle member, says it's simply not sustainable. "A lot of philanthropy and charitable giving goes toward trying to plug holes in a broken system rather than solving root causes," she says. "I think if you have an entrepreneur who can create the next technology that uses energy in a smarter way, saves water, makes a healthier product for somebody, then you don't have to spend it on the other end."

Each story is different, but the overall process is the same. Entrepreneurs ▶



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Buy a home	Earn 3,000 mi. for ea. \$10,000	75,000
Finance a home	Earn 1,300 mi. for ea. \$10,000	32,500
Refinance a home	Earn 1,300 mi. for ea. \$10,000	32,500
Home Equity Loan	Earn 1,300 mi. for ea. \$10,000	3,900
Van line services	Earn 1,000 mi. for ea. \$1,000	10,000
Multiple services bonus	Earn a total of 5,000 bonus mi.	5,000
Premier member bonus	Earn up to a total of 5,000 bonus mi.	5,000
Real Estate Bonus	Earn 10,000 mi. per transaction	20,000
Home Warranty	2,000 mi. per new contract	2,000
Total Miles		260,900*

*Based on buy, sell, finance and refinance amount of \$250,000, home equity amount of \$30,000 and van line amount of \$10,000.











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apply to post their companies' profiles on the Investor's Circle Web site. If accepted, a company profile gets posted for review. Circle members then may choose to have the company make a presentation at one of two "venture fairs" the organization holds each year in Boston and San Francisco.

Normally, 20 to 30 companies pitch ideas for about 10 minutes to what is now about 130 people. And, yes, the group actually sits in a circle—a few concentric circles, to be precise—and has moderators in what Tasch describes as a "very collaborative, open-source-type discussion." Ultimately, self-organized teams are created to pursue the details. Investments range from very small, an individual investment of \$25,000, up to the largest, \$5 million. Pocket change? Perhaps, in the world of traditional venture capitalism.

And, in fact, Tasch freely admits the odds are against him. Creating an alternative economy that blends wealth creation and social activism seems like something only, well, a poet might dream of. Yet Tasch remains optimistic.

"Despite the complexity, we keep moving forward," he says. "We have more members, we have a very steady and exciting stream of entrepreneurs, and some of the major foundations are starting to look at this in new ways. Twenty-five years from now, there will be no SRI, because investment will be envisioned in a totally different way." ▀

Arnie Cooper, based in Santa Barbara, California, covers food, technology, culture, and the environment for a variety of publications.

JUNE CROSSWORD ANSWERS

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