Finance for Transition

Building a just and environmentally sound economy

Marco Vangelisti

*Essential Knowledge for Transition*
Content

- The very big picture view
- My personal journey to Slow Money
- “Business as usual” investing no longer an option - problems with current system
- The four new trends reshaping investing
- What can you do?
The Main System

Biosphere / Ecosystem

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The Main System

Biosphere / Ecosystem

Homo “sapiens”
System Hierarchy

Biosphere / Ecosystem

Social System

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Social System

- Law
- Religion
- Politics
- Science
- Culture
- Economy
- Education
- Art
- Public Health

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System Hierarchy

Biosphere / Ecosystem

Social System

Economic System

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Economic System

- Manufacturing
- Distribution
- Food Production
- Means of Production
- Labor
- Financial System

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System Hierarchy

Biosphere / Ecosystem

Social System

Economic System

Financial System

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System Hierarchy Violations

- Industrial growth model
- Corporate “personhood”
- Global GDP $60 T vs. derivatives $1,200 T
- Job outsourcing

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System Hierarchy Compliance (attempts)

- Triple bottom line
- UN principles for responsible investment
- Mondragon Cooperative
- Slow Money

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System Hierarchy Compliance (attempts)

“I ask you to ensure that humanity is served by wealth and not ruled by it.”

Pope Francis letter to attendees of the 2013 World Economic Forum in Davos, Switzerland
My Personal Journey from Conventional Finance to Regenerative Investing
From Math to the Real World?

Efficient Frontier

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The Real World

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A Tree Viewed Through the Lens of Finance

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What you Need to Know About Money and Banking in 3 Minutes

- All money is created as debt
- No money is created to repay the interests on the debt
- The private banking sector has the monopoly on money creation
- Money is an agreed upon fiction
The Virtual and the Real

• $70 trillions - Global GDP
• $212 trillions - Global financial stock (debt and equity)
• $212 trillions - Notional value derivatives (US Banks)
• $1,200 trillions - Estimate global notional value derivatives
The Terrifying Carbon Math!

- 2 degrees Celsius
- 500 GT of carbon
- 2800 GT of carbon

Source: http://www.informationisbeautiful.net/visualizations/how-many-gigatons-of-co2/
The Virtual and the Real

<table>
<thead>
<tr>
<th>Company</th>
<th>Stock price</th>
<th>Market Cap</th>
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</thead>
<tbody>
<tr>
<td>Exxon Mobile</td>
<td>$ 92</td>
<td>$ 409 billions</td>
</tr>
<tr>
<td>Chevron Corp.</td>
<td>$ 125</td>
<td>$ 242 billions</td>
</tr>
<tr>
<td>Royal Dutch Shell</td>
<td>$70</td>
<td>$ 222 billions</td>
</tr>
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<td>PetroChina</td>
<td>$119</td>
<td>$ 218 billions</td>
</tr>
<tr>
<td>British Petroleum</td>
<td>$ 41</td>
<td>$ 130 billions</td>
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<tr>
<td>Total</td>
<td>$51</td>
<td>$ 115 billions</td>
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</table>

Source: NYSE 5/29/2013
Mainstream Finance is Starting to Pay Attention

- Bloomberg LP Launches First Tool That Measures Risk of 'Unburnable Carbon' Assets
Foundations are Starting to Divest

- Foundations Band Together to Get Rid of Fossil-Fuel Investments (NYT January 29, 2014)

divestinvest.org/philanthropy
Natural Capital at Risk

*The top 100 externalities of business*

- April 2013 study by The Economics of Ecosystems and Biodiversity (UN) conducted by TruCost

- measuring unpriced natural capital:
  - Water use
  - Land use
  - Waste
  - Land and Air pollution
  - Green house Gas (GHG) emission
Natural Capital at Risk

The 6 externalities

Source: The Economics of Ecosystems and Biodiversity (UN)

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**Natural Capital at Risk**

*The top 5 region-sectors by impact*

<table>
<thead>
<tr>
<th>RANK</th>
<th>IMPACT</th>
<th>SECTOR</th>
<th>REGION</th>
<th>NATURAL CAPITAL COST, $BN</th>
<th>REVENUE, $BN</th>
<th>IMPACT RATIO</th>
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<td>GHG</td>
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<td>3</td>
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<td>IRON AND STEEL MILLS</td>
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<td>4</td>
<td>WATER</td>
<td>WHEAT FARMING</td>
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<td>NORTHERN AMERICA</td>
<td>201.0</td>
<td>246.7</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: The Economics of Ecosystems and Biodiversity (UN)
### 7.1.2 THE GLOBAL 20 REGION-SECTORS

Source: The Economics of Ecosystems and Biodiversity (UN)

Ranking of the 20 region-sectors with the greatest total impact across the 6 EKPIs when measured in monetary terms.

<table>
<thead>
<tr>
<th>RANK</th>
<th>SECTOR</th>
<th>REGION</th>
<th>NATURAL CAPITAL COST, US$ BN</th>
<th>REVENUE, US$ BN</th>
<th>IMPACT RATIO</th>
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<tr>
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<td>COAL POWER GENERATION</td>
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<td>1.3</td>
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<td>SOUTHERN ASIA</td>
<td>266.6</td>
<td>31.8</td>
<td>8.4</td>
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<td>5</td>
<td>RICE FARMING</td>
<td>SOUTHERN ASIA</td>
<td>235.6</td>
<td>65.8</td>
<td>3.6</td>
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<tr>
<td>6</td>
<td>IRON AND STEEL MILLS</td>
<td>EASTERN ASIA</td>
<td>225.6</td>
<td>604.7</td>
<td>0.4</td>
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<tr>
<td>7</td>
<td>CATTLE RANCHING AND FARMING</td>
<td>SOUTHERN ASIA</td>
<td>163.0</td>
<td>174.0</td>
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<td>8</td>
<td>CEMENT MANUFACTURING</td>
<td>EASTERN ASIA</td>
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<td>7.9</td>
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<td>13</td>
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<td>GLOBAL</td>
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<td>16</td>
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<td>17</td>
<td>WATER SUPPLY</td>
<td>NORTHERN AFRICA</td>
<td>76.4</td>
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<td>18</td>
<td>SUGARCANE</td>
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<td>75.6</td>
<td>6.0</td>
<td>12.5</td>
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<tr>
<td>19</td>
<td>PETROLEUM AND NATURAL GAS EXTRACTION (excludes water and land use)</td>
<td>EASTERN EUROPE</td>
<td>72.6</td>
<td>371.6</td>
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<tr>
<td>20</td>
<td>NATURAL GAS POWER GENERATION</td>
<td>NORTHERN AMERICA</td>
<td>69.4</td>
<td>122.7</td>
<td>1.0</td>
</tr>
</tbody>
</table>
Wasteful Transformation

*From natural capital to financial capital (2009)*

- The 20 top impact region-sectors used $3.2T of natural capital to generate $2.4T of revenues
- None of them was profitable if they accounted for their use of natural capital
- The top 1000 region-sectors used unpriced natural capital worth $7.3T
Today’s Investments Build Tomorrow’s World

"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."

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When the speed of Light Matters

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Stock Trading Is About to Get 5.2 Milliseconds Faster

Source: Bloomberg Business Week - March 29, 2012
Problems with the Current Financial System

- Financial returns and ecological limits
- Liquidity, trading frequency and financial instability
- More than 60% of trades on the NYSE is from high-frequency trading
- The $1,200T bubble
What World are your Investments Creating?

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A Confession
My Investment Compass

Transactions

Relationships

Biophilia

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Let’s Invest as if Life Mattered

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What Way Forward?
Localize and democratize

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“We Must Bring Money Down to Earth”
- Slow Money Principle 1

- Investing in real places, in people and enterprises close to home, starting with food.
- Investing patiently, with a goal of building healthy enterprises, communities and ecosystems over the long term.
- Measuring success by the world we create around us and the health of our soil, not just by the profit we make.
- Fixing our economy from the ground up.

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Slow Money North Carolina: Chatham Market

Well established co-op grocery store with commitment to local sourcing

Investment: $400,000 from 16 individuals

“Slow Money North Carolina has done dozens of small loans to small food enterprises, but this deal gave us a chance to do something of larger scale. What fun: taking out a bank loan at 10% and replacing it with loans at 3% from a bunch of community members! This is the future we want to see.”

Carol Hewitt

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Action on the Ground

- Slow Money Northern California: Capay Valley Farm
- Direct local food delivery
- Investment: $82,000

“Slow Money connected us with a network of investors who understand the importance and opportunity of supporting community-based business models to create thriving local food systems.”

Thomas Nelson

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Action on the Ground

- Slow Money Maine: No Small Potatoes Investment Club
- $5,000 each, 20 members
- Every member takes part in each investment decision
- Committed Capital: $100,000

“I have a typical Wall Street investment portfolio with companies whose activities often run counter to my values. Through Slow Money I am trying to change that. I am putting money into people and places that I know. It's called putting your money where your mouth is.”

Eleanor Kinney
The Opportunity at the Confluence of 4 New Trends

Social Enterprise Movement

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The Opportunity at the Confluence of 4 New Trends

- Impact Investing
- Social Enterprise Movement

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Impact Investing

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JOBS Act and Crowdfunding

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- Social Enterprise Movement
- Impact Investing
- JOBS Act and Crowdfunding
- Local-First Movement

Sustainable Healthy Communities

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What Can the Person in your Seat do?

- Move your money
- Join a local CSA
- Prepay your favorite food purveyor through Credibles
- Join a local Slow Money group
- Park some money with RSF SIF
- Explore currently available platforms
Platforms - Prepay

If you eat, you’re an investor.

Fund your favorite food business by pre-paying.

Do you like a particular food business? Does it need money to keep going and ramp up? Here’s where you come in:

Seed
Credibles are edible credits that you buy like a gift card.

Grow
The business uses your prepaid money to grow and produce the food.

Harvest
Use your Credibles as payment for future purchases or as gifts.
DPO Market Place

The Direct Public Offering marketplace connecting investors with social enterprises.

Curious how direct public offerings work?
Learn More

Browse Direct Public Offerings

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Currently Available DPOs

Arroyo Food Coop
Is Hosting a Direct Public Offering

A HOMEGROWN COMMUNITY MARKET

Pasadena, California

Retail, Grocery Store, Local Economies, Coop

“The Arroyo Food Cooperative will empower our community with practical product choices, thoughtful education/social opportunities and substantial entrepreneurship encouragement.”

Learn more

market

Finance

works Home Services

Quimper Mercantile Co.

General Store, Retail

Any is an innovative store committed to creating impact by providing an experience.”

“arroyo

FOOD

co-op

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Kiva Zip

Become a Trustee

Part of the Kiva Zip Community

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Platforms – Real Estate

Invest in Your City
Fundrise democratizes investment in local real estate and businesses.

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Marco Vangelisti
Essential Knowledge for Transition

Website: ek4t.com

Contact: ek4t.com/about/contact/

FB: www.facebook.com/EssentialKnowledge4Transition

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Additional Material: LOCAL INVESTING
Tools and Current Models
Ways to Re-localize Investments

**Institutional route**

- Move your Money campaign
- Specialty CDs (e.g. Equal Exchange)
- Farmer reserve fund (Slow Money NorthWest)
- Coops investments
- Grassroot loan funds
- Slow Munis
Specialty CDs

Equal Exchange

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Farmers Reserve Fund

Slow Money Northwest

Credit Union → Risk → Reduced

Tech Assistance Program

VIVA FARMS

SLOW MONEY NORTHWEST → SROI → Leveraged Donation

Impact Investor or Foundation

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Grassroots Loan Funds

Economic and Community Development Institute

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FarmWorks Fund

FarmWorks Investment Co-operative Limited has established a Community Economic Development Investment Fund that will provide equity and subordinated debt financing for farms, farm-based secondary processing, and value-added food products.
Slow Munis
Colorado Local Food Shift Initiative
Ways to Re-localize Investments

Community Route

• CSA and other pre-paying programs (Credibles)
• LION private community offering (State private offering registration)
• Investment clubs

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Ways to Re-localize Investments

*Personal Route*

- Self-directed IRA
- P2P lending – (e.g. superconnector model)
- Crowdfunding platforms
  - Donations
  - Prepayment
  - Lending
  - Other investments
Platforms - Donations

- Kickstarter
- Indiegogo
- Start Some Good

startsomedgood.com
Platforms - Prepay

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Credibles are edible credits that you buy like a gift card.

Grow
The business uses your prepaid money to grow and produce the food.

Harvest
Use your Credibles as payment for future purchases or as gifts.
Platforms - Lending

- Lending to “friends and family”
  - Lendfriend.com
  - Loanback.com
  - LendingKarma.com
- Lending to others
  - Kiva Zip zip.kiva.org
  - CommunitySourcedCapital.com
  - Prosper.com
  - LendingClub.com
Kiva Zip

Become a Trustee

Part of the Kiva Zip Community

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Community Sourced Capital

Check out our financial system for small business lending (click the little blue Squares to read more)
Platforms – Real Estate

In 2013, Fundrise was created to democratize investment in local real estate and businesses.

Invest in Your City
Fundrise democratizes investment in local real estate and businesses.

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