

*The Wall Street Journal*, January 28, 2000



William Fulbright Foote

### **Sen. Fulbright's Kin Does Well By Doing Good in Latin Climes**

By JOEL MILLMAN  
Staff Reporter of THE WALL STREET JOURNAL

JALTENANGO, Mexico -- A sunlit courtyard serves as an impromptu classroom for a visiting investment banker, possibly the first ever to come to this dusty market town in these coffee highlands.

But what's new here is getting to be routine for William Fulbright Foote, who this year will log thousands of miles by air and four-wheel drive in pursuit of a deal.

Today, negotiations begin with a rudimentary lesson in international finance for about two dozen Mayan peasants. As Mr. Foote welcomes his audience, an assistant scribbles on a white surface behind a makeshift podium. He writes, in Spanish, just two words: "assets" and "liabilities."

"Happy new millennium," the 31-year-old banker says, as peasants smile weakly and take their seats. "I hope your next thousand years are better than the last."

They may be, especially if the peasants qualify to participate in a complicated three-way financing deal Mr. Foote has come to sell. His pitch: U.S. investors will put up enough cash to finance a coffee cooperative's six-month harvest cycle if the farmers can make monthly payments. Then, after their harvest is in, he will flip the principal to the Southern Hemisphere, to finance another harvest in Peru. That way, Mr. Foote's assets will be working all year. It's no small consideration to his investors even if the money involved is. The total he expects to lend here: \$100,000.

Mr. Foote wasn't always so micro. As a member of Lehman Brothers Inc.'s Latin American banking team in the mid-1990s, he worked on some of the region's biggest financial deals. Rubbing shoulders with executives of Mexico's Federal Electricity Commission and the country's leading construction companies, the grandson of the late Arkansas Sen. J. William Fulbright enjoyed the perks of the elite -- from first-class air travel to deal-closing banquets in fine hotels.

Today, he has fled the beaten path for the jungle, working with environmentalists such as Washington's Conservation International to identify ecofriendly businesses in need of capital. Mr. Foote's fund,

EcoLogic Enterprise Ventures Inc. was started last summer and now has about \$450,000 under management. It is the lending arm of Ecologic Development Fund, in Cambridge, Mass. A niche player in a niche industry, Mr. Foote seeks toeholds wherever he can connect peasant enterprises in Central America or Mexico to socially responsible U.S. investors.

Although the pool of potential borrowers is enormous, the amount of "green" funding available globally is minuscule. Altogether, the funds in EEV's asset class may have just under \$100 million under management, estimates Tammy Newmark, a pioneer in green finance whose Costa Rican Fondo EcoEmpresas SA is considered a big player. She hopes one day to manage \$10 million.

For Mr. Foote, being small means being frugal, so EEV's sole manager roughs it on the road. Instead of at the Ritz, he is likely to doze in a hammock or, here in the state of Chiapas at the La Esperanza, a cold-water boardinghouse where a bed goes for \$6 a night.

Mr. Foote looks for investors among church groups like the Sisters of Mercy of Detroit and nonprofit foundations like Calvert Community Investments of Bethesda, Md. They are looking to serve the hemisphere's humblest borrowers, but they don't want their money wasted. So due diligence down here means kicking some tires. Before closing this deal, Mr. Foote will visit the warehouse that has agreed to receive the coffee and secure guarantees from end-users such as Vermont's Green Mountain Trading Co.

Like many other market-driven development schemes in these parts, this one is a long way from success. But Mr. Foote is trying. The Harvard Business School dropout, who still lives in Cambridge, left Boston 48 hours ago, traveling through St. Louis, then Mexico City, before catching a regional airline to Tuxtla Gutierrez, a provincial capital about 250 miles north of Mexico's border with Guatemala. Three bone-jarring hours up a mountain road later, he is in Indian territory, meeting coffee growers who have trekked down from mountain hamlets to attend EcoLogic's rustic roadshow.

A corporation is like roadkill, the former Wall Streeter explains to the campesinos. Your costs are like vultures picking away at the meat. Whatever you can save -- even if it's just the bare bones -- is your profit. The hungriest vulture, he adds, is your cost of capital.

"That's the truth," sighs Austreberto Diaz, as other farmers nod in agreement. "After 10 months, I owe two times the amount I borrowed."

Around here, operating capital usually comes from a local moneylender, at usurious interest rates of 10% to 15% a month. The members of Mr. Diaz's cooperative say they often have no choice but to borrow from the same brokers who buy their harvest.

Sometimes they end up paying more in interest than they make selling their beans. Says Mr. Diaz: “Even in the good years, we get s\_\_”

Yet what frustrates Mr. Diaz creates an opportunity for Mr. Foote. His fund likes to lend among small co-ops such as Mr. Diaz's precisely because they have been able to survive under harsh conditions. To EcoLogic, a co-op that manages to pay 15% monthly interest, will jump at the chance to restructure at rates of 15% per year -- even when it must put up collateral.

What's more, such a deal offers EEV an opportunity to do more than just do good. It allows the fund to offer a fixed return to investors. Before expenses, that ought to come to about 12% annually on the money EEV has raised for this deal.

### **'The Holy Grail'**

“Most eco-friendly funds act like classic venture capitalists,” Mr. Foote says. “Their Holy Grail is finding a successful project, and owning a piece of equity.”

In this part of the world, Mr. Foote warns, that can be an invitation to the peasants to take the money and run. A securitized loan works better than an equity stake, he says, because instead of offering money in exchange for a share of future success, it imposes discipline, forcing the borrower to make payments out of operating profit. In places such as Chiapas, where fixed assets are scarce, EEV will lend against the harvest itself, bringing in an end-user, if needed, as a co-guarantor.

“But what if my beans get mixed up in the warehouse with my neighbor's? Will he get my money?” asks Reyes Robledo, a leader of a group called the Indigenous and Ecological Peasants cooperative. No, Mr. Foote explains, the warehouse is paid after you deliver your coffee, and then they pay you.

“We could send you an e-mail,” when the deal closes, suggests Matt Quinlan, an adviser from Conservation International, which has an office nearby.

E-mail? It seems like an insurmountable obstacle to a farmer who barely grasps the concept of stacking his beans with those of other growers.

“You would be willing to receive an e-mail?” Mr. Foote asks softly, waiting patiently as Mr. Robledo considers the notion.

“Well, I never have,” he says. “But I always hoped one day I would.”

Three weeks later, EEV's first loan to the cooperative is approved.