

05/6/2019 – Ohio House Testimony

Good morning. Thank you for having me here.

I'm Fred Brothers. I'm the co-founder and CEO of Fortuity Calling.

Fortuity is a large-scale social enterprise that's located less than a mile from here in Franklinton.

Being a Social Enterprise means different things to different people.

We're a for-profit company.

As a for-profit social enterprise, we have dual missions that we balance every day.

Our business objective is to grow a large, successful customer service outsourcing company that provides high quality service for our corporate clients, and generates a reasonable margin.

Our social mission is to build that business by hiring hundreds of Central Ohio residents living near poverty in Columbus's urban core into good jobs that help them work their way to economic self-sufficiency.

We offer full-time, market-rate jobs with benefits that offer a real advancement path – a path that over time and with hard work enables working poor Ohio residents to work their way out of poverty.

For most of our employees, Fortuity will be the best work opportunity they've had.

We believe creating social good is also good for our business.

We're deliberately located in Columbus's urban core because it enables us to hire people that call centers in our affluent suburbs like Dublin and New Albany can't attract and retain, because the commute to those jobs on public transportation isn't sustainable.

COTA's #10 bus – one of their biggest routes - stops in front of our building every 10 minutes from 5am to midnight.

400,000 Columbus residents who live in low-opportunity neighborhoods can get to our location on 1 bus, with a sustainable commute.

The Ohio Development Services Agency and JobsOhio have both been strong supporters of our project, as have the federal, county and city levels of government.

I'd like to thank each of you for Ohio's strong support. Fortuity would not exist without DSA's and JobsOhio's support.

Thank you.

When we were developing this company, we wanted to form as a Benefit Corp.

One of our biggest challenges in raising the significant capital to buy a building, renovate it, acquire significant technology and launch the business was that no one understood what we were.

Even though our management team has helped to grow one company from \$0 to \$1 billion in revenue, another from a few hundred million to \$2 billion, and a third from \$3 billion to \$10 billion in revenue, people said “why do you have to be so aggressive?”.

“Why can’t you just start slow, bootstrap the company gradually, and max out your credit cards like other people do? Maybe in 5 years you can employ 10 or 20 people.”

Even though our management team has participated in \$27 billion of capital markets transactions, been part of 2 IPOs, 2 unicorn valuations and worked with dozens of growth companies, they couldn’t envision a large-scale company run on business principles that wants to help people.

People from the private sector mostly didn’t understand why we care about a social mission – they thought we should focus on maximizing profit.

Even though the project required significant investment capital, people from the nonprofit sector didn’t understand why we were for-profit, and questioned our motives. They believed if you’re serious about helping people, you have to be a nonprofit.

My co-founder, Katie Robinson, says after our first meeting most of them thought we were crazy.

They expected a benefit corporation - a social enterprise - was a dog walking service or a coffee shop, not a business that leveraged investment capital to create macroeconomic impact.

We worked eventually worked through these enormous misconceptions by telling the story over and over and over again, and never giving up.

But raising \$12 million to move the project forward took 3 years - 3x longer than we expected.

Now I like to say “doing good is a lot harder than just earning a living”.

We were surprised and disappointed to learn that Ohio doesn’t have a Benefit Corp law.

31 states have Benefit Corp laws, but not Ohio. We were surprised to learn that in this respect Ohio lags West Virginia, Arkansas, Tennessee, and many other states.

Having an Ohio Benefit Corp law would have meaningfully simplified explaining what Fortuity is – a for profit company that is economically rational and sustainable – AND creates significant numbers of good jobs for people who need good jobs.

I can't emphasize enough how much harder our path was because social enterprise isn't well understood, and companies can't form as Benefit Corps in Ohio.

I have read the draft legislation, and I applaud it. If this had been law when we formed Fortuity, we would have formed as a Benefit Corp. Without question.

I believe the passage of this law will further the understanding of social enterprise, and help to legitimize that companies can seek to balance profit and social benefit.

The legislation would also provide a corporate structure under which all parties – management, investors, directors – can balance the competing missions of creating profit and creating social benefit.

Social enterprise is a fast-growing sector of our business economy, and an important jobs creator.

But if we relegate it to dog walking services and coffee shops, and not large-scale companies that require real investment capital, we do a huge disservice to Ohio.

Social enterprises tend to focus their job creation efforts on low-opportunity Ohioans that need a hand up and a better work opportunity.

I can't emphasize enough how much this law would have benefitted the difficult and painful journey of forming Fortuity and explaining our dual missions.

I want to mention that we have no vested interest in this legislation passing. Our company is formed, and because of the New Market Tax Credit financing we utilized, we can't change a thing for the next 7 years.

I'm here because passing this legislation is the right thing to do – for Ohio, for Ohio companies, and for Ohio residents who need a better work opportunity.

We sincerely hope you will work proactively to pass this important legislation - soon.

Thank you all very much.