

Oregon Nonprofit Announces New For-Profit Venture *The “Hybridization” of the Nonprofit World*

Early this month, Ecotrust, a Portland nonprofit, announced its new for-profit venture, Point 97.¹ Ecotrust is an environmentally and socially focused nonprofit organization with a mission “to inspire fresh thinking that creates economic opportunity, social equity and environmental wellbeing[with the] goal . . . to foster a natural model of development that creates more resilient communities, economies, and ecosystems here and around the world.”² Its initiatives include, among others, a Farm to School program that helps to locally source food for schools and childcare centers in the region;³ the magazine publication *Edible Portland* and an online wholesale food directory;⁴ economic and policy analysis and consulting services;⁵ and marine consulting initiatives.⁶ It describes its role as, among others, that of “a growing constellation of public, private, for-profit and nonprofit organizations designed to inspire change around the world.”⁷ Point 97 was designed as a spin-off to handle Ecotrust’s marine consulting initiatives, and certainly it serves Ecotrust’s role as a growing constellation of nonprofit and for-profit organizations.

Ecotrust’s marine consulting initiatives began in 2001, when it began receiving grants and donations to collaborate with fishing communities to develop survey and decision-making tools.⁸ It later moved to a fee-for-service model and has received significant revenue from its marina consulting initiatives in recent years.⁹ In fact, the company reported total revenues of \$7.3 million

¹ Carolyn Holland, *Announcing Point 97: A New Ecotrust Company Offering Marine Tech Solutions*, Ecotrust Blog (Oct. 8, 2013, 12:02 PM), <http://blog.ecotrust.org/announcing-point-97-a-new-ecotrust-company-offering-marine-tech-solutions/>.

² *How We Work*, Ecotrust, <http://www.ecotrust.org/about/> (last visited Oct. 29, 2013).

³ *Food & Farms*, Ecotrust, <http://www.ecotrust.org/foodfarms/> (last visited Oct. 29, 2013).

⁴ *Id.*

⁵ *Ecotrust Consulting Initiatives*, Ecotrust, <http://www.ecotrust.org/consulting/> (last visited Oct. 29, 2013).

⁶ *Marine Consulting Initiatives*, Ecotrust, <http://www.ecotrust.org/marineplanning/> (last visited Oct. 29, 2013).

⁷ *How We Work*, *supra* note 2.

⁸ Holland, *supra* note 1.

⁹ *Id.*

in 2011.¹⁰ Point 97 is a subsidiary of Ecotrust, formed for the purpose of taking over certain work conducted by EcoTrust; it was formed as a partnership with Ecotrust as its only partner.¹¹ It collaborates with fishermen, tribes, resource managers, recreationists, government, and other organizations with shared goals to provide marine consulting services, including on-site training, and the development of related technology products and digital tools.¹²

Last Saturday, *The Oregonian* reported on Ecotrust's new for-profit venture, pointing out that "[i]t's not a trivial undertaking for non-profits to cross the line from tax-exempt to profit-making businesses."¹³ Ecotrust has been careful in crafting the formation documents for Point 97, though, and it has experience in this area: Point 97 is actually Ecotrust's second for-profit subsidiary.¹⁴ The nonprofit formed the for-profit corporation, Ecotrust Forest Management Inc., a diversified forest management firm, in 2005.¹⁵ To protect the nonprofit's tax exempt status, both for-profit subsidiaries were formed as privately owned corporations with their own boards of directors, bylaws, and business missions, and both operate independently from the parent nonprofit.¹⁶

Elizabeth Grant of the Oregon Department of Justice's Charitable Activities section has said that "[n]onprofits are increasingly part of the economy and [are] operating in more businesslike ways."¹⁷ The result is more complicated corporate structures¹⁸ and what *The Oregonian* describes

¹⁰ Mike Francis, *Ecotrust's Spinoff of For-Profit Point 97 Reflects National Diversification of Non-Profits*, *Oregonian* (Oct. 26, 2013, 10:00 AM), http://www.oregonlive.com/business/index.ssf/2013/10/ecotrusters_spinoff_of_for-profi.html. However, it is not clear what percentage of those revenues came from marine consulting initiatives alone.

¹¹ *Id.*

¹² *FAQs: Point 97*, available at <http://pointnineseven.com/news/index.html>; see also Andy Giegerich, *Marine Core: Ecotrust Hits the Open Water with New For-Profit Venture*, *Sustainable Business Oregon* (Oct. 8, 2013, 8:00 AM), <http://www.sustainablebusinessoregon.com/articles/2013/10/marine-core-ecotrust-hits-the-open.html>.

¹³ Francis, *supra* note 10. "[Nonprofits] must be careful the commercial business doesn't take unfair advantage of the non-profit's status, makes arms-length business deals and operates in its own best business interest." *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Ore. Charity's Spinoff Firm Shows Growth of "Hybrid" Model, *Philanthropy Today* (Oct. 29, 2013, 10:23 AM), <http://philanthropy.com/blogs/philanthropytoday/oregon-charity-s-spinoff-firm-shows-growth-of-hybrid-model/77055>.

¹⁸ *Id.*

as the “hybridization of the non-profit world.”¹⁹ Ecotrust’s new for-profit ventures illustrate one such complicated structural undertaking by hybrid nonprofit/for-profit organizations here in Oregon.

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¹⁹ Francis, *supra* note 10.