

A Way Out of the Valley

Towards a Psychedelic Industry That is Regenerative and Just

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CAPITALISM HAS NEVER INTERSECTED WITH something like psychedelics. The power of psychedelic medicine, the complexity of psychedelic treatments, the suggestibility of patients experiencing it, and the trove of participant data it produces present unprecedented risks. How will these unique aspects of psychedelic medicine intersect with the perverse incentives that profit maximization can create?

At Auryn Project, we explored these questions in *We Will Call It Pala*, a graphic story about a commercialized psychedelic future gone awry. The story frames a fundamental risk to psychedelic business: regardless of the entrepreneur's intention, scaling with conventional capital will corrode their mission over time, often at great cost. In the time since the story came out, the psychedelic industry has exploded. Approximately \$450 million has been invested into psychedelics, almost all of it on conventional terms. The growth is not necessarily bad. The question is whether these entrepreneurs and investors see psychedelics as more than the next item on the assembly line of wealth.

Setting aside so many other ethical questions, it is worth zooming in on a meta dynamic that is at play. Power concentrated in large, centralized corporations has a diminishing effect on a community. Simply think of where the dollars go from a main street business versus a large corporation: In one case, money recirculates in the community. In the other case, money flows to a centralized office many states away to be reinvested elsewhere or distributed as shareholder returns. This siphoning of resources from communities contributes to growing inequality.

Inequality is a primary driver of “diseases of despair” — substance use disorder, depression, suicidality. By extracting from communities, psychedelic medicine delivered without mandates for community investment will perpetuate the root cause of the diseases that it treats. It is like holding someone underwater and offering them a snorkel. It is essential that they can breathe, but there will be no true healing until they are helped up.

Part of what draws many of us to this work is the hope that psychedelics could help us break this cycle of extraction. It is particularly painful to think that the opposite may happen instead.

Given the scope of the mental health crisis, compounded by a global pandemic, climate change, and systemic inequality, the funding needs to scale psychedelic medicine are great. If channeled through business structures that preserve a company's mission as it grows, for-profit capital can play an essential role in delivering psychedelic healing in ways that are equitable, regenerative, and just.

Today, such business and financing structures are at the forefront of a movement for a new economy. They are at work in parallel industries like regenerative agriculture, healing the land while empowering stakeholders — not just shareholders — to benefit from company success. New economy models allow a range of funding options that include financial returns for investors, channeling capital through structural safeguards that turn businesses into engines for positive change.

Here are four examples — each applicable in some way to psychedelics — that help to illustrate the point:

Business Structure: Organically Grown Company

- In order to protect its mission of delivering food that is healthier for the planet and for people, Organically Grown Company transferred the controlling stake of the business into a Perpetual Purpose Trust.
- The Trust is made up of a committee elected by all stakeholders — employees, farmers, customers, investors, and allies in the community where the business is located.
- This model allows the company to raise capital through offering non-voting preferred stock to “evergreen” investors who will be among several stakeholder groups who receive a profit redistribution.
- The structure ensures that the company will never be sold and makes profits a tool, not an end in itself, in service of the company's mission.
- The Perpetual Purpose Trust is built on a model called Steward Ownership, considered a gold standard for preserving the mission of a business.

Funding Structure: Seed Commons

- In order to bring wealth building opportunities and economic resilience to traditionally marginalized communities, Seed Commons has built a national network of local loan funds that use carefully constructed “non-extractive” terms.
- Their model of non-extractive finance ensures that loan repayment begins only after a company's operating costs are covered, including paying market-rate salaries to all its workers.
- Seed Commons invests in cooperatives and other shared ownership structures that facilitate stakeholder gover-

nance and more equitable wealth creation but typically have a difficult time accessing capital.

- Seed Commons also supports businesses with cooperative conversions, providing business owners with an opportunity to “exit to community” by selling their company to their employees.

Funding Mechanism: Revenue-Based Financing

- Revenue-Based Financing is a form of debt financing where an investor receives a percentage of company revenue until a certain return multiple is reached, rather than receiving equity in exchange for capital.
- This enables high quality companies to grow at steady rates while staying committed to their mission and remaining independent. It offers investors some of the upside of venture financing with some of the risk mitigation of debt while providing a way for entrepreneurs to receive growth capital without having to give up ownership and control.
- Revenue-Based Financing helps companies maintain steadier growth curves and protects them from the requirement for a large liquidity event in the form of an exit — a sale to a larger corporation or an initial public offering (IPO) — which can significantly diminish a company's ability to prioritize its mission.

Funding Mechanism: Revenue-Based Financing

- To see a compelling example of new economy principles in action we need look no further than MAPS. Concerned that the incentives of conventional pharmaceutical structures are fundamentally misaligned with healing, MAPS has developed its pharmaceutical company as a Public Benefit Corporation wholly owned by the non-profit.
- MAPS' ability to fund raise the large amounts of money required for drug development is a testament both to the organization and its leadership as well as to the unique energy around psychedelics. Funders of MAPS believe in the nonprofit's mission enough to do what many on the outside have said was impossible: resource the organization with the money required to take MDMA through Phase Three clinical trials to become available as a prescription medicine.
- It is as much their mission as their model that makes MAPS structurally situated to focus on healing, acting always in the best interest of the people whom would benefit from the medicine.



Deploying capital into business or financing structures like those above is sometimes called “catalytic” impact investing. Instead of saying, “We need to earn X return. What can we invest in to make an impact?” catalytic investors say, “We want to make Y impact. What forms of capital make sense?” The full range of funding options available span the array of investment from philanthropic giving to, in certain cases, venture capital. The point is to center the intended impact over funding structure and to remain diligent ensuring the investments are meeting that goal.

Much of the essential infrastructure to deliver psychedelic healing will not provide venture-style returns. In other industries this dynamic often means that such work will simply not get funded, relying instead on a patchwork of government or resource-starved nonprofits and small businesses. Just because a company will not create a 10x return doesn’t mean it is not a good investment. Plenty of “good” companies fail to reach the required growth rate for venture capital and are abandoned before they can become self-sustaining. In the case of psychedelics, what is needed is “patient-focused patient capital” — investments that operate on a flexible time frame (“patient” capital) with creative terms that put quality patient care first. Such an approach allows psychedelic companies to be driven by more than the short term return requirements of investors,

a mandate which can have a corrosive effect on company culture, business practices, and mission.

Few things offer higher leverage in shaping the future of psychedelics than bringing such investors in. Yet until investors are willing to provide catalytic capital, building new economy businesses in psychedelics will remain out of reach. Today, dozens of investors are stepping up, working to find and fund the models for psychedelic medicine where a focus on healing — not profits — is the point.

Longtime philanthropic funders in psychedelics like Dr. Bronner’s and Riverstyx Foundation are leading in catalytic investing as well. Following their example, millions of dollars of catalytic capital are being committed to this space. The higher that number climbs, the more entrepreneurs will feel there is a path for them to grow their businesses without compromising their missions. This alternative path for psychedelic business does not need to change the industry as a whole. It just needs to show that there is a better way. That better way will draw the kinds of people to it worth working shoulder to shoulder with for a lifetime.

One day we could look out and see scores of psychedelic companies we can truly believe in. These companies will be a unifying force for the field. Instead of factions and divisions across psychedelics, there could be a cohesive movement built

on symbiotic relationships between clinicians, researchers, guides, Indigenous peoples, elders, and this new, deeply aligned form of business. At the heart of this segment of the industry would be the healers themselves. The entire ecosystem around them — of companies, service providers, experts, and funders — would be there to support their work.

Looking at the direction of the industry today it is easy to feel that this will not happen. But after conversations with dozens of investors and entrepreneurs across psychedelics I have a growing conviction that it will. That feeling emerged after we published *We Will Call It Pala*. Our intended audience had been the anchoring psychedelic community — the clinicians, researchers and guides who have carried this healing work in the West through the decades of prohibition. We were surprised when the people most impacted by the story were entrepreneurs. They said the story resonated with them. They saw themselves in the protagonist and asked, “How do we make sure we don’t contribute to that future?”

The intention behind that question, shared by the investors stepping up to fund a better way, provides a window into what makes psychedelics unique. There is a reason to believe a psychedelic industry could be different from every other industry on earth. Many of the people working in psychedelics today have had deep personal experiences with these substances. For some, these have been among the most profound and meaningful of their lives. This alone will not bend the psychedelic industry towards justice. It just shows us that there is a crack in the wall, a place where we can see the light shine through. From here the future is in our hands; a once-in-a-lifetime opportunity not only to see psychedelic medicine delivered to the world, but to treat our broken economic system along the way. In the end, this will not be a story about complex financing structures. It will be a story of how together we finally find a way to heal.

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