



2020
TRANSPARENCY
REPORT

Phoenix—

A mythological bird that lived for centuries in the Arabian desert prior to burning itself on a pyre—obtaining new life by arising from the ashes from its predecessor.



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A NOTE FROM OUR CO-GENERAL MANAGERS

WE BEGAN 2020 with coral-red hope and follow-through to suit, the champagne bubbles of 2019 bursting on our tongues as we bravely welcomed the arrival of a new year. What resolutions, what optimism, and what hunger for change we had: And then came pandemic, and March 15, and the state government taking the strongest measures it knew to keep us safe.

The world—and the way we operated—changed overnight. *Beware the Ides of March.*

It's impossible to discuss 2020 without covid-19. It played a starring role in the events of the year, from the presidential election; to nationwide protests and a new civil rights movement; to wildfires and evacuations. If covid is our constant, we'll be our own instruments of change. We all came under fire in 2020; but through fire, Phoenixes are reborn.

The service industry suffered historic levels of closures and job losses as a result of the pandemic. Phoenix survived—we got lucky. We spent our year changing and revisiting our model, adapting to survive should the promised vaccine not arrive for

a year or more. All the while, we managed to move our roastery to a new facility downtown, expand our kitchen program, and roll out a new local bike delivery service for web orders spearheaded by one of our longtime Phoenixers.

But we won't mince our words: We're here today because of our community. No matter what precautions were necessary to keep each other safe, you took them. You stuck with us when we required masks, when we went carry-out only, when we didn't reopen seating, when we restricted the number of guests allowed in each of our cafés at once. Thank you for keeping each other and our staff safe.

Without our staff, of course, we wouldn't be here today, either. We're here because of their effort, trust and commitment. In 2018, we wrote:

Our idea isn't a radical one: we want to create safe, sustainable, liveable middle-class jobs. We want to be part of our communities and contribute to those communities not only through our company's presence but by being members: buying homes, starting families, and living our values.

So, this year, we did something to honor the investment they've made in this company: we converted into a worker-owned cooperative, with each employee eligible to own an equal share of our company and its successes—the successes they helped to create. It's our hope that by inviting collective ownership, we can help to address some of the gravest injustices within our industry: lack of equity, inclusion, and opportunity, particularly for baristas. Our new cooperative will look, feel and taste like the Phoenix Coffee you've come to know—but now, the person making your cappuccino may be an employee-owner of the company.

The restructuring was financed by Evergreen Cooperatives and their Fund for Employee Ownership, which will continue to provide support, education and training to our new employee-owners as they take on the responsibilities and benefits of ownership.

“Our idea isn't a radical one: we want to create safe, sustainable, liveable middle-class jobs. We want to be part of our communities and contribute to those communities not only through our company's presence but by being members: buying homes, starting families, and living our values.”

This year's report is structured a bit differently, reflecting the current economic disruption, but we once again strive to present a picture of our company as it exists today and as we'd like to exist in the future. This report seeks to reflect on how well we achieved our pledges to:

SEEK OUT producers who share our values, buy their coffee year-over-year, and pay above the long-term cost of production;

HIRE dedicated, curious, playful minds who share our values, regardless of economic status, sex, gender, race, ethnicity, or creed;

SEEK TO hire and promote from within before exploring external candidates, for all positions at all ranks;


CREATE a sustainable business environment considered with long-term viability rather than short-term dividends;

USE our resources to support responsible businesses who are, when possible: local, progressive, and that value economic, social, and environmentally sustainable practices;

DEMOCRATIZE wealth and create economic opportunity for our members and partners through cooperative ownership;

LIVE by these values as we cherish those values and our people greater than maximizing profits.

As we bid adieu with a raised fist to 2020, we welcome 2021 and the opportunity to help make our world happier, healthier, more just, and filled with delicious coffee.



Christopher Feran & Shane Hinde
co-general managers
Phoenix Coffee / Ohio PC Cooperative



FROM LEFT TO RIGHT
Khristen Logan, Peter Matuszewski,
Keith Kornacjik, Shane Hinde, Sean Miller,
Aja Grant, Sheerin Sandhu

THE PHOENIX COOPERATIVE

In October, we transitioned Phoenix to an employee-owned cooperative to foster equity and economic opportunity for those whose labor, effort and energies contribute to our company's prosperity. Baristas—who do so much to create and hold the space for specialty coffee, and whose relationships with community and coffee are central to our business—are often the workers who receive the lowest compensation, bear the most risk, and endure work environments that are often, industry-wide, unstable.

By inviting everyone to become a worker-owner, we hope to create opportunities for economic growth and stability so that our commitments to our staff can meet the commitment our staff has shown to the company.

HERE'S HOW IT WORKS:

There's a three-month grace period between the date we established the co-op—October 16, 2020—and the date that we'll begin to accept applications for our first round of worker-owners. That waiting period gives us time to stabilize, set up our initial bylaws and an initial board of directors, and provide training and education to our employees about the benefits, responsibilities and process of becoming a worker-owner (no one will be required to become a member).

In February 2021, any employee at any level in the company—provided they are in good standing, have been with the company 12 months or longer, and work an average of 28 hours per week or more—will be eligible to apply to become a Class-A member of the cooperative (a worker-owner). When the board approves their application, they will receive their membership certificate, which entitles them immediately to equal shares of profits generated by the company, voting rights to representation on the board, as well as eligibility to serve on the company's board of directors. Since Phoenix operates with an open-book management style, employee-owners will also receive training, via a collaboration between Phoenix's management and Evergreen staff, in business finance in order to empower them to participate more fully and effectively in the business.

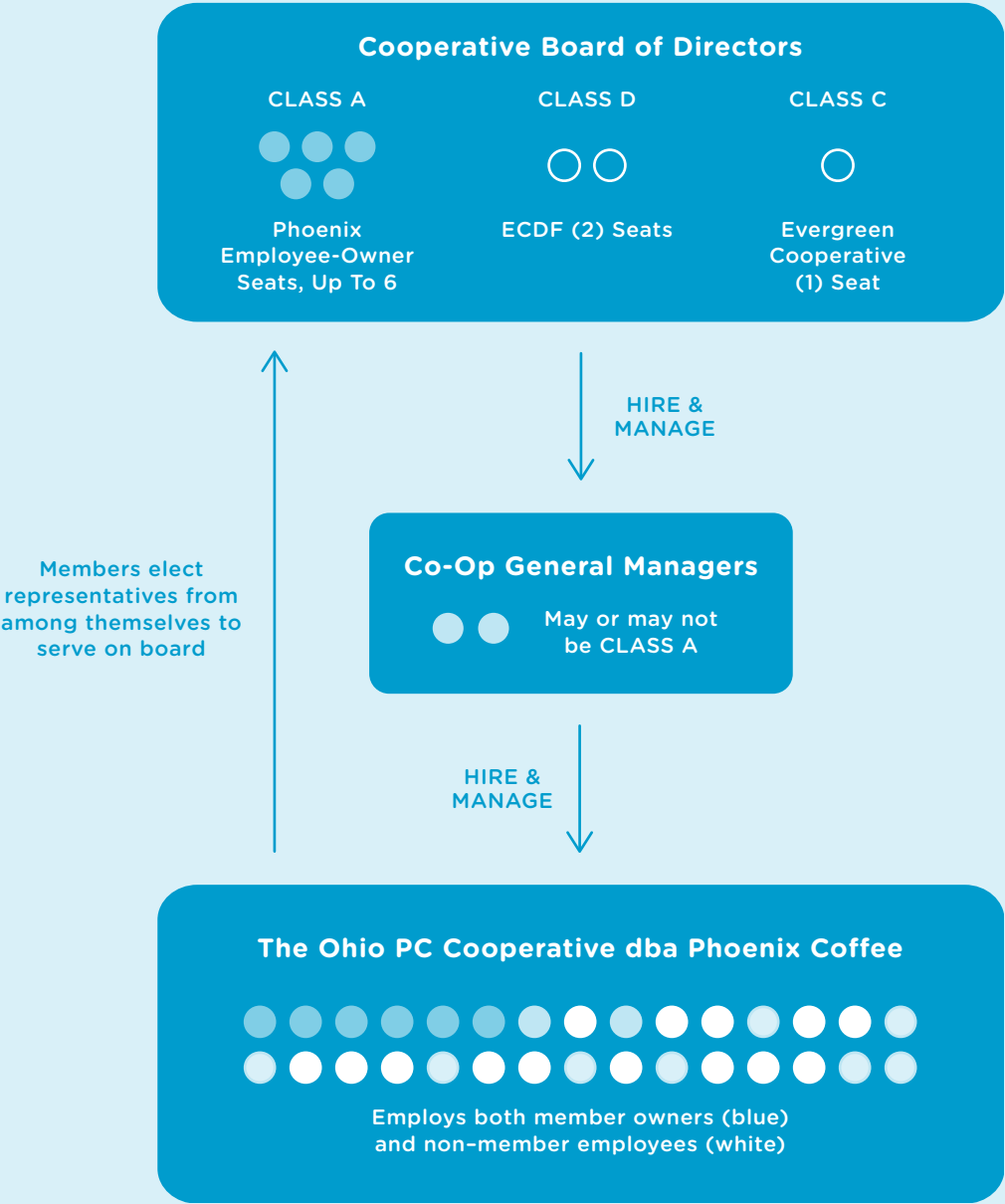
In order to become an employee-owner, an employee must pay a membership fee of \$1,000, but that sum needn't be paid upfront—it will be paid over the course of a year or two in the form of a \$0.50 per hour payroll deduction, which will be offset by an increase in hourly pay. If and when an employee decides to leave the company, they will trade their shares in the company for a return of their \$1,000 membership fee.

Any exiting employee will not be able to keep their shares—Phoenix is intentionally, explicitly, and in perpetuity owned by its employees.

In any year that the company returns a profit, the resulting distribution will be split equally among all worker-owners. A portion of that distribution, or "patronage refund," will be distributed as cash, and a portion will live in a patronage account that will also be distributed to employees at the time they leave or when the account reaches maturity. The board may decide to issue additional bonuses in particularly fruitful years. It's our goal that within 8-10 years of working as a barista at Phoenix that an employee will have \$35,000 in their patronage account—enough money to use as a down payment on a house, pay off their student loans, start a family or put into an investment account.

While there is no requirement to become an employee-owner and we anticipate we will operate with a healthy mix of both Class A employees and standard W-2 employees in the future, we look forward to publishing the names of our first round of employee-owners in the 2021 Transparency Report.

Ohio PC Cooperative
Governance & Operating Structure



ABOUT EVERGREEN COOPERATIVES
& THE FUND FOR EMPLOYEE OWNERSHIP

OUR TRANSITION to employee-ownership was made possible by **Evergreen Cooperatives**, who, in addition to providing financing to the new cooperative to buy out Phoenix’s former owners, supported our cooperative in developing its legal structure, bylaws, and governance model.

Evergreen’s impact investing model is built around mobilizing socially responsible risk capital to increase employee ownership centered around preserving quality jobs with living wages, rebuilding the middle class, and revitalizing neighborhoods through the mechanism of collective ownership. This mission aligns well with our own values and mission, making them an ideal partner for our cooperative transition.

Employee-owners under Evergreen’s model—many of whom have low- to moderate income—become eligible for healthcare plans, profit-sharing and have access to other financial assistance help through the network, such as for buying a home. These companies also can call on the back-office services of the Evergreen network for help with such tasks as accounting and human resources.

Evergreen provided the financing for the transition and to purchase the company on behalf of the cooperative through its Fund for Employee Ownership, whose investors include the Kendeda Fund of Atlanta. Our cooperative will repay the fund over time under terms that are far more favorable to low-margin, high-volume businesses like coffee shops than those offered by a traditional bank loan. Even before the pandemic, banks and traditional lenders were skeptical about loaning to hospitality companies like restaurants or coffee shops. Through Evergreen’s financing structure, we’re positioned not just to survive the pandemic but to grow and have an opportunity to return profits to our worker-owners.

Other Evergreen-financed cooperative businesses include Green City Growers (whose hydroponic greenhouse is responsible for the purple haze in the sky around E. 55th during the Long Night of Cleveland winter), Evergreen Cooperative Laundry (who provide laundry services to area hospitals), Evergreen Energy Solutions, and Barry Insulation.

2020

IN REVIEW



WHO WE ARE

Data was collected through a self-reported survey of all employees using responses from 100% of respondents.

32

EMPLOYEES ACROSS SIX LOCATIONS

Management Staff

NINE

TOTAL ACROSS PRODUCTION & RETAIL

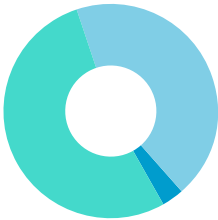
44.4%

WOMEN

22.2%

NON-WHITE OR PEOPLE OF COLOR

All Staff Members

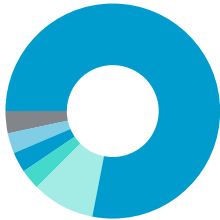


GENDER IDENTITY

53.1% FEMALE

43.8% MALE

3.1% GENDER NEUTRAL



RACIAL IDENTITY

78.1% WHITE

9.4% BLACK OR AFRICAN AMERICAN

3.1% ASIAN AMERICAN

3.1% HISPANIC

3.1% BLACK & WHITE

3.1% MIDDLE EASTERN

\$10.28

AVG. HOURLY BARISTA WAGE, EXCLUDING TIPS & BENEFITS

9.4%

ARE VETERANS FROM THE ARMED FORCES

56.2%

EMPLOYEES ELIGIBLE FOR EMPLOYEE-OWNERSHIP AS OF 2/16/21

Average Tenure

3 YEARS, 0.66 MONTHS

FOR BARISTAS

3 YEARS, 11.8 MONTHS

FOR ALL CAFE STAFF

7 YEARS

FOR LEADERSHIP

Employee-Ownership Eligibility

1 YEAR+ 28 HOURS/WEEK+ GOOD STANDING

82.9%

EMPLOYEES WITH TENURE GREATER THAN 12 MONTHS

46.8%

EMPLOYEES WITH TENURE GREATER THAN 5 YEARS

This company wouldn't be what it is without the contributions of those who have shared their time, skills, passions and energies with this company over several generations of baristas, managers and two (in some cases, three) logos.

Thank you to those Phoenixers who've been with the company for five or more years:

- Lily Brnicevic COVENTRY
- Ivan Cardona COVENTRY
- Keith Kornajcik OHIO CITY
- Amber Finucan COVENTRY
- Christopher Feran HQ & ROASTERY
- Jules Handley OHIO CITY
- Shane Hinde HQ & ROASTERY
- James Hollis HQ & ROASTERY
- Khristen Logan LEE ROAD
- Matt Manieri OHIO CITY
- Peter Matuszewski LEE ROAD
- Stephen Shaum LEE ROAD
- Britney Strouf DOWNTOWN
- Ezra Szkup HQ & ROASTERY
- Joanna Van Rensselaer OHIO CITY

Beginning in February 2021, employees who have been with Phoenix for more than a year working more than 28 hours per week for a year will be eligible to become employee-owners.

16 PHOENIX COFFEE

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2020 IN FOCUS:

With the pandemic exacerbating social inequalities and with politicians stoking the flames of racial violence and white supremacy, the United States experienced a new movement for Civil Rights in 2020. The coffee industry, too, experienced a new movement toward racial equity and inclusion, with a heightened awareness toward our industry’s failure to address historic and systemic injustices—from coffee source through to final service.

PHOENIX ENGAGED THIS PROBLEM AS DIRECTLY AS POSSIBLE BY:

PARTNERING with Third Space Action Lab to have our employees undergo “Groundwater Training” focusing on racial equity and inclusion;

ENGAGING consultants Angelique Gates and Lisa Hong to rebuild, from scratch, our hiring and recruitment process for retail managers in order to root out biases and create a more inclusive process;

SUPPORTING the efforts of First Nations Institute and Reparations Now through donation collection, community support and fundraising efforts;

TRAINING our staff in voter registration and **COLLECTING** voter registrations at point-of-sale to encourage broader democratic participation;

IMMEDIATELY INCREASING the diversity and representation of our management team; and

COMMITTING our organization to continued and ongoing antiracist work, codified by an anti-racism policy developed by our Cultural Progress Coordinator and an independent anti-racism policy work group. We publish that policy here in the hopes that it can serve as a template for other companies in the industry.

RACIAL EQUITY & INCLUSION

PHOENIX COFFEE
ANTI-RACISM
POLICY STATEMENT

Promise of Transparency

We recognize and acknowledge workplace and employment barriers experienced by Black, Indigenous, and people of color in a country that benefits and thrives from systemic and institutionalized racism. The coffee industry’s global history is defined by “the oppression of people of color for profit,” (Cory Gilman, Coffee’s Bitter Origins). The decisions we make along the entire value stream—such as pursuing relationship-based, year-over-year, coffee purchases paying above the long-term costs of production—attempt to use our resources to rectify these inequities. Similarly, Phoenix will continually work towards eliminating bias and racism within our company and the communities it fosters by including Black people, Indigenous people, and people of color in the development of all its ideas, making space for all humans involved in the processes of this coffee company, and upholding our number one tenet: mutual respect.

One of the most apparent ways the coffee industry, including companies like Phoenix, has perpetuated implicit aspects of racism is through a lack of

representation of and opportunity for BIPOC in our cafes, contributing to unequal power structures that favor white and mainstream identities. Phoenix has been working curiously and intentionally to heal and improve the diversity of our applicant pool, interviewing and hiring processes by including (and consulting when necessary) BIPOC at the inception of these crucial company processes. In transitioning to employee-ownership in 2020 we began the process of democratizing wealth to all employees while simultaneously implementing a more inclusive process for recruitment and hiring, creating opportunities for additional racial equity, inclusivity and wealth building.

Statement of Values

At Phoenix we all share the responsibility in creating and serving quality coffee, facilitating engaging relationships and building safe, beautiful environments for employees and customers. With these three tenets as our foundation, we are committed to working towards

eliminating bias by including BIPOC at the inception of all our ideas, closing the gap on our values and our actions, making space for all humans involved in the processes of this coffee company, and upholding our number one value, mutual respect.

QUALITY COFFEE:

We seek out producers who share our values, buy their coffee year-over-year, and pay above the long-term cost of production.

FACILITATING ENGAGING RELATIONSHIPS:

We aspire to foster a community of people to help us grow, shift, change, evolve and become flexible in our expectations. Operating with an open-book management style and providing all staff company transparency and opportunities to resolve or transform interpersonal or company conflicts.

BUILDING ENVIRONMENTS:

We promise to uphold our values so that our customers, existing and future employees know they are safe from racial, gender, sexual, religious, economic or age bias.

We invest in our employees’ right to comfort and peace within their work environments. We believe this sense of safety and pride in our shared environments extends and reflects into our cafe communities.

Equal Employment Opportunity

We hire dedicated, curious, playful minds who share our values, regardless of economic status, sex, gender, race, religion, disability or ethnicity and invest our time, trust, and resources in them. Although Phoenix aims to hire and promote from within before exploring external candidates, for all positions at all ranks, BIPOC are involved in the hiring and decision-making process.

WE COMMIT TO CONTINUING OUR WORK:

GROWING the representation and inclusivity of both our frontline workforce and management teams, specifically of individuals who are Black, Indigenous, and people of color;

PARTNERING with organizations dedicated to work toward equity, inclusion and reparations for BIPOC such as First Nations Development Institute, Reparations Now, Third Space Action Labs, and ACLU;

REQUIRING compulsory groundwater and anti-racism education for all employees, prioritizing those in a supervisory or hiring capacity;

OFFERING conflict management and mediation to hold co-workers accountable, as well as uplift and support BIPOC and maintain curiosity and flexibility;

OFFERING BIPOC professional development to maintain or prepare for leadership or higher level positions;

ENGAGING employees in group discussions about coffee, racism and white supremacy to help build and grow a culture of inclusion and reflection.

COFFEE PROGRAM

IN 2020, the coffee market offered glimpses of relief and economic armistice in the form of occasional rises in the c-market price and strong domestic prices in producing countries offering producers a chance to benefit from the sale of their coffee even as demand from international specialty markets fell. In spite of the effects of covid-19 on international markets—suppressed demand in consuming countries and unavailability of trade financing—strong domestic prices and domestic demand buoyed prices for coffee in many countries. The c-market average hovered, on average, higher than our 2019 reporting period though still well below the actual cost of production.

The architecture of the modern coffee trade is predicated upon a system of exploitation. Indeed, the histories of producing countries share many commonalities: colonization; the disenfranchisement, exploitation, and killing of indigenous peoples; and, often, the importation of human beings as additional unpaid labor.

Price benchmarks for coffee—which have largely remained unchanged in the last half-century in spite of inflation, increases in production costs, and an increase in demand—were established on and are entirely reliant upon unpaid labor.

To restate: cheap coffee is only possible through slavery and the enduring legacy of colonialism.

With prices as low as they are, for each coffee berry picked and sold through the traditional mechanisms, coffee growers go further into debt. It's economic imperialism by any other name, inhumane and not aligned with our values—and it's a system that Phoenix Coffee exited through our standard purchasing practices:

WE WORK with producers who are committed to growing specialty coffee using economically and environmentally sustainable methods. We seek out producers who are willing to question the status quo of how coffee is grown, processed, and sold.

WE COMMIT to purchase directly from producer partners over multiple harvests in order to create trust and financial stability as well as encourage experimentation.

WE PAY producers above their costs of production and build in premiums to subsidize hiring experts such as agronomists and processing specialists.

WE SEE the coffee producers we work with—as well as our supply chain partners at import and export—as members of our community.



2020 Transparent Trade Coffee

REPORTING OCT 2019—SEPT 2020

21 CONTRACTS | 17 LOTS PURCHASED | 100% FIXED-PRICE CONTRACTS

100%
VOLUME ABOVE
PRODUCER
PROFITABILITY

FOB PRICE COMPARISON FOR 2020 COFFEES
C-MARKET V. FAIR TRADE V. PHOENIX

C-MARKET	\$1.10
FAIR TRADE MINIMUM	\$1.40
PHOENIX WEIGHTED AVG. FOB PRICE	\$2.37

85.42

WEIGHTED
AVERAGE
CUP SCORE

86.23

SINGLE ORIGIN
PROGRAM AVG.
CUP SCORE

\$ 3.35
SINGLE ORIGIN
PROGRAM WEIGHTED
FOB PRICE

29%
SELF-EXPORTING
PRODUCERS

37%
SINGLE ORIGIN
PROGRAM %
OF VOLUME



OUR MULTI-YEAR PARTNER
PRODUCERS FEATURED
IN 2020 INCLUDE...

Abdul Wahid Sherif
Kossa Geshe, Ethiopia
2015, 2018-2020, committed for 2021

Ana Vizcaino
Finca Esperanza, Guatemala
2017-2020, committed for 2021

Familia Boza El Salvador
2020, pre-committed for 2021

Girma Eshetu Ethiopia 2016-2020

Jaime Figueroa Cantillo
Colombia 2019-2020

Lafu Farm China 2019-2020

Luis Alberto Balladarez
Nicaragua 2020, committed for 2021

Mártir Producers Group Colombia
2018-2020, committed for 2021

Neja Fadil Ethiopia
2020, committed for 2021

We look forward to growing
this list in the harvests to come.



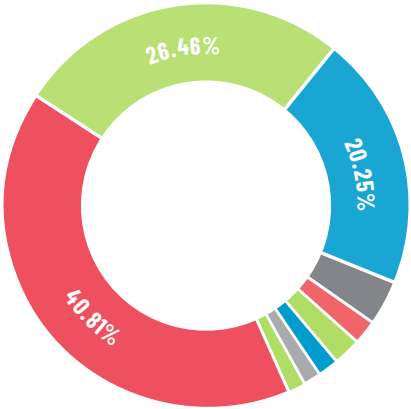
Phoenix Purchasing v. Fair Trade v. C-Market



Phoenix Purchasing Breakdown by Country:

PERCENTAGE OF VOLUME PURCHASED, KG OF GREEN COFFEE

BRAZIL	40.81%
COLOMBIA	26.46%
GUATEMALA	20.25%
ETHIOPIA	3.65%
BURUNDI	2.15%
EL SALVADOR	1.98%
RWANDA	3.65%
CHINA	1.50%
HONDURAS	1.48%



Methodology of Reporting

Phoenix Coffee is a founding contributor and an active data donor to the Specialty Coffee Transaction Guide (SCTG) project through Emory University (<http://transactionguide.coffee>). The Specialty Coffee Transaction Guide compiles data donated from roasters, importers, exporters and coffee producers around the world to create an alternate price index to the c-market. Every year, we submit our contract data to the project for inclusion in the Specialty Coffee Retail Price Index. Beginning with last year's report, we use the reporting data we submit to SCTG in our own Transparency Report for the sake of continuity.

All of the prices indicated are FOB prices ("free-on-board"), which is the price at the point of export. Just under one-third of the producers we work with self-export, meaning that they receive 100% of the FOB

price. FOB includes, in addition to farm-gate price (the price paid to the producer), costs for transportation, local financing, milling, costs, customs and export fees. FOB is not reflective of the total price paid for green coffee as it does not include any fees incurred after export such as import, customs and FDA inspection, storage, financing, or transportation to our warehouse in Cleveland. This is not the most granular way to look at coffee pricing in terms of farm-level sustainability; however, FOB does indicate at how much money from each contract stays within a producing country and is, therefore, a reasonable metric for assessing purchasing practices. Our work selecting exporters and directly contracting with producers who do not self-export helps to mitigate the opacity that might otherwise exist in the value stream.



In 2020, 100% of our coffee contracts were fixed-price contracts negotiated above the costs of production. It's important to note that every country has its own unique system of export and export regulations as well as land use, efficiencies and scale. In places like the farm we purchased from, Brazil, where production is heavily automated, highly efficient and large scale, the cost of production is significantly lower. For this reason, our aggregated, weighted average FOB price skews low as Brazil is a core component of our blends.

MOATA, THE AGRONOMIST OF THE KOSSA GESHE FARM, TALKS ABOUT THE FARM'S PRUNING PRACTICES

THANK YOU!

THANK YOU to our local bakery vendors: **Philomena, Cleveland Bagel Company, and Metro Croissants** (Debbie, we'll miss your croissants dearly). It's been a long, weird year—thanks for making sure we never stayed hangry.

THANK YOU to **Grain Millers**, for your traceable, earth-friendly oats that we magic into our house-made oatmilk.

THANK YOU to our innumerable partners at home, such as **Rust Belt Riders**, who help us continue to make our world look more like the world we want to live in. If we were plants we'd happily live in and eat your compost soil. We'd grow up to be strong and tall.

THANK YOU to our **wholesale customers**—we couldn't ask for better friends, collaborators and partners. It's been a pleasure masking up and hanging in with you.

THANK YOU to our countless partners at origin—coffee producers, experts, exporters, and agents. **Ana, Diego and Francisco Vizcaino; Salomé Puentes; Kyle Bellinger and José Vargas; Didier Javier Pajoy Ico; Girma Eshetu; Abdul Wahid Sherif; Moata Raya; and Sam Knowlton**—We're looking forward to seeing you all again very soon.

THANK YOU to **Evergreen Cooperatives**, especially **Jeanette Webster and John McKinnon**. Thank you for believing in us and our vision enough to write a check on our behalf and help us achieve our goals of converting to an employee-ownership model.

THANK YOU to **Carl Jones** for founding the company back in 1990, and to **Sarah Belzile** for having the courage, vision, and willingness to trust the team we built and allow the Phoenix to fly on its own. We're forever grateful for the lessons we've learned and will do our best to carry on the legacy of this company.

THANK YOU to the **entire crew at Phoenix**—the most incredible humans we've ever had the pleasure of working alongside. We're thrilled to embark on our adventure in cooperative ownership with you.

And finally,

THANK YOU to **you** for being a part of the Phoenix Phamily in 2020. We look forward to growing—together, again—in 2021 and the years to come.



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