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## **COVID-19 Business Resilience Pool**

Closing the racial wealth divide in Eastern Massachusetts

### **Description**

A recoverable grant pool to support the recovery efforts of entrepreneurs and communities of color facing significant business disruption due to COVID-19

### **Asset Class**

Recoverable Grant

### **Impact Sector**

Racial Justice, Social Justice, Poverty Alleviation, Quality Job Creation, COVID-19 Response

### **Min. Investment**

\$10,000

### **Offering size**

\$1M

### **Est. Return/Int. rate**

0% recoverable grants

### **Opportunity Highlights**

- Boston Impact Initiative (BII) is a pioneer in making investments in early and growth-stage enterprises that restore the productive capacity of communities of color in Greater Boston, with \$3.5 million previously invested in 30 projects.
- The COVID-19 Business Resilience program is intended to provide low-cost loans to entrepreneurs of color and enterprises serving communities of color to help them recover from the long-term economic impact of the pandemic.
- Recoverable grant with 0% annual interest rate repaid with principal lump sum on December 31, 2025.

## **Product Description**

BII's portfolio is made up of small businesses owned and controlled by entrepreneurs of color and/or employing workers of color. These enterprises restore the productive capacity of communities of color, developing the community's asset base and ability to produce goods and services in economically disadvantaged areas

Today, these enterprises are at risk of collapse due to the long-term impacts of COVID-19. Even after economic activity is restored, many companies will need access to working capital to rehire employees, rebuild inventory, re-launch marketing campaigns and fund badly needed new receivables. Government stimulus programs are unlikely to fulfill all cash needs, and traditional lenders may continue to be reticent to provide capital to entrepreneurs who have low credit scores and can't provide personal guarantees—which particularly affects the entrepreneurs BII serves.

By raising a pool of recoverable grants, BII Fund may help some of Eastern Massachusetts' most vulnerable entrepreneurs meet the challenges they face due to the COVID-19 crisis. BII will also provide, direct, hands-on technical assistance to help enterprises rebuild their prospects for growth.

## **Strategy**

In a post-COVID-19 world, BII's strategy of investing integrated capital to restore the productive capacity of communities of color is going to be more essential than ever. Entrepreneurs of color faced barriers to access to capital *before* the pandemic; those barriers may increase afterward as traditional lenders struggle to rebuild their balance sheets.

BII has a history of co-investing with other capital providers in Eastern Massachusetts: banks, Community Development Financial Institutions (CDFIs), Community Development Corporations (CDCs) other quasi-government agencies. Many of these lenders are already oversubscribed and may be unable to finance entrepreneurs who lack collateral. BII will approach these partners to extend credit where they are unable to, providing essential working capital during the period of recovery. By the end of the COVID-19 Business Resilience Fund's 5-year term, BII's objective is to support these enterprises in refinancing with traditional lenders.

To be eligible for BII loans under this program, enterprises must meet BII's mission-based criteria, including: inclusive ownership; good, fair jobs; ecological stewardship; and local sourcing. Through this program, BII will make investments ranging from \$50,000 to \$100,000. While in its original fund, BII offered interest rates ranging from 5% to 7%, the COVID-19 Business Resilience Fund will offer interest rates up to 5%. They will be held to the same impact criteria as in our original fund.

## **Impact Description**

Focused on advancing justice, BII Fund seeks to build a sustainable and inclusive economy through its investments in Eastern Massachusetts. That means ensuring that entrepreneurs of color have equal footing in the post-COVID-19 recovery period.

To monitor and ensure its impact goals are met through its investments, BII tracks impact through a range of metrics, including inclusive ownership, good fair jobs, ecological footprint and local sourcing. In addition, BII will evaluate its success based on its ability to transition the enterprises in the COVID-19 Business Resilience Fund to traditional lenders.

Each business BII invests in through this fund will be facing significant near-term disruption from the COVID-19 crisis. In addition to providing additional low cost capital, BII will support these entrepreneurs to help them manage cash flow, seek government assistance where appropriate, and refinance them so they can continue their positive impact on their local communities.

## **Risks/Disclosure**

Recoverable grant instruments carry the risk that the issuer will be unable to pay interest as promised and/or return the principal. Due to the unforeseen and unpredictable impact of the COVID-19 crisis, it is likely that loans or investments made to companies by BII will have much greater credit risk than during normal economic conditions. Donors should keep in mind that they may receive substantially less than 100% of principal back on their recoverable grant.

Conflicts of Interest. BII engages in a broad range of activities, including COVID-19 relief activities funded by other grant programs, donors and investors. In the ordinary course of conducting BII's activities, the interests of the donors to this recoverable grant program may conflict with the interests of other grant programs, investors in BII, and/or other parties that have contributed money to or invested in BII. Such conflicts include, but are not limited to: allocating funds among different portfolio companies and investment opportunities, use of moneys raised through different grant programs (including other recoverable grant programs) and other sources of capital, and the priority and amounts of repayments to recoverable grant donors and investors. In the case of all conflicts of interest, the fund manager's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the manager's best judgment, but in its sole discretion. No assurances are given that the resolution of any conflict will be made in a manner that is beneficial to the donors of recoverable grants under this program.

## **Team**

The management team of the charitable loan fund is led by Deborah Frieze, author, entrepreneur, and social activist with tremendous, local experience in building healthy and resilient communities. She is joined by three co-directors: Henry Noël Jr, Investment Director; Aliana Pineiro, Impact Director; and Gregory Bloomfield, Director of Finance and Administration. The Investment Committee of BII Fund is chaired by Matthew Kahn, who brings over 30 years of experience in private equity and private debt.