



Equitable Small Business Fund

FREQUENTLY ASKED QUESTIONS

What is a Program-Related Investment (PRI)? How is this different from The Columbus Foundation's traditional grantmaking?

Program Related Investments have two objectives: 1) positive social impact and 2) positive financial impact focusing on capital preservation (i.e., return of the capital invested). Unlike most traditional grants which generate a positive social return but no financial return, PRIs are expected to achieve both. Once the PRI is repaid, the money is redeployed into new investments. PRIs are intended to serve as an additional tool to achieve one or more of The Columbus Foundation's "charitable purposes;" it does not replace its traditional grantmaking. PRIs offer borrowers flexible, low-cost capital that provides an alternative to traditional financial products.

What type of *opportunities* is the Equitable Small Business Fund looking to invest in?

We are looking to invest in initiatives that catalyze capital or build capacity in the small business ecosystem for small businesses owned by people of color, such as:

- Direct investments into nonprofit organizations that support business owners of color
- Credit enhancements and guaranties to spur additional lending
- Black-led investment funds focused on entrepreneurs of color
- Alternative funders focused on inclusive credit option
- Direct investments in for-profit small businesses that align with the Equitable Small Business Fund vision and strategy

What type of *organizations* is the Equitable Small Business Fund looking to invest in?

We intend to invest primarily in mission-aligned partners and organizations. This could include established and emerging lending and support institutions, such as alternative capital providers, Community Development Financial Institutions (CDFIs), Business Service Organizations, development authorities, and other institutions. We will prioritize investing in organizations led by people of color and back emerging community leaders.

While the primary focus is intended for intermediaries that support small businesses, we also invite opportunities to directly invest in for-profit small businesses that align with the vision and strategy.

Are there organizations or opportunities that The Columbus Foundation will NOT invest in?

The Columbus Foundation may choose to not invest in certain sectors deemed non-mission aligned and may determine certain types of organizations to be prohibited from receiving investments.

How much money is available through the Equitable Small Business Fund?

As part of the **racial equity commitment** made in September 2020, The Columbus Foundation committed \$5 million for PRIs through the Equitable Small Business Fund. As the current allocation reaches full deployment, we hope to grow the commitment through additional funding sources.

What is the expected size of investments? How many investments are you hoping to make?

At this stage, we will be making a select number of investments ranging from approximately \$250,000-\$750,000, with an ideal average investment size of \$500,000.



What are the eligibility criteria for PRIs through the Equitable Small Business Fund?

The investment must be able to meet the below eligibility criteria:

- Demonstrate impact in the Columbus region (Central Ohio with a focus on Franklin County)
- Focus on supporting entrepreneurs of color
- Be aligned with the Fund’s strategic goals and approach, which is to address the immediate needs and/or create transformative change in the small business ecosystem by doing one or both of the following:
 1. providing catalytic capital to enable the existing small business financing ecosystem to do more to support businesses owned by people of color, especially through new and innovative capital programs
 2. building capacity of the small business financing ecosystem supporting business owners of color by investing behind under-invested players and/or initiatives
- Demonstrate good financial standing
- Only one application will be accepted per entity

What is the Equitable Small Business Fund’s geographic focus?

The focus of the Equitable Small Business Fund will be in central Ohio with a focus on Franklin County.

What type of investments will be issued as part of the Equitable Small Business Fund?

PRIs will generally be deployed through debt instruments, such as loans or guaranties. However, we will also consider other strategies as appropriate, including equity and hybrid debt/equity-like PRIs. PRIs offer borrowers flexible, low-cost capital compared to traditional financial products.

What are the terms of the investments (e.g., time horizon, interest rate, repayment schedules)?

Terms will be determined and agreed upon with the recipient of capital on an investment-by-investment basis. The primary objective of a PRI is its positive social impact and alignment with the Foundation’s mission; the financial return is secondary and intended to provide recipients with flexible, low-cost capital.

For fixed-income PRIs, while there are no term restrictions, we expect the average investment to have a five- to ten-year term that may be extended or renewed. Aligned with our objectives, the interest rates are expected to be below-market and will be no higher than the Foundation’s spending rate in effect at the time of loan. While subject to change, the current spending rate is 5 percent. The repayment schedules can be flexible and may include interest-only periods.

For equity PRIs, the terms should follow those of the lead investor or industry standards and should represent meaningful ownerships.

How are the applications evaluated?

We will be evaluating applications against the following criteria:

1. Impact Alignment: Alignment with the Fund’s mission to support small businesses of color in Columbus
2. Organizational Alignment: Organizational and leadership track record, diversity, and operational capacity to execute on the proposal
3. Financial Alignment: Ability to demonstrate financial stability and ability to manage the investment

We ask that applicants be as clear and specific as possible in their responses.

Is there a deadline for applications?

We are accepting applications on a rolling basis. While we will review applications on a first-come, first-serve basis, we will also seek to take a holistic portfolio view of the investments we make. With \$5M currently available through the Fund, we encourage applicants who are ready to absorb an investment and meet the eligibility criteria to submit an application sooner rather than later.



Who evaluates the applications?

We have an internal team that will review all applications received against the eligibility criteria. If the team determines that the application should move forward, the application will be presented for approval by the Equitable Small Business Fund Committee and for final approval by The Columbus Foundation's Governing Committee. Unfortunately, not all applicants will receive investments, but The Columbus Foundation seeks to prioritize transparency at all stages of the process.

Who is on the Equitable Small Business Fund Committee? What role will the Committee play?

The Columbus Foundation has assembled a Committee consisting of small business community champions from Columbus to oversee evaluation and decision-making for investments under this small business strategy. The Committee consists of the following community members:

- Sandra Moody Gresham, *Dehan Enterprises LLC*
- Anthony Joseph, *White Castle System, Inc.*
- Timmy McCarthy, *The Business of Good Foundation*
- Doug McCollough, *City of Dublin and Color Coded Labs*
- Elizabeth Blount McCormick, *Uniglobe Travel Designers*

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WE'RE HERE TO HELP!

If you have any additional questions, we invite you to contact us:

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- Chris Donovan
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