

Circle of Aunts & Uncles Overview

The Circle of Aunts & Uncles is a multi-generational project that provides low-interest loans and social capital to qualified, under-resourced entrepreneurs in order to co-create a more equitable, compassionate, sustainable, and vibrant local economy in the Greater Philadelphia region.

VISION

We envision a prosperous and just local economy that supplies basic needs to the local population, works in harmony with our ecosystem, supports vibrant, joyful, and inclusive community life and is comprised of local independent businesses where ownership reflects the demographics of our population. We aspire to:

1. Strengthen regional self-reliance by supporting the local production of basic needs, replacing imports with locally made products and services.

This is of particular importance, not only to build the wealth of our communities through local ownership, but also to address climate change by reducing the carbon emissions of long distance shipping and to limit our reliance on global supply chains easily disrupted by increasingly unstable weather and social unrest.

2. Support local business owners in historically marginalized communities and populations, which will create jobs and increase community wealth and vibrancy.
3. Build a diverse community of lenders and borrowers who experience the collective joy of working collaboratively toward a common vision for our region.
4. Protect and regenerate our local ecosystem.

PURPOSE

The Circle of Aunts & Uncles offers qualified local entrepreneurs with demonstrated need a new vehicle for accessing local lenders offering low interest loans, as well as advice, business and connections. The Circle intentionally creates trusting relationships between lenders and borrowers, in the spirit of actual aunts and uncles, enabling investors to understand the true needs of the business and provide advice and contacts.

STRATEGY

1. **Building a Network**

The Circle of Aunts and Uncles is a network of 40+ members committed to supporting the next generation of local business owners in Philadelphia.

Members of the Circle make an initial contribution of \$2,000 per person, or \$3,000 per couple, to the loan fund. Contributions are tax deductible. A Membership Agreement is sent with the check.

Beginning a year later, each individual member makes an annual contribution of \$1000. An Annual Contribution Form available on our website accompanies this check.

In addition, members contribute advice, connections, business and other forms of social capital as members of Small Circles in support of individual entrepreneurs.

The Aunts & Uncles are advocates for local businesses and locally made products, creating a positive energy field that helps to popularize and grow our local economy.

Aunts & Uncles reach out to non-member friends and colleagues who have particular skills that expand the social capital available to the entrepreneurs. These contacts may have expertise in the same industry as a particular entrepreneur or have general expertise in areas such as accounting, law, accounting, architecture, interior design, real estate, management, etc. This outreach creates an ever-expanding network of support for the entrepreneurs.

Social Capital Aunts & Uncles and Silent Aunts & Uncles

In some cases, people providing a large degree of social capital in assisting entrepreneurs and performing other volunteer functions may join as a non-financial, social capital aunt or uncle and not be required to make a financial contribution. Social capital aunts and uncles join at least one small circle, advise entrepreneurs as needed, help find and/or interview applicant entrepreneurs, and come to gatherings to participate in loan deliberations as a member with a vote in making loans.

The reverse can also happen when a person becomes a silent aunt or uncle who contributes financially, but does not participate in meetings, vote, or provide social capital.

2. Partnership with The Enterprise Center (TEC) The Circle of Aunts & Uncles has a partnership with TEC, a 501c3 Community Development and Financial Institution (CDFI) with almost 30 years experience in supporting high-potential minority entrepreneurs in Philadelphia. Among its contributions to the Circle, TEC refers potential borrowers, manages the Circle's loan fund and bookkeeping, and provides a loan fund manager. The loan manager coordinates

the loan closing, provides financial information to the members including updating the loan portfolio on the website and making financial reports at gatherings, schedules and attends all gatherings and small circle meetings, provides technical assistance to the entrepreneurs as needed, and gives an annual report on the status of all the borrowers. Currently the TEC fund manager is Inja Coates who works half-time on the Circle of Aunts & Uncles project.

3. The Loan Fund

A special bank account has been set up and managed by The Enterprise Center (TEC). Checks from member Aunts & Uncles are made out to TEC, sent to their office at **4548 Market st, Philadelphia, PA 19139**, and are deposited in the Circle's account. When a loan is approved by a majority vote of the Circle, the loan fund manager organizes a closing with at least one aunt or uncle present along with the borrower. Typically, the whole small circle attends the closing. An amortization schedule is calculated based on the amount and term of the loan and interest amount. (interest is 3% for 3 years) Electronic auto-payments are made from the entrepreneur's bank account to the Circle account at TEC.

3. Collaborators

The Circle grows mutually beneficial relationships with non-profit organizations that work with local entrepreneurs. To help identify qualified entrepreneurs, receive advice from professionals in the field, and sometimes partner in making loans and supporting entrepreneurs, the Circle maintains relationships with the leaders of local business support organizations, which we call Collaborators. Our Collaborators include the Executive Directors of The Enterprise Center, Entrepreneur Works, the Merchant's Fund, Kiva Zip, Sustainable Business Network, Women's Opportunity Resource Center (WORC) and others.

4. Selecting Entrepreneurs

Entrepreneurs are recommended for a loan by a Collaborator or a Circle member who sends a recommendation form to the loan manager. A selection committee of aunts & uncles is formed to interview the candidates along with the fund manager. The selection committee is typically comprised of the Circle chair, the loan manager, and sometimes one or two additional aunts or uncles. Ideally, two entrepreneurs are chosen to present at a Gathering. Sometimes a candidate who is not quite loan ready is given some advice and told to reapply at a later time. After being selected, the entrepreneurs are given a guideline for making their presentation to the Circle and supported in preparation as needed.

The Circle focuses on supporting businesses that:

- a. Produce, retail or distribute goods or services that serve the basic needs of our region in areas such as sustainable agriculture and food; sustainable clothing and textiles; renewable energy and no-emission

transportation; green building materials and construction; eco-friendly cleaning; repair/reuse/recycle; health, well-being, and personal care; household furnishing, crafts and artisanal products. To date, most loans have been in the areas of food and clothing.

b. Import products not available locally, using fair trade practices that support sustainable local economies where products originate, while filling a local need;

c. Export goods or services needed by other communities while providing our region with living wage jobs and a respect for the health of our local eco-system.

d. Develop growth and exit strategies that build local self-reliance and maintain local independent ownership, ie, not selling to a publicly traded corporation, but rather to employees, family members or another local entrepreneur. Grow to meet the needs of the region and not become a national brand that competes with locally owned businesses elsewhere.

e. Measures success by the triple bottom line of people, planet and profit. How does the business impact people (employees, customers, suppliers, community) and the natural environment in a positive way, rather than measuring success only by profit?

Priority is given, but not limited to entrepreneurs who:

a. Are from populations traditionally excluded from business ownership, such as women and people of color.

b. Embrace eco-friendly business practices, or are on the path toward these practices. The business limits input of natural resources and output of waste and avoids use of toxic, unhealthy substances. Ideally, makes use of waste from other businesses, and not only maintains, but restores and enhances our local eco-system.

c. Work cooperatively with other entrepreneurs to develop local supply chains and to share resources, ideas and information in order to co-create a viable, fair and sustainable local economy.

The Aunts & Uncles forgo traditional loan review processes and focus strongly on character, work ethic, product quality and usefulness, and community relationships to serve entrepreneurs who are unable to access capital through traditional sources of funding.

5. Gatherings

Four member gatherings are scheduled per year and three of those are for the purpose of introducing prospective borrowers.

The Aunts & Uncles are sent materials in advance of the gathering with information about the prospective borrower including the purpose of the loan, history of the company, financials and other information, so that questions can be formulated in advance. It is important that member aunts & uncles review the materials and come to the gathering prepared to ask any clarifying questions.

Gatherings are typically held in the homes of Aunts & Uncles and include a buffet supper with wine, which provides an informal enjoyable atmosphere to build community. Members of the Circle contribute \$25 per person to cover the cost of each gathering. (this covers dinner for the entrepreneurs, loan manager and sometimes the person who recommends and will introduce the applicant.) Wine is BYO.

The entrepreneurs are treated as welcome guests. The intent is to build a high-trust relationship between entrepreneurs and members, so that the entrepreneur can fully leverage the resources of the group—not just pitch their strengths.

Following dinner, two loan applicants give brief presentations, followed by Q&A. The entrepreneurs then leave the gathering and the aunts & uncles privately discuss the loan. A vote on the loan is taken and majority rules.

6. Small Circles for providing Social Capital

Like real-life aunts and uncles, members of the Circle of Aunts & Uncles also provide social capital. At the gatherings, just after a loan is approved, members volunteer to join a small circle to support the new borrower. There are typically 3-6 members in a small circle and typically one of them agrees to be the chair, which is the point person for contact with the entrepreneur. The loan manager is a member of every small circle to provide administrative help in scheduling meetings, leadership at the meetings, and technical expertise to the entrepreneur as needed.

The amount of time volunteered as a member of a Small Circle varies. Some Small Circles meet only once at the closing, while other Small Circles may meet 2-3 times during a year. This depends on the requests for meetings on the part of the borrower. Most small circles meet twice in the first year, and perhaps once or twice during the 2nd and 3rd year of the loan. Many of the borrowers also have individual relationships with members of the Small Circle or other volunteers in the larger network.

At the first Small Circle meeting, usually scheduled at the time of the loan closing, the aunts & uncles discuss with the entrepreneur what social capital is needed and how those needs might be met. Some aunts & uncles have entrepreneurial experience and can provide direct assistance. Though most aunts & uncles do not have business experience, they each have a personal network of contacts that could be helpful to the entrepreneurs, and can offer various ways to help increase business. In addition, the Circle has a growing network of volunteer instructors in bookkeeping, strategic planning, and marketing, as well as pro-bona lawyers.

Examples of how aunts or uncles have helped entrepreneurs in their small circle is often by connecting the entrepreneur to a:

1. experienced business owner in the same industry who could give advice or act as a mentor to the borrower.
2. wholesale buyer for a larger business that could purchase the product of the borrower, such as a restaurant owner or chef who might buy a food product from the borrower.
3. local supplier that could provide supplies for the borrower and help build the local supply chain.
4. reporter or media contact who could do a story on the borrower business.
5. a pro-bono professional in accounting, management, marketing, manufacturing, interior design, architecture, law or real estate who could advise or assist the borrower.
6. available storage space, shared office space, or other resources that the borrower might be looking for.

In addition, small circles might organize an event to boost the business of the entrepreneur, in ways such as:

1. Hold a truck show for a borrower who is a local designer at the home of a small circle member and invite friends and other aunts & uncles and their friends.
2. Organize a shopping party at a borrower's store, bringing wine and cheese and inviting friends.
3. Host a dinner party at the home of a small circle member catered by a borrower's business

4. Organize a meal at a borrower's food business and invite other aunts & uncles and friends to come

Small Circles support an entrepreneur for up to the length of the loan, according to the needs and desires of the entrepreneur. Some entrepreneurs only meet once with their Small Circle, while others may meet several times during the first year.

Occasionally, loans are made in stages or a second loan may be requested if the maximum of \$12,000 has not been reached. The Small Circle determines when new loans should be proposed to the full Circle.

More information is available in **Guidelines for Small Circles** on our website.

7. Governance

A steering committee of 6-7 volunteers oversees the operation of the Circle, including maintaining the relationship with The Enterprise Center and the Fund Manager, organizing 4 gatherings a year, improving operations and policies, updating documents, addressing problems, and overseeing financials and dues. The steering committee meets 3-4 times a year.

Current members of the steering committee include chair Judy Wicks, Bernadine Hawes, Steve Weinberg, Lindsay Gilmore, Dianne Reed, Ted Reed, and Barbara Grabias. If you are interested in serving on the steering committee, please contact the chair.

8. Volunteer Roles

Circle members are expected to volunteer in one or two of several ways each year:

1. host a gathering in your home or at another location
2. join a Small Circle to support an entrepreneur (meetings range from only once to 3-4 times a year),
3. join the steering committee
4. be a greeter at a gathering (greet members, collect dinner money, hand out name tags.)
5. Help interview loan applicants.
6. Attend events supporting the entrepreneurs, such as crowd-shopping or dinner parties.

9. **Circleofauntsanduncles.com**

Our website includes documents for joining and renewing, a list of all of our entrepreneurs with photos and descriptions of their businesses, and information on applying for a loan.

The Members Only section requires a password and lists the photos, bio and contact information of members.

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