# Circle of Aunts & Uncles - An Overview

The Circle of Aunts & Uncles is a multi-generational project that provides low-interest loans and social capital to 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 Membership Network

The Circle of Aunts and Uncles is a network of 35-40 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 the following year, each individual member makes an annual contribution of $1000. An Annual Contribution Form accompanies this check. If the fund does not need to be replenished, no annual contribution will be requested.

In addition, members contribute advice, connections, business and other forms of social capital when possible.

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.

Expanding a Social Capital Network:
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 bookkeeping, law, architecture, real estate, etc. This outreach creates an ever-expanding network of support for the entrepreneurs.

Social Capital Aunts & Uncles and Silent Aunts & Uncles:
In some cases, individuals providing a very large degree of social capital in assisting entrepreneurs and performing other volunteer functions may join as a social capital aunt or uncle and not be required to make a financial contribution. Social capital aunts and uncles join one or more subcircles, advise entrepreneurs as needed, help find and/or interview applicant entrepreneurs, and come to gatherings to participate as a member with a vote in making loans. There are only a

few slots for Social Capital members. Others wishing to contribute social capital to help out occasionally could be part of the Social Capital Network, described above.

A silent aunt or uncle makes a financial contribution, but has no other obligation. They do 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 who coordinates meetings with entrepreneurs and provides technical assistance as needed. Currently the TEC fund manager is Inja Coates who works half-time on the Circle of Aunts & Uncles project.

**2. 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 lease one aunt or uncle present along with the borrower. 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. Advisors, Pipelines and Co-lenders**

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 partner in making loans and supporting entrepreneurs, the Circle will maintain relationships with local business support organizations that provide training and/or loans and grants. Our advisors include the Executive Directors of The Enterprise Center, Entrepreneur Works, the Merchant's Fund, Untours Foundation, Kiva Zip, and Women's Opportunity Resource Center (WOAR).

**4. Selecting Entrepreneurs**

Entrepreneurs are recommended for a loan by an advisor or a Circle member who send 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 comprised of a circle steering committee member, the loan manager, and one or two additional aunts or uncles and/or advisors. Ideally, two entrepreneurs are chosen to present at a Gathering. Some times a candidate who is not quite 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; independent media; local arts and culture, neighborhood tourism, and technology that supports our local economy.

To date, all 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.

**5. Gatherings**

Four member gatherings are scheduled per year to introduce Circle members to the prospective borrowers put forward by the selection committee.

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 and the nominating advisor.) 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 potential entrepreneur borrowers 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.

Occasionally loans are made outside of the gatherings. This occurs when: 1.) an entrepreneur presents at a gathering and a loan is deferred until support and advise are given and improvement is shown, or 2.) an entrepreneur has previously received a loan and is applying for a second loan (if the total exposure is no more than $12,000.) In these cases, the subcircle for the borrower recommends the loan to the full circle and a vote is taken by email. Majority rules.

**6. Social Capital - Providing Non-financial resources**

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 sub-circle to support the new borrower. There are typically 3-4 members in a sub-circle, plus the loan manager, who schedules and leads the sub-circle meetings, and offers professional advice.

At the first subcircle meeting, often 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. The Circle has a growing network of volunteer instructors in bookkeeping and pro-bona lawyers. 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.

For example an aunt or uncle could connect the entrepreneur to a friend or acquaintance who is a wholesale buyer for a larger business that could purchase the product, such as a restaurant owner or chef who might buy bread from an entrepreneur; or a local supplier, such as a heritage grain grower for the bread baker, that would help build the local supply chain; or a reporter who could do a story on the business; or a more experienced business owner in the same industry who could give advice or act as a mentor; or a pro-bono professional in accounting, architecture or real estate; or available storage space, shared office space, or other resources.

Sub-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 sub-circle, while others may meet 3-4 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 sub-circle determines when new loans should be considered by the full Circle.

**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, holding small circle meetings to discuss operational issues, and forming committees to interview and choose entrepreneurs.
Current members of the steering committee include co-chairs Judy Wicks and Kate Houstoun, Steve Weinberg, Lindsay Gilmore, Dianne Reed, Ted Reed, and Barbara Grabias.

**8. Volunteer Roles**

Circle members are expected to volunteer in one or two of several ways each year: host a gathering in their home or at another location, join a sub-circle to support an entrepreneur (meetings range from only once to 4-5 times in a year), join the steering committee, and/or offer to be a greeter at a gathering (greet members, collect dinner money, hand out name tags.)

*Revised 4/5/2018*