

investing in

**HEALTH
CARE
EQUITY**

AN ECOSYSTEM BUILT TO GROW BUSINESSES OF COLOR



Dear Friends,

The goal of the Boston Foundation’s Business Equity Fund (BEF) is to help businesses of color employ more people, build more wealth and thrive. With this inaugural edition of what will be an annual investment report, we will keep you informed about our activities and progress toward that goal.

Providing growth capital is the cornerstone of the BEF. Given the disturbing data on access to capital for people of color (some of which is highlighted in these pages), we see this work as essential to closing the racial wealth gap

and creating equity of opportunity. The Fund is designed to provide both flexible financing and patient capital to businesses that are doing well and are positioned for growth, and early results are encouraging. So far, through a competitive application process, seven businesses have received a combined total of \$2.3 million in low-cost loans.

We don’t do this work alone. First, we would be merely a good idea if not for the transformative support of the initial investors in the Business Equity Fund, who have contributed nearly \$6 million in gifts and commitments. Through networking and referrals, the Fund has also unlocked an additional \$2.8 million of more traditional capital that will support another eight to 12 businesses, bringing total leveraged dollars by the Fund to \$8.8 million. I am humbled by their personal commitment to this work. A significant grant from the Eastern Bank Foundation helped to catalyze our work and two additional elements of the ecosystem: The Business Equity Initiative (BEI) and the Greater Boston Chamber of Commerce’s Pacesetters Initiative. These programs tackle barriers around technical assistance and networks. Specifically, the BEI provides high quality consulting and mentoring to Black and Latinx businesses and the Pacesetters Initiative encourages member companies to spend more of their procurement dollars with businesses owned by people of color.

I am also thankful for an incredibly competent team of leaders: Fund Manager Anthony Rust, our Operations team led by Corean Reynolds, and our accomplished Investment Committee. Together the team has successfully managed and provided oversight to the Fund.

Already, the businesses that have received BEF support are strengthening their enterprises from within, creating strategies to enter new markets or make new acquisitions, and are setting ambitious goals for hiring more staff. All of this was under way and just picking up steam until the COVID-19 pandemic dragged our economy to a crawl. The BEF portfolio was impacted, but overall our investments have weathered the storm relatively well with the wrap-around support of the BEF ecosystem. COVID-19 has made apparent that this work is more important than ever.

We look forward to keeping you informed of this exciting and inspiring work.

ORLANDO C. WATKINS

Vice President for Programs
The Boston Foundation



A Look Inside

WHAT WE DO	2
INEQUALITY AND OPPORTUNITY	4
HOW WE DO THIS WORK	8
INVESTMENT COMMITTEE	10
GROWTH AND IMPACT	12
COMPANY PROFILES	13
ACKNOWLEDGMENTS	20

WHAT WE DO



The Boston Foundation

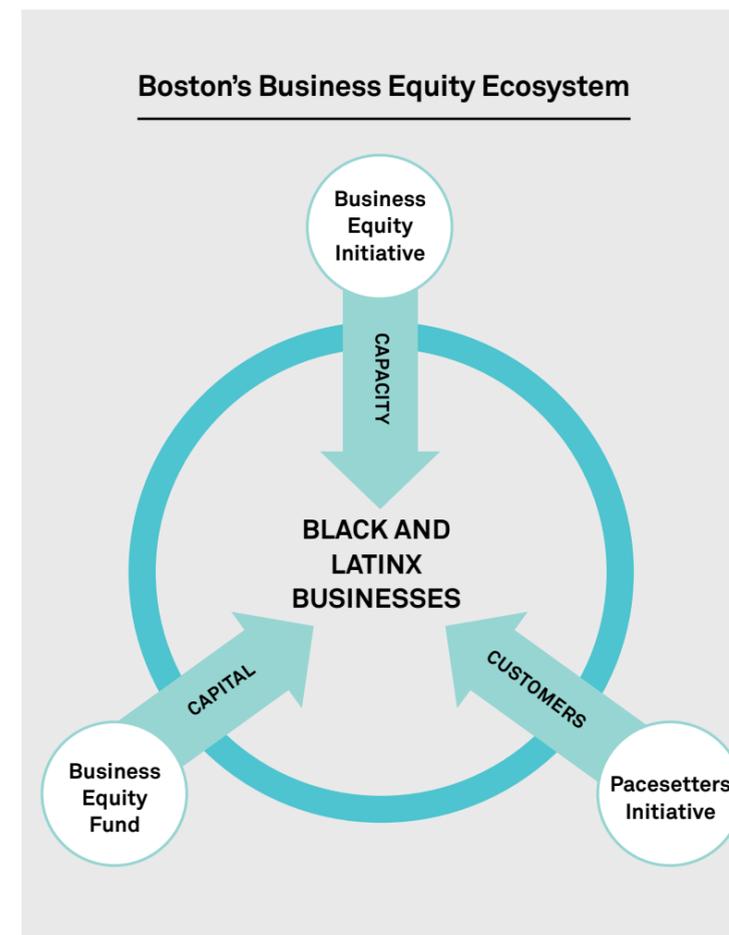
As Greater Boston's community foundation since 1915, the Boston Foundation devotes its resources to connecting people and organizations to build and sustain a vital, prosperous city and region, where justice and opportunity are extended to everyone. With its donors, who have established more than 1,000 separate charitable funds for the general benefit of the community or for special purposes, the Boston Foundation has made grants totaling \$1.1 billion since 2001, including \$215 million in the last fiscal year. With support from the Annual Campaign for Civic Leadership, the Foundation facilitates public discourse and action, commissions research into the critical issues of our time, and seeks to influence public policies that drive positive change. The Foundation partners with others as well to find innovative ways—like the Business Equity Fund—of harnessing our collective power to tackle Boston's biggest challenges. Every aspect of the Foundation's work is driven by a determination to broaden participation, foster collaboration and heal racial, ethnic and community divisions.

The Business Equity Fund

The Business Equity Fund (BEF) is one example of the Boston Foundation's commitment to equity and creating access for all of Boston's residents. Established in 2018 with a seed investment of \$2 million from Eastern Bank Foundation, the BEF leverages philanthropy to provide an alternative financing source and access to capital for qualified Black—and Latinx—owned businesses that are constrained by conventional financing practices that restrict their growth. The Fund's mission is to fill gaps in access to growth capital for Black and Latinx businesses and to help establish a thriving Black and Latinx entrepreneurial class through revenue growth, creating and maintaining good jobs, and building wealth in communities of color.

BETTER TOGETHER

The Business Equity Fund is a core component of the Business Equity Ecosystem, a highly collaborative network of organizations and people that holistically addresses the many barriers to resources by providing the capacity, connections, capital and contracts necessary to grow Black- and Latinx-owned businesses in Greater Boston. This ecosystem includes the Foundation for Business Equity's Business Equity Initiative (BEI) and the Greater Boston Chamber of Commerce's Pacesetters Initiative working together in different ways.



The Business Equity Initiative

Launched in 2017, the Business Equity Initiative (BEI) matches participating businesses with strategic advisors for 12–18 months to perform a full organizational diagnostic and co-create and implement a strategic growth plan. This process begins with an assessment of the unique needs of each business, and digs deeper to understand and support the business owner, so that it may provide the tools necessary to drive revenue growth. The BEI also organizes and subsidizes any specialist support needed, as well as a peer-to-peer CEO roundtable and unique advisory boards of experts at each company to provide senior-level advice and accountability.

Pacesetters Initiative

Launched by the Greater Boston Chamber of Commerce in 2018, the Pacesetters Initiative is a coalition partnership of large and midsized Chamber member organizations that use their collective purchasing power to create opportunities at scale for local, minority-owned businesses. Pacesetters is aligned with the work of the Chamber's Committee on Economic Opportunity, which is charged with developing the united response of the business community to economic inequality. Pacesetters companies are Chamber members committed to increasing their supplier diversity spending in number of contracts and dollars; peer learning to share best practices; and collecting, measuring and reporting on their annual spending with local businesses of color.

INEQUALITY AND OPPORTUNITY

9-10 times

In 2016, White families across the U.S. had **9-10 times** more wealth than Black and Latinx families.^I



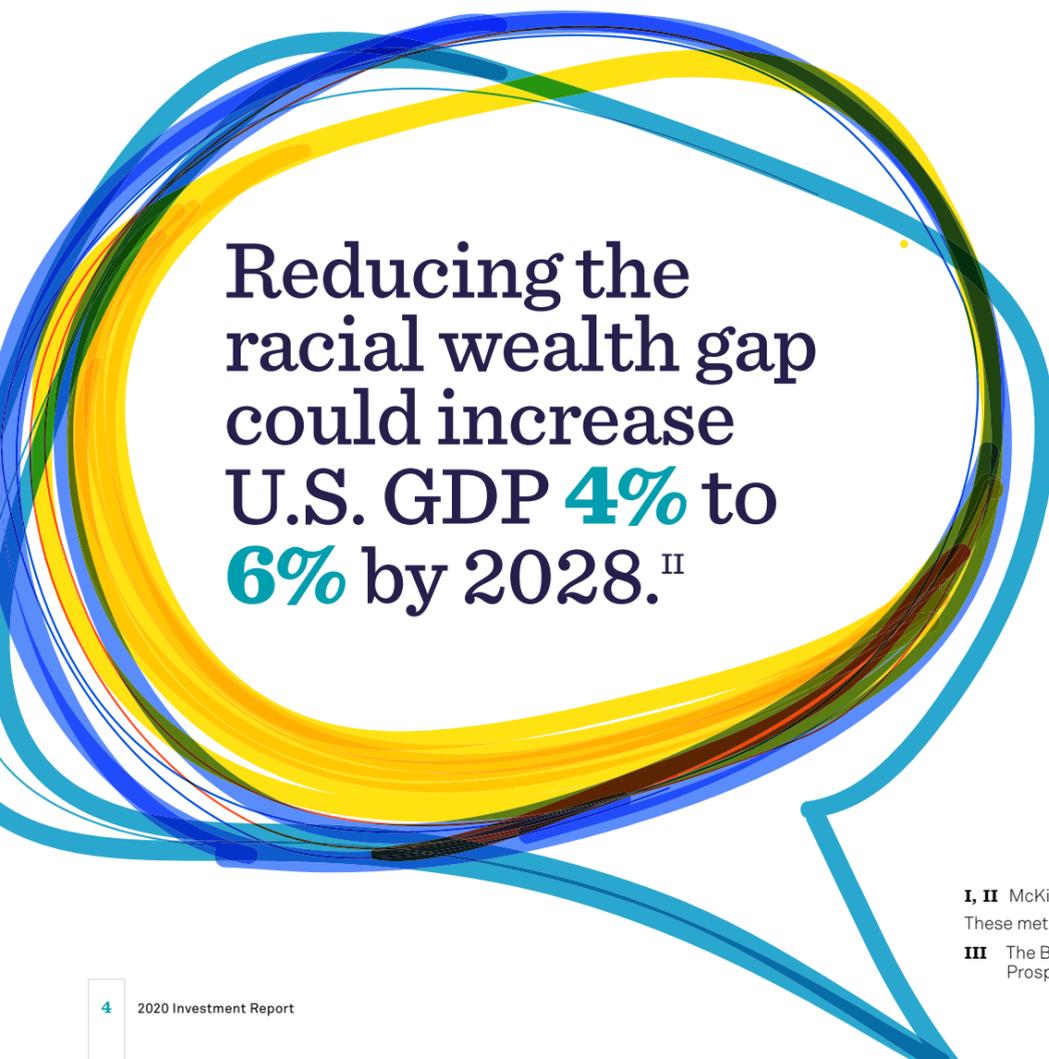
Massachusetts income inequality is the **6th** highest among all 50 states and Boston ranks **7th** for income inequality compared to all other major cities.^{III}



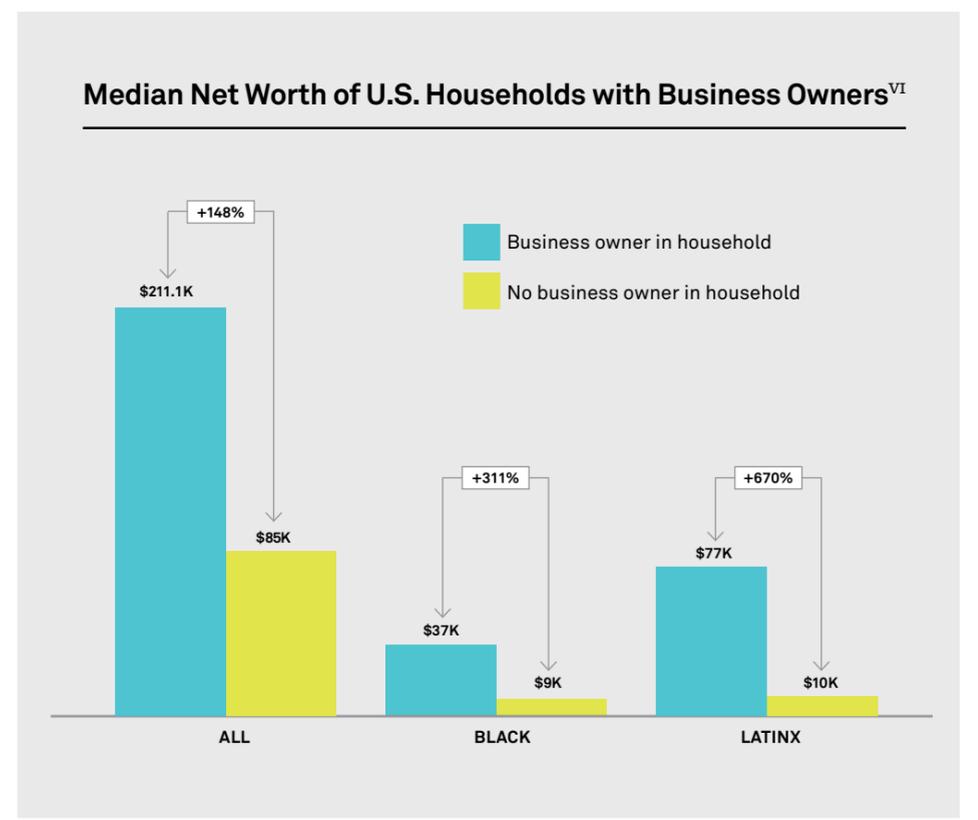
The median net worth for Black and Latinx families in Boston is **\$8 and \$1,907**, respectively, compared with **\$247,500** for White families.^{IV}



47% of businesses owned by people of color employ mostly people of color (versus **13%** of White-owned businesses).^V



Reducing the racial wealth gap could increase U.S. GDP **4%** to **6%** by 2028.^{II}



^{I, II} McKinsey & Company, The Economic Impact of Closing the Racial Wealth Gap (2019). These metrics all reflect pre-COVID reality; things have not improved.
^{III} The Boston Indicators Project, Boston's Booming... But for Whom? Building Shared Prosperity in a Time of Growth, 2018.

^{IV} Duke University, The New School and the Federal Reserve Bank of Boston, The Color of Wealth in Boston (2015).
^V Gusto, Founder Traits Influence Hiring and Benefits at Small Businesses (2018), Retrieved from <https://gusto.com/company-news/founder-traits-impact-diversity>.
^{VI} US Census, 2008 Survey of Income and Program Participation Microdata, Calculations by Dr. Robert Fairlie, University of California, Santa Cruz.

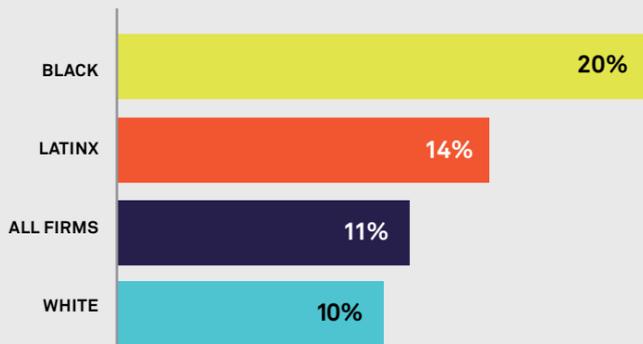
INEQUALITY AND OPPORTUNITY

Capital Access for Greater Boston Black and Latinx Businesses

Disparities and barriers around access to capital hurt Black and Latinx entrepreneurs' businesses, and it is commonplace for national disparities to be magnified locally. For example, in Greater Boston, the unmet demand for business loans for the region's 3,500+ Black and Latinx employer firms is at least \$255 million annually. The estimated demand for capital is more than \$632 million annually, which is made up of both the total number of loan applications and the total latent demand (from those who did not apply because they found the search for capital too difficult or the cost of capital too high, or were otherwise discouraged). These estimates are conservative given they do not include sole proprietors—the vast majority of the Commonwealth's 90,930 businesses owned by people of color.

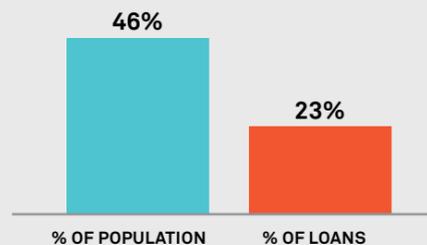
For all small businesses, loans to finance fixed asset purchases and loans secured by fixed assets (real estate, equipment) are much easier to obtain than loans for working capital to support growth. Black and Latinx small business owners have greater difficulty accessing working capital because they typically have less personal and business equity or personal and business collateral with which to secure loans than their White peers.

Percent of Entrepreneurs Reporting Profits Negatively Impacted by Cost of Capital^{VII}



20% and 14% of Black- and Latinx-owned businesses, respectively, reported that their profits were negatively impacted by the cost of capital (compared to 10% of White business owners).

Percentage of Population vs. Percentage of Loans Received^{IX}



In Greater Boston, people of color represent 46% of the population, but receive 23% of small business loans.

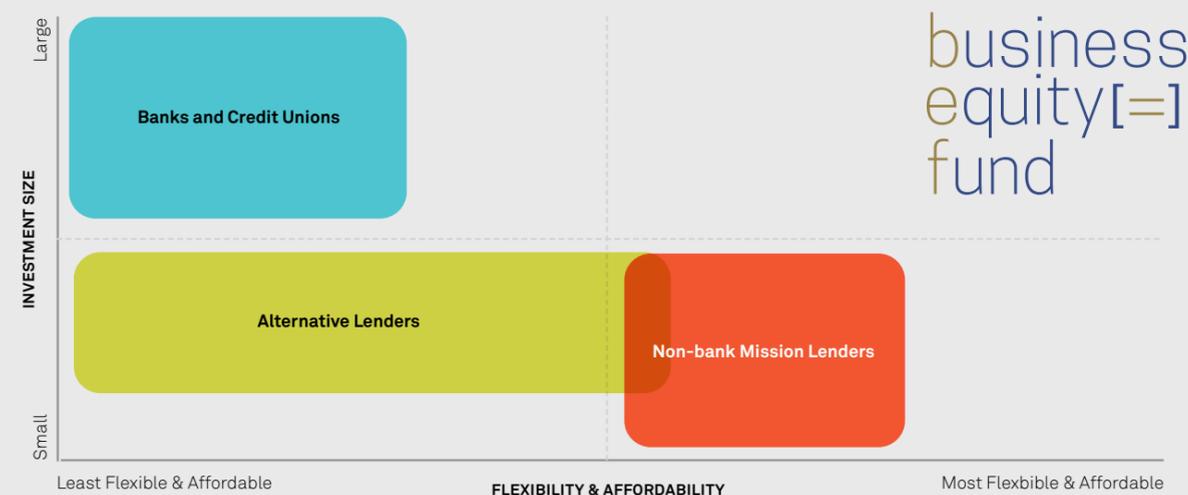
Greater Boston Black and Latinx Business Estimated Annual Demand for Capital^X and Current Lending Activity^{XI}



Loans to businesses of color are on average 39% smaller than loans to White-owned businesses.^{XII}

Business Equity Fund in the Lending Landscape

The Business Equity Fund plays a unique role in the business financing ecosystem. The BEF makes larger and more flexible growth capital investments for established businesses. BEF investments are more accessible, patient and affordable than bank loans, and larger than other non-bank mission lenders' loans. While banks focus predominantly on historical cash flow, collateral and credit score, the BEF focuses more on business potential and projected cash flows. The BEF also considers the jobs that its capital will help to create. And while most non-bank mission lenders (e.g., Community Development Financial Institutions) offer microloans (<\$50,000), the BEF provides larger amounts of capital (\$250,000 to \$500,000) that established businesses need.



2x
Loan denial rates for businesses owned by people of color
+22%
Average interest rate difference for people of color (7.8% vs. 6.4%)^{VIII}

^{VI} Algernon Austin, Center for Global Policy Solutions, The Color of Entrepreneurship (2016).
^{VII} Minority Business Development Agency, U.S. Department of Commerce, Disparities in Capital Access Between Minority and Non-Minority Businesses (2010).
^{IX} Massachusetts Community and Banking Council, Small Business Lending in Massachusetts 2008-2017 (2018).

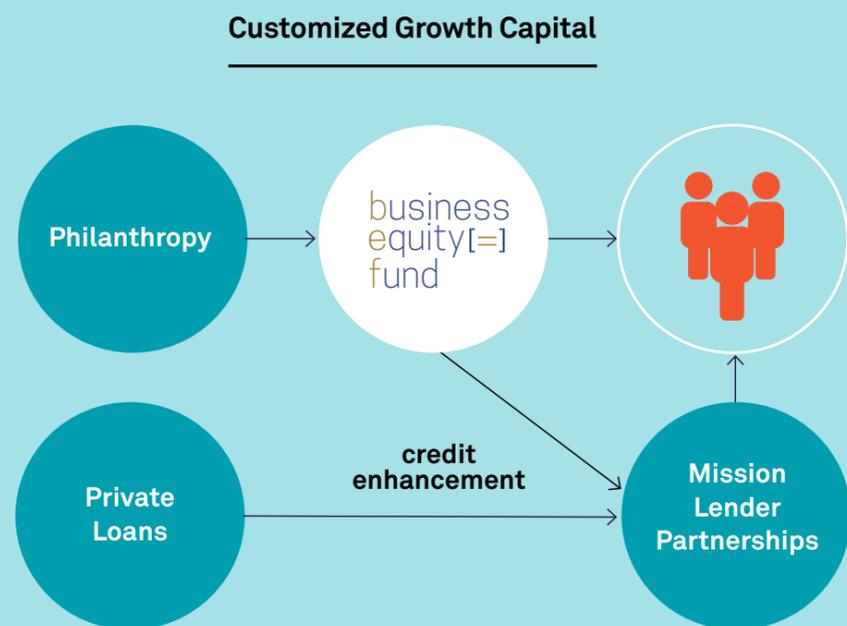
^X Federal Reserve Bank of Cleveland, Small Business Credit Survey Report on Minority Firms (2017); U.S. Census, 2016 Annual Survey for Entrepreneurs (2017).
^{XI} Massachusetts Community and Banking Council, Small Business Lending in Massachusetts 2008-2017 (2018); Mt. Auburn Associates, An Evaluation of Effectiveness and Impact of Massachusetts Growth Capital Corporation's Small Business Technical Assistance Grant Program (2018).
^{XII} U.S. Department of Commerce Minority Business Development Agency, Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: The Troubling Reality of Capital Limitations Faced by MBEs, 2010.

HOW WE DO THIS WORK

The Model

The Business Equity Fund is designed as an “evergreen” model that will recycle financial returns from investments back into the BEF to be used to deploy future direct investments, operational funding and credit enhancements. Since Eastern Bank Foundation’s initial \$2 million grant in 2018, the BEF grew to \$6 million in 2020, philanthropically funded by individual and institutional donors.

Based on the applicant’s business needs and other factors, the BEF will either make a direct loan or equity investment, or will coordinate with integrated mission lender partners. Investments in the form of loans or equity investments will range in size from \$250,000 to \$500,000 with a target financial return of 5–6%. Partners leverage BEF’s sourcing and due diligence to accelerate their investments. Additionally, the BEF’s philanthropic capital is utilized to unlock and leverage private capital by providing credit enhancements.



Partner Spotlight: Mill Cities Community Investments (MCCI)

The Business Equity Fund is committed to leveraging the capacity and expertise of established community partners in innovative ways.

As part of this commitment, the BEF established an integrated partnership with Mill Cities Community Investments (MCCI) to facilitate the flow of low-cost bank loans to Business Equity Initiative participating enterprises. MCCI is a nonprofit mission lender and certified Community Development Financial Institution (CDFI) based in Lawrence, Massachusetts, that provides small business and home improvement loans to economically disadvantaged communities in eastern Massachusetts.

Enabled by a loan loss reserve grant from the BEF, Berkshire Bank made a \$1 million low-interest loan to MCCI to fund loans to BEI participating enterprises in mid-2019. Eastern Bank recently made a similar \$1.8 million loan, bringing the total bank capital leveraged to nearly \$3 million. The innovative loan structures provide MCCI with lower cost and more patient capital, allowing MCCI to provide more affordable capital to Black and Latinx business owners. The MCCI lending team works closely with the BEF investment team. The BEF leads initial screening and due diligence and serves as a single point of contact for businesses. MCCI then leverages the BEF’s due diligence to approve loans much faster than its typical process. As of December 2020, this partnership has resulted in eight loans totaling \$2.8 million.



Investment Process

The Business Equity Fund invests in Black- and Latinx-owned companies located in eastern Massachusetts, southern New Hampshire and northern Rhode Island with a proven track record, over \$250,000 in annual revenue along with a clear plan for how they will utilize our investment to create jobs.

As a partner of the Business Equity Ecosystem, the Business Equity Fund uniquely benefits from a growing pipeline of well qualified Black- and Latinx-owned companies positioned for growth through their participation in the Business Equity Initiative program. This pipeline’s existing and potential impact is assessed by a team composed of a dedicated Fund Manager and an Investment Committee with the experience and expertise to conduct due diligence with depth and rigor and provide ongoing support to the companies that are funded.



- Identify companies within target profile from the Business Equity Initiative (BEI) program and from other partners
- Complete initial appraisal of financial position, business plan and impact potential



- Meet with company leadership and staff
- Analyze and assess the company’s leadership and staff, operations, market position, financials and business plan
- Evaluate the company’s impact potential with a focus on quality job creation in Greater Boston
- Research and analyze relevant industry trends



- Fund Manager presents findings from due diligence to the Investment Committee
- Fund Manager drafts a term sheet with impact targets and negotiates with the company
- Investment Committee approves final term sheet and deal is closed



- Fund Manager monitors the company’s performance, including collecting financial and impact metrics
- Fund Manager and BEI Strategic Advisors provide ongoing strategic and operational support

INVESTMENT COMMITTEE

The Business Equity Fund Investment Committee and supporting team are predominantly investors, finance professionals and community advocates of color who have experienced the economic inequity the Fund is working to counter.



GREG SHELL, Chair

Greg Shell joined Bain Capital Double Impact as a managing director in 2016. Prior to joining, Shell served as a Lead Portfolio Manager of a concentrated global equity product at GMO. Previously, he was a Senior Equity Analyst at Columbia Management Group and a Consultant at Bain & Company in its strategy and private equity practice areas. Shell earned his MBA from Harvard Business School and received a bachelor of science from MIT.



ANTONIO LOPEZ

Antonio Lopez, CPA is a founding partner of LCW CPAs Inc., and has been in public practice for over 35 years. Lopez has extensive experience in corporate and LLC taxation, concentrating in the areas of manufacturing, telecommunications, distribution and wholesale, as well as high technology and retirement planning. Lopez is a graduate of the University of Notre Dame with a bachelor of science in accounting, and holds a master of science in taxation from Bentley University. He has also received the Chartered Financial Consultant designation by the American College of Financial Services. Lopez is professionally associated with the Massachusetts Society of Certified Public Accountants and Enrolled Agents, and the Massachusetts Association of Accountants, along with the National Association of Enrolled Agents and the National Society of Tax Professionals.



LIZETTE PÉREZ-DEISBOECK

Lizette Pérez-Deisboeck is Battery Ventures’ General Counsel and Chief Compliance Officer. She joined Battery in 2009 from Goodwin Procter LLP, where she was a partner and a member of the technology companies and private equity practice groups. She has more than 25 years of experience counseling entrepreneurs, public companies and private clients on formation, governance, financing, strategic alliances and mergers and acquisitions in the United States and abroad. Prior to Goodwin, Pérez-Deisboeck was Vice President of Legal Affairs and Operations at Idealab and General Counsel at JuniorNet Corporation. A member of the California and Massachusetts Bar Associations, Pérez-Deisboeck previously served as law clerk to the Honorable Michael A. Telesca of the United States District Court of the Western District of New York. Pérez-Deisboeck earned her JD from Boston University School of Law and her bachelor’s degree from the University of Rochester, where she is a member of the Board of Trustees.



DEMETRIOUSE RUSSELL

Demetriouse Russell is a speaker, connector and relationship builder who has become a trusted advisor to senior-level executives. Specializing in the intersection between leadership development, diversity and inclusion and executive coaching, he’s helped leaders from well-known organizations (Federal Home Loan Bank of Boston and Boston Medical Center to name just a few) see inclusion as a strategic imperative and drive results by building more equitable organizations. Russell launched Venn Diagram Partners LLC, a global consulting collaborative, in 2017. His workshop takes leaders on a journey of discovery about self-awareness, emotional intelligence and personal leadership brand. Formerly, Russell held leadership positions in the consulting, higher education and nonprofit sectors. He attended Middlebury College and transferred to Morehouse College, earning a bachelor of arts in history, magna cum laude, Phi Beta Kappa. Russell also attended the London School of Economics on a prestigious Luard Morse Fellowship. He received his MBA from Harvard Business School.



JARED H. WARD

Jared Ward’s 41-year business career has been in commercial banking. He currently serves as a Senior Vice President in Middle Market Banking at Eastern Bank, a role he has held since 2012. Ward also manages Eastern Bank’s portfolio of loans to real estate investment trusts (REITs). Prior to Eastern, Ward was at Bank of America, where he rose from Management Trainee to Managing Director and Senior Vice President in a career that spanned more than three decades. At Bank of America, Ward worked in a variety of capacities in portfolio management, international banking, problem loan management, real estate finance, and business banking. He conducted business for the bank on five continents, and lived and worked in Brazil from 1981 to 1985.



ANTHONY RUST, Fund Manager

Anthony Rust has been in the investment industry for 27 years as an investment banker, private equity professional and impact investor. As an investment banker, Rust was involved in the structuring and underwriting of multimillion-dollar senior managed financing transactions and co-managed financing transactions. As a private equity investor, he co-managed a private equity fund-of-funds firm that held a billion dollars in assets under management across five fund structures—including a fund focused on investing in communities of color in different parts of the country. As an impact investor, Rust has effectuated change across asset classes including investing in and managing portfolios both in the public and private markets, through his work as an investment professional and chair of a college endowment fund. Rust holds a bachelor’s degree from Tufts University and a master’s degree from The George Washington University/SUNY joint program.

Strategic, operational and administrative support are provided by esteemed external partners and members of the Boston Foundation’s Program, Finance and Development and Donor Services departments:

ANNA JEN, Program Associate

GLYNN LLOYD, Executive Director, Foundation for Business Equity

LAURA MCCONAGHY, Senior Director for Philanthropy Operations

COREAN REYNOLDS, Program Officer

AL VAN RANST, Chief Financial Officer and Treasurer

ORLANDO WATKINS, Vice President for Programs

GROWTH AND IMPACT

Both by investing directly in companies and referring others to our CDFI partner, the Business Equity Fund is helping to facilitate growth for Black and Latinx companies around Greater Boston. In turn, these companies are investing in their communities by creating jobs and wealth locally.

CDFI Partner Investments



BEF AND MCCI ACTIVITY & IMPACT

TOTAL DOLLARS RAISED:

**\$8.8
MILLION**

OF INVESTMENTS

15

TOTAL AMOUNT OF FINANCING:

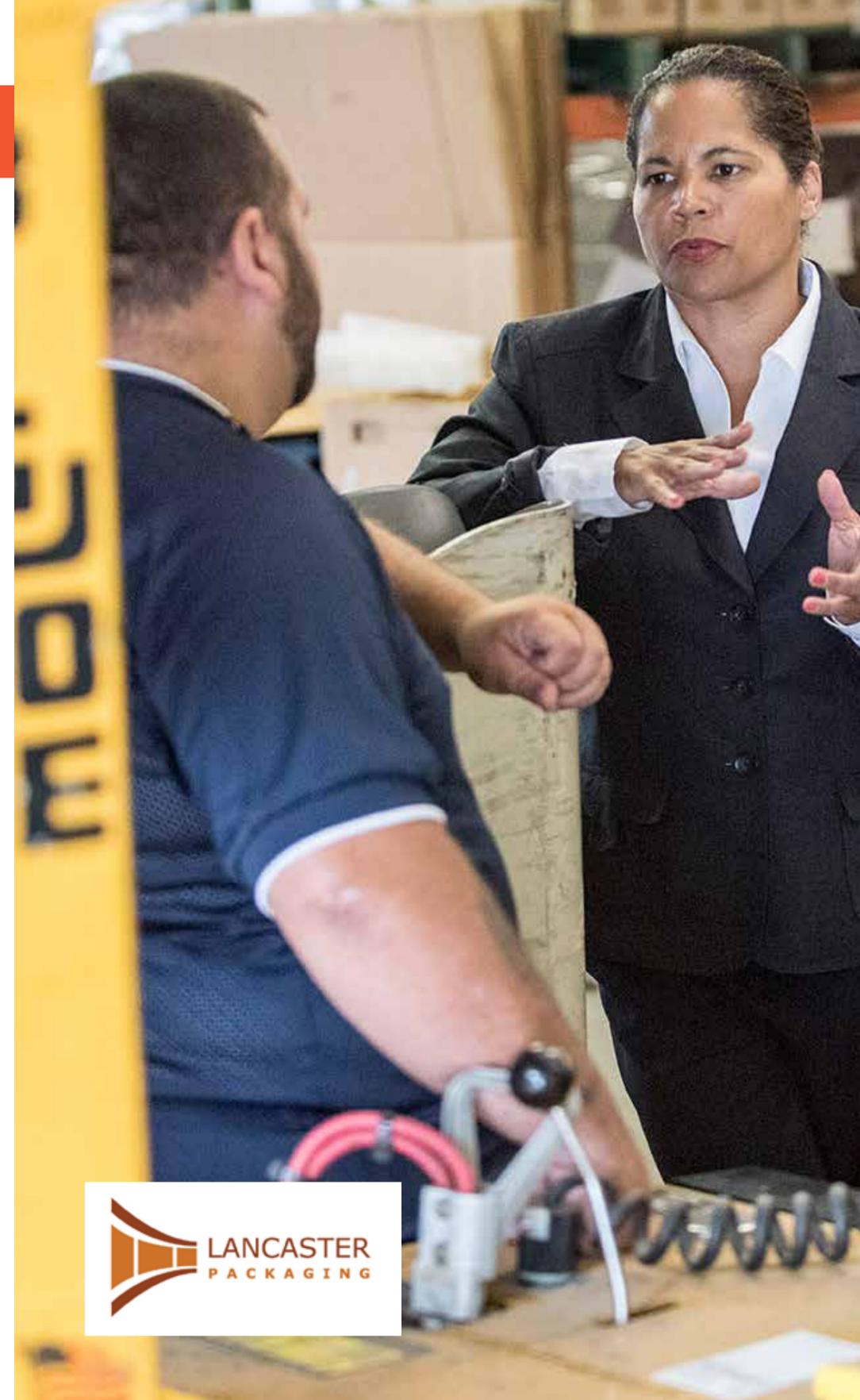
**\$5.1
MILLION**

5-YEAR PROJECTED REVENUE GROWTH:

**\$15.6
MILLION**

5-YEAR PROJECTED # OF JOBS CREATED:

1084



LANCASTER PACKAGING

CEO and Owner: Marianne Lancaster
 Industry: Wholesale Distribution, Packaging and Purchasing Services
 Year Founded: 1988
 Annual Budget: \$9.4 million
 Number of Staff: 13
 Location: Hudson, MA
 BEF Investment: \$350,000

Owned and operated by Marianne Lancaster, a recognized small business leader of color who has received several industry awards (including the *Boston Globe's* Top 100 Women-Led Businesses in Massachusetts from 2013 to 2017), Lancaster Packaging is a wholesale distributor of packaging, industrial and janitorial supplies and purchasing services. The company operates mainly in the Northeast, and also does business across the country with defense and aerospace contractors. Lancaster Packaging prides itself on leveraging superior packaging and outsourcing knowledge, maintaining an extensive national supplier network, upholding a continuous improvement culture and robust quality management system, and providing outstanding customer care to large government contractors and private industry clients. Its client base is made up primarily of multi-site Fortune 500 customers.

The Business Equity Fund was drawn to make an investment in Lancaster Packaging because of its reputable CEO, as well as its demonstrated level of investment, resources and commitment to securing some of the highest independent industry certifications for quality management, including AS-9120 and LEAN discipline. These certifications differentiate Lancaster Packaging from its competitors and position the company for significant growth.





DRB FACILITY SERVICES

CEO and Owner: **Anthony Samuels**
 Industry: **Building Cleaning Services, Interior**
 Year Founded: **1993**
 Annual Budget: **\$15.5 million**
 Number of Staff: **295**
 Location: **Boston, MA**
 BEF Investment: **\$400,000**

Over the past 25 years, CEO Anthony Samuels has built DRB Facility Services into a multimillion-dollar company, employing 295 individuals and priding itself on compensating its employees at a living wage. DRB Facility Services provides institutional facilities management services including janitorial, landscaping and snow removal to higher education, government, retail, medical and professional office building clients around Massachusetts.

Impressed by Anthony's leadership and his ability to access this marketplace and manage a high volume of clients, contracts and employees, the Business Equity Fund was compelled to invest in this company.

Furthermore, the Fund was interested because of the highly catalytic nature of the effort that the capital would support. The \$400,000 loan enabled DRB Facility Services to secure a \$22 million multi-year facilities management contract, which led to the creation of around 180 new living-wage jobs.



TARTTS DAY CARE CENTERS

Owners: **The Tartts Family**
 Industry: **Child Day Care Services**
 Year Founded: **1946**
 Annual Budget: **\$2.1 million**
 Number of Staff: **38**
 Location: **Boston, MA**
 BEF Investment: **\$250,000, plus an additional co-financing source for another \$250,000**

Founded in 1946, Tartts Day Care Centers is a family-owned-and-operated childcare business that spans four generations. Bessie Tartt Wilson founded the company 73 years ago, and ran Tartts as a home-based business in Dorchester. Under guidance from the second and third generations, Tartts has established itself as a strong brand within Boston's day care center market today, with three sites operating in the South End. The company maintains an innovative approach, which includes high-end functional facilities and décor, and offering a wide variety of programs as part of its day care services. A core component of the business is the belief that employees are the lifeline to customers and clients and therefore they must be appreciated and treated well, which is reflected in low staff turnover rates.

The Business Equity Fund had strong reasoning to warrant the financing of Tartts Day Care Center's growth. First, a multi-generational, Boston-based business with a nearly 75-year track record and a family of truly committed individuals symbolized "staying power." Second, the company was innovative in its approach to providing day care services, illustrated by its facilities and program offerings. Finally, the Investment Committee found the company's business model sound and its expansion plans of merit and compelling, with plans to use the financing to fund the replication of its first three successful centers and growing to six facilities by 2024.

FIVE STAR PLATING

CEO and Owner: Fausto Garcia

Industry: Metal Plating

Year Founded: 2010

Annual Budget: \$3.3 million

Number of Staff: 42

Location: Lawrence, MA

BEF Investment: \$250,000, plus an additional co-financing source for another \$250,000

Five Star Plating is a family-owned-and-operated metal finishing manufacturer based in Lawrence, Massachusetts. The company was started by Fausto Garcia in 2010, with the intent to provide superior quality and a high level of customer service. Working out of a 28,000 sq. ft. manufacturing space, the company provides several forms of metal finishing services to commercial sheet metal fabricators and machine shops serving a variety of industries, including medical equipment, industrial, telecommunications, electronics, defense/aerospace and food services. Five Star Plating has 42 employees, predominately people of color: the workforce identifies as 93% Latinx, 66% male and 34% female employees. In 2018, the company received two Business of the Year Awards, as well as a Small Business Award from Enterprise Bank. CEO Fausto Garcia has also received an Immigrant Entrepreneur Award from the 3rd Congressional District.

The Business Equity Fund was compelled by Garcia's leadership, as well as the opportunity to help finance a well-established family business to improve its model and operations across the board, and to support and strengthen the manufacturing industry in Massachusetts overall. Specifically, BEF capital has allowed Five Star Plating to expand and enhance its metal finishing manufacturing lines by adding new finishes. This growth complements the company's existing lines and makes the company a one-stop metal finishing shop, thereby making it more competitive in the industry. BEF financing has also helped Five Star Plating modernize and reconfigure its plant layout to create greater efficiencies, and add new equipment to double the capacity per shift of one of the manufacturing lines.



OUTKAST ELECTRICAL CONTRACTORS

Founders: Paul Gray and Kevin Scarlett

Industry: Commercial Electrical Contractors

Year Founded: 1993

Annual Budget: \$3.6 million

Number of Staff: 26

Location: Dorchester, MA

BEF Investment: \$350,000

Founded in 1996 by two cousins who left family-owned trade businesses to strike out on their own, Outkast Electrical Contractors is a Massachusetts-certified Minority Business Enterprise (MBE). Outkast is recognized as the primary MBE regional electrical contractor in the Greater Boston area that manages and executes larger commercial projects. Outkast started out by serving as a subcontractor to established electrical contractors, generating around \$80,000 in income in its first year of business. To scale, the company decided to broaden its scope by targeting general contractors as well. In 2015, commercial business began to grow and larger jobs were obtained, including hotel, industrial and day care facilities. By 2017, annual revenue reached approximately \$3.3 million and Outkast became a well recognized brand in the industry and region.

What the Business Equity Fund found most significant was the opportunity to help provide much needed growth capital to a truly successful community-based business. Additionally, the BEF was inspired by the grit and staying power of this 23-year-old business that survived the Great Recession of 2008 and has gone on to become the dominant commercial electrical contractor of color both as a prime and subcontractor in eastern Massachusetts. Further attractive is the company's potential growth story, which has yet to be fully written, as Outkast has yet to earnestly pursue public contracts, including city and state projects.



EDUPORIUM

CEO and Owner: Rick Fredkin

Industry: Ed-Tech

Year Founded: 2014

Annual Budget: \$6.1 million

Number of Staff: 14

Location: Newton, MA

BEF Investment: \$300,000

Eduporium is an early stage, high growth, value added reseller of STEM (science, technology, engineering, mathematics) products and tools in the K–12 education market in the United States. The company has grown significantly in terms of top line revenues since its founding in 2014. Eduporium is in an industry and sector where the demand for Smart Toy/STEM related products is large and growing, with a constant need from educators for guidance on how best to adopt and integrate these products into their respective curriculums.

In a short time, Eduporium has established itself as a strong brand in the K–12 STEM tech market and a trusted resource for educators seeking objective guidance, not only on which STEM products to consider but also on key content, curriculum and training needs to help them achieve the best outcomes for their students. Eduporium works with more than 74 vendors, operates nationwide and has customers in all 50 states.

The Business Equity Fund was inspired to invest in Eduporium for multiple reasons. First, the BEF is eager to support businesses of color in the technology space and to encourage and help more MBEs to enter the field. Additionally, Eduporium's growth trajectory has the potential to make investment in this company a major winner for the Fund: given the BEF's evergreen structure, the expected robust return on capital generated by this investment will yield considerable resources for further capital investments in other businesses owned by Black and Latinx entrepreneurs. Finally, with Eduporium's projected growth will come significant job creation; the company is making it a priority to recruit among Black and Latinx populations to fill these jobs and is establishing outreach programs and strategic affiliations to support this goal.



TRES ISLAS GROUP AND CILANTRO LATIN KITCHEN

Founders: Hector and Nivia Piña

Industry: Food, Restaurant Group/Restaurateur

Year Founded: 1994

Annual Budget: \$5.3 million

Number of Staff: 90

Location: Boston, MA

BEF Investment: \$400,000

The Tres Islas Group is a husband-and-wife-owned restaurant business with three locations now operating in Boston with plans under way to add a fourth in the spring of 2021. Tres Islas started in 1994 with its first restaurant, Merengue (Dominican themed), subsequently launching its second restaurant, Vejigantes (Puerto Rican themed) in 2012, and in 2016 opening its third venue, Doña Habana (Cuban themed). With combined restaurant industry experience totaling more than 40 years, Hector and Nivia Piña have established a highly successful operation.

The three restaurants are on track to earn \$5.3 million in revenue (including from catering) in 2020, despite the significant challenges and hindrances from the COVID-19 crisis throughout the year. Prior to the pandemic, Tres Islas generated \$6.2 million in annual revenues and employed 117 people.

Specifically, the Fund decided to invest in Tres Islas' new endeavor, Cilantro Latin Kitchen. This fourth restaurant will be in the Mission Hill neighborhood, with a goal of addressing critical health issues faced by Latinx and other communities of color by providing them with access to healthy food options in a fast casual setting. Many low- and moderate-income communities like Mission Hill lack ready access to nutritious, fresh and locally produced foods. Healthy food scarcity is a social determinant of health, often leading to poor health outcomes and racial health disparities for residents in affected communities. Cilantro Latin Kitchen is poised to open in early 2021, will employ 11 staff, and has a year-one projected budget of \$789,000.



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Generous BEF Funders

The Business Equity Fund in the Time of COVID-19

It is no secret that the COVID-19 pandemic has wreaked havoc on small businesses nationwide. When the crisis first hit, the Business Equity Fund stepped up to support its investments by offering six-month deferments on loan payments to five companies (this was before investments were made in Eduporium and Tres Islas), as well as an additional three-month deferment to three of those five entities. The Investment Committee also decided to invest additional capital in several businesses to help them weather the storm. Fund Manager Anthony Rust has kept in close contact with BEF portfolio companies, checking in with each CEO and learning how the Fund can best be supportive during this unprecedented time.

Overall, the seven BEF portfolio companies have fared relatively well to date despite the circumstances. There have been no defaults on loans, and though borrowers are hurting financially due to the crisis, the deep advisory services the ecosystem has provided them have de-risked the portfolio amid the current volatility.

Lancaster Packaging pivoted early to make the manufacturing of personal protective equipment part of its core business. Five Star Plating was deemed an essential business at the start of the pandemic and has continued to operate at full capacity. DRB Facility Services also took a lighter hit and now has its biggest clients back, ended payment deferrals early, and expects to return to full capacity by the end of 2020. Projects for Outkast Electrical are starting to ramp up again and the company has brought back previously furloughed staff. Tartts Day Care, like most childcare centers, has been severely impacted by the pandemic and had to furlough staff; it reopened in late summer at about 60 percent capacity with all the necessary COVID-19 protections in place, and though fall brought business closer to normal it will take some time to get back to full capacity.

While the BEF Investment Committee has believed in the importance of providing flexibility to the BEF portfolio during this time to meet the Fund's mission, it anticipates that all its loans will be repaid in full by maturity.



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