

FOR IMMEDIATE RELEASE:

Thursday July 16, 2020

Media Contacts:

Larry Jacob, Kauffman Foundation, ljacob@kauffman.org, 816-932-1169

Rowhan Baptiste, Global Strategy Group, rbaptiste@globalstrategygroup.com, 646-812-6500

As the Small Business Administration's Paycheck Protection Program Struggles to Reach Underserved Entrepreneurs, Kauffman Foundation Announces First Five Funds for Capital Access Lab to Drive Alternative Investments

Five emerging funds selected for innovative lab to invest in entrepreneurs historically left behind due to race, gender, and geography

Lab launched with \$3.5 million with seed funding from Kauffman and Rockefeller foundations, leveraging an additional \$5 million in investment to date

KANSAS CITY, MO, (July 16, 2020) – Today, the Ewing Marion Kauffman Foundation announced the first five funds secured as part of the Capital Access Lab, an initiative that provides early capital to emerging funds that make investments to underserved entrepreneurs, particularly entrepreneurs of color, women, and those in rural areas. The funds have collectively invested \$3 million, catalyzing at least an additional \$5 million in investments.

The playing field for entrepreneurs is far from level. Currently, 83 percent do not access bank loans or venture capital (VC). Black entrepreneurs are three times less likely to be approved for a bank loan compared to White entrepreneurs, and the inequity in financing has become more evident with COVID-19 responses and the effect on Black businesses. The current systems and structures do not work for most people, and it is time to rebuild better.

Gaps for entrepreneurs also exist based on gender and geographic location. Men are 60 percent more likely to secure funding than women when pitching the same business, and all women-founding teams raised only 2.2 percent of VC funding in 2017. When it comes to location, entrepreneurs in rural areas face greater challenges than those on the coasts. Nearly 80 percent of \$21 billion in VC funding in the first quarter of 2018 went to five regional areas – San Francisco, Silicon Valley, New England, New York City metro area, and LA/Orange County.

The Capital Access Lab is a new way of investing, reaching those entrepreneurs who do not have access to traditional lending and VC funds. Since its inception in 2019, the lab has built a diverse pipeline of more than 100 potential funds; 55 percent led by women and 41 percent led by people of color, spanning across 32 states.

“Your gender, where you live, or the color of your skin should not determine whether you can start a business,” said **Philip Gaskin, Vice President of Entrepreneurship at the Kauffman Foundation**. “The Capital Access Lab is non-traditional by design because the status quo for how people secure capital is no longer an option. We were thrilled to see such a diverse pipeline of funds show interest in the lab in its first year, and we are certain that this model will help even more entrepreneurs access the capital they need to focus on growth, profitability, and building a sustainable community.”

The Capital Access Lab was seeded with \$3 million from the Kauffman Foundation and \$500,000 from The Rockefeller Foundation.

“The Rockefeller Foundation is committed to identifying and funding innovative solutions that address global challenges related to economic mobility,” said **Adam Connaker, Principal, The Rockefeller Foundation**. “We are thrilled to support the Capital Access Lab. It is a breakthrough solution that will help ensure underserved entrepreneurs have more than a fighting chance. More than ever, we must combine our collective philanthropic efforts to break down systemic barriers to entry and access to capital that adversely impact people of color, women, and entrepreneurs with limited wealth.”

The Funds

1863 Ventures is a business development program committed to helping accelerate New Majority businesses from high potential to high growth. In 2019, 1863 Ventures supported over 500 entrepreneurs, generated over \$50M in new revenue in their businesses, and helped create over 1,300 new jobs through its member enterprises. They leverage content, cohorts, and capital to achieve the goal to create \$100B of new wealth in New Majority communities in 10 years.

The 1863 Fund will invest in member enterprises committed to revenue growth, job creation, and community impact. They will leverage revenue-based financing as a vehicle to support business growth and equitable ownership, and will invest in businesses across multiple sectors, who have no less than 50 percent Black leadership with the intent to scale to create company and community wealth.

Anzu Partners is an investment firm that funds industrial and life science technology companies in manufacturing, materials, modeling and measurement. Anzu invests in innovations that are developed across the United States, with a portfolio company in every US time zone. The firm identifies opportunities from colleges, universities, national science labs and other centers of technology, and its focus on industrial innovations and scientific breakthroughs provides capital for entrepreneurs that innovate outside of the traditional focus for VC. Anzu teams with entrepreneurs and executives to develop and commercialize technological innovations by providing capital and capabilities in business development, market positioning, global connectivity, and operations.

Past investments have included MultiMechanics, a spinout from the University of Nebraska-Omaha, which was acquired by Siemens in late 2019, and current investments include Niron Magnetics, a spinout from the University of Minnesota.

Capacity Capital invests in businesses built by hardworking everyday heroes that are off the beaten path for most banks and other forms of business capital. They build capacity for companies and communities through a unique focus on revenues over valuations. Capacity Capital’s approach provides higher long-term value for underestimated business leaders and the places they call home.

Capacity Capital has invested in companies including Charlie’s BBQ & Bakery, a woman-owned catering and restaurant company in Chattanooga, Tennessee committed to hiring locally and expanding their footprint, and Rent Sons, a Rhode Island-based company that empowers local community managers to match young future leaders with clients who need "helping hands" with odd jobs.

Collab Capital, based in Atlanta, uses an innovative model that specifically targets early-stage

Black founders and investors in the U.S. In June, Collab Capital finalized its first investment with Hairbrella, an Atlanta-based business with the #1 rain hat on Amazon. As a result of the investment, the company was able to launch the Hairbrella Pro – a new iteration with a face shield to support essential workers during the COVID-19 pandemic.

Indie.vc focuses on widening the net for entrepreneurs by providing seed funding to nascent entrepreneurs through their scout program. Indie.vc's model prioritizes businesses that don't scale big enough or fast enough for traditional VC funds. Indie.vc is building an alternative startup ecosystem to fund and scale businesses, and is creating a viable ecosystem of angels, advisors, investors, lenders, and legal structures especially for women entrepreneurs and entrepreneurs of color.

"The 1863 family is grateful to Kauffman and its leadership in creating this leverage opportunity to support New Majority entrepreneurs," said **Melissa Bradley, Managing Partner, 1863 Ventures**. "Investment is more than ownership; it is about equity and impact. We appreciate the capital to advance our mission of New Majority entrepreneurship, job creation and community impact in historically overlooked and underserved communities.

"The companies we invest in have hugely talented leaders and are located in places and industries that most investors overlook," said **Jonathan Bragdon, Managing Partner, Capacity Capital**. "We are honored to be part of the Capital Access Lab community of practice and are both humbled and excited to be working alongside other inspiring change agents who happen to be fund managers."

"Anzu has a robust team of investment, technical and operational specialists that work closely with our portfolio companies to help guide their commercial growth and success," said **Whitney Haring-Smith, Managing Partner, Anzu Partners**. "We are delighted to be working with the Kauffman Foundation and supporting the goals of the Capital Access Lab initiative."

"We believe our focus on investing in Black founders through an innovative model that optimizes for founder ownership business sustainability has the potential to meaningfully disrupt the wealth gap," said **Jewel Burks Solomon, Managing Partner, Collab Capital**. "We are excited to have the Kauffman Foundation's support in this important work and hope that other foundations and institutional investors follow their lead."

"Through this collaboration with Kauffman and Rockefeller, we'll be rolling out an expansion of our core Scout program that we call Cub Scouts. Their support through the Capital Access Lab will allow us to accelerate our iteration on these initiatives and catalyze capital allocation and access to many more founders and aspiring investors," said **Bryce Roberts, Managing Director, Indie.vc**. "We're trying to set the table for something entirely new, filled with voices and networks and opportunities who could all benefit from a different path that values entrepreneurs and small business owners traditionally left behind and struggled with access to capital."

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About the Kauffman Foundation

The Ewing Marion Kauffman Foundation is a private, nonpartisan foundation that works together with communities in education and entrepreneurship to create uncommon solutions and empower people to shape their futures and be successful. The Kauffman Foundation is based in Kansas City, Missouri, and uses its \$2 billion in assets to collaboratively help people be self-

sufficient, productive citizens. For more information, visit www.kauffman.org and connect with us at www.twitter.com/kauffmanfdn and www.facebook.com/kauffmanfdn.

About the Capital Access Lab

The Capital Access Lab is a national initiative that aims to find, promote, and scale innovative investment managers, providing new kinds of capital to underserved entrepreneurs and communities in the United States. The Capital Access Lab works in conjunction with [ImpactAssets](#) to invest in the funds.