



Pathway Lending



Sydni Barnes, roaster and social media strategist, works at Cxffee Black: The Anti-Gentrification Coffee Shop in the Heights neighborhood of Memphis. It received a loan through the Pathway Lending Mezzanine Fund.

ABOUT THIS PROJECT

Memphis' 800 initiative has a goal to grow the number of Black-owned firms with paid employees and increase their share of revenue. This investment supports the Memphis Small Business Mezzanine Fund, a fund to support minority-owned and -led businesses in and around Memphis. Pathway, through the Memphis Small Business Opportunity Fund (the Term Debt Fund) and the Memphis Small Business Mezzanine Fund (the Mezzanine Fund), will provide lending solutions in partnership with Memphis EpiCenter and will provide technical support for the development, growth and preservation of underserved small businesses. Both the funds will primarily target minority-owned businesses in the Memphis area. The more equity-like, patient capital made available in the Mezzanine Fund is even more difficult for minority-owned small business to secure.

WHY WAS THIS NEEDED?

Challenge: Memphis EpiCenter identified a need for flexible, equity-like capital, in addition to traditional loans, for Black entrepreneurs, who are largely shut out from capital markets, investor networks and start-up or business growth expertise. These are all key elements for those looking to grow a small business to build wealth, create jobs and access social and economic mobility.

Solution: This investment will enable Pathway to offer a patient small business financing product to Black-owned businesses in Memphis, a product mostly unavailable to these businesses. The Mezzanine Fund will provide business owners with loans that will be tailored to meet their unique needs and will include equity-like features such as subordination to future debt or future repayments tied to revenue growth.

 <p>pathwaylending.org</p>	<p>IMPACTED LOCATION</p>  <p>Memphis, Tenn.</p>
<p>YEAR APPROVED</p> <p>2018</p>	<p>AMOUNT OF INVESTMENT</p> <p>\$2.5 million</p>
<p>TYPE OF TRANSACTION</p> <p>PRI Loan</p>	<p>GRANT SUPPORT</p> <p>\$100,000</p>
<p>KRESGE PROGRAMS</p> <p>American Cities, Human Services</p>	<p>TERM OF INVESTMENT</p> <p>10 years</p>



Phillip Ashley Chocolates in Memphis is a Black-owned, designer chocolatier. It received loan support through the Pathway Lending Mezzanine Fund.

ABOUT THE BORROWER

Pathway Lending is a nonprofit and a certified CDFI. It formed in 1999 to provide financing to help scientists working at the Oak Ridge National Laboratory build companies and bring innovations to market. Shortly after its founding it became a Small Business Administration and a Department of Agriculture lender. Over the past decade, Pathway has raised several funds for small business lending and technical assistance. More recently, it has created loan funds for energy efficiency and multi-family affordable housing. Pathway's mission is to provide lending solutions and educational services that support the development, growth, and preservation of underserved small businesses, affordable housing, and sustainable communities. Its activity is focused on the distressed areas of Tennessee that are certified by the CDFI Fund as eligible Investment Areas, and on special target populations of women, African Americans, and small businesses located in low-income census tracts.

IMPACT MEASURE

\$20 million available to Black-led businesses in Memphis

KEY PARTNERS:

Epicenter Memphis, FedEx, Memphis Medical District Collaborative

Key Considerations



Erika Brice

Social Investment Officer
Social Investment Practice

- » Both funds are inspired by Kresge-supported work in Detroit and align with the Human Services' and the American Cities Practice's goal of supporting place-specific efforts in Memphis that provide increased social and economic mobility for Memphians.
- » This work also aligns with the 800 Initiative, a cross-sector partnership funded by the City of Memphis and Fed Ex that seeks to grow minority businesses through the deliberate investment of technical assistance and investment capital.
- » The companion grant will partially fund Epicenter's costs to provide Pathway with a co-located Memphis office. Funds will also provide more intensive technical assistance to pipeline companies.
- » Epicenter raised grant support from Spence Williams Jr, Pyramid Peak, Fed Ex and Hyde Family Foundation for this work.
- » Repayment of the PRI will be dependent on repayment of the underlying loans made from the special-purpose-entity. The Fed Ex grant will sit as equity on the balance sheet and serve as first loss protection to the PRI.