



INVESTMENT SPOTLIGHT

# Founders First Capital Partners

[missioninvestors.org](https://missioninvestors.org)





## Investment Spotlight

# Revenue-based financing for BIPOC and women-owned small and mid-sized businesses

In 2021, the W.K. Kellogg Foundation made a \$2 million program-related investment in Founders First Capital Partners' Series A which totaled \$11.6MM. Founders First uses revenue-based financing, an alternative financing structure that provides capital in exchange for a fixed share of monthly revenue until the initial loan amount and repayment have been paid off. This growth financing model provides an alternative to traditional financing options for small and mid-sized companies owned by BIPOC, women, LGBTQ people, and veterans. Founders First created a Market Development Grant—with grant, recoverable grant, and subordinated debt options—to scale its national funding platform for diverse-led businesses.



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# RECAP



In 2021, Founders First set out to raise \$9MM in equity capital via Series A, it was oversubscribed with \$11.6MM total raised.

## The Need

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Systemic racism in the capital markets has disadvantaged Black, Indigenous, and People of Color (BIPOC) entrepreneurs from accessing capital. According to the Federal Reserve, 80.2% of White business owners receive at least a percentage of the funding they request from a bank, compared to only 66.4% of BIPOC business owners. In 2021, less than 1.2% of venture funding went to Black founders and even less - 0.34% - went to Black women founders.

## The Impact

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Founders First portfolio companies on average see revenues increase by 92%. Women and Black owners receive most of the funding. Within their portfolio, 65% are female, 33% are Black and 17% are veterans, working across the health care, retail and IT/software sectors.

## The Opportunity

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Founders First is reframing risk and aligning incentives with its innovative revenue-based financing and term loans that enable entrepreneurs to retain equity ownership, have more flexible repayment terms and lower cost of capital.

# WHO

“The journey for diverse founders is the same — whether a woman, person of color, military veteran, LGBTQ or in a low- and moderate-income area — it’s tough to grow a business and get access to smart money such that you have a positive wealth creating outcome.”

**Kim Folsom**

Founders First Capital Partners

## About Founders First Capital Partners

Founders First is a direct revenue-based investor and advisory support system that works primarily with B2B businesses led by founders of color, women, LGBTQ and military veterans. Founders First also provides extensive entrepreneurial education programs and technical assistance to underserved SMBs in a partnership with a 501(c)(3) nonprofit affiliate, Founders First Community Development Corporation, founded in 2015. Kim Folsom, founder & CEO, started her career as an engineer in the 1980s and 1990s before becoming the owner of six companies, three of which successfully exited. Folsom faced many challenges raising capital as a Black woman CEO. Despite those barriers, she would go on to raise more than \$30 million. This lived experience inspired her to launch Founders First Capital Partners in 2015.

## Geography

National with focus on ‘Tier 2’ cities outside of major capital markets, with offices in Southern California, Texas, New Jersey, Pennsylvania and Chicago

## Sectors & SDGs

Health care, Retail, IT/Software



# WHAT

"The W.K. Kellogg Foundation's commitment to racial equity and economic opportunity is fully aligned with Founders First's powerful model of investing in small businesses that historically have not had equitable access to capital, including those led by women and people of color,"

**Carla Thompson Payton**  
W.K. Kellogg Foundation

## Total Investment

# \$2 MM PRI

INVESTOR	SIZE	TYPE	POOL	DURATION
W.K. Kellogg Foundation	\$2MM	Equity	PRI	10-15 Years

## Target Return

# 3.0x MOIC, 15.0% IRR

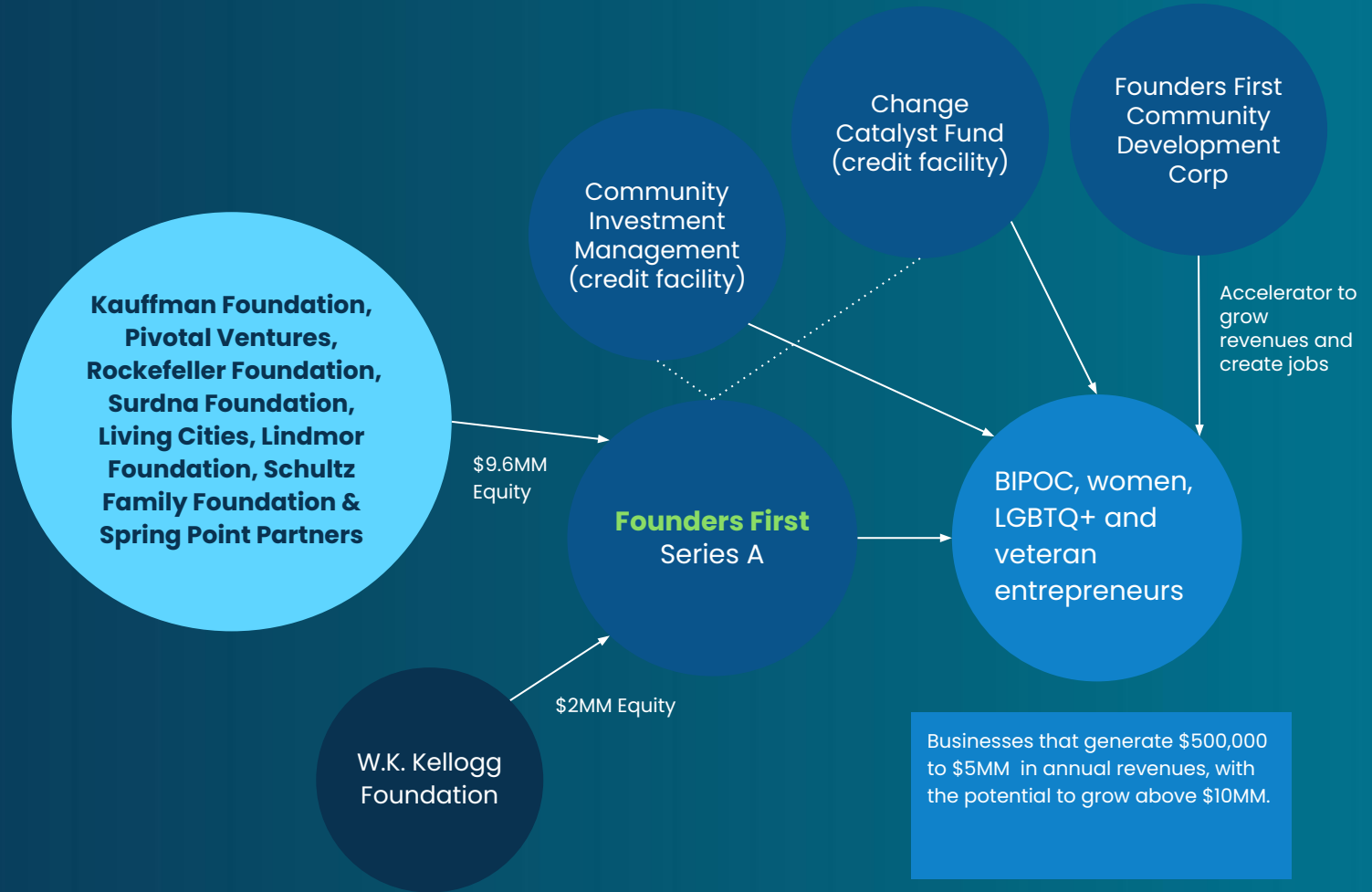
## Investment Structure

Redeemable convertible preferred stock.

Proceeds of the Series A raise are used to provide working capital to Founders First. They grew the team to more than 40 FTEs and are building a platform and infrastructure for lending and providing revenue-based financing at scale. It is also used for loan loss reserve.

# HOW

A coalition of foundations and other impact investors joined forces to fund Founders First Series A that closed at \$11.6MM in November 2021.



## IMPACT & MEASUREMENT



# 650+

companies served since Founders First was founded in 2015—providing underrepresented founders with revenue-based financing (RBF) and access to accelerator programs.

Founders who take an RBF investment see **revenue increase by 92%** on average and **65% of companies** participating in Founders First accelerator and coaching programs saw increased revenues, with an average **revenue increase of 25.4%**.

Our framework for racial equity investments in the capital markets:

- **Representation:** Fund manager is BIPOC.
- **Ownership:** GPs and/or LPs are BIPOC OR the fund has a strategy for shifting ownership in a way that creates value for employees or communities.
- **Investment Strategy:** The fund's strategy is explicitly to reach entrepreneurs and businesses that are BIPOC-led.
- **Target Market and Communities:** The fund invests in products or services geared toward BIPOC communities.

# INSIGHTS



## Lessons Learned

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“To build an economic system that is inclusive of all, we need asset managers and entrepreneurs with diverse perspectives and experiences to advance racial equity and access untapped potential in capital markets.”

**Cynthia Muller**

Director of Mission Investment  
W.K. Kellogg Foundation

## Advice to Fellow Practitioners

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Foundations can be catalytic investors for early-stage companies thanks to our unique potential to tolerate risk and invest across asset classes. Accepting increased financial risk is sometimes necessary to support and develop promising, innovative models like revenue-based financing.





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Sometimes if you're like me, you're running your business every single day, you don't get a chance to stop and think and smell the roses as such, but Founders really made me think about OnShore strategically as a business. Where did I want to go? Where did I want to take the business? And that was what was so important to me.

“We experienced 70% growth. And after that, we landed on the Inc 5000 list and did it again this year.”

**VALERIE KING-BAILEY**

ONSHORE TECHNOLOGY GROUP