Glossary

Alternative financing: Financing gained from outside traditional bank loans or venture capitalists

Accelerator: Time-limited programs that work with cohorts or "classes" of ventures to provide mentorship and training, with a special emphasis on connecting early stage ventures with investment.[1]

Angel investor: Individuals or networks with resources who invest in very early start-ups (typically in exchange for equity) and provide additional support (often in the form of expertise).

Articles of incorporation: A set of formal documents filed with a government body to legally establish the existence of a corporation and generally contain pertinent information, such as the firm's name, address, number of shares and outline for corporate governance among others.

Asset class: A grouping of financial instruments that behave similarly in the market.

Asset Owners: Individuals or institutions that own assets. These generally refer to insurance companies, pension funds, banks, foundations, endowments, family offices, as well as individual investors.

Asset-lite: A business that owns relatively fewer capital assets compared to the value of its operations.

Asset-lock: A clause that prevents the sale of a company (or part of a company) to certain buyers.

Assets: Physical or intangible resources such as buildings, equipment, and brands that are expected to generate value.

"Back the Jockey": Early stage investing often relies on the "back the jockey not the horse mentality". Savvy investors find entrepreneurs that they believe in and invest in them, even if the business model still needs a lot of work. Good entrepreneurs can pivot to build successful businesses.

Business to Business (B2B): Businesses that sell their product to businesses

Business to Consumer (B2C): Business that sell their products or services directly to customers.

Bank Loan: Cash loan provided by formal banks to borrowers based on their perceived creditworthiness.

Bankruptcy: A legal proceeding that allows individuals or businesses freedom to continue trading without servicing their debts, thus offering creditors an opportunity for repayment**.**

Base of the Pyramid (BOP): Base of the pyramid refers to individuals at the bottom of the economic pyramid of earning. I.e. those making less than $2 - 5 per day (depending on the context).

Benefit Corporation Certification (B Corp): Certification that measures a company's entire social and environmental performance. The B Impact Assessment evaluates a company's operations and business model impact your workers, community, environment, and customers.

Blended finance: Transactions where public or philanthropic funders collaborate with private investors in order to catalyse (additional) impact.

Board of Directors: an elected group of individuals that represent shareholders that typically meets at regular intervals to set policies for corporate management and oversight.

Bootstrapping: The process in which an entrepreneur takes on the financial responsibility of setting up a company with personal savings and operating revenues with minimal or no external funding.

Break-even: The point at which the revenue generated by the business equals its costs.

Bridging Capital: Temporary funding that helps a business cover its initial costs.

Broker-dealer: A financial entity that trades securities or execute orders on behalf of its clients

Burn Rate: The net amount cash that you are spending to grow your company. Generally calculated on a monthly basis. Burn rate = *Monthly cash in (cash flow) -- monthly cash out (expenses)*

Business loan: Cash loan specifically intended for business purposes and which require some form of collateral.

Business model / business plan: Articulates your company's name and location, its mission and vision, market analyses, descriptions of the products and services, and your financial plan.

Capital Structure: A company's capital structure, otherwise known as **capital stack or waterfall**, is made up of various types of financing used for the business operations. This includes external funding, which is raised from debt and equity funders, and internal equity funding, which is earned in the form of net profits or retained earnings.

Capitalization Table: A table that lays out the ownership of a company and the amount that equity investors have invested.

Cash on Cash return (CoC): A rate of return ratio that calculates the total cash earned on the total cash invested.

Catalytic Capital: Investment capital that is risk-tolerant which aims to unlock impact and additional investment that would not otherwise occur.

Category pioneer: Disruptive products and services, new markets that are likely large, have variable growth and the potential to scale.

Change of Control / Sale of company: The change in ownership of more than fifty percent (50%) of the voting capital of a company in one or more related transactions; the sale of all or substantially all the assets of a company; any merger; the consolidation or acquisition of a company with, by or into another corporation, entity or person.

Community Interest Companies (CICs) – is a special form of non-charitable limited company in the UK, which exists primarily to benefit a community or with a view to pursuing a social purpose, rather than to make a profit for shareholders.[2]

Collateral: Lenders often require companies (or individuals) to pledge something valuable to act as **security** for a loan. If a business defaults on the loan i.e. stops paying, the lender can seize this. collateral to sell it to recover some of their principal.

Commercial bank: Financial institution that accepts deposits, offers checking account services, makes business, personal, and mortgage loans to individuals and small businesses.

Contracting infrastructure: The legal agreements necessary to create and execute contracts.

Convertible clause: Agreements that convert from one type of security to another. For types of funding that have a convertibility clause, you can choose to have that conversion be triggered by financial or impact milestones.

Below are all of the different types of convertible agreements that we have discussed throughout the book.

Called:	**Converts:**	**Made to:**	**By:**	**Funder Motivation**	**Founder Motivation**
Convertible Debt	From Debt to Equity	For-Profits	Venture Capitalists, Impact Investors, Individuals	Put capital into a very early-stage business without having to put a value on the business.	Access risk capital without having to commit to a valuation.
Convertible RBF	From Debt to Equity	For-Profits	Fintechs, Specialist Funds, Impact Investors	Create liquidity through a structured exit and create a more inclusive portfolio.	Access risk capital without having to commit to a valuation or to exponential growth.
Redeemable Equity	From Equity to Debt	For-Profits	Specialist Funds, Impact Investors	Create liquidity through a structured exit and create a more inclusive portfolio.	Access risk capital, but still have a clear path towards continued ownership of the company.

Recoverable Grants	From Grant to Debt	For-profits or non-profits	Non-profit entities: Foundations, Donor advised funds	Recover capital to recycle to other grantees.	Access timely bridging capital, low risk proof-of-concept funding, flexible capital to on-lend or build a credit history.
Forgivable Loans	From Debt to Grant	Non-profits or For-Profits	Non-profit or For-profit entities: Foundations, Impact Investors, Individuals, Governments	Use social milestones to reward an organization or use financial milestones to recycle capital	Access debt funding that aligns incentives around achievement of social milestones or flexibility in case of underperformance financially.
Equity Earn Back	From Equity to Grant	For-profits	Impact Investors, Foundations, DAFs, Individuals	Incentivize funders to create additional social and/or environmental impact	The opportunity to earn back ownership based on achievement of social and/or environmental goals.
Convertible Grants	From Grant to Equity	For-profits	Non-profit or For-profit entities: Foundations, Impact Investors, Individuals, Universities	Fund very early-stage, potentially high impact organization with potential for significant upside.	Access funding that may not otherwise be available.

Convertible Grant: Capital allocated to allow companies to develop a product or service before raising investment capital. If a company raises equity financing in the future, the grant converts to equity ownership.

Convertible Note / Convertible Debt Agreement: A debt agreement that converts into equity at a later date, normally when the investee raises a round of equity funding. In a convertible debt agreement, an investor agrees to loan a certain amount of money to an organization. This loan generally accrues interest, but that interest isn't paid in cash. Instead, it is added to the amount of the loan over time. When the organization raises a round of equity capital, the amount of the loan outstanding is used to buy shares of the company. The cost of these shares is calculated by taking the price the equity investors are paying and applying a discount.

Convertible Revenue Based Financing (Convertible RBF): Loan that is repaid as a percentage of future revenues or cash flows with an option to convert to equity.

Co-operative (Co-op): Partially or completely employee-owned companies. Also called **Worker Co-ops**.

Cost of capital: The return that funders expect for providing capital to the company.

Covenant: An agreement to do something or refrain from doing something. In early stage funding agreements, these are clauses in contracts that specify specific actions that the company can or cannot take. If these clauses are "breached" or broken, they can lead to the consequences spelled out in the document, often defaulting on the agreement.

Credit line: A type of standing loan that allows organisations to borrow cash when they need it, repay what they have borrowed, and continue borrowing without applying for a new loan.

Credit worthiness: In addition to collateral, lenders generally require proof that a business has a **credit history**. This credit history can be in the form of audited financial statements, history of other borrowing or outstanding orders for goods.

Creditworthy collateral: Assets that have significant value.

Crowdfunding: A fundraising method of collecting small amounts of capital from your community of supporters, end-users and everyday individuals in order to finance a new business venture or the evolution of your existing business.

Currency Risk: Also called exchange rate risk. It is the risk that exists when financial transactions are dominated in a different currency to the base currency of the organization.

Customer Orders: A commercial document issued by the customer of goods to the seller.

Cyclicality (of revenue): Variations in revenue caused by business cycles, again caused by external factors.

Debt and mezzanine funds: Pools of capital that invest in businesses through mezzanine and debt instruments.

Debt capital: Capital that can be lent out or borrowed.

Debt crowdfunding: Individuals lending money to a company over a set period of time. Also called **Peer to peer (P2P)** or **loan-based crowdfunding**.

Default: Occurs when a borrower is unable to pay back a loan or breaches other covenants in a loan agreement.

Demand Dividend: A type of convertible RBF agreement that uses profit sharing to repay investors initial risk capital investment.

Deposit Account Control Agreement (DACA): The agreement in which a debtor, a lender and the bank maintaining the deposit account have agreed that the bank will comply with instructions from the lender directing the use of the funds in the deposit account without further consent by the debtor.

Development finance institution: Specialized development banks or subsidiaries that are set up to support private sector development in developing countries.

Development Impact Bond (DIB): A results-based contract in which private investors provide pre-financing for social programmes and public sector agencies pay back investors their principal plus a return if, and only if, these programmes succeed in delivering social outcomes.[3]

Dilution: The decrease in existing shareholders' ownership percentage that results from issuing new shares; such shareholders own a smaller, or diluted, percentage of the company after the new shares have been issued. Dilution may also result when holders, such as company employees, exercise their share options. Capital that does not dilute founders' ownership is called **non-dilutive capital**.

Direct Public Offering (DPO): A type of offering in which a company offers or sells its securities (without the help of an underwriter) directly to the public in order to raise capital.

Discount Rate: A discount that is applied to a calculation. In this book, we are referring to a discount applied to a future transaction i.e. How much less the SAFE investors would pay per share than the Series A investors. If the discount rate is 40%, then the SAFE investors would pay 60% of the Series A investors' price per share.

Disruptive innovation: An innovation that creates a new market and value network and eventually disrupts an existing market and value network. A company that has a **disruptive business model** is harnessing disruptive innovation. This concept was pioneered by Professor Clayton Christiansen.

Distributed ownership: Refers to democratic ownership of a company in the form of management or community buy-out, worker co-operative conversion and other ownership types.

Distribution Channels: How companies distribute products or services through proprietary or shared channels.

Dividend: Payments made to shareholders from the profits of a company.

Donation based crowdfunding: Individuals donating money towards a social or environmental project.

Donor Advised Fund (DAF): A tax-preferred philanthropic vehicle similar to a private foundation. A donor can establish a DAF with an initial tax-deductible contribution, and then recommend the DAF donate funds to other nonprofits at a later time. This allows donors to separate the timing of the tax decision from the giving decision, and to give money out over time while claiming a tax benefit in the year (or years) most beneficial to her.

Down round: When a company raises an equity round at a valuation that is lower than its last round.

Downside protection: A risk-management strategy that attempts to reduce the amount of capital that is lost in an investment.

Dry powder: Capital that can be invested by an investment fund.

Dynamic discounting: Similar to early payment, it allows small suppliers to secure early payment from buyers by offering a discount on their orders.

Dynamic enterprise: Company in an established industry and sector that has existing products that are tried and tested, a proven business model, and is projecting steady growth.

Early payment: Allows small suppliers to secure early payment from buyers by offering a discount on their orders. A type of **Supply Chain Financing.**

Earnings before tax, amortization and depreciation (EBITDA): a measure of a company's overall financial performance and current operating profitability.

EBITDA = Net Income + Interest + Taxes + Depreciation + Amortization.

Elective payments: Optional payments in structured exits that can be made in addition to scheduled payments to reduce the number of shares outstanding or the total obligation. The decision to make these payments lies solely with the investee.

Electronic invoicing: A form of electronic billing.

Emerging middle class: This term refers to the growing middle class population in emerging markets.

Employee Ownership Trust (EOT): Also known as Perpetual Employee Trust or **Employee Benefit Trust (EBT)**. EOTs are designed to preserve the business over the long-term for employees' benefit. Employees don't pay for their ownership benefits, and they receive a share of the company's annual profits.

Employee ownership: An arrangement in which an employee owns shares of a company's stock which they work in. This is also referred to as a **Shared Ownership** model.

Employee Stock Ownership Plan (ESOP): ESOPs are the most common broad-based employee ownership model in the US. They effectively function like a **401(k) employee benefit plan** in the US that allows a company to transfer full or partial ownership to its employees. With an ESOP, there is no requirement for profit-sharing or democratic governance, wherein employees have strategic decision-making rights.

Endowment: Donation of money or property to a non-profit organization, which uses the resulting investment income for a specific purpose.

Enterprise risk: Enterprise risk is the overarching set of risks that affect the entire organisation. Enterprise risk comprises several subtypes such as liquidity risk and financial risk.

Environment, Social and Governance (ESG): refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

Equity capital: Capital that can be used to purchase ownership.

Equity crowdfunding*:* Individuals investing into a company in return for ownership in the company.

Equity earn back: Clause that allows founders to earn back ownership from funders through the achievement of impact milestones.

Evergreen fund: A fund that does not have a limited life, rather it exists in perpetuity. Funders in evergreen funds will need to have clauses in their funding contracts that specify how they will get their capital out of the fund. This will generally be through a combination of liquidity events such as dividends and selling their shares in the fund to other funders.

Exit risk: The possibility that you won't be able to achieve a successful exit from an investment to make your return.

Exit: Getting out of an investment. For equity investors an exit event is generally, a listing on a public stock exchange called an **Initial Public Offering (IPO)**, a purchase of the company by a larger competitor or a purchase by a financial investor (**trade sale**). Very rarely, early equity investors will be

bought out by later stage VC funders (**secondary sale**). For lenders, an exit event is repayment of the loan.

Expenditure responsibility: A U.S. accounting and tax requirement that grant funding that is given to a for-profit entity must track the use of the capital to ensure that it is used for social purposes.

Exponential growth: "growth whose rate becomes ever more rapid in proportion to the growing total number or size" (Oxford Dictionary). For start-ups, we often call this a **J curve** or a **"hockey stick"** projection as the graph of future revenues looks like a J or a hockey stick - flat and then suddenly straight up.

External stakeholders: When referencing funders' external stakeholders, we mean their Limited Partners (LPs) or other types of funders that provide capital to a fund or foundation. These stakeholders will have specific criteria around how they want their capital to be allocated.

Factoring: A loan that uses invoices or purchase orders as collateral.

Fair Trade: An arrangement designed to help producers in developing countries achieve sustainable and equitable trade relationships. Members of the Fair Trade movement add the payment of higher prices to exporters, as well as improved social and environmental standards. (Fairtrade.net)

Fair Market Value: The value of an asset or a company as determined by the external or internal evaluators.

Family office: Private wealth management advisory firms that serve ultra-high-net-worth investors.

Flexible Capital: Capital is very flexible and, unless specified, it can be used for anything the entrepreneur wishes to use it for.

Follow-on Investment: When funders follow their initial investment with an additional investment in the next round of fundraising. For instance, an investor that invested $50k in a seed round might decide to invest $200k in the series A round. The $200k would be a follow-on investment.

Forgivable Loan: Loan that converts to a grant and is used to support non-profits and social enterprises.

For-profit: An organisation that is run with the primary aim of capturing value in the form of money (profit) for its owners.

Foundation: Independent legal entity set up solely for charitable purposes, often drawing on the resources of a single individual, family, or corporation.

Founder: An individual who comes up with an idea and transforms it into an organization. In this book, it can also mean anyone that works for an organisation raising capital.

Free Cash Flow: A way of looking at a business's cash flow to see the available cash that can be distributed to its securities holders without causing issues in its operations.

Friends, Family and 'Fools' (the 3 Fs): Generally, the first people that a founder looks to invest in a start-up company.

Fund Life Cycle: Refers to the timing of a closed in fund. Generally closed end investment funds have a 10 to 12 year fund life cycle. This means once they have raised their capital, they invest it into

companies for the first 2 to 3 years, manage those companies for 4 to 5 years and then begin to look for exits from those companies in the last 3 years of the fund, so they can return the capital to their **LP**s.

Funder: An individual or an institution that provides an organisation with capital or other resources to support its operations, growth or other business matters.

Fundraising stream: A historical track record and consistency such as a specific set of donors or an event.

Fundraising Support: Support, advice, and connections for future funding.

Governance Support: Supporting the development of a board of directors, and strengthening governance systems.

Government agency: Government institutions established for the specific purpose of promoting economic growth and development through a variety of direct or indirect support mechanisms.

Grace Period: A period which allows a borrower to delay payment for a short period of time.

Grant capital: Capital that does not expect a financial return.

Gross margin: The difference between revenue and cost of goods sold i.e. direct costs.

Gross Margin = (Total Revenue – Cost of Goods Sold)/Total Revenue.

Growth Capital: This is cash spent on hiring people, investing in new product development, putting systems into place, marketing anything that helps you build towards the future.

Guarantee: is very similar to, say, relying on a friend or relative to co-sign an apartment rental agreement. If you're a young person without a history of paying rent, a landlord might not be willing to rent to you because they don't know whether you'll be able to pay. But when someone with a longer credit history steps forward and promises that you'll pay your rent, that reduces the landlord's sense of risk. Getting a guarantor for your debt basically has the same effect on lenders and can help you to access debt capital and/or borrow at a much lower interest rate. The catch is that you need to have a guarantor that has a strong enough reputation or a dedicated amount of cash to set aside on your behalf.

There are two ways guarantees can be set up: "funded," which means the guarantor places some or all of the amount into an account that can be accessed by the lender, (as Skoll did on Riders for Health's behalf); and "unfunded," which is really more of a pledge that the loan is guaranteed.

Guarantor: An individual who promises to pay a borrower's debt in the event that the borrower defaults on his or her loan obligation. Guarantors pledge their own assets as collateral against the loans.

Hackathon: An event where a large group of people meet to engage in collaborative computer programming or brainstorming to build or develop start-up company ideas.

High growth venture: Companies with a disruptive business model, large addressable markets, high growth projections, and the ability to scale quickly. These companies are quite risky and are often referred to in the start-up world as **Gazelles.**

Hollywood accounting: The practice of being very creative with your financial reporting. Can be used to reduce your payments to convertible RBF funders that rely on dividends from free cash flow.

Hybrid organization: A company that has two different types of legal structures, being both a for-profit and a non-profit**.**

Impact audit: Similar to a financial audit, an impact audit uses a third party to verify a company's reported performance against its agreed-upon impact metrics.

Impact bond fund: Multiple outcomes based contracts joined together into a fund structure.

Impact bond investors: A funder that provides the upfront capital for the service provider to achieve the social or environmental outcomes. The investors' return is based on how effectively the service provider creates the social or environmental impact.

Impact investing: Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return[4]. See also **impact focused funders**, **mission aligned funders**.

Impact measurement and management (IMM): The process of identifying the positive and negative effects of a business' activities on people and the planet, and managing these effects towards the business and/or the investor's social or environmental objectives]

Impact metrics: A standard of measurement that is used to assess the impact or progress of a company

Impact risk: The risk that an investment will not achieve the social or environmental impact that is projected.

Impact strategy: A plan that articulates how the impact of an investment in the future, typically through a theory of change and supporting impact measurement and management methodologies.

Impact thesis: A succinct and evidence-based proposition that indicates how an investment strategy will achieve its intended social or environmental impact.

Impact track record: The historical performance of a business towards its stated impact objectives.

Impact-linked debt: A type of impact linked financing where the debt agreement has contractual clauses that link the cost or distribution of funding to impact milestones.

Impact-linked finance: Refers to linking financial rewards for market-based organizations to the achievements of positive social or environmental outcomes.

Income streams: The different ways in which a company creates revenue. This can refer to different products or services, different parts of the business model or different segments of customers.

Incubator: Institution that helps ventures define and build their initial products, identify promising customer segments, and secure resources.

Information rights: A clause in a funding agreement that requires a company to provide investors with company information and financial statements.

Initial Public Offering (IPO): When a company lists on a public stock exchange. It can also be called "taking a company public". An IPO involves selling shares of the company to the general public, by way of investment banks.

Intellectual Property (IP): Intangible assets which can extend beyond things like software, or an actual design, process or methodology and can include the trade secrets of the business (customer and client lists) as well as the know-how of the employees.

Interest free loan: A zero-interest loan where only the principal balance must be repaid.

Interest Rate Rebate: Reducing the cost of a loan based on achievement of impact milestones.

Interest: Nearly all forms of debt accrue interest and require the borrower to make interest payments of some kind. Generally, these interest payments are required at regular intervals (i.e. monthly) and are calculated as a percentage of the **principal** (the original amount borrowed) and can also be linked to national interest rates.

Intermediary: An organization that helps to set-up transactions.

Internal Rate of Return (IRR): A metric used in financial analysis to estimate the profitability of potential investments. IRR is more or less the **return on investment** if the investment had been a traditional loan, paid annually.

Internal stakeholders: When referencing funders' internal stakeholders, we mean their management, board or investment committee.

Investment Advisor: A financial professional that makes investment recommendations in securities such as stocks,bonds, exchange traded funds or conducts security analysis for its clients in exchange for a fee.

Investment Committee: the primary authority on developing the corporation's investment objectives and corporate policies on investing. An investment committee approves or declines investments that are presented to them by fund employees.

Investment pitch deck: A slide presentation of a business to showcase to investors or any other capital providers which typically include key financials, competitors analysis, market research and value proposition.

Investment Process: For an **equity** or **mezzanine** investment, this is generally called "the investment process", while a process for **debt** may be called a "loan process" or a "credit process".

Founder	Step	Funder

<table>
<tr><td>As a founder, you need to find funders who are interested in investing money into your business. Once you connect with them, your initial conversations will involve descriptions of your business and what you are looking to build.</td><td>Sourcing</td><td>As a funder, you need to get creative to source the best deals by engaging your network, attending conferences and pitch days and scouring social media to find new and interesting businesses. You may also want to have an application form that founders can fill out to initiate a conversation.</td></tr>
<tr><td>When a funder decides that they are interested in your business, they’ll begin the process of doing diligence on you and your company. This will involve collecting data on your current business, the market and potential customers. It will also involve probing any legal or intellectual property (IP) issues.</td><td>Due Diligence</td><td>Due diligence is your chance to understand the opportunities and risks of investing in a company. Many funders have a pre-due diligence period where they do an initial check before they spend time and resources on a full due diligence process.</td></tr>
<tr><td>In order to make an investment official, you’ll need to sign legal agreements. For debt and equity investments, this will start with a term sheet, which lays out the terms of the funding. This term sheet will then be used to create the legal documentation necessary to finalize the deal. In Chapter X, we’ll go through the different terms on a term sheet one by one.</td><td>Contracting</td><td>To negotiate the terms of the investment, you’ll need to either have templates ready or work with lawyers to build the necessary legal agreements. If the investment involves a business valuation, you’ll need to build that out here as well.</td></tr>
<tr><td colspan="3">Funding Term

The amount of involvement funders have during the investment term will depend on the type of investment. Debt funders are typically less involved in day-to-day operations than equity funders.</td></tr>
</table>

Exit

For an equity funder, the exit marks the end of their investment in a business, either through a sale of the company, a merger, or a listing on a public exchange (called an IPO). For debt funders, their "exit" is when the loan is repaid (although the term "exit" is usually only used in equity investments).

Note that some activities in the above steps can be in a slightly different order and that the boundaries between the steps are not always clear. For example, investors will usually start exploring terms early in the process, so before the actual due diligence starts.

How long does an investment process take? That is hard to answer as it depends on a number of different factors: the type of investment, the type of investor, the geography, and the entrepreneur. Some angel investors are able to close equity deals in just a few days while others take months to get through the due diligence and contracting process. As you saw in Chapter 7, tech-enabled funding platforms VIWALA and GetVantage are both able to close debt investments in less than a week, whereas a bank might take several months. So with that giant caveat, here are some basic guidelines for raising equity and debt funding:

If you are a founder raising equity funding, expect to spend several weeks to months having initial conversations with investors. They will want to get to know you and your business before beginning due diligence, as going through the due diligence process takes time and resources, which are scarce. For commercial VC investors doing an equity deal involving a valuation, you can expect the due diligence process to take at least a month, likely more. You'll also need to negotiate a term sheet, which may be done in the midst of the due diligence process. Depending on how many terms you want to change, this process can require a lot of back and forth. Then you have the legal documentation, which is the lawyer's remit and often requires filing paperwork with regulatory bodies, so expect this process to take a few weeks as well.

If you are raising debt funding, the biggest factor is the type of institution you are borrowing from. If you are borrowing money from a large financial institution, the process will be very regimented and often quite manual. You may have long waiting times between submitting required information and hearing back about the decision. If you are working with smaller lenders or tech-enabled lenders, the process could be more transparent and streamlined, and they should be able to give you an idea of how long it will take from the outset.

Investment readiness framework: A framework designed for early stage impact ventures to assess their readiness for investment.

Investment risk: The uncertainty or probability of losses rather than expected return from an investment

Investment thesis: Lays out the types of companies that a funder invests in. The thesis should identify the sectors they fund, the geographies, the stage of companies, the types of instrument(s), and the size of funding.

Investor Demo Days / pitch events: An event where a founder pitches his/her idea to potential investors.

Investor group / network: A group of individuals that meet with the purpose of pooling money to invest or sharing investment ideas or due diligence.

Investor repayment: If you secure funding from external funders to cover your business's spending and growth needs, there are three ways to repay your funders. The first is repayment through a third-party exit. Basically, this means that you expect to repay your funders sometime in the future, either by selling your company or listing it on a stock exchange. The second strategy is repayment from internal cash flows. In this case, you plan to repay funding based on cash that your business generates while your funding agreement is in place. The third strategy is to use future funding to repay your financial backers. For this strategy, you may use funding in the early stages of your business, or in the short-term, to build a credit history and track record that allows you to access better, less expensive funding with which to repay your initial financial supporters.

Invoice: Document that records a transaction between buyers and sellers.

Invoice Factoring: Is a short-term funding option that allows you to borrow against your invoices to finance your working capital.

Junior (aka subordinated) debt: Junior debt is unsecured and has a lower probability of being paid back should an organization default, since higher-ranking debt is given priority.

Keep it Simple Security (KISS): An agreement that is a cross between a convertible note and a SAFE. It accrues interest at a stated rate and establishes a maturity date after which the investor may convert the underlying investment, plus accrued interest, into newly created preferred stock of the company.

Kicker: An additional payment. **Mezzanine financing** generally has some kind of kicker, in addition to a fixed interest rate, that provides **upside** to investors. These can be in the form of **cash kickers** (revenue or profit shares) or **warrants**.

Lead the round: When an investor is the lead investor on a deal. This usually means they are the one to take charge of due diligence and drafting the term sheet and legal documents. They also may put in the largest amount of capital in the deal, compared to other investors.

Licensing income: Income earned from licensing the right to products, services or brands.

Limited life fund: A fund with a specific date by which the fund managers need to return their capital to their LPs.

Limited Partners (LPs): An investor into a fund or business that does not have a day to day role. Most Venture Capital and Private Equity funds are structured so that their investors are LPs. The Venture Capital and Private Equity funds are then the **General Partners (GPs**) that manage the assets on behalf of the LPs.

Limited Liability Companies (L3Cs) - An L3C is a variation of a limited liability company (LLC), which is a private organization where the owners actively participate in management and don't face personal liability for the organization's debts and obligations. An L3C, though, is a hybrid of an LLC and nonprofit business model, which is where an organization operates to benefit the general public without shareholders and without a profit motive.[5]

Liquidation preference: A contractual clause that sets out the order in which investors, debtholders and creditors are paid if a company is liquidated. Investors and holders of preferred shares (stock) usually have a higher priority than holders of ordinary shares (common stock) or debt.

Liquidity: When an investment is liquid, it means that it can be easily converted to cash. Thus, liquidity means being able to convert your investment into cash.

Liquidity event: An acquisition, merger, IPO or other event that allows founders and investors to cash out their shares in a company. A bankruptcy is also considered a liquidity event for contractual purposes, although it is generally not what is meant when talking about exits.

Liquidity premium: Capital that is locked up in an investment for a long period of time is generally more expensive than capital that can be withdrawn at any point or that has a short payback period, this is called a liquidity premium.

Liquidity risk: Liquidity risk is the risk that a funder will not be able to extract capital when it is necessary for them to do so.

Livelihood enterprise - Family run, highly localized business that is driven by local opportunity and is projecting limited future growth.

Management buy-out: A transaction where a company's management team purchases the assets and operations of the business they manage.

Market risk: There is always the risk that regardless of how astute the enterprise it will fail due to larger market risks. These can be a myriad of possibilities from a global pandemic to political upheaval to currency devaluations to the emergence of a giant competitor to climate change.

Market traction: Evidence that a product or service has established consumer demand in the market.

Market-rate return: Returns similar to other investments with a comparable risk profile.

Maturity Date: This is the date that the total amount owed is expected to be paid back and/or shares redeemed.

Mentorship: Equity investors expect to be very involved in their investee businesses, providing mentorship and valuable connections. In an equity investment, both the investor and the investee are incentivized to grow the business.

Mezzanine Debt: Loan that is paid back with a fixed interest and has upside through kickers such as warrants or profit share (cash).

a) Mezzanine debt: A loan that is paid back with a fixed interest and has upside through kickers such as warrants or profit share

b) Revenue based mezzanine debt: A loan that is repaid as a percentage of future revenue or cash flows and has upside through kickers such as warrants or profit share

Mezzanine financing: Combines elements of debt and equity to create funding that has more flexibility than pure debt and equity. Mezz funders are willing to consider different forms of risk assessment, such as the presence of a Venture Capital funder (**venture debt**). They are also willing to lend money that is completely unsecured. As they are taking additional risk by funding earlier stage

businesses or sitting **subordinated** to other funders, they look for higher returns than secured debt funders. These returns come from a fixed interest rate and some kind of upside opportunity in the form of a kicker.

Microfinance institution: Formal institutions whose major business is the provision of financial services and insurance products to low-income individuals and micro and small businesses.

Microfinance loan: Cash loan provided by small organizations to borrowers who lack access to traditional banking.

Milestone: A milestone is a goal or target that is pre-defined. It can be financial (X $ of sales) or social (number of women employed) or environmental (X megawatts of solar power installed).

Minimum Viable Product (MVP): A version of the product with just enough features to make it usable for initial users with the primary aim of getting feedback.

Mini Bond: Form of debt that allows investors to invest in a company and receive a fixed return over a set period of time, with the initial investment returned at the end of the prescribed duration. Mini bonds allow you to lend money directly to businesses.[6]

Missing middle: In terms of business, this refers to a company that is too small for big investors and too big for small investors.

Mission drift: Moving away from your social and/or environmental mission.

Mission embeddedness: How deeply your social and/or environmental mission is embedded in your company. If you are a company with a high level of mission embeddedness, you will likely have your mission explicitly stated in your articles of incorporation as it forms a key part of why the business was founded, what kind of products and services you offer and to whom you offer them.

Mission lock: Contractually protecting your mission in your founding documents or funding agreements.

Mission related investment (MRI): MRI is not a legal term but describes an investment that integrates mission alignment into the investment decision-making process. Impact Investment is often used interchangeably with MRI. MRIs are a component of the foundation’s overall endowment and investment strategy and must comply with the state and federal prudence requirements applicable to a foundation’s investing activities generally.

Mission statement: a formal summary of the aims and values of a company, organization, or individual. (Oxford Dictionary)

Money Multiple: A multiple that describes how much an investor made compared to their initial investment. Money Multiple = Amount of money returned to an investor / amount of money put into investment. An investment that returned $100k on a $20k investment would have a money multiple of 5x ($100 / 20 = 5).

Niche Enterprise: A company that has an innovative product or service, is in niche markets, and customer segments and is projecting steady to high growth.

“no exit” clause: A type of mission lock clause that is meant to dissuade an outside acqusition. Simply put, there would be no upside for investors if some deep-pocketed competitor dangled a

large acquisition check. For Equal Exchange, it means that if Starbucks or Nestle, for example, wanted to acquire them, the company's bylaws require Equal Exchange to repay investors only what they invested, and to give all net proceeds from the sale to another Fair Trade organization.

Non-bank financial institution: Institutions that provide certain types of banking services but do not have a full banking licenses (e.g., credit unions, CDFIs, fintech, etc.).

Non-convertible loan: Debt that cannot be converted into equity.

Non-dilutive capital: capital that doesn't require you to sell ownership (and can include redeemable equity where you can buy your ownership back), such as grant or debt capital.

Non-profit: a type of company that is value-based and depends in whole or in part, on charitable donations and voluntary service with a focus on value created (impact) for society in the achievement of mission, and subsists on fundraising and earned income from goods and services provided by the organisation.

One-way option: An option that can be triggered to one party, usually a funder. For instance, an option for a funder to convert debt into equity if the founder of the company raises an equity round.

Original issue discount (OID): The difference between the face value of the bond and the price at which it was originally sold to an investor.

Outcomes: The goals & objectives a company aims to achieve which come as a direct result of outputs.

Outcome based financing: A financing contract where the funder only pays once the pre-agreed social and/or environmental outcomes have been achieved by the service provider.

Outcomes payor or Outcomes Funder: A funder that is willing to pay for social and environmental outcomes.

Outputs: The measurable quantity and quality of products and services that illustrate/ highlight the activities of a company.

Overdraft facility: An overdraft is a short-term credit facility provided by a bank through which an account holder can borrow up to a certain sum once their account balance is at or below zero. The lender levies an overdraft fee on the borrowed amount, and the money is to be returned within stipulated time frame(s).

Ownership: In general, early stage equity investors do not buy more than 50% ownership in a company during an investment round. This is because early stage investors need to invest into many companies and they do not have the time or expertise to manage all of these companies. Nevertheless, after multiple investment rounds, an entrepreneur might find themselves owning less than 50% of the business, meaning they no longer control the company.

Participation rights: Participation rights or the right of first refusal outline how funders can participate in future equity rounds.

Participatory budget: Is a pool of public grant capital that citizens decide how to allocate.

Patient capital: Patient capital is another name for long term capital. With patient capital, the investor is willing to make a financial investment in a business with no expectation of turning a quick profit.

Patronage: This is when company profits are shared among worker-owners based on their status as full- or part-time workers.

Pay as you go (PAYG): Business models that are based on PAYG allow customers to pay for goods and services as they receive them. The most common example is home solar systems like M-KOPA where customers pay for their solar electricity each month instead of paying upfront for the solar home system.

Payment guarantee: An assurance that a buyer will pay a specified purchase price on a set date.

Peer-based decision making: Allowing decisions to be made by a group of participants. The **Village Banking model** is an example of this, as is Village Capital's **peer-driven investment approach**.

Perceived Risk: Risks that are based on a lack of data.

Permitted indebtedness clause: A precautionary lender protection that gives funders the option to stipulate that written permission or approval is needed for the company to take on additional debt obligations.

Personal guarantee: A written agreement made by an individual to repay credit issued to their business using their own personal assets in the case of default.

Pipeline: Access to high quality deals, projects or entrepreneurs. Generally used by investors to describe their potential deals. I.e. We have built a pipeline of incredible entrepreneurs from our work with University science departments.

Portfolio level return: For an investor, each individual investment will have a financial return. When they look across their entire portfolio, these will sum up into a portfolio level return.

Portfolio Return Expectations (VC): Early stage equity investing is very risky. Most small companies fail. This is true in every country in the world. Thus, equity investors need to bet on a lot of companies (by building up a portfolio) and bet on companies that are projecting exponential growth to make the kind of return that merits this risky investment. The math would typically look like this:

If an early stage investor invests in 10 companies, they need 1 to 2 of them to blow the lights out (i.e. return over 10 times the money invested or 10x as this is often called). This is because they expect 4 or so to just middle along and not provide much return and then 3 to 4 to fail completely. So that 1 superstar (or 2 if they are lucky) will provide most of the return for the whole fund and cover the losses of the failed businesses.

Post-revenue: Company that has current sales or revenue. Also called revenue positive.

Prepayment penalty / discount: In most debt contracts there is a prepayment penalty, if you pay down the debt early. This is because lenders create their own financing models based on the assumption that outstanding borrowers will continue to pay interest until the maturity date. If the borrowers prepay the loan, then the lenders forgo that interest. For structured exits, there are

examples (such as Adobe) of a prepayment discount, where the borrower repays the total obligation early and thus negotiates a discount to the total obligation.

Pre-revenue: Company that does not yet have sales or revenue.

Priced Equity Round: Buying a specific amount of shares in a company for a specific price per share.

Private equity fund: Medium- to long-term finance provided to an investee company in return for an equity stake in potentially high growth companies.

Private placements: Stock sales directly to investors instead of on an exchange.

Pro rata: Allocated in proportion.

Profit share: An agreement to share in profits of a company.

Program related investments: The legal catch-all term for any type of non-grant financial commitment made to advance a foundation's mission. They are not a grant and they are not an investment. They are a legally distinct third option that only appears in the U.S. tax code.

Proof of Concept: A process to validate the feasibility and viability of an idea, product, or service in principle.

Proxies and econometric research (in relation to impact measurement): Proxies are strongly correlated substitutes that are used to indirectly measure a desired outcome when direct measures of that outcome are unobservable and/or unavailable.

Public Benefit Corporation: A specific type of company that allows for public benefit to be a charter purpose in addition to the traditional corporate goal of maximizing profit for shareholders.

1. Have an expanded purpose beyond maximizing share value to explicitly include general and specific public benefit.
2. Are required to consider/balance the impact of their decisions not only on shareholders but also on their stakeholders.
3. Are required to make available to the public, except in Delaware, an annual benefit report that assesses their overall social and environmental performance against a third party standard. Such a report does not need to be certified or audited by a third party but uses the standard as an assessment tool.

Purchase order financing: A way for businesses to use orders from customers as a form of collateral to secure a loan.

Purchasing Power: Ability to commit to purchasing products/services.

Put option: A contractual clause that gives the owner the right to sell. In early stage funding, this means that a funder can force the founder to repurchase their shares or repay the outstanding debt.

Quasi-Equity: Funding that is a combination of equity and debt.

Real Risk: Real risks, such as currency risk, political risk, early stage risk etc. are risks that we can build into our financial models and can use to price capital accordingly.

Recoverable Grants: Recoverable grants are grants that are repaid to the funder if the grantee achieves certain pre-agreed financial outcomes.

Redeemable Equity: Shares that can be repurchased by founders at a pre-agreed multiple or mutually agreed price.

Redemption price: The price at which an investment company will buy back its shares from the owner. Generally calculated as a **redemption multiple.**

Repayment risk: The risk of a borrower not being able to repay back a loan in accordance with the loan terms.

Research and development (R&D): Costs incurred to create new products and services.

Residual stake: Shares that cannot be redeemed except through a **change of control** (sale of the company) or a **liquidation event** (i.e., IPO or bankruptcy).

Results based finance: Is an umbrella term referring to any program or intervention that provides rewards to individuals or institutions after agreed-upon results are achieved and verified.[7]

Retained earnings: These are the profits that a company decides to keep instead of distributing them as dividends to shareholders. These are located in the shareholder's equity section of the balance sheet.

Return on capital hurdle: A funder will have a minimum amount of financial return that they are looking to achieve. They will often call this their return on capital hurdle rate. Another term for this is a **Return Target**.

Return on Investment: Measures the gain or loss generated by an investment in relation to its initial cost.

Return Variable: Can be a single, well-defined financial metric, such as gross revenue, retained earnings, or net income, or a custom formula, such as the "Founder Earnings"

Revenue based financing (RBF): Loan that is repaid as a percentage of future revenues or cash flows. Also called: revenue share agreement.

Revenue model: Internal financing model describing targeted resources harnessed, resources offered, to whom, at what price.

Rewards based crowdfunding*:* Individuals donating to a project or business with the expectation of receiving a non-financial reward in return, such as goods or services, at a later time.

Ring Fence: To separate assets or funding. Funders or founders can ring fence capital for specific uses.

Risk / Return: Calculation which suggests that greater risk leads to greater return.

Risk Capital: Funds allocated for high-risk, high-reward investments.

Risk-adjusted financial return: The expected return on the evaluation of the investment risk and upside expectations.

Roll-over debt funding: Extending a loan's due date.

Runway: The duration for which a business can sustain itself before it runs out of money. This is dependent on how much cash they have on hand and how large their burn rate is.

Scalability risk: Scalability risk is the risk that a company will not reach the necessary scale to achieve the projected financial or impact return.

Scheduled or mandatory payments: Payments that are scheduled over a defined period of time or at the request of the investor. In structured exits, this could mean quarterly payments equaling 3% of revenues.

Seasonality (of revenue): Variations in revenue that occur over a similar period in a year often caused by external factors.

Secondary Sale: When the investor sells their shares in the company to another financial buyer such as a venture capital firm. A secondary sale is generally part of a larger raise that the company has completed where the new investors would prefer to buy the old investors out to make the ownership of the company simpler

Secured Debt: Secured Debt that is secured by **assets** or other forms of collateral. A longer term loan that is used for purchasing equipment, buildings and other income producing assets is called a **Term Loan**. A shorter term loan that is used for day to day expenses is called a **working capital loan**.

Self-Liquidation: Debt is considered a self-liquidating instrument. This means that it does not require an exit event for the lender. The agreement states that the borrower will repay interest over time and by some date the principal borrowed. This means that the borrower has a plan for when they will be fully repaid.

Senior Debt: Senior or secured debt is debt that is secured by assets or other forms of collateral and as a result it takes priority over unsecured or junior debt.

Senior Management Committee: A committee made up of senior management within an organization.

Service Provider: An organization that attempts to create the social or environmental outcomes specified in the outcomes contract.

Shares: To purchase equity in a business, investors have to buy shares. Generally, these are **preferred shares** as they come with a set of terms that give them preferential treatment over **common shares** held by the founders.

Shipment financing: A short-term funding option that allows you to borrow against your shipping bills to finance your working capital.

Side letter: An arrangement that is not part of the primary agreement.

Simple Agreement for Future Equity (SAFE): An agreement between a founder and a funder that stipulates that the funder will invest into the founder's business, but allows the major terms of that investment to be set by the next round of equity funders.

Small business: a type of company that does not have revenue of more than X million, a balance sheet total of more than X million and does not have more than X employees. Depending on the country, the numbers differ.

Social Capital: Influence and/or trust as an entity or individual with relevant people/communities.

Social enterprise: A relatively new category of business, originating from a confluence of traditional business (market place) and philanthropy (mission). Social enterprises use the methods and disciplines of business and strive towards “common good”-- a social, environmental or human justice mission by generating revenue.

Social entrepreneur: A founder that runs a social enterprise.

Social Impact Bond: A type of outcomes-based contract that operates like an equity agreement but instead of linking investors’ returns to a company or organization’s financial performance, returns are linked to impact achievements.

Social Impact Incentive (SIINC): A type of impact-linked finance, where an investor, a service provider and an outcomes payor come together to create impact through a financing agreement that incentivizes the service provider to achieve specifical social outcomes.

Social impact: An effect on people, communities or the planet that happens as a result of an action or inaction, an activity, project, programme or policy.

Social metrics: The use of data to gauge or measure the performance of social media campaigns on a company’s revenue.

Social milestones: Milestones or outcomes that represent impact progress.

Social mission: A statement of a cause that benefits the society.

Start-up: a type of company that is an entrepreneurial venture in its early stages of operation.

Steward Ownership: A set of legal structures that instill two core principles into the legal DNA of a business: self-governance and profits serve purpose. These structures ensure that control (voting rights) over the business is held by people inside the organization or very closely connected to its mission. Voting control in steward ownership forms is not a saleable commodity. Profits in steward-ownership companies are understood as a tool for pursuing the company’s purpose.

Strategic support: Business model development, and business planning.

Structured Exits: A risk capital agreement where founders and funders contractually agree on a plan for the funder to fully (or partially) exit the investment. Unlike equity funders, who have an open-ended agreement that relies on exponential growth and an unknown future buyer or listing on a stock exchange, structured exit funders have a specific, achievable plan for how they are going to receive their return through dividends, profit sharing, redemptions or a combination of payment types.

Subsidies: An amount of money provided to an organization to help reduce the cost of production, usually in the form of government payments or tax cuts. Can also be in the form of cross-subsidization where a company sells a good or service for a higher price to one set of customers to be able to sell it to a lower price to another set of customers (generally based on need).

Supply Chain Financing: Also known as reverse factoring. Uses pre-payments from your customers to help finance your working capital needs. Can be in the form of **early payment,** where suppliers pay companies early voluntarily, or **dynamic discounting,** where suppliers are offered a discount based on how early they pay. Some suppliers have established supply chain financing programs that you can participate in. If you have good relationships with larger, regular customers, you can initiate conversations with them outside of formal programs as well.

Sustainable Development Goals (SDGs): a collection of 17 interlinked global goals designed to be a blueprint to achieve a better and more sustainable future for all. The SDGs were set in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030. [ref] Each SDG consists of a list of targets and indicators.

Tax risk: If there is not settled case law or clear tax regulation in a country regarding the use of a specific type of investment structure, there is a tax risk associated with funding via that structure.

Technical assistance: Pots of money that are reserved for skills building, capacity development and for the specific consulting needs of a company.

Technology Experience: Ability to use and build relevant technology.

Term Sheet: A nonbinding agreement/document that sets out the basic terms and conditions under which an investment will be made. It serves as a template to develop more detailed legally binding documents.

Theory of Change: A schematic depicting the rationale and plan for achieving social and environmental outcomes. It makes explicit the connections and logic between activities (what you will do), outputs (the short-term, direct results), and outcomes and impacts (the longer-term shifts that occur, either directly or indirectly, from your activities).

Third-party assessor: An organization that assesses whether the outcomes have been achieved by the service provider.

Total Obligation: The total amount that needs to be repaid to the funder.

Total Amount Outstanding: The outstanding loan amount that needs to be repaid to the funder.

Trade Finance: Options that allow organizations (borrowers) to use customer orders or invoices as collateral to access working capital.

Trade Sale: When the entire company (otherwise known as the “target”) is sold to another buyer. This buyer could be a corporate that is in the same industry as the target and is interested in acquiring them to grow their market share. It could also be a financial buyer such as a private equity firm that is interested in investing in the company to resell it again down the road.
Tranching: releasing specific amounts of capital.

Transaction cost risk: If you are attempting to use a new type of funding structure, there is the risk that the costs to structure the deal will be considerable.

Underserved population: a group which has limited access to goods and services or faces other material forms of social exclusion based on their attributable characteristics

Unicorn: A term used in the venture capital industry to describe a privately held startup company with a value of over $1 billion.

Unsecured Debt: Loans that are backed by no collateral and as a result present a greater degree of risk.

Upside: the potential increase in value, measured in monetary or percentage terms, of an investment.

Use of Proceeds: What you plan to spend capital on.

Valuation Cap: The maximum valuation at which the SAFE will convert in the next round. This "Val Cap" limits the dilution for SAFE investors by putting a cap on the price per share they will pay when they convert.

Valuation: It can be exceptionally hard to value a small business or start-up given the number of variables, uncertainty and the lack of information. The process of collecting the data to value a company is part of the **Due Diligence** process, and it can be expensive and time consuming. Therefore, many investors take shortcuts in early stage valuations by either making very high level assumptions or putting off the valuation all together by using convertible notes. There are two different ways to talk about the valuation of a company: **Pre-Money** or **Post Money**. If you are investing $200,000 in a company and you think it is worth $800,000 before you put your money into it. Then it had a $800,000 pre-money valuation and a $1,000,000 post-money valuation.

Variable payments: Payments that vary in amount and are made based on a company's performance

Variable payment obligation: Loan that is repaid as a percentage of future revenues or cash flows with an option to convert to equity

Variable rate loans: A loan where the interest changes relative to changes in market interest rates.

Variable-interest rate: An interest rate on a given loan that is not fixed but is determined/ influenced by an underlying benchmark that is constantly changing.

Venture backed company: Company that has received venture capital equity investment.

Venture capital fund: A subset of private equity that specifically invests in start-up companies and provides advice and other non-finance resources.

Venture Debt: Loans made to fast growing, venture backed companies.

Venture Finance: Funding small businesses and start-ups.

Verifiable data: Data that can be independently verified. An example would be check-ins to a clinic that can be verified with cell phone GPS data.

Vesting: releasing ownership of shares.

Village Banking model: A peer-driven investment approach with its roots in ancient cultures, whereby financial services are administered locally rather than centralized in a formal bank

Visibility: Ability to disseminate information to large numbers of relevant people.

Warrants: Contracts that allow a funder to purchase shares in the future. These are generally attached to mezzanine debt agreements to allow debt funders to participate in the future growth of the company i.e. to have upside.

Worker co-op transition: Worker co-operative transition, is similar to a management buy-out, but instead of just a few key managers purchasing the business, most or all employees are offered an equal ownership stake and have the opportunity to participate in profit sharing. These owners are then called **worker-owners**.

Worker co-ops: Company that is owned and managed by its employees. Also referred to as an **Employee owned enterprise.**

Worker-owner participatory processes: Also called **Representative democracy**. Where worker owners collaboratively make decisions.

Working Capital: This is cash spent to buy inputs, stock or materials required for your product or service.

Written off: When an asset or an investment is considered to be worth less, the value of that asset or investment is reduced (or taken all the way down to zero) on the balance sheet.

Zebra: Businesses that combine profit and purpose and come in many different stripes, representing the diversity of their founders and the problems they are trying to solve. They are collaborative but feisty, ambitious but not motivated by a quick exit, and are building companies with impactful solutions while also taking care of their workforces, communities, and environments.

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[1] https://www.galidata.org/accelerators/

[2] https://www.informdirect.co.uk/company-formation/community-interest-company-cic-advantages-disadvantages/#:~:text=A%20community%20interest%20company%20(or,make%20a%20profit%20for%20shareholders.

[3] https://www.cgdev.org/topics/development-impact-bonds

[4] https://thegiin.org/impact-investing/

[5] https://nonprofithub.org/starting-a-nonprofit/jargon-free-guide-l3c/

[6] https://www.syndicateroom.com/alternative-investments/mini-bonds#:~:text=Mini%2Dbonds%20are%20a%20form,lend%20money%20directly%20to%20businesses.

[7] https://www.worldbank.org/en/programs/reach