

# Echoing Green: Recoverable Grants FAQ

## OVERVIEW

All Fellows running for-profit companies receive their Grant Stipend as a Recoverable Grant, which is designed to be risk tolerant and inexpensive capital. If the for-profit business achieves certain valuation or revenue thresholds, it triggers repayment of the Grant Stipend to Echoing Green.

In addition, any Fellow that forms a for-profit company that works toward the same mission as their funded nonprofit or idea during their Fellowship will then be subject to the same recoverable grant terms.

## RECOVERABLE GRANT REPAYMENT TRIGGERS

When the Fellow's for-profit business meets certain conditions, it will trigger the repayment of the recoverable grant.

- If the business is valued at greater than USD 5 million;

*OR*

- If the business has greater than USD 2 million in total entity revenues AND net profit greater than USD 0 at the end of a fiscal year.

Fellows' reporting obligation for these triggers:

- Valuation threshold: Fellows are responsible for notifying Echoing Green at least 60 days prior to the valuation.
- Revenues and net profit threshold: Fellows are responsible for notifying Echoing Green within 30 days from the close of their fiscal year.

## RECOVERABLE GRANT REPAYMENT TERMS

All Fellows have a 5-year term and no interest accrues during this term. If their business does not hit one of the above triggers within 5 years of signing their Fellowship contract, they are not obligated to repay the Recoverable Grant.

## **REPAYMENT OPTIONS**

The Echoing Green team will work with fellows to establish a mutually agreeable repayment plan. Repayment plans can vary in terms of length (1-3 years) and Frequency (quarterly, semi-annually, annually). The team may also be able to accommodate requests for graduated repayment schedules.

## **FAQ**

### **What is a recoverable grant?**

A “recoverable grant” is not a legally defined term, so individual grant makers and social investors may define recoverable grants differently. Recoverable grants are different from a charitable grant in that grantors hope to get their money back to recycle the capital into future social impact projects. Recoverable grants are different from loans in that they are forgivable. Grantors may consider forgiving repayment under extraordinary circumstances, and in Echoing Green’s case, are not repayable unless the recipient company is financially successful. At their core, recoverable grants keep the social mission and impact of the recipient central.

### **Why did Echoing Green start providing recoverable grants?**

Echoing Green created recoverable grants from a desire to recycle funding from financially successful for-profit organizations to fund future Echoing Green Fellows.

Echoing Green’s recoverable grants are designed specifically for seed stage investment, where entrepreneurs need risk tolerant and inexpensive capital. Our objective is to recycle our investment capital from successful for-profit companies back into the Echoing Green Fellowship model and support the future generations of social entrepreneurs.

The Fellowship grant stipends awarded to for-profit companies are structured as “recoverable grants,” meaning that Fellows agree to pay back their grant stipend if their organization becomes financially successful. Recoverable grants also apply to any non-governmental organization that transitions to a for-profit company; or any non-governmental organization that creates a for-profit company working toward the same mission as its funded organization during the course of the 18-month Fellowship.

**THE RECOVERABLE GRANT HAS:**

- Minimal transaction cost. Making social investments more economically feasible at transaction time is a critical step in increasing capital flow into the sector.
- Zero downside protection. We recognize the crucial and continued importance that 'cheap' capital plays for emerging social entrepreneurs, and Echoing Green's desire is to enable entrepreneurs to invest capital in whichever way they wish to create growth without needing to assess payback risks in the event things do not work out.
- Blended social and financial return. Implemented as a core element of our Fellowship program, the recoverable grant enables our entrepreneur Fellows to continue their focus on making big social change.

**When did Echoing Green start providing recoverable grants?**

2011.

**Do Fellows have to inform Echoing Green if they know that their company will be triggering repayment?**

Yes. They must contact [Fellowsupport@echoinggreen.org](mailto:Fellowsupport@echoinggreen.org).

**Are Fellows obligated to tell follow-on investors that their company has a recoverable grant, and that the company will owe repayment to Echoing Green under the contract terms outlined in the contract?**

Yes (as they would with any other contractual company obligations).