

## Catalytic Capital for Israel (CCI): A Small Business Loan Pool *Frequently Asked Questions*

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### For Federation/Foundation staff

1. *How does this work?*
  - a) Individual Fund
    - i. Individual donor-advised funds (DAFs) hosted by a sponsor organization, which include Jewish federations, Jewish foundations, and other DAF sponsors, can recommend grants to their sponsor organization for the purpose of participating in the CCI Loan Pool.
    - ii. Like other grants, the assets recommended for CCI will be not be available for making other distributions or investments unless and until CCI grant payments are received by their sponsor organization and are returned to the DAF.
  - b) Sponsor Organizations
    - i. Sponsor organizations pool and will make a charitable distribution (from the proceeds from the individual DAF grants), plus dollars from unrestricted assets if desired, to the to the Bay Area Jewish Federation (BAJF).
    - ii. Sponsor organizations may return proceeds of the grant received from BAJF to individual DAFs.
  - c) Bay Area Jewish Federation (CCI Loan Pool Operator)
    - i. BAJF pools assets from its donor-advised funds and foundations along with grants designated for CCI from other Jewish federations and DAF sponsors to loan to Israeli lenders.
    - ii. BAJF will collect repayments of principal from the Israeli lenders, plus any interest accumulated thereon.
    - iii. BAJF will repay the original grant and interest pro rata to sponsor organizations participating in CCI from the capital repaid to BAJF by the Israeli lenders. These repayments will take place no sooner than five years from the effective date of BAJF's CCI loans to the Israeli lenders.
  - d) Israeli Lending Platforms
    - i. The Israeli lenders underwrite and issue loans to small businesses in Israel affected by the aftermath of 10/7, which will use the loan capital to sustain their operations and employ workers.
    - ii. Upon the maturity of the five-year CCI loan, each Israeli lender is anticipated to repay principal and interest to BAJF.
  - e) Individual small business affected by the aftermath of 10/7
    - i. Upon the maturity of each business's loan, individual small businesses are anticipated to repay principal and interest to their Israeli lender.
  
2. *Is our transaction a grant or investment?* Your sponsor organization (Jewish federation, other DAF sponsor) will make a grant distribution to the CCI Loan Pool operated by the

BAJF. The assets collected in the CCI Loan Pool will be structured as an investment (concessionary loan) to Israeli Lenders to be used to make loans to small businesses in Israel affected by the aftermath of 10/7. A Recoverable Grant Agreement will capture the governing terms and conditions. In agreeing to participate in the CCI Loan Pool, your sponsor organization understands that a return of granted capital is not guaranteed. DAFs at your sponsor organization that are interested should make a recoverable grant to your sponsor organization for the purpose of providing assets to the CCI Loan Pool.

3. *What's the minimum amount our organization can provide to participate in CCI?* \$25,0000. Your sponsor organization can pool multiple recoverable grants from your individual DAFs to reach the investment minimum.
4. *What's our role in this?* Your role includes a) marketing this opportunity to your donors, b) pooling recoverable grants from your sponsor organization's DAFs into a recoverable grant to the BAJF, and c) if there is a repayment from BAJF for a recoverable grant to CCI, distributing proceeds of the repayment to the fundholders at your sponsor organization who contributed to your CCI recoverable grant. Marketing collateral from JFNA and BAJF is available upon request via email to Andrew Schneiderman, [andrews@sfjcf.org](mailto:andrews@sfjcf.org). Your sponsor organization will not have advisory privileges to direct funds from the CCI Loan Pool to particular borrowers.
5. *Why should we do this through the CCI Loan Pool at BAJF instead of doing independently/directly with a platform?*
  - a) BAJF has the impact investing infrastructure, governance process, and track record, including several prior deals with Israeli lenders, to seamlessly support structuring and management of the CCI Loan Pool.
  - b) By participating in CCI, your DAF sponsor can offer an opportunity to donors who want to get the benefit of recycling capital in support small-business recovery in Israel without your organization investing in the infrastructure needed to structure individual loans to multiple platforms
6. *What's the difference between the JFNA Israel Emergency Loan Fund and CCI?* CCI was developed in partnership with Jewish Federations of North America (JFNA). The Israeli lending platforms selected for loans from CCI previously received a grant from JFNA's Loan Fund, which serves as a "first loss" cushion intended to absorb defaults expected in a challenging Israeli economy. This cushion also increases the likelihood that CCI loans will be repaid. The JFNA Loan Fund has made grants that will not be returned to JFNA whereas CCI loans are expected to be repaid with interest at the end of the five-year term.
7. *How should we talk about CCI with our donors?* Please see likely questions from donors in the section below. CCI materials (overview deck, one-page flyer) are available upon request via email to Andrew Schneiderman, [andrews@sfjcf.org](mailto:andrews@sfjcf.org).
8. *What is the fee structure?* An annual service fee of 50 basis points (0.50%) will be deducted from the aggregate interest accumulated and assessed to cover costs involved in operating the CCI Loan Pool. These costs include third-party due diligence and BAJF staff time spent on execution, servicing, and reporting.

9. *Who owns the assets that our organization contributes to CCI? How should we account for its contribution to CCI? How does the Bay Area Federation treat these assets?* Your sponsor organization should confirm with its accountants how to record the recoverable grant and any possible repayments related to CCI on financial statements and 990 forms. While this is not tax advice, in the interest of transparency, the BAJF will record recoverable grants as grant income on its Statement of Activities. Once loans are deployed to Israeli Lenders out of the pool, the BAJF will record the loan as a Loan Receivable on the Statement of Financial Position.
10. *How is this any different than using DAF assets to purchase Israel Bonds?* Proceeds from the sale of Israel Bonds go directly to the Israeli Government. CCI's proceeds will support Israeli small businesses through leading Israeli Lenders that are non-profit and/or are driven by a philanthropic mission. The Israeli Lenders have provided compelling stories of real businesses they've supported that can aid in fundraising efforts.
11. *What are the legal considerations?* The structure of the CCI Loan Pool has been reviewed by outside counsel, [Adler & Colvin](#), for legal compliance, and we have taken all necessary measures to ensure this opportunity operates in a manner compliant with US and Israeli laws and regulations. We strongly encourage your sponsor organization to consult with independent counsel and your tax professionals as to recording the grant and repayment of the grant in all tax-related documents.
12. *Will the Bay Area Jewish Federation solicit or be connected to donors from our Federation?* No, CCI is designed to allow each participating sponsor organization and their staff to maintain integrity of their relationships with donors.

#### **For donors/fund holders**

1. *Who benefits from the money that goes to CCI? Who are the borrowers?* Capital loaned via CCI will go to Israeli small businesses, 98% of which have under 10 or fewer employees. Business owners include a displaced farmer hoping to plant peppers and tomatoes in the desert fields of the Gaza Envelope, a Druze chef cooking for IDF reservists stationed near Lebanon, and a female fashion designer creating and selling clothes to ultra-orthodox women and girls. Borrower stories can be made available upon request via email to Andrew Schneiderman, [andrews@sfjcf.org](mailto:andrews@sfjcf.org).
2. *Why is this compelling?* The collective response via CCI affirms that the North American Jewish community are still standing with our brothers and sisters in Israel and are attuned to the challenges they face. The employees of small businesses in Israel make up nearly half the entire Israeli workforce. Our investment via reputable and innovative Israeli social lenders will help Israeli small businesses survive an uncertain and precarious economy and continue providing meaningful employment to Israelis.
3. *Can I make a grant to or an investment in CCI? What is a Recoverable Grant?* DAF holders can make a grant to their sponsor organization (i.e. a Jewish federation, DAF sponsor), and the sponsor will pool assets to make a recoverable grant to participate in the CCI Loan Pool. A recoverable grant is a distribution of charitable assets that includes the expectation of a return of granted capital after a certain period and/or certain

conditions are met. Like other grants, the assets you recommend from your DAF for CCI will be not be available for making other distributions or investments unless and until CCI grant payments are received by your sponsor organization and are returned to your DAF.

4. *What's the minimum per DAF to participate?* Your sponsor organization will decide the minimum grant amount that they will accept from your DAF.
5. *What's our goal to raise?* Our goal is to raise \$10M for the CCI Loan Pool, which is a small fraction of the demand that our lending partners expect to see in applications from Israeli small businesses. As of February 2025, we have deployed over \$1.5M from CCI to two lenders in Israel.
6. *Will this pay interest? Why is there a range of expected interest rates?* Each CCI lender serves businesses of varying sizes, industries, and demographics, and each lender will make agreements with the BAJF to pay interest a rate that fits their business model. Some lenders may repay loans with zero interest, others are expected to pay interest close to the rate charged by commercial banks, and still others pay somewhere in between. The Internal Rate of Return (IRR) over the course of CCI is expected to be between 1% and 3%. CCI is expected to return capital to your sponsor organization no earlier than the 5-year term of the loans to the Israeli lenders within the pool. Your sponsor organization will determine its own timeline and process for repaying DAFs that issued recoverable grants for CCI.
7. *Is there a risk to participating in CCI? What's the likelihood of repayment?* Since 2019, the BAJF has deployed more than \$56M in impact investments, predominately in the form of loans with a focus on capital preservation and return of principal. CCI follows this model in partnership with JFNA, which is providing a philanthropic "first-loss" cushion that could help cover the volume of loan defaults expected in a challenging Israeli economy.
  - a) BAJF's due diligence process involved engaging an [experienced Israeli consulting firm](#) to evaluate risk scenarios to increase the likelihood of repayment. BAJF cannot, however, guarantee repayment of the recoverable grant and donors should be aware there will be no liquidity for making other distributions or investments unless and until recoverable grant payments are returned.
8. *How do you select which Israeli lenders to partner with as part of CCI? How are lenders evaluated?* The BAJF has sole discretion over the selection of borrowers from the CCI Loan Pool. The same Israeli lenders that were selected as recipients from JFNA's Israel Emergency Loan Fund were evaluated by a third-party investment consultant in Israel to assess a) the risk of repayment, and b) the social impact of a possible investment by CCI. As part of this due diligence process, each lender provides access to their books and details of existing public and private partnerships. This allows the consultant to forecast what level of default by the lenders' small-business borrowers would result in a loss of capital returned to the CCI Loan Pool. Social impact is represented using the [Five Dimensions of Impact methodology developed by the Impact Measurement Project](#).



9. *What kind of reports or updates can we expect to receive about CCI?* Reporting on the financial standing and social impact of CCI will be provided to sponsor organizations on an annual basis.