

## Social Component Investment (SCI) Evaluator

**Investment Name:** Legacy Venture

**Investment Amount Considered** \$500,000 Legacy III, \$1,000,000 Legacy IV

**Investment Due Diligence by:** Raúl Pomares

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Social Component Due Diligence by:** Lisa Kleissner

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

### Summary Description of Investment:

*A philanthropic fund-of-funds, Legacy invests in a select group of premier venture capital firms that, in turn, invest in promising early-stage companies. Highly sought after, these funds are accessible to only a small circle of investors. We have attained access to these funds by virtue of our personal relationship with general partners, our philanthropic mission, and the contacts Legacy investors themselves bring to the organization. The diversified basket of several hundred exciting companies from the best venture firms offers Legacy investors a way to achieve superior returns at very reduced risk. This asset class has played a prominent role in the strong returns and growth of large foundations and top university endowments. As these venture-backed companies prosper and go public or are acquired, distributions flow back to foundation investors or to the charitable organizations chosen by individual investors. Assuming historical venture returns, taxable investors may well see that the tax benefits of donating highly appreciated investments will exceed their original investment.*

*Key to Legacy's access to these highly sought after VC funds is Legacy's requirement that investors be a foundation, other charitable vehicles or investors willing to commit the profits from their investment to a charitable or philanthropic cause. Additionally, Legacy has created its own operating foundation, Legacy Works. A portion of management fees earned are contributed to this organization, which in turn promotes philanthropic education and collaboration amongst the investor base, supports other charitable organizations and makes direct gifts.*

### Main Contacts:

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### Supporting Documents:

Legacy Venture III and IV PPM's



KL Felicitas Foundation

KL Felicitas Foundation Post Office Box 37 Los Gatos, California 95031-0037 USA [www.klfelicitasfoundation.org](http://www.klfelicitasfoundation.org)

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Focus Area & Questions	Other Considerations	Score -1 0 +1
<b>Investment Due Diligence (Investment Advisor)</b>		
<b>Investment Structure &amp; Portfolio Implications</b>		
<b>Question 1:</b> What investment due diligence process will be required to assess the financial viability of this opportunity?	Foundation's Investment Advisor responsible for performing financial due diligence process.	+1
<b>Response 1:</b> Comprehensive quantitative and qualitative due diligence was conducted by the investment advisor.		
<b>Question 2:</b> What is the structure of the investment under consideration?	Direct public or private, Fund or Fund of Funds. Consider structure's ability to offer sufficient or appropriate diversification to mitigate risk. Consider investment cost structure's implication on Social Impact.	+1
<b>Response 2:</b> Legacy Venture is a Venture Capital Fund of Funds. The fund offers broadly diversified exposure to leading VC funds across multiple vintage years. The funds management fee is low relative to the industry standard, allowing returns to benefit the social investor.		
<b>Question 3:</b> What is the asset class? a. Does the investment fall outside the currently established asset allocation targets of the Foundation? b. If so, has the appropriate analysis been completed to evaluate a change in targets? c. Has this change been accepted and adopted under the investment policy guidelines of the Foundation?	Although not a high priority of the Foundation to pursue SCIs, if considered, this type of investment must be within the established policy guidelines and risk budget.	+1
<b>Response 3:</b> Legacy falls within the Private Equity asset class. a. No b. NA c. NA		
<b>Investment Monitoring &amp; Reporting</b>		
<b>Question 4:</b> What is the financial benchmark that will be used to evaluate this investment? a. Over what period(s) of time will we measure the investment performance?	Investment benchmarks are established by the investment due diligence process. Similar to investments made without regard to Social Impact, investment performance is reported when available and as appropriate for the investment structures and/or asset class.	+1

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<p><b>Response 4:</b> The investments performance will be measured against Venture Economics data for funds of similar vintage years.</p> <p>a. As with all Private Equity investment, there will be limited performance data for a minimum of 5 years.. Investment will be simply carried at book value, with return calculations being generated upon any distributions. Legacy will provide projected return at its annual meeting.</p>		
<b>Social Component Due Diligence (Foundation Directors and Philanthropic Advisors)</b>		
<b>Mission Alignment</b>		
<p><b>Question 5:</b> Describe the Social Component of this investment.</p> <p>a. In what area(s) does the Foundation believe this investment will contribute the greatest degree of social benefit impact?</p> <p>b. Why is this investment not an MRI, PRI, or SUI?</p>		+1
<p><b>Response 5:</b> Legacy Venture offers a way for investors to dramatically magnify both their giving and involvement. They seek to amplify philanthropy in two ways: by expanding charitable contributions through investments in premier venture capital funds; and by creating a collaborative community of philanthropists who can learn from each other, sharing their passions and ideas.</p> <p>a. Access to the community of investor philanthropists allows us an opportunity to share and leverage our mission and programs, learn from others and partner when appropriate.</p> <p>b. This investment is not an MRI as it is not investing in businesses whose mission is aligned with our mission or programs. It is clearly not a PRI as it is a for-profit, private equity fund. And it is not an SUI per se as its investment strategy does not require adherence to holistic sustainability principals, although it is possible that some of the underlying investment funds may qualify as sustainable.</p>		
<p><b>Question 6:</b> Are there any elements of this investment (both investment and/or social component) which are contrary to any value(s) of the Foundation?</p> <p>a. If so, how is this being addressed?</p>	Evaluate potential tradeoffs.	0
<p><b>Response 6:</b> It is possible that there could be investments within the portfolio that are contrary to the values of our Foundation. No social screening will be required of the underlying investments of the fund.</p> <p>a. This is not being addressed at this time.</p>		
<b>Relationship &amp; Reputation</b>		
<p><b>Question 7:</b> How well does the Foundation know the investment and/or strategy?</p> <p>a. What is the nature and duration of this relationship?</p> <p>b. Have members of the Foundation made site visit(s)?</p>	Document personal and direct understanding of the investment strategy by the Foundation.	+1
<p><b>Response 7:</b></p>		

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<p>The Foundation Directors are very familiar with the asset class Private Equity -Venture Capital having worked in Silicon Valley with start-up firms who received funds from VCs as well as investing directly in other private equity opportunities.</p> <p>a. Both Directors have known Russ Hall for at least seven years and Chris Eyre for the last 4 years.</p> <p>b. One of our Directors has met on several occasions with principals of the firm to discuss the investment.</p>		
<p><b>Question 8:</b> Have other foundations or investors recognized this as a Social Component investment?</p> <p>a. Do other respected partners of the Foundation have a relationship with or experience with this investment?</p>	<p>The Foundation should consider how this investment is perceived by their peers.</p>	+1
<p><b>Response 8:</b> Per Russ Hall, <i>“We are seeing increasing interest in this, but it has yet to become established or formalized. For instance, we do get asked about it, and several investors have noted this, but I would not say that any investor is approaching their investment in Legacy as a social component investment yet.”</i></p> <p>a. Yes, the Skoll Foundation and the Community Foundation Silicon Valley.</p>		
<p><b>Question 9:</b> How integral to the success of the investment is the Social Component Impact?</p>	<p>Identify alignment of interest by investment principals and/or founders.</p>	+1
<p><b>Response 9:</b> The Social Component Impact is integral to the success of the investment. Due to the requirement of allowing only charitable entities as investors or require that non charitable investors donate their profits, Legacy is able to gain access to premier VC funds, otherwise closed. The principals have used the Social Component benefit as a selling point to the VC firms in order to secure an interest in their portfolios. The principals commitment to the Social Component aspect of this investment is demonstrated through several unique features of this fund: a focus on philanthropic investors; a discounted fees structure; a commitment to donate 10 basis points of aggregated capital commitments to a donor advised fund to be used for philanthropic purposes, including donations to Legacy Works; aiding existing charities while also encouraging philanthropic startups; and providing a monthly forum as an opportunity to share, inspire, mobilize and otherwise further the philanthropy of its investors as well as non-profits.</p>		
<p><b>Social Component Impact Monitoring &amp; Reporting</b></p>		
<p><b>Question 10:</b> Does the Foundation want to monitor the Social Component Impact and if so, what approach will be used to evaluate the Social Impact of the investment?</p> <p>a. Does the investment monitor their Social Impact and if so, what metrics are used?</p> <p>b. Will the investment provide any reporting on the impact achieved by</p>	<p>Pre-established metrics and evaluation intervals for Social or Mission Impact should be requested or developed if pertinent.</p>	0

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the Social Component?		
<p><b>Response 10:</b>                      The Foundation does not intend to monitor the Social Component Impact of this investment as it would be too difficult given the nature of the investor's relationship to the investment. There is no easy way to capture this information.</p> <p>a. Legacy Venture monitors the performance of their portfolios and is tracking the returns and the relative results versus other categories, and others doing similar investments, for instance Clean Technology investments. Legacy Venture does not track the Social Impact of their investor's entities (Foundations, Community Foundations, etc.) as impacted by this investment.</p> <p>b. By evaluating the fund size and performance, the foundation can assess to some extent the amount of capital the fund will generate for the social investors. Legacy Venture will provide information regarding the portion of fees redirected to Legacy Works. It will not be possible to measure the social impact that results from the philanthropic gatherings and collaborations organized for investors. The fund will provide reporting, at a minimum, of the percentage of investment into Clean Technology and other Social Component Investments as they emerge. These returns will be monitored as part of the overall investment.</p>		
<p><b>Question 11:</b>                      Does the investment scale, accelerate, support or re-enforce other SMSIs in the investment or grant portfolios?</p> <p>a. Can the Foundation leverage its mission and programs either directly or indirectly with the principals or their network?</p>	Identify those that will be impacted and evaluate excess or leveraged Mission or Program Impact.	+1
<p><b>Response 11:</b>                      By providing an opportunity to invest and potentially realize a significant upside, we will have more capital to invest in more SMSIs.</p> <p>a. The Foundation has an opportunity to leverage its mission and programs through networking opportunities provided by Legacy Works. Legacy Works is a sister organization to Legacy Venture, a fully qualified public charity that allows Legacy to host events, provide grants supporting the field of philanthropy, and serve as a resource to many highly engaged philanthropists. In specific, our SMSI program and our Social Impact Initiative both have the potential of accelerating and scaling through our association with Legacy Venture and Legacy Works.</p>		
<b>Additional Comments or Observations</b>		