

## Impact Investment Evaluator – KL Felicitas Foundation

Impact First Investment

Financial First Investment

Program Related Investment

Sustainability Investment

Mission Related Investment

Social Component Investment

<b>Investment Name:</b> Calvert Foundation Community Investment Note – directed to REED Fund	<b>Investment Amount:</b> \$25,000, 3-year note with 3% coupon, paid annually
<b>Investment Date:</b> December 31, 2010	
<b>Asset Class:</b> Fixed Income	<b>Region of Impact:</b> United States

**Investment Due Diligence by:** Raúl Pomares

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

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

**Impact Due Diligence by:** Charly and Lisa Kleissner

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

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

**Summary Description of Investment:** Calvert Foundation helps investors channel affordable capital to underserved communities in order to foster a more equitable and sustainable society. Calvert Foundation’s Community Investment Notes are lent to nonprofits and social enterprises in the U.S. and abroad to provide economic opportunities where they are needed most.

The Rural Electric Economic Development Fund (REED) via the Calvert Foundation is a rural CDFI that provides gap financing and community development loans to small and locally owned businesses in Minnesota and North Dakota. Proceeds from investment notes made to Calvert Foundation are used to boost rural employment and job retention, help small businesses expand and grow, and increase communities’ economic sustainability.

The KL Felicitas Foundation investment is made in to a Community Investment Note, with the proceeds being directed to support the The Rural Electric Economic Development Fund (REED). As such the relationship, risk and return of the investment will be with Calvert Foundation.

### Main Contacts:

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### Supporting Documents:

- REED Organization Profile, Calvert Foundation
- REED Fund Outcomes Summary, Calvert Foundation, 2009

**Impact Due Diligence Update:** August 2010

**Financial Due Diligence Update:** At time of original investment



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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\* Questions are scored by -1, 0 and +1, estimating a degree of alignment with the Foundation's programs, mission, intended impact and investment strategy.  
 -1 is a low alignment score; +1 is a high alignment score

Program/Mission/Sustainability Due Diligence (Foundation Directors and Philanthropic Advisors)		Score*
Alignment with the Foundation		Score*
<p><b>1a.</b> How does this investment align with the impact objectives of the Foundation?</p> <p><b>b.</b> In what area(s) does the Foundation believe this investment will contribute the greatest degree of impact?</p>	<p><b>a.</b> Calvert Foundation is a leader in mobilizing and aggregating capital to scale social impact. REED's mission is to provide financing and leverage investment in small businesses among rural communities of South Dakota and western Minnesota. 86% of the loans made through the REED Fund are in communities with less than 4,000 residents, and the proceeds of the loans are used specifically to increase economic sustainability in those communities. The Foundation also wishes to empower rural communities through sustainable economic and social change and often does so by investing in small and growing businesses in rural communities.</p> <p><b>b.</b> <input checked="" type="checkbox"/> Program Impact <input type="checkbox"/> Mission Impact <input type="checkbox"/> Sustainability Impact                      Notes: The greatest Program Impact will come from job creation and job retention where loans are made. 94% of loan recipients are locally-owned enterprises</p>	+1
<p><b>2a.</b> Are there any elements of this investment that are contrary to any value(s) of the Foundation?</p> <p><b>b.</b> If so, how is this being addressed?</p>	<p><b>a.</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p><b>b.</b> N/A</p>	+1
<p><b>IRS Compliance:</b> If this is a Program Related Investment, answer questions (3a-c) and question (4) below. If not, proceed to question 5.</p> <p style="text-align: center;">This <input checked="" type="checkbox"/> IS <input type="checkbox"/> IS NOT a Program Related Investment.</p>		<b>Score</b>
<p><b>3.</b> Is this investment compliant with the definition of PRI in the Tax Reform Act of 1969 section 4944?</p> <p><b>a.</b> Is its primary purpose to advance the Foundation's charitable objectives?</p> <p><b>b.</b> Is a significant purpose of the investment to generate financial return (either income production or property appreciation)?</p> <p><b>c.</b> Will funds be used either directly or indirectly to lobby or for political purposes?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>a.</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No                      The KL Felicitas Foundation directs investments towards rural communities to advance sustainable economic growth and social change. An investment supporting the REED Fund helps the Foundation achieve these objectives in rural communities in South Dakota and Minnesota.</p> <p><b>b.</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No                      At the time of the investment, the Community Investment Note offered rates from 0% to 3% and at varying terms of maturity. Although at the highest end of the return schedule, this financial return, is not commensurate to the financial risk in providing funds to groups like REED Fund.</p> <p><b>c.</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	+1
<p><b>4.</b> What conditions exist that suggests this PRI is a more effective or appropriate vehicle for achieving the Foundation's programmatic objectives versus a grant?</p>	<p>Calvert Foundation's large pool of social-purpose loan funds enables loan recipients to access capital on reasonable terms and scale operations while maintaining a strict focus on the social mission of their organization. PRI capital provided through this investment supports REED Fund in providing favorable terms for loan recipients who would otherwise not be able to obtain financing due to their small business size, lack of commercial creditworthiness, or rural location.</p>	+1

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-1 is a low alignment score; +1 is a high alignment score

<b>Relationship &amp; Reputation</b>		<b>Score</b>
<p><b>5a.</b> How well does the Foundation know the investment and/or strategy?</p> <p><b>b.</b> What is the nature and duration of this relationship?</p> <p><b>c.</b> Have members of the foundation made site visit(s)?</p>	<p><b>a.</b> Principals and Foundation investment advisor have met with Calvert Foundation management over the last three years</p> <p><b>b.</b> Foundation principals have known senior management of Calvert Foundation for over two years.</p> <p><b>c.</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Notes:</p>	+1
<p><b>6a.</b> Have other Foundations recognized this as an impact investment?</p> <p><b>b.</b> Do other respected partners of the foundation have a relationship with or experience with this investment?</p>	<p><b>a.</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes:</p> <p><b>b.</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes: Both Calvert Foundation and The REED Fund are supported by a number of large US foundations, in addition to private investors.</p>	+1
<p><b>7a.</b> How integral to the success of the investment is: <input checked="" type="checkbox"/> Program Impact <input type="checkbox"/> Mission Impact <input type="checkbox"/> Sustainability</p> <p><b>b.</b> What is the form and level of personal commitment by the investment principals and/or founders to the impact described above?</p> <p><b>c.</b> How much personal financial capital have the investment principals and/or founders committed to the investment?</p>	<p><b>a.</b> The outcomes of REED's lending activities are business creation, job retention and creation, and expanding community development capacity and local services that provide the foundation for future development and impact quality of life. As REED's own investments succeed, these outcomes are amplified.</p> <p><b>b.</b> Both Calvert Foundation and REED Fund have a mandate to help investors channel affordable capital to underserved communities with the goal of fostering a more equitable and sustainable society. Calvert Foundation's founders and experienced staff have worked to help show that investment can be a tool to end poverty, in some cases for decades.</p> <p><b>c.</b> Unknown.</p>	+1
<b>Impact Monitoring &amp; Reporting</b>		<b>Score</b>
<p><b>8a.</b> What approach will be used to evaluate the impact of the investment? Are there specific metrics for reporting?</p> <p><b>b.</b> What is the proposed nature and scale of the impact, e.g. in 1 year, 3 years, long-term?</p>	<p><b>a.</b> Calvert Foundation closely monitors the uses and impacts of loan proceeds among borrowers. Data collected includes total loans disbursed (#, \$), number of jobs created, and percent of locally-owned and women-owned businesses receiving loans.</p> <p><b>b.</b> The nature and scale of business development and support is necessarily long-term. Long-term operational targets are not available.</p>	+1
<p><b>9.</b> Will the Investment Manager provide impact-related reporting?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes: As described above, Calvert Foundation reports regularly on all social aspects and impacts of its work. REED Fund provides impact data in its annual reports. IRIS impact metrics of relevance to the Foundation include: employment creation (#), business development loans (#, \$), and percent/number of women served.</p>	+1
<p><b>10.</b> Does the investment scale, accelerate, support or re-enforce other Impact Investments in the investment or grant portfolios?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes: Although the REED Fund's geography is not shared with other specific investments in the portfolio at this time, the Foundation maintains a number of investments that target rural communities and sustainable economic development. The Foundation also maintains a</p>	+1

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 -1 is a low alignment score; +1 is a high alignment score

	number of grants that support rural communities.	
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**Investment Due Diligence (Investment Advisor)**

**Investment Structure & Portfolio Implications** **Score**

<b>11.</b> Investment due diligence process	<input checked="" type="checkbox"/> Impact First due diligence process <input type="checkbox"/> Financial First due diligence process <input type="checkbox"/> Other (describe any exceptions or modifications to the due diligence process).	+1
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<b>12a.</b> What is the structure of the investment under consideration? <b>b.</b> Is the investment structure ideally suited to achieve both the appropriate risk adjusted rate of return while promoting the foundation's impact objectives?	<b>a.</b> A three-year unsecured non-recourse loan paying 3% annually  <b>b.</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Notes:	0
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<b>13.</b> Asset Class	<input type="checkbox"/> Cash and Equivalents <input type="checkbox"/> Fixed Income <input checked="" type="checkbox"/> Notes/Other debt obligations <input type="checkbox"/> Public Equity <input type="checkbox"/> Private Equity Notes: 3 Year Note	<input type="checkbox"/> Hedge Funds <input type="checkbox"/> Venture Capital <input type="checkbox"/> Real Estate <input type="checkbox"/> Real Assets	0
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<b>14a.</b> Will members of the Foundation play an active role in the investment? <b>b.</b> If so, will questions of self-dealing arise?	<b>a.</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>b.</b> N/A	0
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**Investment Monitoring & Reporting** **Score**

<b>15a.</b> What is the financial benchmark that will be used to evaluate this investment? <b>b.</b> Over what period(s) of time will we measure the investment performance?	<b>15a.</b> <input type="checkbox"/> Market indices Specify: <input checked="" type="checkbox"/> Absolute Return Specify: CPI <input type="checkbox"/> Peer Group Comparison Specify: Notes: Notes:	<b>15b.</b> <input type="checkbox"/> < 1 year <input checked="" type="checkbox"/> 3-5 years <input type="checkbox"/> 5-10 years <input type="checkbox"/> 10-20 years <input type="checkbox"/> > 20 years  Notes:	0
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**Additional Comments or Observations**

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