

Impact Investment Evaluator – KL Felicitas Foundation

Impact First Investment

Financial First Investment

Program Related Investment

Sustainability Investment

Mission Related Investment

Social Component Investment

Investment Name: Pico Bonito, LLC	Investment Amount: \$100,000 member interest in LLC
Investment Date: March 29, 2007	
Asset Class: Real Assets	Region of Impact: Central America (Honduras)

Investment Due Diligence by: Raúl Pomares **Signature:** _____ **Date:** _____

Impact Due Diligence by: Charly and Lisa Kleissner **Signature:** _____ **Date:** _____

Summary Description of Investment: Pico Bonito, LLC is a limited liability company incorporated in the state of Delaware, USA and formed for the purpose of investing in Bosques Pico Bonito, SrL, a Honduran operating company that will acquire certain land areas in and around the Pico Bonito National Park, La Ceiba, Honduras. Bosques Pico Bonito will use proceeds from investments to reforest these areas for the benefit of local community and national interests while creating various forestry, agro forestry, and carbon credit based products for distribution and sale.

Main Contacts:

Robert Lapidés, CEO, Pico Bonito, LLC
Phone: (781) 492-6128; Fax: (815) 377-3624;
E-Mail: rlapides@rlapides.com

Ecologic Development Fund 25 Mount Auburn Street, Ste.
203; Cambridge; MA 02138

USA Contact: Shaun Paul, Executive Director
Phone: (617) 441-6300; Fax: (617) 441-6307
E-Mail: spaul@ecologic.org

Supporting Documents:

- Confidential Private Placement Offering Memorandum (PPM); October 2005
- Field Notes – April 2007
- Operating Agreement
- Projected Cash Flow
- Management Agreement
- Subscription Agreement
- Amended and restated LLC Agreement
- Series A Investors Rights Agreement

Impact Due Diligence Update: August 2010

Financial Due Diligence Update: Original, at time of investment



KL Felicitas Foundation

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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)		
Alignment with the Foundation		Score*
<p>1a. How does this investment align with the impact objectives of the Foundation?</p> <p>b. In what area(s) does the Foundation believe this investment will contribute the greatest degree of impact?</p>	<p>a. This investment aligns closely with the Foundation's mission of creating sustainable economic and social development in rural communities. Pico Bonito's business model combines sustainable forest management, community development, and forest restoration and conservation.</p> <p>b. <input checked="" type="checkbox"/> Program Impact <input type="checkbox"/> Mission Impact <input type="checkbox"/> Sustainability Impact Notes: Beyond direct employment opportunities within the project, community-based development of alternative agricultural practices will be heavily promoted, thus increasing ecological sustainability as well as providing long-term employment opportunities to the local community.</p>	+1
<p>2a. Are there any elements of this investment that are contrary to any value(s) of the Foundation?</p> <p>b. If so, how is this being addressed?</p>	<p>a. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>b.</p>	+1
<p>IRS Compliance: 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>		Score
<p>3. Is this investment compliant with the definition of PRI in the Tax Reform Act of 1969 section 4944?</p> <p>a. Is its primary purpose to advance the Foundation's charitable objectives?</p> <p>b. Is a significant purpose of the investment to generate financial return (either income production or property appreciation)?</p> <p>c. 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>a. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Notes: Consistent with the Foundation's objective of empowering rural communities with sustainable economic development, part of the investment's activities will be reforestation denuded landscapes in and around the project area, and enhancing the long-term economic and ecological prospects of nearby communities, including education, training and work opportunities. Sustainable agriculture practices will be heavily emphasized for local inhabitants.</p> <p>b. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Notes: While financial returns <i>may</i> be generated from this investment, social and environmental benefits are sizeable and are closely aligned with the Foundation's impact objectives. The investment in Pico Bonito carries considerable risk and its ability to generate returns depends on a number of factors beyond the company's control. Furthermore, there is no secondary market for these holdings.</p> <p>c. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	+1
<p>4. What conditions exist that suggests this PRI is a more effective or appropriate vehicle for achieving the Foundation's</p>	<p>In order to reach scale, social enterprises like Pico Bonito need to have part of their business market-based and need to tap into the mainstream capital markets. Pure grants would not enable Pico Bonito</p>	+1

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<p>programmatic objectives versus a grant?</p>	<p>to reach its stated goal of establishing the project as a successful and replicable model for future forestry activities. Access to equity capital will assist Pico Bonito create the necessary public-private partnerships with local and national governments, non-profit organizations, commercial forestry and land management professionals.</p>	
<p>Relationship & Reputation</p>		<p>Score</p>
<p>5a. How well does the Foundation know the investment and/or strategy?</p> <p>b. What is the nature and duration of this relationship?</p> <p>c. Have members of the foundation made site visit(s)?</p>	<p>a. Foundation principals have discussed the financial due diligence results at length with the investment advisor and know the investment well.</p> <p>b. Principals met with Ecologic Development Fund's president and executive director multiple times at various conferences since 2007.</p> <p>c. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Notes: Foundation Principals have not made a site visit, although they have visited a watershed reforestation project of Ecologic Development Fund in Guatemala, which is similar to Pico Bonito's activities.</p>	<p>+1</p>
<p>6a. Have other Foundations recognized this as an impact investment?</p> <p>b. Do other respected partners of the foundation have a relationship with or experience with this investment?</p>	<p>a. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes:</p> <p>b. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes: Citigroup Foundation and Clinton Foundation are both investors in Pico Bonito. Kendeda Foundation has committed a \$1,000,000.00 PRI investment to Pico Bonito, via Ecologic Development Fund.</p>	<p>+1</p>
<p>7a. 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. What is the form and level of personal commitment by the investment principals and/or founders to the impact described above?</p> <p>c. How much personal financial capital have the investment principals and/or founders committed to the investment?</p>	<p>a. Pico Bonito aims to generate financial return for investors through the sale of sustainably-produced tropical hardwoods. While there are myriad social and ecological benefits that will accrue to local communities and the watershed as a whole, these benefits and programs are not critical to the success of the investment itself.</p> <p>b. EcoLogic is a nonprofit organization that works with poor, rural communities to help them become better environmental stewards. Both EcoLogic and the Pico Bonito National Park Foundation are investing in this effort, and EcoLogic has three of its 12 board members financially invested in the project.</p> <p>c. The National park is investing about \$20,000 per year as in-kind and cash contributions to the project. Mr. Lapedes, CEO, has personally invested \$300,000 in the venture and has committed to remain in place for an indefinite period.</p>	<p>0</p>
<p>Impact Monitoring & Reporting</p>		<p>Score</p>
<p>8a. What approach will be used to evaluate the impact of the investment? Are there specific metrics for reporting?</p> <p>b. What is the proposed nature and scale</p>	<p>a. Pico Bonito will collect social and environmental impact data on an annual basis in the communities that are affected by its activities. Pico Bonito has recently implemented a monitoring system (2008) that regularly collects and aggregates this data for its investors.</p> <p>b. The nature and scale of the impact for this project will be long term, in excess of 10 years. Over the anticipated 42-year life span of the project, Pico Bonito expects to reforest over 6,200 acres</p>	<p>+1</p>

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of the impact, e.g. in 1 year, 3 years, long-term?	with over 1.2 million trees planted.	
9. Will the Investment Manager provide impact-related reporting?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Notes: Specific metrics, germane to the KL Felicitas Foundation, include employment creation; access to clean water; and hectares of land reforested/preserved.	+1
10. Does the investment scale, accelerate, support or re-enforce other Impact Investments in the investment or grant portfolios?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Notes: Sustainable community development is a theme that is also supported by the Foundation's investment in Water Health International, as well as grants to Social-Impact, Aspira, Instituto Terra, and Barefoot College.	+1

Investment Due Diligence (Investment Advisor)

Investment Structure & Portfolio Implications **Score**

11. 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).	0
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12a. What is the structure of the investment under consideration? b. Is the investment structure ideally suited to achieve both the appropriate risk adjusted rate of return while promoting the foundation's impact objectives?	a. Private Equity, Preferred Share classes in US-based LLC. b. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Notes:	+1
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13. Asset Class	<input type="checkbox"/> Cash and Equivalents <input type="checkbox"/> Fixed Income <input type="checkbox"/> Public Equity <input type="checkbox"/> Private Equity Sub-Asset Class: Real Assets	<input type="checkbox"/> Hedge Funds <input type="checkbox"/> Venture Capital <input type="checkbox"/> Real Estate <input checked="" type="checkbox"/> Real Assets	0
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14a. Will members of the Foundation play an active role in the investment? b. If so, will questions of self-dealing arise?	a. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No b.	0
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Investment Monitoring & Reporting **Score**

15a. What is the financial benchmark that will be used to evaluate this investment? b. Over what period(s) of time will we measure the investment performance?	15a. <input checked="" type="checkbox"/> Market indices Specify: NCREIF Timberland Index minus 500 basis points <input type="checkbox"/> Absolute Return Specify: <input type="checkbox"/> Peer Group Comparison Specify: Notes:	15b. <input type="checkbox"/> < 1 year <input type="checkbox"/> 3-5 years <input type="checkbox"/> 5-10 years <input type="checkbox"/> 10-20 years <input checked="" type="checkbox"/> > 20 years Notes: Reforestation and watershed restoration is inherently a long-term investment.	0
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Additional Comments or Observations

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