

## 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 BRAC	<b>Investment Amount:</b> \$25,000 with 3% coupon, paid annually
<b>Investment Date:</b> December 31, 2010	
<b>Asset Class:</b> Fixed Income	<b>Region of Impact:</b> East Africa

**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 BRAC Africa Microfinance Fund, arranged and serviced by ShoreBank International, has provided access to resources – capital, education and technical assistance – to vulnerable communities in very poor countries for over 30 years. Proceeds from this investment into the BRAC Fund will be used to expand operations in Uganda, Tanzania and Southern Sudan. 75% of BRAC funds are used in its well-known microlending program, with the balance in programming for agriculture, financial education, empowerment and women’s issues.

The KL Felicitas Foundation investment is made in to a Community Investment Note, with the proceeds being directed to support the BRAC Africa Microfinance Fund. As such the relationship, risk and return of the investment will be with Calvert Foundation.

### Main Contacts:

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### Supporting Documents:

- Calvert Foundation: BRAC Organization Profile
- BRAC Africa Loan Fund Investor Presentation; April 2008

**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)		
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. BRAC works in regions of extreme poverty and illiteracy, and where economic opportunity is very rare. BRAC aims to transition beneficiaries from aid recipients to empowered citizens in control of their own destinies. This aligns closely with KL Felicitas' goal of empowering rural communities through sustainable economic and social development.</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 be in social enterprise creation and support, as well as female empowerment, specifically in rural communities.</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                      Calvert Foundation lends to nonprofits and social enterprises that work throughout the world to provide economic opportunities where they are needed most. Similarly, the KL Felicitas Foundation seeks to invest in rural communities to create lasting social and economic change. An investment supporting BRAC extends the Foundation's reach into extremely poor countries in Africa that are not served by other Foundation investments.</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 BRAC capital.</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 BRAC's work of delivering small, affordable loans to entrepreneurs in Africa, and serves as a link between KL Felicitas' program goals and the outcomes delivered by BRAC programs. Loan capital of this sort can be leveraged and re-used multiple times, thus</p>	+1

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		amplifying the investment's potential for social impact.	
<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 and have had consistent contact with BRAC through industry events.</p> <p><b>b.</b> Foundation principals have known senior management of Calvert Foundation for over two years.</p> <p><b>c.</b> <input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p>Notes: Foundation principals visited BRAC programs in Tanzania.</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: Many foundations and institutional investors have made investments into Calvert Foundation's Community Investment Notes.</p> <p><b>b.</b> <input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p>Notes: Both Calvert Foundation and BRAC are supported by a number private investors and multilateral development agencies, such as OPIC.</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> As BRAC will be lending to local microfinance institutions (MFIs) in eastern Africa, the success of its loans depends on the success of the loans made by the local MFI. The ultimate uses and repayments of microloans are indicative of growing social empowerment among loan recipients, particularly women, as well as growing economic prosperity. BRAC has enjoyed a very high repayment record since its founding.</p> <p><b>b.</b> Both Calvert Foundation and BRAC 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 Program Impact is medium-term, in excess of three years (as dictated by the duration of the note selected by the Foundation). With proceeds from the Note and other investors, the BRAC fund aims to serve over 700,000 loan recipients through 200 branches in three countries by 2012.</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. Impact metrics of relevance to the Foundation include total number served; amount and number of business development loans, and total number of microenterprises served.</p>		+1

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<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: While the KL Felicitas Foundation maintains a number of other investments that target rural communities and sustainable economic development strategies in poor geographies. By allocating to the Community Investment Note, the Foundation is supporting an important intermediary in the industry supporting multiple organizations having varying degrees of social and environmental impact. More specifically, BRAC does not possess direct synergies with any of these investments at this time. The addition of BRAC to the portfolio does scale the Foundation's geographic exposure in Africa.</p>	<p>+1</p>
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**Investment Due Diligence (Investment Advisor)**

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

<p><b>11.</b> Investment due diligence process</p>	<p><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).</p>	<p>0</p>
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<p><b>12a.</b> What is the structure of the investment under consideration?</p> <p><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?</p>	<p><b>a.</b> The investment is a three-year note with three percent interest paid annually.</p> <p><b>b.</b> <input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p>Notes:</p>	<p>0</p>
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<p><b>13.</b> Asset Class</p>	<p><input type="checkbox"/> Cash and Equivalents  <input checked="" type="checkbox"/> Fixed Income  <input type="checkbox"/> Public Equity  <input type="checkbox"/> Private Equity                  Notes: Notes and other debt obligations</p>	<p><input type="checkbox"/> Hedge Funds  <input type="checkbox"/> Venture Capital  <input type="checkbox"/> Real Estate  <input type="checkbox"/> Real Assets</p>	<p>0</p>
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<p><b>14a.</b> Will members of the Foundation play an active role in the investment?</p> <p><b>b.</b> If so, will questions of self-dealing arise?</p>	<p><b>a.</b> <input type="checkbox"/> Yes      <input checked="" type="checkbox"/> No</p> <p><b>b.</b></p>	
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**Investment Monitoring & Reporting** **Score**

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

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