

## 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> E+CO People and Planet Note	<b>Investment Amount:</b> \$100,000 in 8-year, 5% notes paid annually
<b>Investment Date:</b> September 30, 2008	
<b>Asset Class:</b> Notes/Other Debt Obligations	<b>Region of Impact:</b> Africa, Asia

**Investment Due Diligence by:** Raúl Pomares      **Signature:** \_\_\_\_\_      **Date:** \_\_\_\_\_

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

**Summary Description of Investment:** E+Co People and Planet Notes are debt investments towards E+Co's mission of empowering local small- and medium-sized enterprises (SMEs) that supply clean, renewable energy to communities, households, and businesses and developing countries. Notes are for eight-year term, and pay a five percent coupon. E+Co will use the proceeds of the notes as capital to make investments in modern energy enterprises in developing countries. These investments will include providing seed and growth capital to clean energy entrepreneurs, end-user customer financing to customers of clean energy enterprises, and funds for the operation of E+Co.

### Main Contacts:

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### Supporting Documents:

- E+Co Website
- E+Co Presentation, January 2008
- E+Co People and Planet Notes Private Offering Memorandum, dated December 18, 2007
- E+Co 2007 Annual Report

**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

<b>Program/Mission/Sustainability Due Diligence (Foundation Directors and Philanthropic Advisors)</b>		
<b>Alignment with the Foundation</b>		<b>Score*</b>
<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> E+CO's mission is to promote sustainable development and to increase the quality of environmentally sound energy in developing countries. E+CO deploys renewable energy in rural communities, and invests in local organizations that promote economic development. These activities align closely with the Foundation's intended impact objectives of promoting sustainable economic growth and environmental preservation in rural, underprivileged communities.</p> <p><b>b.</b> <input checked="" type="checkbox"/> Program Impact   <input type="checkbox"/> Mission Impact   <input type="checkbox"/> Sustainability Impact                      Notes: Program impact will be greatest in enterprise development, primarily through the investments that E+CO makes in local renewable energy 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                      Notes: E+CO wishes to obtain capital to make subsequent investments in modern energy enterprises in developing countries. Proceeds will provide seed and growth capital to clean energy entrepreneurs, as well as end-user financing for customers of clean energy enterprises. These uses are entirely consistent with the Foundation's charitable objectives.</p> <p><b>b.</b> <input type="checkbox"/> Yes   <input checked="" type="checkbox"/> No                      According to E+CO's POM, 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. E+CO also explains in its POM that the investment carries considerable risk: notes are unsecured, and E+CO's ability to repay depends on a number of factors beyond the company's control. Furthermore, there is no secondary market for these Notes.</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>Small- and medium-sided enterprises in developing countries typically have very limited access to capital markets, due to the absence of developed capital markets and a perceived lack of creditworthiness among lenders. E+CO funds enterprises that are able to service their debt and continue growing operations. Providing reasonably priced growth capital in this sector will help the clean technology SME sector grow and flourish in rural communities.</p>	+1
<b>Relationship &amp; Reputation</b>		<b>Score</b>

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<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> The Foundation provided grant support to E+CO in the past.</p> <p><b>b.</b> Foundation Principals have known E+CO for over three years.</p> <p><b>c.</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Notes: Foundation Principals have made site visits to many of the countries in which E+CO works, and are very familiar with renewable energy projects in developing countries.</p>	<p>+1</p>
<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: Other foundation investors include the Lemelson Foundation, the MacArthur Foundation, the Swift Foundation and the Tidwell Idaho Foundation.</p> <p><b>b.</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes: E+CO receives grants, donations and contracts from the Dutch, German and US governments, the Rockefeller Foundation, UN Foundation and Inter-American Development Bank.</p>	<p>+1</p>
<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> E+CO provides funds and services to renewable energy enterprises that are often below market rates in order to establish sustainable energy businesses that serve the energy poor and create non-financial social and environmental benefits. Thus, E+CO's success depends closely on the success of the investments that it makes in these energy enterprises.</p> <p><b>b.</b> E+CO is a nonprofit organization that works to provide lasting solutions to climate change and poverty, particularly in the developing world. Many of E+CO's principals have, in other capacities, worked towards rural community empowerment and renewable energy initiatives in the past.</p> <p><b>c.</b> Unknown.</p>	<p>+1</p>
<p><b>Impact Monitoring &amp; Reporting</b></p>		<p><b>Score</b></p>
<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> E+CO details the impact of its work along 34 separate social, environmental and financial indicators, collected from investees on a biannual basis and compared to a baseline survey conducted at the time of the initial investment.</p> <p><b>b.</b> The impact sought by E+Co is primarily long-term, i.e. in excess of five years. By 2012, E+CO plans to make 280 new investments in energy enterprises in developing countries; serve over 17 million people with modern energy; and save 17 million tons of carbon dioxide from being released into the environment.</p>	<p>+1</p>
<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: E+CO reports on 34 different impact metrics. Those most pertinent to the Foundation include: Employment creation; total number of individuals with access to modern energy services; total number of people with access to clean water; and improved income.</p>	<p>+1</p>
<p><b>10.</b> Does the investment scale, accelerate, support or re-enforce other Impact</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes: E+Co's People and Planet Notes reinforce the Foundation's</p>	<p>+1</p>

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Investments in the investment or grant portfolios?	investment in WaterHealth International, with both investments working towards sustainable rural economic and social development in developing nations. Additionally, the mission of supporting sustainability through clean energy generation and distribution is reinforced by the Foundation's investment in Zouk's Cleantech Europe fund.	
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**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).	+1
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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. The investment is an eight-year note debt obligation with a five percent interest rate. 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 checked="" type="checkbox"/> Fixed Income <input type="checkbox"/> Public Equity <input type="checkbox"/> Private Equity Sub Asset Class: Notes and other debt obligations	<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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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. N/A	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 type="checkbox"/> Market indices Specify: <input checked="" type="checkbox"/> Absolute Return Specify: CPI <input type="checkbox"/> Peer Group Comparison Specify: Notes:	15b. <input type="checkbox"/> < 1 year <input type="checkbox"/> 3-5 years <input checked="" 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**