

Expanding the Philanthropic Toolbox
Webinar Series

Part III: Developing and
Implementing a PRI Strategy

Wednesday, April 13, 2011

Start time: 12:30 ET; 10:30 CT; 9:30 PT; 8:30 AT

Welcome



Moderator:

Peter Berliner
Managing Director
PRI Makers
Network



Presenter:

Sandra Mikush
Deputy Director
Mary Reynolds Babcock
Foundation



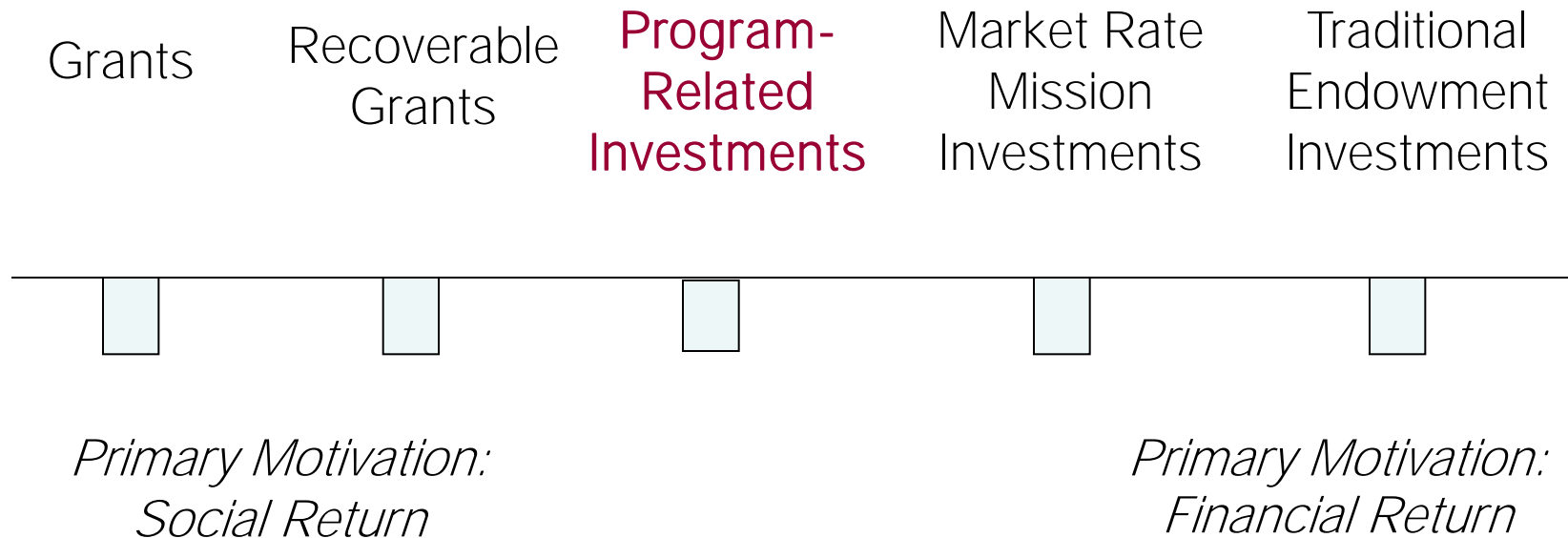
Presenter:

Jeff Rosen
Director, Finance and
Administration
Solidago Foundation

Program-Related Investments

Financial investments (e.g., cash deposits, loans, or equity investments) that foundations make for the primary purpose of achieving program goals.

Philanthropic Investing Continuum



Purposes

- Provide inexpensive capital
- Leverage additional financing
- Maximize foundation resources

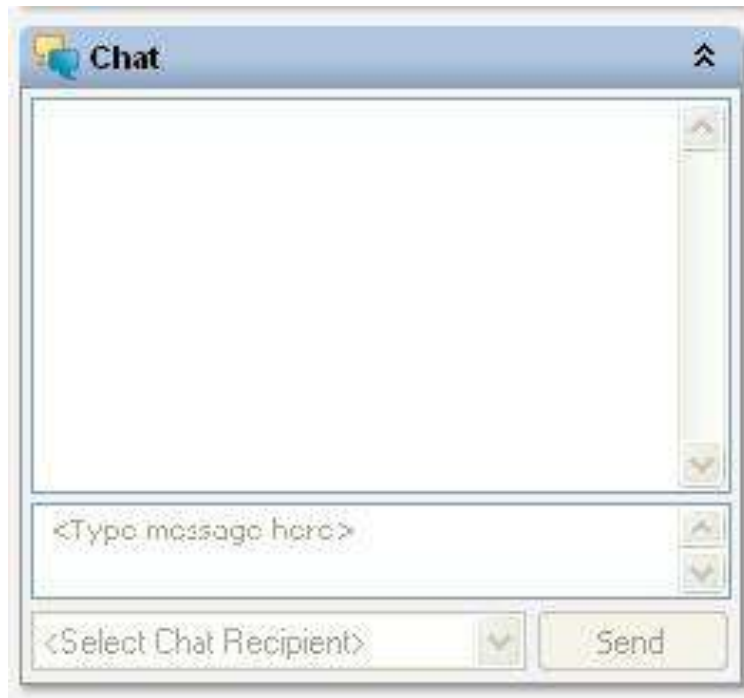


Making a PRI: Key Steps

1. Deal Sourcing
2. Due Diligence
3. Negotiating Terms
4. Documentation
5. Legal Review
6. Authorization
7. Reporting and Monitoring

Survey # 1

Do you have a specific question you would like us to answer?



Survey # 2

Which of the following describes you?

- I'm a foundation staff person.
- I'm a foundation trustee.
- I am part of a philanthropic support organization.
- Other.

Survey # 3

Which of the following describes your foundation?

- Has not yet made a PRI.
- In the process of making a PRI
- Experienced PRI maker.

Introductions



Sandra Mikush
Deputy Director



MARY REYNOLDS BABCOCK
FOUNDATION

helping to move people and places out of poverty

“Our mission is to help people and places to move out of poverty and achieve greater social and economic justice.”





MARY REYNOLDS BABCOCK
FOUNDATION

helping to move people and places out of poverty

- Family foundation with \$155 million in assets.
- Working in 11 states in the Southeastern U.S.
- \$6 million allocation for PRIs to support community and economic development, asset development and job creation.





Solidago Foundation

Building capacity for social change



Jeff Rosen
Director, Finance & Administration



Solidago Foundation

Building capacity for social change

“Our mission is to promote justice, equity, sustainability and enfranchisement for all through charitable grantmaking to, and work with, progressive, empowering, community-based organizations and collaborations.”



Solidago Foundation

Building capacity for social change

First PRIs in 2000: 5% allocation of \$40 million endowment approved.

Since 2000, the foundation has invested \$1.8 million in Community Notes.

Since 2003, the foundation has made direct investments of approximately \$200,000.

Since 2006, the foundation has invested approximately \$650,000 in mission-first private equity funds.

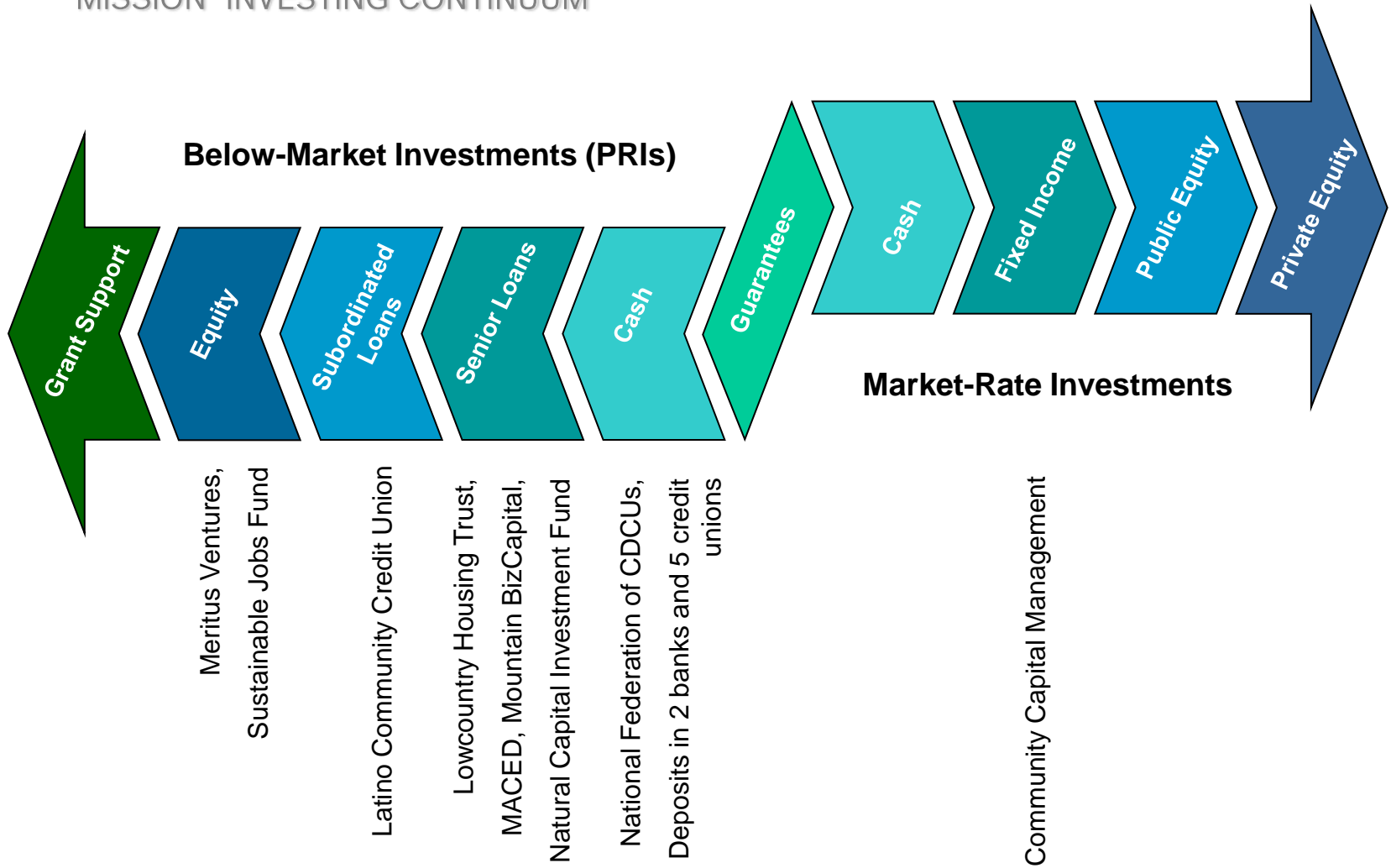
Since 2008, The foundation has made investments to intermediaries totaling 237K.

PRI Policy Framework

Mary Reynolds Babcock Foundation

Range:	\$100,000 - \$500,000
Rate:	Currently 2 – 5%, reviewed annually (may be lower for cash deposits)
Term:	3 – 10 years (may be shorter-term for cash deposits)
Structure:	Loans, certificates of deposit, loan guarantees, secondary capital loans and equity investments
Uses of PRI:	Community development (CD) lending and investment (small business, microcredit, affordable housing); Housing or business development loan funds; Cash deposits in CD banks and credit unions; CD venture capital and secondary capital for credit unions; Other uses can be considered.
Organizations:	Nonprofit and for profit organizations engaged in the acceptable uses that are located in the MRBF target area. Preference given to MRBF grantees and intermediaries and pooled loan funds.

MARY REYNOLDS BABCOCK FOUNDATION
MISSION INVESTING CONTINUUM



Representative Investments

Babcock Foundation:

Cooperative Latino Credit Union

Meritus Ventures

Solidago Foundation:

Cooperative Fund of New England

Western Mass Enterprise Fund



- \$100,000 certificate of deposit since 2005.
- \$350,000 PRI for secondary capital in 2007 for 8 years at 3% interest.
- Meets Babcock's goals for providing access to non-predatory financial services, home ownership and small business development.





- \$36.4 million venture capital fund that invests in expansion-stage companies in rural areas in central and southern Appalachia
- \$500,000 PRI – a 10-year equity investment
- Meets Babcock’s goal for living-wage jobs in new economy companies in the rural South





Line of Credit to Energia

1. Establish a long-term relationship with them as a valued intermediary
2. Hybrid model for direct investing
 - a) Assumes the risk direct to borrower
 - b) Borrower is grantee equivalent, not sufficiently credit worthy
 - c) CFNE services the loan



Installation work by Energia worker.



Energia truck at a residential project site.

PV Grows Local Food Finance Fund

- More involved relationship
- Uses grant dollars to build a network
- Work together to create deal flow
- Professional intermediary
- Shares risk

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Key Steps

Deal Sourcing

- Alignment
- Revenue potential
- Impact



Key Steps

Due Diligence

- Feasibility
- Organizational capacity
- Financial status



Key Steps

Negotiating Terms

- Amount
- Duration
- Rate of return
- Payment schedule



Key Steps

Documentation

- Loan documents
- Term Letter
- Security Agreement
- Other



Key Steps

Legal Review

- PRI criteria
- Loan documents
- Covenants



Key Steps

Authorization



Key Steps

Reporting and Monitoring



Survey # 4

What do you see as major barriers to getting started?

- Too complicated
- Not enough staff expertise
- Trustee education/buy-in
- Too risky
- Lack of investment opportunities

Getting Started: Options

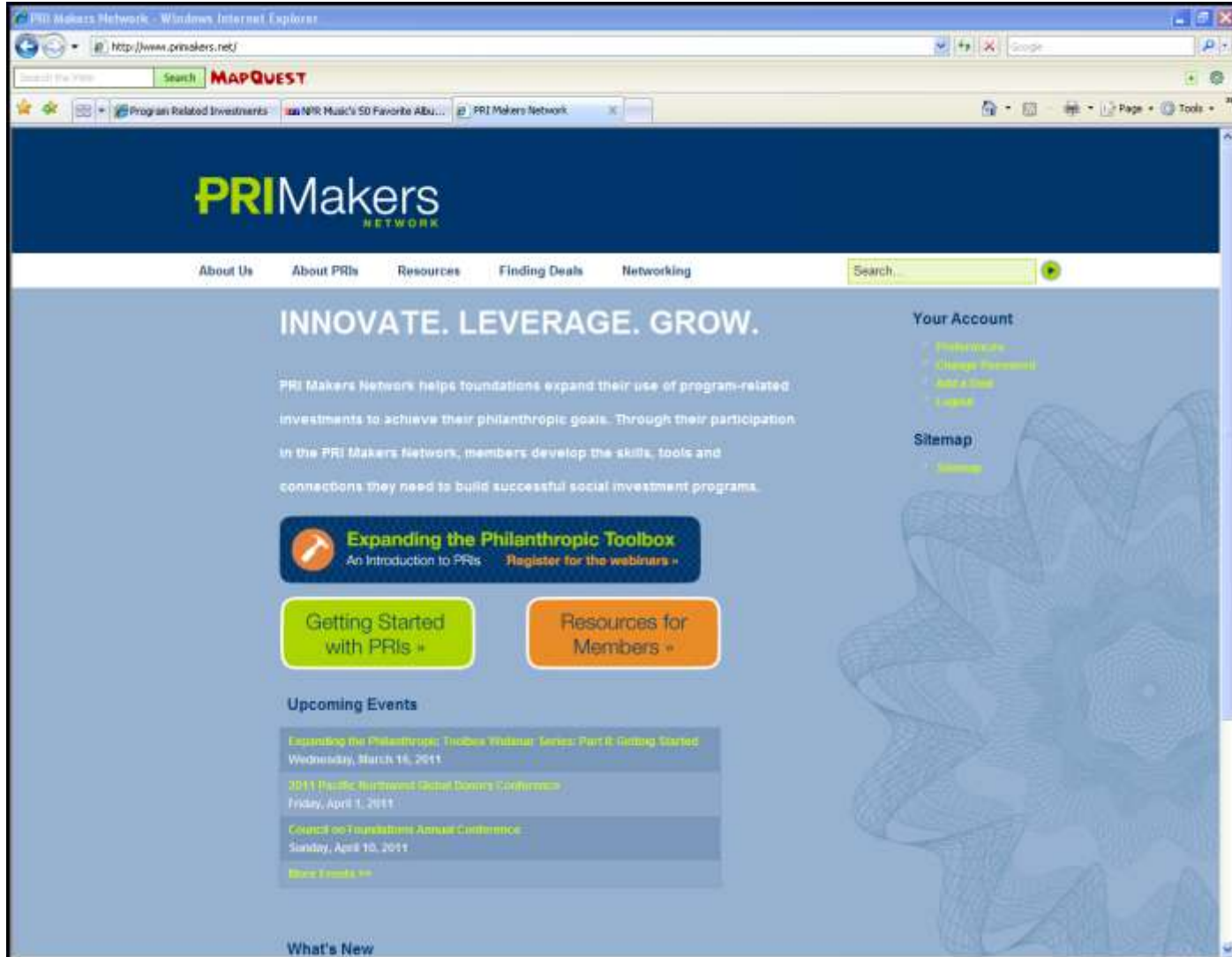
- Simple transactions
- Partner with other investors
- Invest in intermediary organizations
- Use external consultants



LIVING CITIES
INNOVATE • INVEST • LEAD



Additional Resources



The screenshot shows the PRIMakers Network website in a Windows Internet Explorer browser window. The address bar displays <http://www.primakers.net/>. The browser's search bar contains the text "MAPQUEST". The website's header features the PRIMakers NETWORK logo in green and white. Below the logo is a navigation menu with links for "About Us", "About PRIs", "Resources", "Finding Deals", and "Networking". A search bar is located on the right side of the navigation menu. The main content area has a blue background with the headline "INNOVATE. LEVERAGE. GROW." and a paragraph describing the network's mission. A prominent call-to-action box titled "Expanding the Philanthropic Toolbox" includes a sub-headline "An Introduction to PRIs" and a link "Register for the webinar >". Below this are two buttons: "Getting Started with PRIs >" and "Resources for Members >". The "Upcoming Events" section lists three events: "Expanding the Philanthropic Toolbox Webinar Series: Part II: Getting Started" on Wednesday, March 16, 2011; "2011 Pacific Northwest Digital Donors Conference" on Friday, April 1, 2011; and "Council on Foundations Annual Conference" on Sunday, April 10, 2011. A "What's New" section is partially visible at the bottom. On the right side, there are sections for "Your Account" with links for "Profile", "Change Password", "Add a blog", and "Logout", and a "Sitemap" with a link for "Sitemap".

www.primakers.net

- Policy statements
- Loan documents and other templates
- Guides
- PRI Directory
- Deals Clearinghouse
- E-networking



Resources

PRI Makers Network Webinars

PRI Institute

May 25-27 in Los Angeles

November 9-11 in Princeton, New Jersey

Regional Meetings/Workshops

Spring 2012 National Conference

Selected Articles, Guides, Manuals and Books

Glossary of PRI-related Terminology

Program-Related Investments: A User-Friendly Guide

David S. Chernoff is Associate General Counsel of the Chicago-based John D. and Catherine T. MacArthur Foundation.

A Basic Guide to Program-Related Investments, Christie I. Baxter, The Grantsmanship Center Magazine, 1997.

Philanthropy's New Passing Gear: Mission-Related Investing – A Policy and Implementation Guide for Foundation

Trustees, Rockefeller Philanthropy Advisors. This is a practical publication that can inform decision makers about how to implement mission-related investing.

GrantCraft Guide - Program-Related Investing: Skills & Strategies for New PRI Funders

In this guide, experienced PRI makers walk through the process, offering practical advice at each step — from explaining the concept to your board to structuring and closing your first deal.

The PRI Directory: Charitable Loans and Other Program-Related Investing by Foundations (2009). The Foundation Center.

This directory lists leading PRI providers and includes tips on how to seek out and manage PRIs.

Program-Related Investments: A Technical Manual for Foundations by Christie I. Baxter. This book provides foundations with guidelines for evaluating PRIs, monitoring grant recipients, and tracking returned funds.

Leveraging Your Assets with Loans and Other Program-Related Investments (PRIs). Association of Small Foundations, November 2007.

Program-Related Investments and You—Perfect Together? James P. Joseph. Taxation of Exempts, March 2010.

Capital With a Conscience. Jane M. Searing. American Institute of Certified Public Accountants. 2008.

These and other resources and materials are accessible via:
www.primakers.net/publications_articles_and_transcripts

Q & A



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