



Introduction to **Program-Related Investing**

www.primakers.net

Welcome

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PRI Makers Network





Program-Related Investing: **Getting Started**

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Agenda

- Purpose
- Introduction of Speakers: Sandra Mikush and Ed Diener
- Getting Started: Key Considerations
- Q and A
- Additional Resources

Presenter



Sandra Mikush

Deputy Director

Mary Reynolds Babcock Foundation

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MARY REYNOLDS BABCOCK
FOUNDATION

helping to move people and places out of poverty

- First Program Related Investments in 1982:
 - Community development initiatives in equity-scarce areas
 - Advancing the protection and stewardship of natural resources
 - Providing access to land, housing and financial resources for low-income people
- From 1982-1999, MRBF made \$2,445,500 in loans to 21 organizations, with a default rate of 5.5%.

Range:	\$100,000 - \$500,000
Rate:	Currently 2 – 5 %, reviewed annually.
Term:	3 – 10 years
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.

Presenter



Edward Diener
Counsel
Skoll Foundation
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- First Program-Related Investments in 2004:
 - Capital access initiatives and funds here and abroad
 - Main focus economic and social equity
 - Expanding to include global health, climate change and water scarcity
- From 2004-2009, Skoll Foundation has made \$21,250,000 in loans, guaranties and equity investments to 10 organizations, with a default rate of about 1%.

Getting Started: Motivation

- Opportunity
- Inquiry: mission and purpose
- Increase leverage and impact
- Financial Benefit

Getting Started: Board Engagement

- Buy-In
- Alignment with Values and Mission
- Risk Tolerance
- Patience
- Policies

Getting Started: Key Choices

- Area of Focus
- Direct or Indirect
- Types of Investments
- Partnerships/Collaboration

Getting Started: Internal and External Resources

- Staffing
- Legal
- Investment
- Financial
- Underwriting

Getting Started: Changes

- Policies and Procedures
- Internal Structure
- External Relationships

Q and A

Peter Berliner



Sandra Mikush



Ed Diener



PRI Makers

NETWORK

- www.primakers.net: primers, articles, tools and templates, databases, listserv, access to experts, e-newsletter
- National conference: May 10th-12th Chicago. Register at www.primakers.net
- PRI presentations, member meetings, PRI Fundamentals and PRI Institutes



Additional Resources

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.

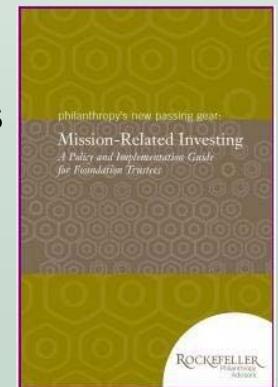
Philanthropy's New Passing Gear: Mission-Related Investing – A Policy and Implementation Guide for Foundation Trustees, Rockefeller Philanthropic Advisors.

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

Program-Related Investments: A Technical Manual for Foundations. by Christie I. Baxter.

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

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



Appendix

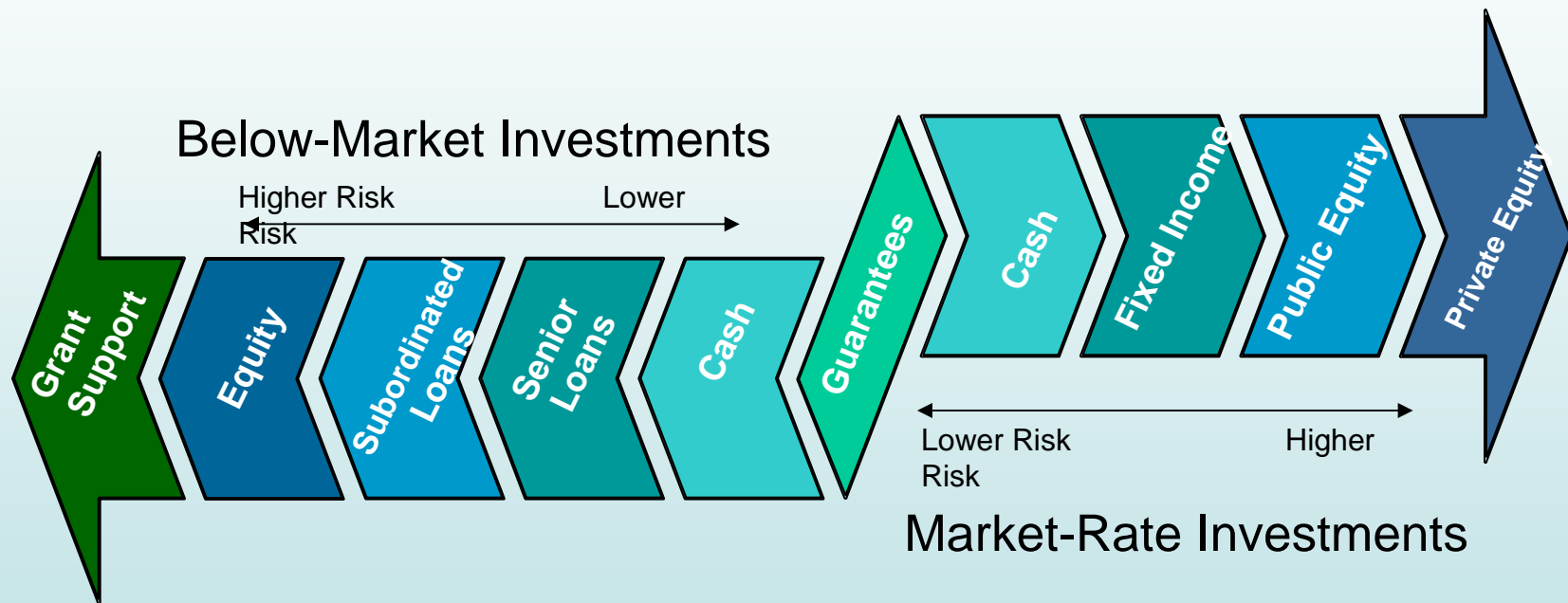
PRIs: Purposes

- Make inexpensive capital available to nonprofit or for-profit social enterprises
- Leverage public and private financing
- Maximize foundation resources

PRI Types

- Social Deposits
- Loans
- Equity Investments
- Credit Enhancements

Investment Types



Source: F.B. Heron Foundation Mission-Related Investing Continuum

PRI Risk Scale

Percentage of Total Portfolio Allocation	Level of Risk
20%	<u>Conservative</u> : No risk of loss [100% federally insured certificates of deposit in community development banks and credit unions]
30%	<u>Conservative/Moderate</u> : Potential for loss of principal roughly 0 – 10% [established and stable community development loan funds , large development corps]
25%	<u>Moderate</u> : Potential for loss of principal roughly 0 – 30% [less stable loan funds, development corps, nonprofit social enterprises]
15%	<u>Moderate/Aggressive</u> : Potential for loss of principal roughly 0 – 60% [start-up loan funds, development corps, nonprofit social enterprises with less borrowing and lending experience]
10%*	<u>Aggressive</u> : Real opportunity to lose part or all of entire investment. Potential for loss of principal roughly 0 – 100% [this bucket to include any equity in community development venture capital , and certain other orgs] *The portfolio currently is outside policy limits because of two venture capital fund investments totaling \$1 million, but the goal is to reduce this allocation through future program growth.
100% **	** PRI policy allows 3% of current foundation assets to be committed to PRI's at a given time.

PRI Legal Requirements

- No significant purpose to produce income or capital gains
- No political or lobbying purposes
- Primarily charitable purpose