



Impact Investing Bootcamp Session 2

Fundamentals for Driving Sustainable
Philanthropy in New Jersey

April 2024

Welcome



Welcome & Introductions



in partnership with



Housekeeping



Legal Disclaimer: All opinions expressed are my own, and discussions on investment examples are not to be taken as investment advice or recommendations. Past performance is no guarantee of future results.

Agenda

- Fundamentals of impact investing review from Session 1
- Impact investing examples
- Hear real deal examples from local NJ funders
- Activity and guided networking
- Hinchliffe Stadium discussion and tour
- Closing thoughts and questions
- Book distribution

Objectives for the Day

- Review the fundamentals of impact investing
- Hear examples of different types of deals
- Tour a real deal example
- Get to know your peers and potential collaborators
- Answer your questions



ALIGNING DEFINITION

Session 1 Recap: What and Why

What is Impact Investing?



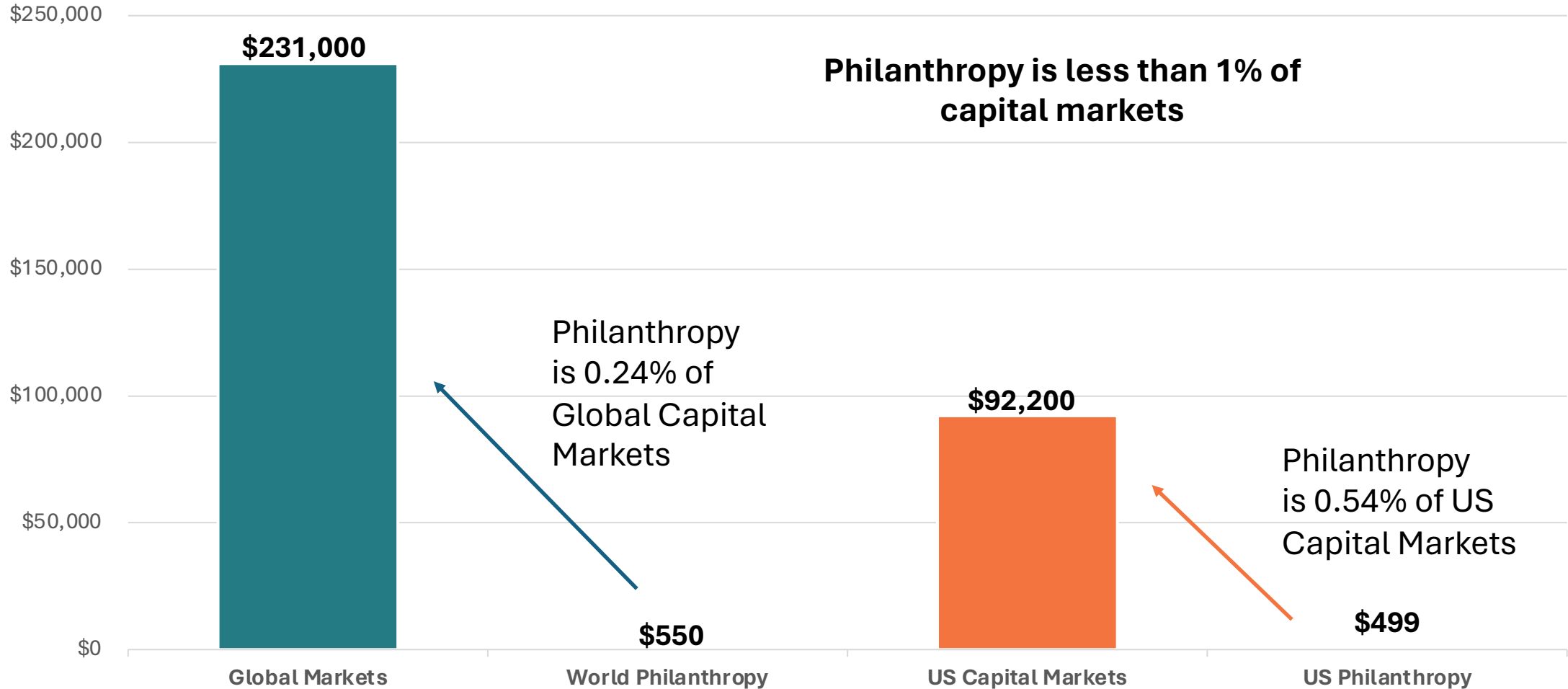
NOUN: impact investments are investments made with the intention to generate positive, measurable and environmental impact alongside a financial return

The Global Impact Investment Network (GIIN) Definition

Using a financial instrument to drive positive impact.

Kind Capital's Definition

Relative Market Size (\$Bn)



Source: The Nonprofit Times, Philanthropy Digest, SIFMA Research 2023 Factbook



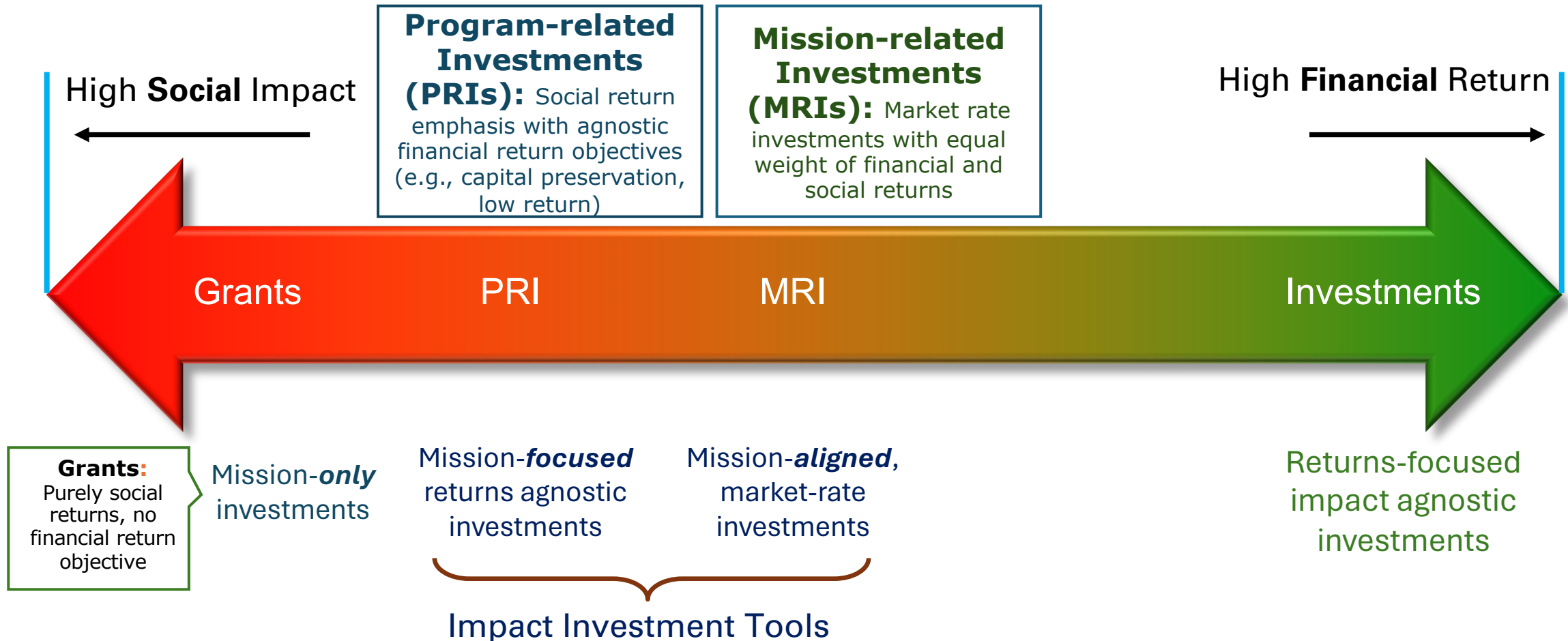
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Session 1 Recap: Impact Investing Tools

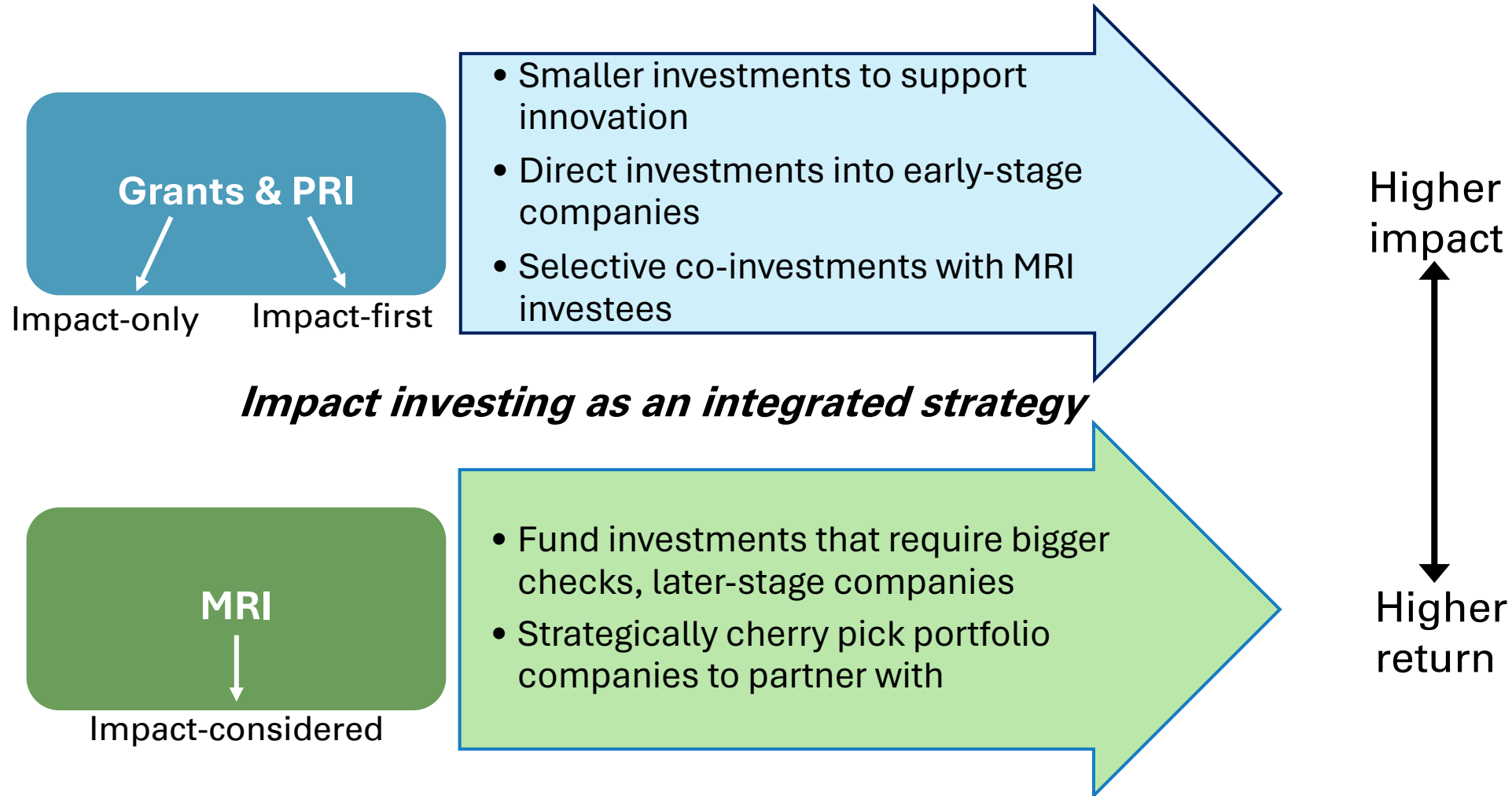
What Are Impact Investing Tools



Impact investments are part of a continuum of tools and resources an organization has to drive its mission



Impact-only & Impact-first vs Impact-considered



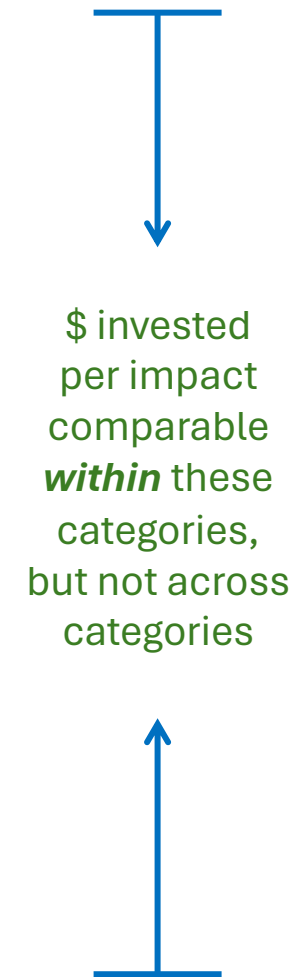
How Impact Investing Can Be Used



- Foster **market-based, revenue-generating models** that can achieve impact at scale
- Catalyze **innovation** in business models, products and services, financing structures, and more
- **Leverage other capital** and influence more resources into mission-aligned activities
- Drive capital to **entrepreneurs, fund managers, and communities** that have been **overlooked and under-invested in** due to structural and systemic barriers

Social Metrics Framework

Metric	Impact Type	Sample Metric
Quantitative	Low cost, High volume (shorter term)	Access <ul style="list-style-type: none"> • Increase in applications to post-secondary programs
	High cost, Low volume (longer term)	Outcomes <ul style="list-style-type: none"> • Increase in graduates with post secondary degrees • Quality jobs obtained
Qualitative	Leverage	<ul style="list-style-type: none"> • Outside capital attracted • New partners aligning with mission • Learning Return
	Influence (direct & indirect)	<ul style="list-style-type: none"> • Systems changed • Policies influenced



Note: Framework was developed while at W.K. Kellogg Foundation

Risk: You WILL Lose Money

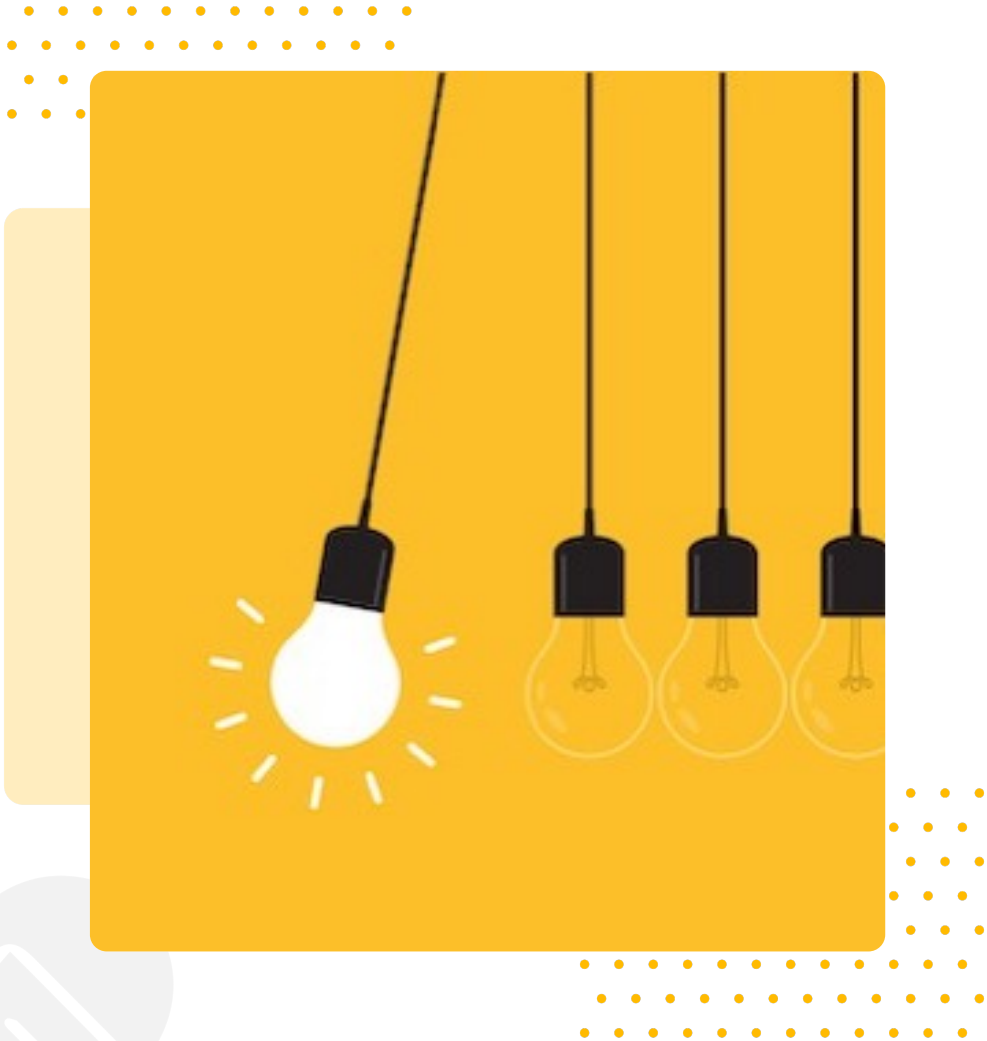


Type of Risk

- Financial Risk
- Mission Risk
- Reputational Risk

Framing of Risk

- Investing is inherently risky
- Philanthropy is RISK capital
- Grant funding is 100% capital loss



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Session 1 Recap: Key Takeaways

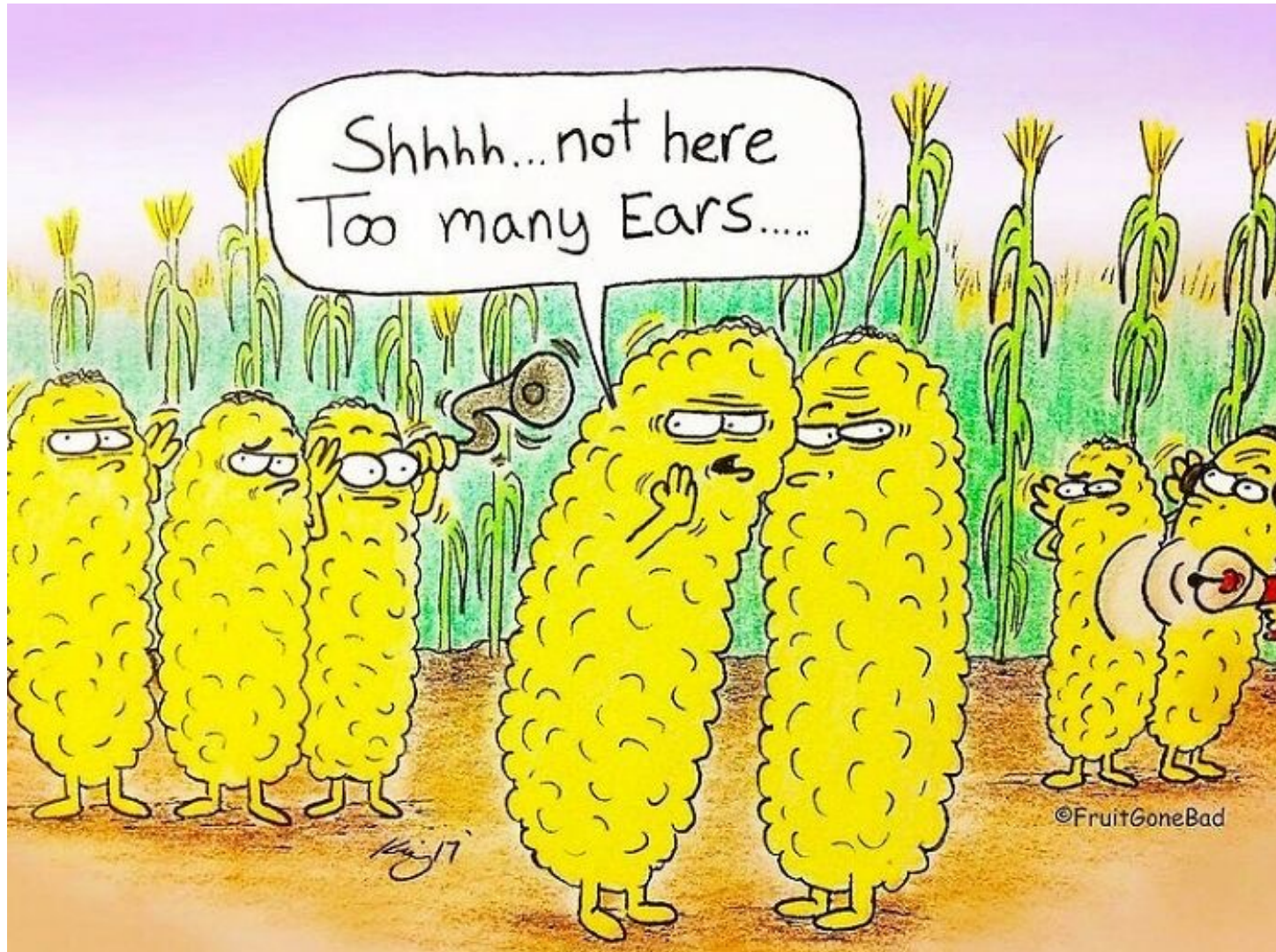


Session 1 Key Takeaways



- You don't have to compromise on returns to drive impact.
- Scaling sustainable impact can be achieved by utilizing impact investing tools.
- Impact investing can be less risky than grantmaking.
- Impact investing can unlock private capital to scale mission aligned opportunities.
- You are not alone. There are experts, partners, and stakeholders you can leverage for knowledge and support.

Food Humor to Chew On





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Impact Investing Examples

Types of Structures



Direct vs Fund Investing

- Funds: a professional manager makes investments on your behalf
- Direct investing: investments directly into a company

Debt, Equity, and Convertibles

- Debt: lender with seniority of repayment, but limited upside
- Equity: Shareholder with higher risk, greater control
- Convertibles: hybrid / quasi-equity

Public vs Private Markets

- Public: securities are liquid and traded on exchanges
- Private: very illiquid and typically smaller companies

Structured Finance

- Social Impact Bonds
- Pay-for-Performance or Success
- Loan Guarantees
- Income Share Agreements (ISAs)

Investment Structure Considerations

Direct Investments

- + Direct engagement with entrepreneur/investee
- + Easier to partner & collaborate
- + Higher potential return
- + Mission alignment
- Higher risk
- Higher maintenance

Fund Investments

- + Diversification with professional managers
- + Brand protection
- Higher fees
- Indirect connection investees
- Lower *direct* impact
- Long lock up

Fundamentals of Fund Investing



- Manager selection – what is their edge?
- Track record
- Fee structure
- Exit clauses
- Other LPs
- Long commitment
- Special rights (co-investments, etc.)

Fund Example

- Charter School Financing Fund
- Kellogg invested in Fund 1 and 2
- Supported education sector, created jobs
- GP uniquely positioned to be investor and operator
- Key Person clause
- Co-investment rights
- Target 11% return, net of fees
- Preferred return of 7%



Debt Investment Example

- Investment with quarterly distributions
- Redemption rights
- Fully secured by receivables backed by hospital's credit, not patients'
- Preferred yield of 11% versus market senior debt rate of less than 4% at the time
- Kellogg connected CarePayment to National Christian Fund



Fundamentals of Direct Investing



- Management team
- Mission alignment
- Business model and valuation
- Deal structure (vesting and revesting)
- Exit rights
- Partnering & collaboration opportunities
- Where can you add value
- Co-investors

Equity Direct Investment

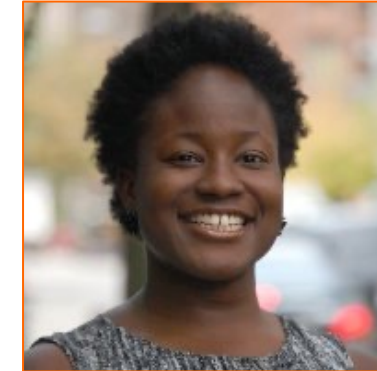
Online caregiver training and certification

- Optimized for mobile devices
- Standardized and approved across all 50 states
- Best-in-class Training for home health aides, non-medical caregivers and personal care aides
- Multilingual Support
- Continuing Education for CNAs
- Significant ROI through cost savings (70%) on training and reduced insurance cost for clients, reduce churn



Clients achieve significant ROI through cost savings (70%) on training and reduced insurance costs and churn

- Lumina largest institutional investor with Rethink Education in Series Seed round
- Participated in follow-on rounds
- Board observer role and impact reporting requirements
- Catalyzed other investors (Impact America Fund, Strada Education, ECMC)



Founder & CEO Helen Adeosun,
Care Academy

- Immigrant
- Former home health aide
- Undergrad at Univ. of Notre Dame
- Masters from Harvard School of Education & Policy



Equity Direct Investment

Cellphone-based Education, Built for Scale

- ✓ **Maximum access** – anywhere, anytime, any phone, with no internet or data plan required
- ✓ **Superior user experience** – mobile-first experts transform content from educators and employers
 - Combine micro-lessons with personalized elements to facilitate continuous learning
 - Content is designed to incorporate relevant, real-world experiences
- ✓ **Accommodates technology preferences** of target users
- ✓ **User support** – live coaches and on demand multi-lingual support



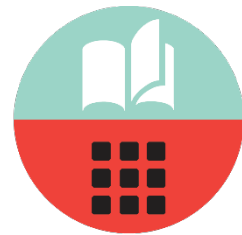
With Cell-Ed, Lucia learned to read. Alvan got a better job. Constantina got her credential.

- Lumina led first institutional round Series Seed
- Lumina led bridge to Series A
- Board observer role and impact reporting requirements
- Catalyzed other investors (Strada Education, ECMC, WES, others)

Founded by Jessica Alaami
Cell-Ed provides employers and education providers with a platform to educate and upskill adults with little or no post-secondary education, by delivering micro-lessons to any mobile device via text and audio, at any time (web-browser options available as well.)

Can You Make Money?

In an upward market, a fool thinks he's a genius; a wise man will give due credit to luck



cell-ed



DISCLAIMER: Discussions of results are examples of one investor's portfolio experience only and are not intended to be an investment recommendation nor exemplify return expectations in general. Past performance is no guarantee of future results.

Lessons Learned

“Do. Or do not. There is no try.” – Yoda

- Results will take time
 - Social impact both in absolute and incremental terms
 - Financial returns will vary by asset class and structure (funds vs. direct, debt vs. equity) – be realistic on your benchmark
- There will be mistakes and investment losses
 - Role of being a pioneer and making earlier stage investments
 - Role of philanthropy and social investing to drive innovation
- Sometimes it is better to be lucky than to be good!

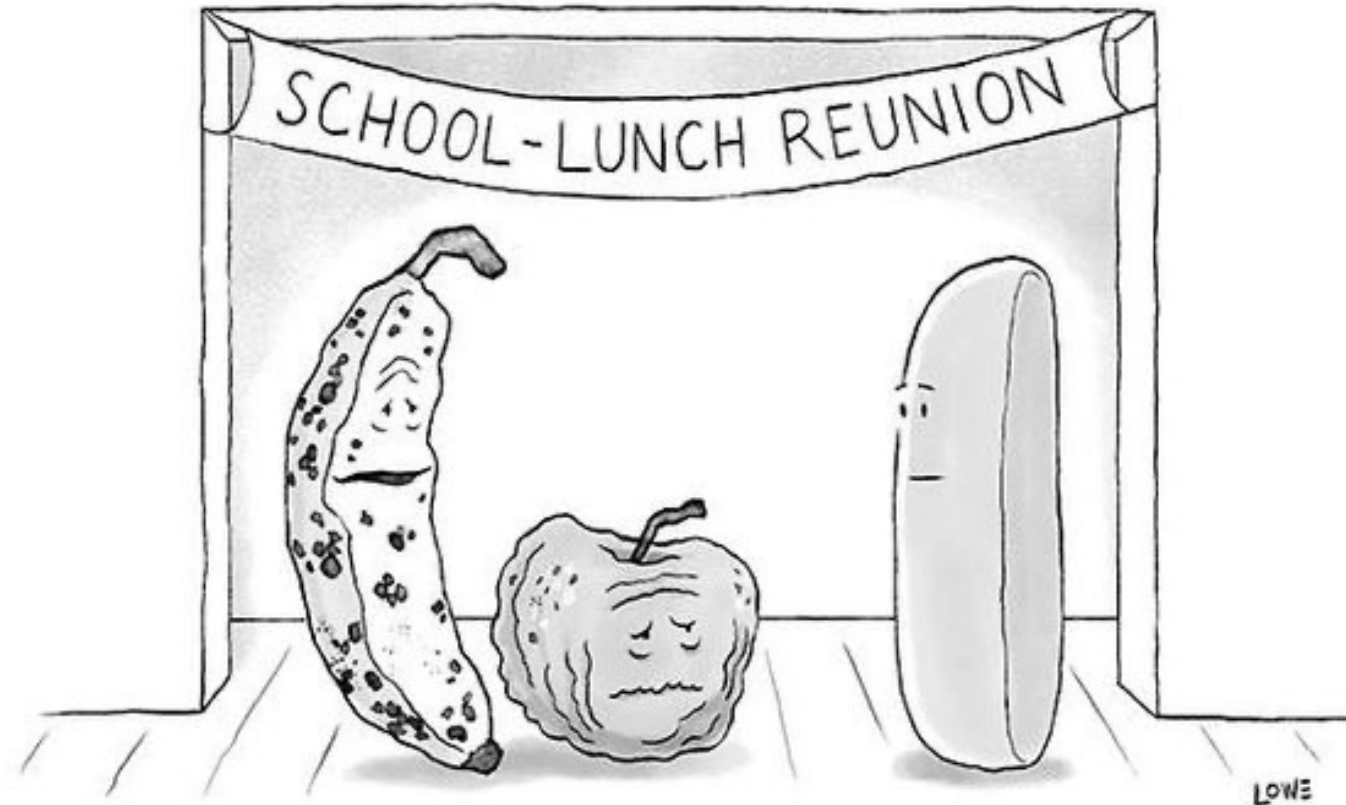
Disciplined investing to optimize the outcome

Bold but prudent risk taking

Not an investable strategy

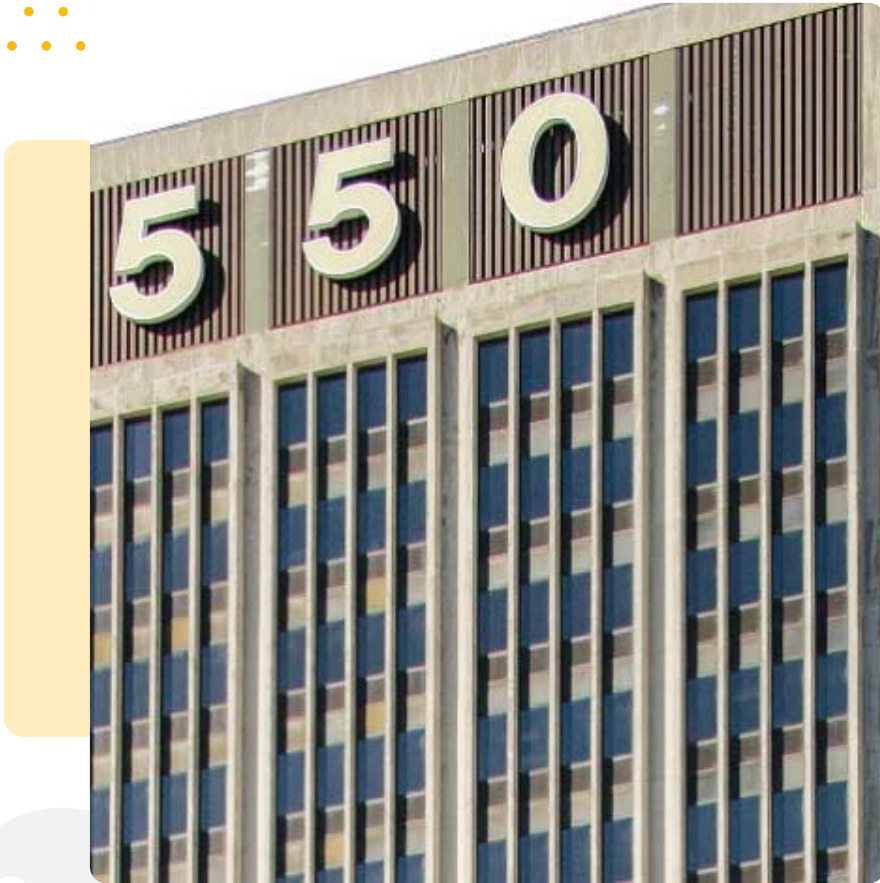


Final Food Humor to Chew On



“Twinkie! You haven’t changed a bit! What’s your secret?”

Source: New Yorker Cartoons (Pinterest)



INVESTMENT EXAMPLES

Foundation Collaboration: MRI Opportunities



**GERALDINE R.
DODGE** 
FOUNDATION

Camilo Mendez
Chief Financial Officer

S E E L A U S

A WOMEN-OWNED BUSINESS ENTERPRISE

Annie Seelaus
Chief Executive Officer

Overview: Aligning your organizations Investment Portfolio with its Mission

Foundations and Endowments have increasingly embraced concepts and strategies related to:

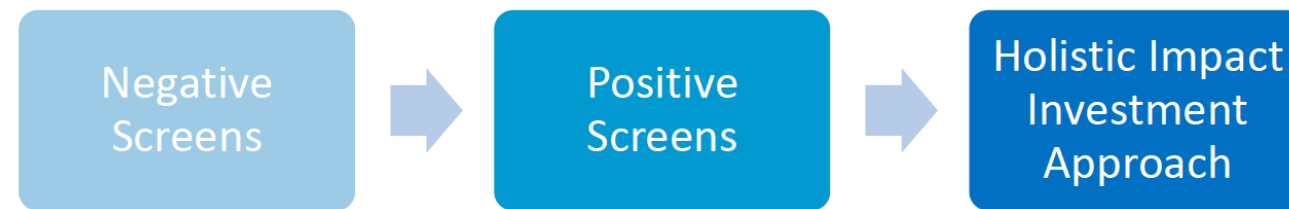
ESG
DEI
Impact

across their organizations.

Foundations have historically separated their grant-making function from their investment function, but increasingly these two aspects of foundation management are being brought together.

Foundation executives have come to realize that how they invest their funds can have as much, if not more, impact on the causes that they wish to support than simply providing grants to nonprofit organizations.

Evolution of Values Based Investing



"If philanthropy's past half century was about optimizing the 5%, its next century will be about beginning to harness the 95% as well, carefully and creatively." -Darren Walker, president of the Ford Foundation, 2017.

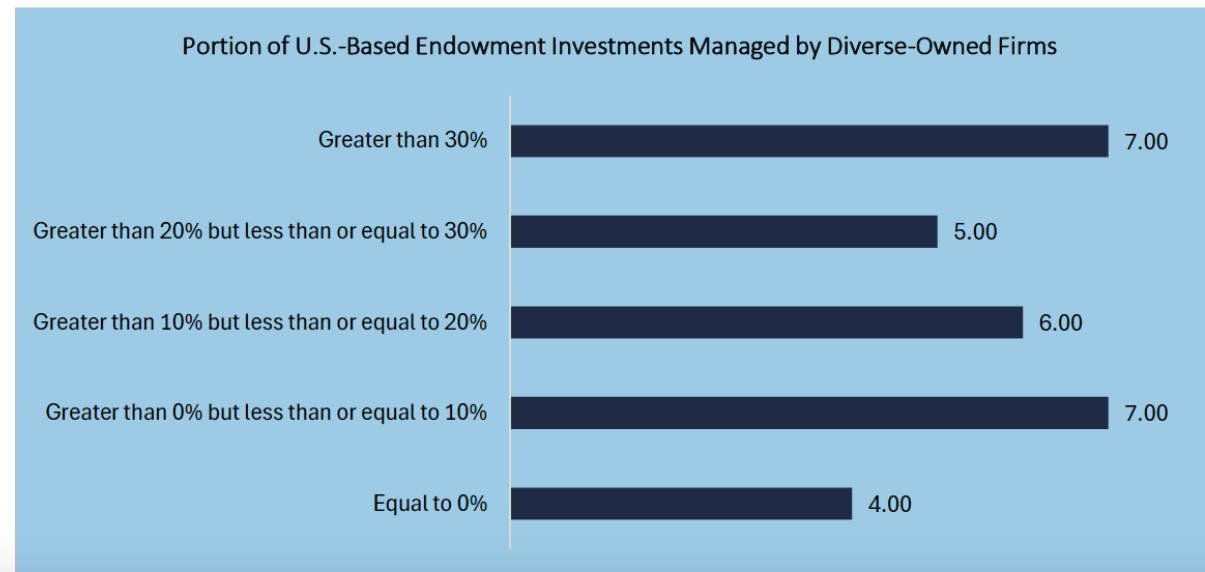
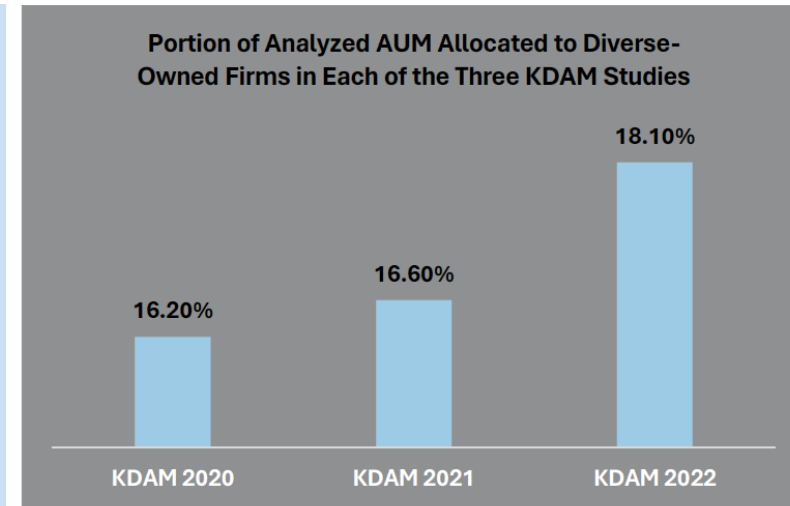
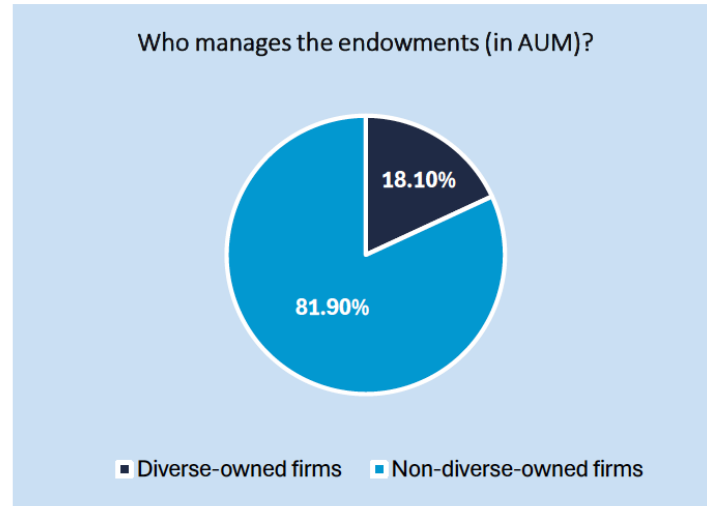
SEELAUS

A WOMEN-OWNED
BUSINESS ENTERPRISE

Trends in DEI: Working with Diverse- and Women-Owned Managers

One significant way we have seen Foundations align their investment portfolio with their values on DEI is in working with Diverse- and Women-Owned Investment Managers.

Most comprehensive study we have is the Knight Foundation Diversity of Asset Managers Research Series: Philanthropy 2022



Case Study – Heron Foundation

A 2020 CAPTRUST Endowment & Foundation Survey found that only 3% of foundations invest in ESG, Impact, or Mission-Related strategies.

A Foundation Source poll found in 2020 that 38% of foundation respondents did not feel they knew enough about impact investing to give it a try.

Source: Forbes March, 2022

SEELAUS

A WOMEN-OWNED
BUSINESS ENTERPRISE

Heron Foundation was founded in 1992 with a mission to support people and communities and help combat poverty. In 2017 they became the first foundation to announce that their endowment was 100% invested in a way that aligned with their mission.

The Heron Approach:

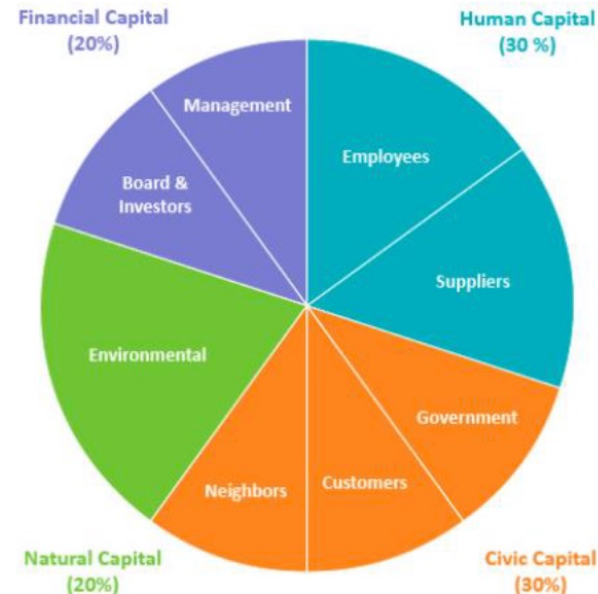
Heron developed the index in 2005 to understand how large companies contribute to (or detract from) Heron’s mission to help people and communities help themselves out of poverty. Over the past decade, Heron and its research partners have refined the methodology to draw from new data sources and better align the index with Heron’s strategic objectives.

Index Creation

- 30 percent: Human Capital (including employees and suppliers)
- 30 percent: Civic Capital (including government, customers, and neighbors)
- 20 percent: Natural Capital (including environmental inputs to and outputs from production)
- 20 percent: Financial Capital (including the board, management, and investors)

Each company is scored between -5 and +5, and companies that score a 0 or higher were then considered for inclusion in the index.

POSITIVE SCORING PILLARS



Case Study – SHE NJ Impact Fund

The Support Housing Equality (“SHE”) strategy is a solution that allows an investor with a conservative investment policy to simply reallocate within a liquid asset class with an impact lens. The strategy is customizable by impact objective, investment profile, and geography.

Aligning the Fund’s investments with our Impact objectives will increase availability of competitive financing in underserved communities and ultimately increase access to home ownership.

New Jersey has significantly higher home prices, more underserved communities, and lower homeownership rates than the national average.

To support the local housing market in New Jersey, Seelaus Asset Management is launching the Support Housing Equality New Jersey Impact Fund, which mirrors our Impact Agency MBS strategy - a short duration, high quality bond strategy.

Fund’s Portfolio: Government supported Agency MBS guaranteed by either Fannie Mae, Freddie Mac (GSEs) or Ginnie Mae

Fund’s Eligible Investments: Underlying loans secured by real property in the State of New Jersey that

- Have loan size of \$400,000 or less at origination
- Have at least 3 of the 8 Impact Themes defined under below *Seelaus Support Housing Equality Framework**

Borrower Based Themes Available	<ul style="list-style-type: none"> • Low Income Borrowers: "LMI" Households with income < 80% of the National Median Income • High DTI Borrowers: Households with high DTI Ratios • Low Credit Borrowers: Households with low credit scores • Small Dollar Mortgages: Mortgages with Balances of 100k or less
Location Based Themes Available	<ul style="list-style-type: none"> • Low Income Areas: "LMI" census tracts with average household incomes of less than 80% of AMI • High Minority Areas: Census tracts with high minorities (>50% minority population) • High Poverty Areas: Census tracts with high percentage of households below poverty line • Low Home Ownership Areas: Census tracts with low home ownership

* *Seelaus Support Housing Equality Framework*





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Identifying Investments



Impact Investing Examples



Nonprofit organization seeks funding to expand its outreach initiative for educating teens about dangers of impaired driving.

New nonprofit organization seeks initial funding to buy supplies and market its new after school program.

Hospital foundation seeks funding for a new program to provide un-insured and under-insured children medical care.

Impact Investing Examples



Company is seeking funding for a feasibility study to assess viability of a low-income housing project to replace a deserted former plastics factory.

Company completed a feasibility study and is looking to raise \$10M to build a mixed-use development project that has a portion allocated to low-income housing.

- The company expects the project to reach cashflow breakeven within 3 years of construction.
- It has traditional lenders and investors who are willing to invest only if there are some way to mitigate the risk.

Impact Investing Examples



Organization seeks funding to pilot an educational tech product in a new geographic market.

- The organization has had success with the product in its home market.
- The organization is a startup with 3 years of operating history that has not reached profitability.

Impact Investing Examples



An entrepreneur has raised \$50M of venture capital to date and is looking to raise another \$50M to scale its business more rapidly.

- The company had revenue of \$100M last year.
- The company expects to break even next year.

A federally qualified health center (FQHC) is seeking a \$2 million loan to add a new building to expand services.

- The organization is financially sound with a strong balance sheet.
- Revenues exceed \$50M annually in medical billings.



COLLABORATION

Guided Networking





EXECUTIVE SUMMARY

RECOMMENDATIONS

HOW TO INVEST

4. Deploy a range of coordinated or “integrated capital” including grants, catalytic and market-rate capital.
5. Rethink institutional investment policies as well as traditional approaches to diligence and underwriting to eliminate biases preventing capital from flowing more equitably.
6. Ensure the people making decisions about capital deployment within investing institutions reflect the communities that capital is meant to serve.
7. Collaborate across the range of stakeholders necessary to achieve transformative change for New Jersey including community members, impact investors, policymakers, the private sector, and others.

Rethink institutional investment policies as well as traditional approaches to diligence and underwriting to eliminate biases preventing capital from flowing more equitably.

WHAT ELSE DO YOU NEED TO **RETHINK TO MAXIMIZE IMPACTING INVESTING AS A TOOL?**

Collaborate across the range of stakeholders necessary to achieve transformative change for New Jersey including community members, impact investors, policymakers, the private sector, and others.

WHAT ARE THE POTENTIAL BENEFITS AND CHALLENGES OF **COLLABORATION?**



INVESTMENT EXAMPLES

Real Deal Example: Revitalization of Hinchliffe Stadium

Real Deal Example: Revitalization of Hinchliffe Stadium



Baye Adofo-Wilson
Co-Developer/Co-Owner
Hinchliffe Master Urban Renewal, LP



Brian LoPinto
Co-Founder
Friends of Hinchliffe Stadium

Paterson's field of dreams



DON SMITH/STAFF PHOTOGRAPHER

"It has been a remarkable survivor of neglect," says Brian LoPinto of Friends of Hinchliffe. "For me this is a personal battle."

Hinchliffe advocate buoyed by grant

Hall of Famer backs HinchliffeSM

Urges inclusion on endangered places list

By **BARBARA BOUCICAUT**
STAFF WRITER

PATERSON – Cal Ripken Jr., former baseball star and Hall of Famer, has lent his support for placing Hinchliffe Stadium on the list of “America’s Top 11 Most Endangered Places.”

In a letter this month to the National Trust for Historic Preservation, Ripken said the inclusion of the stadium would preserve Hinchliffe’s place in the history of baseball and in the history of race relations.

Built in 1932, Hinchliffe was home to two Negro League teams.

“The preservation of the history

of baseball is essential to understanding the context in which the history of this country was formed,” Ripken wrote. “Hinchliffe stadium’s role in the Negro Leagues and the legendary players who played there are not just significant to the history of baseball, but to the history of segregation, race relations and the integration of society in the United States.”

Ripken, former Baltimore Orioles player, heads Ripken Design, which renovates historic stadiums as part of a



RIPKEN

broad portfolio of projects. The firm acted as consultant on proposed renovations to Detroit’s historic Tigers Stadium.

Dan Taylor, project coordinator for Ripken Design, said the company has been interested in preservation of the stadium for several years. He said they would like to be included in the future redesign and to “find an adaptive reuse of the stadium.”

The stadium lost the bid for inclusion on the list last year, but Friends of Hinchliffe Stadium member Brian Lo Pinto said the group is hopeful the site will be admitted this year, which

See **RIPKEN** Page L-6



TYSON TRISH/STAFF PHOTOGRAPHER

The 9,200-seat stadium in Paterson has deteriorated since the last event was held in 1997.

School 5 students pitch in for Hinchliffe Stadium



TARIQ ZEHAWI/STAFF PHOTOGRAPHER

When fifth-grade students at Paterson's School 5 learned that the National Trust for Historic Places had named Hinchliffe Stadium one of 2010's 11 most endangered places in America, they set out to raise \$1,000 to contribute to a study that would assess the stadium's condition. That target was exceeded by the students, who turned over a check for \$1,362 to Brian LoPinto, center, of the community group Friends of Hinchliffe

Stadium. LoPinto said that anonymous donors heard about the students' fund-raising effort and donated. Paterson students in 1921 raised \$20,000 toward the construction of the stadium, said LoPinto, who grew up blocks from Hinchliffe. The stadium, once home to baseball teams of the Negro Leagues and the site of other varied sporting events, opened in 1932. The city and school board have begun the renovation process.

Real Deal Example: Revitalization of Hinchliffe Stadium



Baye Adofo-Wilson
Co-Developer/Co-Owner
Hinchliffe Master Urban Renewal, LP



Brian LoPinto
Co-Founder
Friends of Hinchliffe Stadium

Closing



Next Impact Investing Session



*New time
and location!*

Thursday, May 16
10am-1pm

*Princeton Area Community Foundation
Princeton, New Jersey*

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