



CALVERT FOUNDATION
INVESTMENT GUIDELINES

Investing in community organizations that:

- Focus on low-income communities and individuals without access to traditional sources of capital.
- Grow the local economy by expanding opportunity and promoting work-related activities, homeownership or nontraditional business owners.
- Support diverse communities in rural and urban settings, domestically and internationally.
- Demonstrate a consistent track record of repayment and the organizational management capacity to repay the investment.

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MISSION

Calvert Foundation's mission is to establish Community Investment as a new asset class in the financial services industry. By raising funds and making below-market investments into community development finance institutions and other community development nonprofits, Calvert Foundation aims to *end poverty through investment*. These investments serve as a bridge between disadvantaged communities and the financial markets, promoting economic justice and community development.

HISTORY: BUILDING ON CALVERT GROUP EXPERIENCE

Calvert Foundation was founded by the same individuals who launched the Calvert Group, one of the first socially-responsible mutual funds. In 1990, shareholders from the Calvert Group family of mutual funds approved a program of investing up to one percent of assets from each portfolio in community investment opportunities. This innovative and safe way for investors to reach communities has grown to over \$12 million with no loss of principal.

CALVERT FOUNDATION STRATEGY AND SUCCESS

The success and the excitement around the Calvert Group investment program led to the creation of a separate program of the Calvert Foundation, an independent community development financial intermediary. In 1995, the Calvert Foundation launched a new investment opportunity called Calvert Community Investments.

Calvert Foundation, through Calvert Community Investments, raises funds from socially-conscious investors and uses those funds to make flexible, affordable investments in community development finance institutions and other community development nonprofits. By making it safe and convenient for investors to target their funds to the community, Calvert Foundation has raised over \$13 million dollars that has been invested in over 100 organizations reaching communities in need. Including the Calvert Group Program, Calvert Foundation manages over \$25 million in community investments. Calvert Community Investments is linking individual investor dollars with investments that rebuild local communities.

ORGANIZATIONS REACHED BY CALVERT FOUNDATION

Calvert Foundation invests in community development financial institutions and other community development nonprofits working in urban and rural communities. Calvert Foundation **does not** offer grants, but lends funds to groups that will re-lend the money to businesses, nonprofits or projects in their respective communities. Approximately 80% of the funds are invested in the United States and 20% internationally.

Calvert Foundation invests in the following types of community development organizations:

- Community Development Loan Funds
- Affordable Housing Loan Funds
- Nonprofit Facilities Funds
- Community Development Corporations
- Community development intermediaries
- Micro-finance Institutions
- Micro-Enterprise and Small Business Loan Funds
- Community Development Banks and Credit Unions
- Nonprofit Enterprises
- Cooperatives
- International financial intermediaries working in developing countries

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INVESTMENT CRITERIA

Potential investments are first screened for financial soundness and then evaluated according to the criteria established by the Investment Committee. The majority of investments are made to nonprofit 501c3 organizations. Cooperative organizations, development banks and credit unions with an explicit focus on serving low-income populations are also considered. Criteria include, but are not limited to organizations that:

1. Focus on low-income communities and individuals and organization without access to traditional sources of capital;
2. Contribute to growing the local economy, expanding opportunity, or promoting work-related activities, homeownership and non-traditional business owners;
2. Support diverse communities in urban and/or rural areas, domestically or internationally;
3. Demonstrate a consistent three-year track record with similar program activities, minimum \$500,000 in assets and the ability to repay the investment based upon sound financial projections. Applicant must maintain net assets appropriate for its activities and a loan loss reserve fund as appropriate for its type of lending, if a lender.

INVESTMENT STRUCTURE

Use of Funds:	Loan Capital, guarantees, pre-development funding
Principal:	\$50,000 to \$750,000 Investments are limited to 10% of the applicant's total assets.
Term:	Range from one year to five years. With sound financial condition, investments are often recommended for renewal at maturity.
Interest rate:	4.5% Interest rates for international investments may be higher. Interest rates are based upon rates that are paid to investors in the Calvert Foundation. The Foundation operates on a 150 basis point spread between the interest earned on investments and the average interest paid to individual investors.
Payments:	Interest-only, semi-annual payments with a balloon payment at maturity.
Collateral:	None required. Investments are structured as general recourse obligations.

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APPLICATION PROCESS

1. *Initial Request.* Requests for funding are considered throughout the year and the Calvert Foundation Investment Committee makes investment decisions quarterly. Applicants interested in being considered for an investment should submit:
 - a brief letter of request which specifies the amount you are requesting and the intended use;
 - most recent annual report or other materials that have a general description of the organization and its programs;
 - most recent audited financial statements with notes.
2. *Approval to Proceed with Underwriting the Request.* Staff will review the requests and will refer applicants that meet the initial criteria to the Foundation Investment Committee. The Investment Committee grants approval to move forward with the underwriting process.
3. *Complete Application Requested and Underwriting Process.* If the Investment Committee approves moving forward with the request, the Foundation will send a letter informing the applicant of the timing and next steps in the review process. The review is timed to the applicant's receipt of audited financial statement. A detailed list of items needed to complete the review will be requested at the time the applicant's annual audit becomes available, including historical financial information, organization management and program information. Staff will develop a report to the Investment Committee based on the information provided and interviews with the applicant. The underwriting process is rigorous and will look at the organization in-depth.
4. *Investment Committee Review and Decision.* Final investment decisions are made by the Investment Committee. The Investment Committee generally meets quarterly. Applicants will be notified of the Investment Committee's decision.
5. *Investment Closing Process.* Investment closing is simple and quick. A standard promissory note is completed and funds are wired directly to the organization's bank.
6. *Quarterly Monitoring and Annual Reviews.* Quarterly and annual financial reports are required throughout the term of the investment. Copies of the annual audit are required and the Investment Committee will review an annual update on each investment for the term of the investment. Organizations may be asked to submit additional information for the annual review process.

Please feel free to contact Lori Scott, Investment Officer, at 301.961.4774 to further discuss the Calvert Foundation Investment Program and with questions.