"Nearly every problem has been solved by someone, somewhere. The challenge of the 21st century is to find out what works and scale it up. “ – Bill Clinton

New York, Boston, Frankfurt, London, Zurich, Warsaw

Credit: Steven Feather, Flickr
KEY MESSAGES

• THE SCALE OF THE PROBLEMS WE FACE AND THE INADEQUACY OF THE CURRENT SOCIAL CAPITAL MARKET

• IMPACT INVESTING IS SIMPLY THE INJECTION OF EXISTING CAPITAL MARKET TOOLS TO CHANGE INCENTIVE STRUCTURE

• SOME OF THESE TOOLS ALLOW A TRANSITION FROM TRADITIONAL BILATERAL MODELS – INPUT AND OUTPUT MODELS >>> TO TRUE MULTILATERAL COLLABORATIVE SOLUTIONS = OUTCOME MODELS

• FIVE KEY MARKET DRIVERS – (1) PRIVATISATION OF SOCIAL GOOD BY GOVERNMENT; (2) REDEFINITION OF INTERMEDIARY ROLES; (3) CORPORATES MOVING TO DOING GOOD; (4) SIMPLIFICATION AND PROBLEM SOLVING; (5) BLENDED CAPITAL

• MEETING CIVIL SOCIETY INNOVATION (SOCIAL ENTERPRENEUSHIP/ IMPACT INVESTING) AND THE GROWTH MARKETS OF THE DEVELOPING WORLD

• SAME DRIVERS AS ANY OTHER MARKET – THE MOVE TO INNOVATION, COLLABORATION, ECONOMIES OF SCALE AND RETURN (PROFIT AND SOCIAL IMPACT)

• COMBINING A BUCKET OF PROJECTS FOR PROFIT WITH NON-FOR-PROFIT PROJECTS UTILIZING A PDA METHODOLOGY – A NEW SOLUTION

• MAJOR CASE STUDY - NEWPORT
Population 65+ by Age: 1900-2050
Source: U.S. Bureau of the Census

- 76 mm in 1900 – 65+ = 3.9%
- 282 mm in 2000 – 12.4%
- 438 mm in 2050 – 20.2%

3.9% 12.4% 20.2%
Demographics in Developing World

- Growing youth bulge (2010)
Private Investment from Developed to Developing countries now exceeds all other capital flows combined.
Despite Headlines -  

i - Flat in real terms; ii – Social orgs grow 40% in ten years; iii- Fragmented and only 5% to Intl Projects; iv – Under this paradigm $41 trillion of US inheritance = Only $50bn pa of new money...

Charitable giving hits a record high
What is Impact Investing

Impact Investing is the provision of capital to enterprises with the intention of making both a financial return & generating a strong beneficial impact on the planet and society.

Impact Investments should maximize “Total Tangible & Intangible Returns” (TTIR) to their investors.
ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS: THE ROLE OF IMPACT INVESTING
UN Sustainable Development Goal 9

Sonnen evaluates the extent to which its investment strategies align with the United Nations’ Sustainable Development Goals. Among the 17 goals, SDG 9 calls for investing in resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation.

Underlying targets for each goal identify specific ways in which the Goals’ success will be measured and evaluated. Sonnen tests its infrastructure investments’ alignment with these targets to assess our own contribution to reaching SDG 9. Targets include:

» Develop quality reliable, sustainable and resilient infrastructure with a focus on affordable and equitable access for all,
» Upgrade infrastructure and industry to greater sustainability, increased resource-use efficiency and use of environmentally sound technologies,
» Facilitate sustainable and resilient infrastructure development in developing countries, and
» Increase access to information and communications technology.
Basics of Impact Investing

- **Tools** – injection of existing commercial & financial tools
- **Business** – impact investing embedded in business principles
- **Finance** – finance impact across the whole value chain
- **The issue of metrics**
- **As investment** – drivers same as capitalism
  - *Innovation, Collaboration & Economies of scale*
Current Impact Funding Landscape

Foundations (Mission based & general)
- Split between give-away mentality & profit maximizing investment
- Mutual suspicion Different priorities

Investors – Profit Seeking (High Net Worths, FDIs, Family Offices, Funds, Banks)
- Challenges:
  - Due diligence
  - Monitoring
  - Lack of structures
  - Riskier investment

Impact Entrepreneurs (Health, water, housing, education)
- Funds drying up... not sure how to assess

Governments
- Activities in silo... inefficient use of capital and resources
A recent JP Morgan survey of 125 investors, managing $46 billion in investments, showed they expected their impact investment allocation to increase by 20% in 2014.

(from $10.6 Bn of impact investments in 2013 to an expected $12.7 Bn in 2014).

According to researchers who conducted lengthy interviews with 17 family offices...

“Impact investing is disrupting the traditional ways in which many families think about creating social and environmental change and subsequently how they balance financial and social objectives.”

Calvert Foundation estimated a market potential of the impact investing sector at US$ 650 billion by 2020.
Tapping the Global Capital Markets

**Impact Investor Sector Interests**

- Food & Agriculture: 57%
- Health: 51%
- Financial Services (ex.): 47%
- Microfinance: 46%
- Education: 45%
- Housing: 44%
- Energy: 43%
- Water & Sanitation: 36%
- ICT: 31%
- Other: 30%

N = 99, Respondents chose all that apply
Source: GIIN, JP Morgan
# Typology of Impact Investors

<table>
<thead>
<tr>
<th>Earlier Stage</th>
<th>Later Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-Net-Worth Individuals</td>
<td>Public Institutional Investors / Sovereign Funds</td>
</tr>
<tr>
<td>Development Finance Institutions</td>
<td></td>
</tr>
<tr>
<td>Foundations</td>
<td></td>
</tr>
<tr>
<td>Values and Faith Based</td>
<td></td>
</tr>
<tr>
<td>Retail Investors</td>
<td></td>
</tr>
<tr>
<td>Corporations</td>
<td></td>
</tr>
</tbody>
</table>

## Primary Goal
- **Applications of business principles to philanthropy**
  - Achieve both financial and developmental results
  - High social impact with the discipline of an investment
  - Consistent with social values
  - Social impact - donations
  - Corporate Social Responsibility Programs (CSR)
  - Deployment of set percentage of capital in socially responsible manner

## Risk / Return
- **Moderate to high**, willing to take more risk for social impact, but expect a return
- **Moderate, need to preserve Institutional stability, but often “funding of last resort”**
- **Moderate to high**, sometimes can forgo return for social impact
- **Low, may be willing to trade off return for social impact, but seeking safe investments**
- **Low, because vehicles available to retail investors cannot be too risky by law**
- **Moderate to low, not willing to take inordinate risks outside core business**
- TBD

## Examples
- **Bob Johnson, John McCall MacBain, George Soros**
- **OPIC, IFC, FMO, Proparco, DEG**
- **Rockefeller, Kellogg, Gates, Omidyar, Google**
- **TIAA-CREF, Thrivent, MMA Praxis, GuideStone, Amana, Saddleback**
- **Buyers of/ Donors to Calvert Community Investment Notes, Microplace, Kiva**
- **Cisco, Storbrand, Shell, Chevron, Starbucks**
- **CalPERS, Government Pension Fund of Norway, Abu Dhabi Investment Authority**

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**TOTAL IMPACT CAPITAL**
Historically Development institutions focused on below issues:

- Investment in an undercapitalized region, increasing exposure in frontier and low income markets
- Undercapitalized sectors that traditional investors perceive as not being profitable, or focusing on the missing middle.

<table>
<thead>
<tr>
<th>TOP 5 DFIs by Capitalization</th>
<th>Total Capital</th>
<th>New Commitments</th>
<th>Inception Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Finance Corporation</td>
<td>77</td>
<td>18</td>
<td>1956</td>
</tr>
<tr>
<td>OPIC</td>
<td>8.52</td>
<td>3.9</td>
<td>1971</td>
</tr>
<tr>
<td>FMO(Netherlands Development Finance Company)</td>
<td>7</td>
<td>1.72</td>
<td>1970</td>
</tr>
<tr>
<td>DEG(German Investment Corp)</td>
<td>5.4</td>
<td>1.64</td>
<td>1962</td>
</tr>
<tr>
<td>Commonwealth Development Corporation(UK)</td>
<td>2.54</td>
<td>0.5</td>
<td>1948</td>
</tr>
</tbody>
</table>
Philanthropists are adding impact investing strategies.

- Creation of for-profit funds to complement grant making while others use their for-profit experience to develop impact investment models.
- Many of these investors are pioneers in the space, creating vehicles where they do not exist.

<table>
<thead>
<tr>
<th>INITIATIVE</th>
<th>PHILANTHROPIST</th>
<th>COMMITMENT</th>
<th>IMPACT AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omidyar Network</td>
<td>Pierre Omidyar (e-bay Founder)</td>
<td>$500 mn</td>
<td>Impact Investment</td>
</tr>
<tr>
<td>Aquifer Ltd</td>
<td>Lord Sainsbury</td>
<td>$50 mn</td>
<td>Agriculture in Mozambique</td>
</tr>
<tr>
<td>Legatum Ventures</td>
<td>Chris Chandler</td>
<td>&gt;$100 mn</td>
<td>Financial inclusion</td>
</tr>
<tr>
<td>Pamoja Capital</td>
<td>John MacBain</td>
<td>&gt;$200 mn</td>
<td>Impact Investment</td>
</tr>
<tr>
<td>Soros Economic Development Fund</td>
<td>George Soros</td>
<td>$200 mn</td>
<td>Impact Investment</td>
</tr>
</tbody>
</table>
Corporate “Layer”

- HP – CSR is dead
  - Nestle Water – Brabeck commentary
    - Video: [https://www.youtube.com/watch?v=fRSqRfv4T7U](https://www.youtube.com/watch?v=fRSqRfv4T7U)
- Unilever Ventures, Google Ventures
  - *We’re backed by Google, who’s dedicated to funding big projects that make the world better.*
- What do they have in common?
  - Strategic to mission (not just feel good)
    - Add a “zero” to whatever their CSR budget was
  - Strategic to customers (women, Under 30s)
  - Beneficial to their employees
Standards, Metrics, Compliance

- Investment Reporting and Impact Standards (IRIS) GAAP for Impact Investing
- Global Impact Investment Rating System (GIIRs) Managed by B-Lab
- The Global Impact Investing Network Industry Association/Monitor – FINRA
- Corporate Structures/Certifications: B-Corp, L3C
- Environmental & Social Standards:
  - IFC Environmental Guidelines, ILO Labor Standards
- Securities Laws, JOBS Bill
## Potential Impact Tools

<table>
<thead>
<tr>
<th>Tool</th>
<th>Description</th>
</tr>
</thead>
</table>
| **GREEN BONDS** | **Reduced cost of capital** - Estimated $100bn (ref: Unilever)  
*Problem solved:* reduced cost of capital because it’s green |
| **CORPORATE VENTURE CAPITAL** | **Impact Investment 101** - Invest in early and mid-stage water distribution companies (i.e. eHP) or package into an Innovation Fund (ref: eHP, multiple examples - $45Bn growing 17% pa)  
*Problem solved:* Injecting innovation & bottom of the pyramid solutions |
| **BLENDDED MODELS** | Or **layered** models - Philanthropic capital prices risk out to bring in commercial capital (ref: Eye Fund, Nestle Colombian Mills)  
*Problem solved:* price out the risk to draw additional capital |
| **GUARANTEE STRUCTURE - SUB FUND** | **Leverage $2.4 trillion local capital markets** to fund their own infrastructure - mills, ports, transport, social goods. (ref: AMF). Estimated IRR 30%  
*Problem solved:* leveraging local capital markets enabling growth |
| **SIBs / DIBs / SYNs** | **Funding and scaling by “Outcomes” the use of Structured product** - the problem becomes a market opportunity - can be used for innovation & / or scaling. (ref: Danone, World Bank, Bloomberg, Accenture, G8, Sanitation DIB in Nigeria)  
*Problem solved:* collaboration between players, public-private |
INVESTMENT MODEL TODAY: Foundation Model is broken

FINANCIAL SECTOR - $1 TRILLION
GLOBAL AUMs estimated with only 2%
Mission Related Investment & only 2% of that in social equity (0.04%)

OF THIS ONLY AN AVG 5% PA GRANT
ALLOCATION - BALANCE SHEET
UNALIGNED AND UNLEVERAGED

- Bankers managing core funds of
  foundations take 1% -2% fees of $1
  trillion ($10-20 bn) equivalent to 20% -
  40% of all grants per annum

PLUS HIGH FRICTIONAL COSTS

- Cost of allocation: 15%-43%
- Structural Inefficiency and corruption:
  5%-80%

SERVICE PROVIDING CHARITY SECTOR

- No economies of scale
- High Fragmentation
- Nil / Limited collaboration

BENEFICIARIES RECEIVE ON $1 TRILLION
CIRCA 1-3% PA
Layered or Blended Capital

- Maximize Total Tangible & Intangible Returns
  - What does that mean? Risk/reward spectra
- Not new idea – DARPA, DOE, GBF
- This is a built-in Advantage of the sector
- But challenge as well
  - Different values, different needs
  - Different decision making
    - Leverage is the incentive -- OPM liberates?
- Grant money cannot lead
Infralinx Capital and its consortium members Louis Berger and Gilbane are partnered with the City of Newport Rhode Island to provide project development, structuring, engineering and financing services for 10 specific projects in the North End of Newport.

The primary focus of this partnership is to assist Newport to become resilient to sea level rise and climate change while providing jobs and economic growth.

Creating a Model for National Resilience
Newport, Rhode Island
Newport and the other two communities on Aquidneck Island provide a platform that represents the challenges from ocean related climate change and the opportunities to address and profit from those challenges through an integrated resilience system.

This platform, on an island 1/3 larger than Manhattan, provides a microcosm of national concern including urban, suburban and agriculture.

Newport recognizes that one major component of this new ecosystem will be the emerging role, function and mission of the public sector, specifically the role of city/local government, in relation to the involvement of and partnership with the private sector, impact investment, foundations and community stakeholder groups.
The Newport Resilience Engine

Newport has the security and resilience prerequisites, the data richness and technology innovation and a local government that is geared towards sustainable development.

No other City in the United States, or for that matter, globally can match Newport in its unique combination of these assets. It is perfectly positioned for investment that leverages upon these unique characteristics combining private and government resources.
Resilience Development P3 Framework

Conventional Investments
- Private
- Public
  (Infrastructure, Pension Funds)

New Investment Tools
- Cat Bonds
- Resilience Bonds
- Green Bonds
- Insurance Investors

Impact Investment
- Private
- Public
  (Grants, Research)

[Engineering, Design, Research, Finance, O&M]
INNOVATION

INNOVATION

Resilient Development Enterprise

Value Creation (Conventional Investor):
Reduced Risk - Profitability/Efficiency

Value Creation (Impact Investor):
Social/Environmental Benefits - Sustainability

Integrated Project Portfolio

Engagement
(Stakeholders, Media, Agencies, Funders)

Creates Values from Innovation, Engagement, and Investment
Resilience Development P3 Framework
Resilience Development P3 Framework

- **FED**: DOD, etc.
  - Financial Support
- **LOCAL SPONSOR**
  - Grants Use Land
  - Defines Projects’ Priorities Oversight
  - Streamlining of Approval Process
  - Appropriate Rezoning
  - Implementation of Special Legislation or Tax
- **STATE**
  - Financial Support
- **DEVELOPMENT ENTITY**
- **INVESTORS**

Resilient Development Corp.
Resilience Development P3 Framework
Urban Agriculture

Sustainable urban agriculture reduces vulnerability
- Ensures the basic human need for fresh, high quality, and safe food is met year round
- Drives environmental stewardship through green processes and minimal use of resources
- Provides skills training and stable employment through the creation of well paid full time jobs

Vision
- Position Newport to be a nationwide model for leading edge urban agriculture innovation
- Install a sustainable urban agriculture complex for fresh food production year round
- Integrate with sources of renewable energy to close the materials-energy loop cycle

Opportunity Ladder
- Create new jobs and skills from manual to high-tech and everything in between
- Provide a self-sustaining, resilient Food Supply
- Give back surplus produce to low-income families
Urban agriculture is a source of fresh and local food

- Fresh and local is the fastest growing segment of agriculture
- Increasingly, consumers seek fresh and local produce as a healthy eating alternative
- Consumers across all income groups are willing to pay more for fresh and local

Shoppers associate “local” with “fresh”—which they cite as the most important attribute in the food they buy

Which attributes are most important in the type of food you purchase? (% of respondents)

- Fresh: 93%
- Quality: 61%
- Sustainable: 53%
- Healthy: 53%
- Organic: 37%
- Antibiotic-free: 23%
- GMO-free: 23%
- Artisanal: 21%

Notes: Numbers do not add up to 100 percent as participants could choose multiple responses. GMO is genetically modified organism.
Source: A.T. Kearney analysis
Urban Agriculture

Produce growing technologies are controlled environment, year round, sustainable hydroponics:

- Soilless, minimal use of water, and biological pest control with no use of toxic chemicals
- Integrated with waste to energy conversion and renewable sources to reduce environmental impact
- Local production minimizes food miles driven and significantly reduces greenhouse gas emissions
Smart Microgrid Network

Phase 1: Hospital (CHP), Fire, Police, City Hall

- Full islanding capability
- 2 MW new generation
- 3.2 MW total peak
- 670 kW solar (excl. parking)
- Energy efficiency savings
- Energy Efficiency Improvements
- Smart MicroGrid
- Cyber secure
Smart Microgrid Network

Expansion options:

- Waterfront Hotel, Rail Corridor
- Intermodal Center
- Data Center
- Innovation Hub (60-acres)
- Naval Facilities
- Urban Agriculture
- Wastewater Treatment Facility
- Waste to Energy Facility
Smart Microgrid Network

Microgrid Network leverages Ultrafast Fiber network for SmartGrid

- 87% Gigabit Penetration
- Lighting up Dark Fiber
- Integration with Ocean Data Analytics Center & Innovation Hub
The Newport Global Innovation Accelerator

Newport Innovation Center is unique in its ability to attract extraordinary talent, technology and ideas through a single focused site with a global virtual reach.

**Goal:** to become resilient to sea level rise and climate change while providing jobs and economic growth.

**Objective:** to convert a Sheffield School to a green jobs incubator and a technology accelerator.

**Objective:** to commercialize Navy underwater technology and to also bring back to the Navy for development and possible licensing of similar technology.

The Center leverages special relationships, experience and know-how with the US Naval Undersea Warfare Center (NUWC) by virtue of which it provides the ability to commercialize NUWC’s technology. Other innovation driving relationships include those with the URI Oceanography School, MIT, private research labs, commercial enterprises, innovation experts and others which will further augment Sheffield’s special basis for its services.
Entrepreneurs, small businesses, academics, researchers, commercial enterprises and others can benefit from Newport Innovation's extensive ability to connect technology and technology needs with creators and customers.

Newport Innovation Center, Mission of being the focal point for Ocean technologies:
- Accelerator/Incubator
- Streamlined access to extensive Navy technology
- New technology and product ideas
- Network of funding
- The exchange of ideas

Newport Innovation Center has a portfolio of specific services you may participate in:
- Newport Innovation Technology Exchange Network
- Newport Innovation Commercial Discovery Program
- Newport Annual Ocean Technology Conference
- Newport Innovation Exchange Center

Sample of technology areas initially covered by the Newport Innovation Center:
- Sensors & Sonar
- Launchers Communications
- Imaging & Electronic Defense
- Ranges
- Undersea Distributed
- Networked Systems
- Platform Defense
- Undersea Vehicles
- Undersea Weapons
- Defense Systems
- Materials
PDA Approach To Desired URI Investments
The InfraLinkx Consortium (Team) and the Newport Project Development Company ("NPDC") have been pleased to meet a couple of times with representatives of URI on each of the main Kingston and the Narragansett Campuses in order to understand the specific needs and objectives of URI for expansion and growth in its core areas of education, innovation, and oceanography (the "URI Project" or "Projects"). From these meetings, we have realized the potential for private sector investment with URI from both local American companies and global investors, leaders in public-private partnerships with whom we have been privileged to be among and work with for over thirty years.

As discussed, we focus on important global themes which include: (1) sea rise, climate change and resiliency, (2) oceans, exploration and research, (3) national, municipal and regional economic growth and (4) education, research, and innovation and (5) collaboration of the public and private sector and public-private partnerships.

The Team has federal, state and private sources of capital available to support viable projects, including local and global sponsors of these projects, leading commercial lenders, federal and state grants, private equity groups, high net worth investors, municipal financiers, and other public and private domestic and recognized foreign sources of funding. Our preliminary market testing shows there is meaningful real interest for URI Projects – if these projects are properly defined, the financing properly structured with a fair balance of risk and reward, and the opportunities well communicated to a global market.

From our preliminary review and visits to URI, we believe there are several Projects that may warrant consideration of what we call an aggregate Project Development Agreement ("PDA") solution to advance near term realization of long term needs and goals. These include

1. New Innovation Campus, although this project is likely too far along in the process and is likely to proceed as now slated as a separate project (on which we are pleased to separately bid);
2. Fulfillment of the Master Plan for the Narraganset Bay Campus buildout to move GSO ahead in the next half century ("GSO Buildout");
3. Individual needed facilities upgrade at the Kingston Campus ("Kingston Upgrade");
4. New research vessel(s) for GSO leading ocean research work;
5. Execution of a PIA and resulting work with NUWC, for which NPDC and the City of Newport also have a PIA,
6. Solar or other forms of renewable energy on each of the URI campuses,
7. Creation of a Microgrid on the campuses for self-sufficiency and reliability in the event of natural or human incident (resiliency).
8. Funding for research expenditures like the North West passage expedition.
9. Technology enhancement to current research protocols and potential for ocean data management for commercial application, and;
10. Partnership connectivity to global NGOs like Bios, Ocearch and others for ocean research and preservation.

While some of these Projects are well advanced in their conceptualization and even potential partnering, our preliminary evaluation indicates that from a financing point of view they are somewhat disparate and as now conceived likely to require multiple public bids, at considerable aggregate cost and subject to delayed timing due to the availability of public funding and the state’s normal legislative process. Our Team’s proposal is to structure, launch and close bankable/financeable or otherwise doable projects at principally private sector cost, greatly advancing the realization timeline in a process over which URI maintains ultimate control and decision making.
Because of the diversity of the Projects, the Team will evaluate the opportunity for different and financing approaches to each project, be it private equity, private placement, syndicated debt, public finance or not-for-profit finance. As summarized in Figure 1, we recommend, as above, that these projects be aggregated, however in a portfolio, enabling a bundled approach. This approach will enable private sector groups with capital and the collected relevant skill sets to take individual and/or the collective opportunities and determine their individual economic feasibility, with project execution as set out below. This will also enable multiple projects to be done at the same time.

The benefits of an approach such as this are only beginning to be realized in national practice in the US. The American Society of Civil engineers (ASCE) has commented that a private sector approach to development can save $7 million on every $100 million invested and provides material life cycle savings and enhanced project quality.

The City of Newport has, as Joe Nicholson, the City Manager, and Paul Carrol, the City Investment Director, explained in our meetings, undertaken the PDA approach for ten projects in the City of Newport related to resiliency and local project needs for which material progress has been made. The City stands to reap such benefits from our recommended PDA approach for its own Resiliency Innovation Hub. We were privileged to win this mandate in a public bid over 52 interested parties.

Figure 1 graphically illustrates our proposed PDA approach, which we have pioneered in the infrastructure industry. We recommend that the organizing and project management facilitator to run this process would be a special purpose entity, formed and owned by a group of private and institutional investors to be called, for example, the “URI Development Company “or “UDC”. URI would have oversight and approval rights for each Project. URI and/or its Foundation could also be an owner/investor in UDC if desired.
The key criterion for a decision to proceed on individual projects will be the ability of the interested parties to develop such Projects with URI in conjunction with its core objectives as a priority, thereby creating improved education, research, innovation and student and faculty opportunity and national university leaders in these sectors. Relevant university precedents (as individual projects) include Columbia, Cornell and Penn State.

The process will issue requests for partners (“RFP”), not proposals, for each project. The chosen partners, approved by URI, for a specific individual project feasibility development mandate (“awardees”) will receive a partners’ project development agreement (“PPDA”) under which they will have a defined period in which to further refine that Project and determine its economic feasibility to bring back to URI for final approval. If a specific Project is deemed economically feasible, the awardee will have a first right to do it on normal commercial terms, ratified by URI. For example, this could be a design build finance operate maintain (DBFOM) concession for 20 to 40 years, after which the project assets and operations revert back to URI. The URI Development Company and/or its investors will also have a right as co-project developers to be part of and/or invest in projects in which they are interested. Development capital including that provided by URI, if any, will be reimbursed to the developers at closings, pro rata per Project.

Work Tasks

We propose the following tangible tasks and schedule of deliverables and services identified in the project development approach graphic.

Task 1: Detailed familiarization with Project Objectives and Work Done to Date

This would be accomplished over a period of 2-3 weeks through a series of meetings and interviews with the relevant parties as introduced by URI and a review of the written records and plans for the various projects/ideas.

Task 2: Definition of Projects

The duration of this task would be approximately six to seven weeks and is a core important task. We will form the URI Development Company, as noted above, as a special purpose Company (“SPC”) to coordinate and manage the process. Each awarded Project would likely have its own SPC organized by the winning awardee of that Project.

Task 3: Stakeholder Project Analysis

This task would occur over approximately four to six weeks. It would be preliminary, with awardees to do the detailed analysis required for financing.

Task 4: Risk Mitigation Study

This task entails the enumeration of general key risk factors and would include a risk mitigation study or a similarly detailed risk matrix.

Task 5: Finance Plans and Financing

Under Task 5, which would last approximately four weeks, preliminary finance plans for the first couple of projects would be prepared. Infralinx and its investment partners Meridian and G2, would investigate and enumerate potential sources of funding (including its own capital), revenue support and also credit enhancement if appropriate from State and Federal programs or grants.

Task 6: Debt Financing

Under Task 6, debt plans would be evaluated; URI could, if desired, introduce interested local or national banks important to it that wish to be available to interested
Advantages of the PDA Approach

The advantages of the PDA approach value proposition for URI include:

- Provides a unique integrated team approach of all required disciplines for project realization from finance to construction;
- Speed to market
- Ensures the incorporation of a full range of URI projects/priorities simultaneously;
- Shifts responsibility and primary cost for economic feasibility and execution for project development to interested third parties (i.e. substantially cheaper for URI);
- Enables URI to maintain oversight and approval and provides private local investors an opportunity to be involved;
- Creates a de facto aggregated master development, finance and growth plan for URI focused on economic vitality and student and staff opportunities around the themes of ocean research, education, innovation and resiliency;
- Avoids claims of favoritism of one project over another by a particular stakeholder group;
- Substantially advances the project realization timeline for the Projects individually and in the aggregate;
- Is not dependent on state funding and timing;
- Increases the quality and lifespan of the project solutions;
- Combines upfront the private sector perspective with public sector needs and objectives;
- Amplifies opportunities and creative thinking.

From a private sector/bidder perspective there are similar advantages:

- Several Projects are awarded with various awardees/not just one or none;
- Less invested development cost/risk to win which is typically $2 to $3 million per project;
- Ultimate decision of feasibility and proceeding after substantial due diligence and local involvement, which mitigates the long term project completion risks; and
- This is a market tested and accepted methodology, even nearby in Newport.
- Typically enhanced project longevity.
Costs, Savings, and Overall Execution Schedule

The proposed approach can be complex to the uninitiated and requires substantial and continuous engagement, including legal support. It is however, well known to industry in this sector. It is helpful URI itself has done similar projects. It bears repeating, that while private projects can seem more expensive than public procurement, ACSE has documented for every one hundred million dollars of private capital costs, there will be typically seven million dollars of reduced long-term costs, some through better life cycle savings and the resulting project quality.

Once the PDA approach is understood, agreed and awarded, the following overall execution schedule is proposed:

- Execution of a PDA.
- Project definition and launch tasks will occur over an initial period of three to four months from notice to proceed on an accelerated delivery schedule, as noted above in detail for each task above.
- A further three to four months will be utilized to execute, finance and close the first four projects.
- Some small amount of initial skin in the game from URI is best in order to align interest with the remainder/majority of development costs to be financed by UDC.
- On each Project closing, the successful awardee will pay a co-developer fee of 3-5 percent of the project cost to the URI Development Company to be used to finance operations with any surplus, to be split by the investor sponsors of UDC.
- All direct out of pocket costs for travel and the like by the Development Company will be reimbursed by the awardees at cost, on a monthly basis, and also may be financed.
- All reasonable development costs of URI will be included in the project financings.
- In appropriate projects, with significant cash flow, profit share or other economic benefit for URI can be considered.

Simply put in conclusion, we believe our proposed PDA approach would be an excellent and practical way for URI to execute a focused development and finance approach for near term realization of its educational, innovation, and research objectives and the related facilities build out on the Narragansett and/or Kingston campuses.

Precedent has shown that this innovative approach results in accelerated schedules and improved efficiency throughout the entire project, from conceptualization to realization. It provides solutions that integrate the public side throughout the process and maximizes value for all of the stake holders. This value is created through reduced delivery time, lower costs, higher resulting project quality, and mitigation of the overall burden and risk to the public institution.

We welcome the opportunity to discuss this further if of interest.

Very truly yours,

InfraInx

Richard M. Ornitz
Chairman
Annexes

1. Example Impact Investment

2. Glossery of Defined Terms
Early Example: The Eye Fund

- $20 MM Fund combining innovative financing with planning/Training
- Fund launched by Deutsche Bank, International Agency for the Prevention of Blindness, and Ashoka (Arthur Wood)
- Included Impact First Investors (Bernard A Newcomb Foundation, COFRA Foundation, OPIC, ADF) and Financial First Investors (Storebrand, SPP Livförsäkring AB)
- Weighted Cost of Capital for 7 year loan: 3%

Eye Fund I
$14.5 MM

- Senior Debt
$2.3 MM
  - Socially Motivated Commercial Investors (1.4% Return)
  - Development Finance Institutions (3.6% Return)

- Mezzanine Debt
$10.2 MM
  - PRI/Social Investors (1.25% Return)

- Subordinated Debt/Equity
$2.0 MM
  - Total Impact Advisors
Equity Example: FAIM (Rwanda)

- **FAIM’s modern nursery and tissue culture technology lab in Rwanda** produces inexpensive, high quality, high yield plants for farmers [www.faim.co](http://www.faim.co)

- **Sources of Capital included:**
  - $750K grant from the African Enterprise Challenge Fund
  - $1mm in equity finance from angels
  - $500k in convertible debt from institutions
  - $2mm OPIC loan

- **FAIM’s customers have more than tripled farm yields**, increasing farmer incomes and food security

- **Upside:** *scaling the business* throughout East Africa
Example: Medical Credit Fund

- Innovative vehicle providing credit to physicians and clinics in Africa, incentives linked to improvements in quality of care

- Blended stack
  - $13 mm in Tech assistance grants for clinical/biz support
  - $5.4 mm in first loss from Dutch Govt
  - OPIC/Gates -- $7.4 mm in 4% debt
  - $2.5 mm in 5% money (Soros, Calvert Fndn, Deutschebank
    - All pari passu

- MCF has already disbursed more than $7.5 million to more than 600 clinics with a 96%+ on-time repayment rate
Inaugural Notes (21 Series total)

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Moody’s: Aaa  
Fitch: AAA|
|Syndicate| Joint Lead Managers - Deutsche Bank AG, London Branch, Goldman Sachs  
International Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited  
Dresdner Bank AG London Branch, HSBC Bank plc J.P. Morgan Securities Ltd.  
Morgan Stanley & Co. International Limited  
UBS Limited|

- The International Finance Facility is a multilateral development institution, established as a charity in England
- The IFFIm’s program, launched in 2006, raised up to $4 billion in triple A-rated bonds
- The bonds were issued at 5% and were 1.75 times oversubscribed
- The proceeds provide funding for the immunisation programmes of the GAVI Alliance in 70 of the poorest countries of the world
- The bonds were backed by eight donor countries and managed by Goldman Sachs and Deutsche Bank.
NGO Experiences – Pro / Con

- Highly successful:
  - The Nature Conservancy
  - Conservation Intl
  - Aga Khan Development
- Skeptical
  - Major enviro group
  - Other concerns
Opportunity to Leverage local currency pension funds to fund Global Water Infrastructure at scale through AMF Re.

AMF is a financial guarantor for emerging market capital markets supporting “essential sustainable” infrastructure
- $100MM capitalization would lead to $2 BN in financing for new water plants and utility-scale water delivery systems
- On WASH side Management includes US Representative to UNSGAB

Guarantees are “currency matched” to minimize risk
- AMF will unlock growing local pension assets ($2 Trillion growing to $17 Tr by 2040), currently sidelined
- Default rate – 0.07% in local bonds
- By enabling local funding, AMF provides emerging market nations their own tools for development
- AMF’s backers are patient capitalists with vision, but model 30%+ IRR so they are also good capitalists!

Most important, AMF really scales clean water production and generates strong returns, so “do well, do good” at scale
Big Society Capital

Big Society Capital (BSC) is a financial institution founded in 2012 to help develop the social impact investment market in the UK, both as an investor and a market-builder. It is funded by a combination of public money through dormant bank accounts and investments from four UK banks. In the last few years, the organization has become more proactive in its approach to making investments. It shifted from selecting proposals through an open application process to collaborating with partners to co-develop ideas which aim to address a specific social need.

Since its inception, BSC has observed the following major developments in the UK social impact investing industry:

- Increased deal flow especially in housing, employment, training and education, communities, sports, arts, and heritage.
- Increased variety of social impact investing products that address social challenges, including secured debt, unsecured debt, charity bonds, equity, community shares, and real estate.
- Growing use of social impact bonds to fund innovations and scale evidence-based approaches to issues such as homelessness, youth unemployment, children’s welfare, and long-term health conditions.

A key focus area for BSC has been impact measurement. BSC partnered with social investment financial intermediaries and impact experts, including Investing for Good, New Philanthropy Capital, Social Value International, and Triangle Consulting, to develop the Outcomes Mativ, a tool used by charities and social enterprises to define and measure their impact. Together with the Access Foundation and Power to Change, BSC is delivering the Impact Management Programme which will provide support including online resources and grants.

In 2016, BSC is conducting a major survey of its stakeholders to evaluate its current strategy and inform its future programming. One new initiative seeks to address the ‘poverty premium’, or the concept that people living in poverty pay more for basic goods and services than those with higher incomes. With a combination of grant funding and investment capital, the program will incubate and scale social enterprises that address this problem.

Looking ahead, BSC perceives opportunities to scale housing-related social impact investments and pay-for-success models and to attract new impact investors, including institutional investors, to the market. BSC notes two major challenges facing the UK and European impact investing market: 1) uncertainty among investors and social enterprises following the UK referendum result in June 2016 to leave the European Union (“Brexit”); and 2) a lack of investors willing to take risk and prioritize social impact, rather than expecting commercial returns on all social impact investments.
INVESTOR INSIGHT

Prudential

Prudential Financial, Inc., a financial services company based in the U.S., has managed an impact investing portfolio since 1976. Prudential invests in a range of sectors, including education, housing, and financial services, primarily in the U.S.

In recent years, Prudential identified significant growth in demand for impact investing capital, both at the enterprise and fund manager levels. As the number of potential investments has increased, the prospective impact objectives have become more diverse and targeted. As a result, Prudential has become more specific about the types of investments it pursues, selecting investments based on the investee’s impact orientation, impact measurement practice, and co-investment potential. Prudential’s own impact measurement practice also reflects this increasing specificity, with metrics chosen and monitored according to their corresponding impact objective.

Looking forward, Prudential has committed to growing its impact investment portfolio from approximately USD 500 million in 2016 to USD 1 billion by 2020. Achieving this target will require that Prudential maintain a robust investment platform that can effectively and efficiently deploy capital into a wide range of strategies. Additionally, Prudential expects to develop in two key areas:

• It intends to manage its impact investments as a portfolio rather than a collection of individual deals. Through this strategy, Prudential will review and manage portfolio-level risk and volatility on an ongoing basis, in order to build a portfolio that balances high-risk, pioneering investments with more stable investments.

• It expects growing collaboration between its impact investment practice and its broader asset management practice. This collaboration will include shared deal sourcing and due diligence, particularly as investments that originated in the impact space become more attractive to other investment arms within Prudential.

Prudential anticipates that the impact and non-impact investing industries will begin to converge as traditional investors develop impact offerings and impact investors raise funds that increasingly resemble mainstream offerings in terms of their structure and management. As this convergence occurs, Prudential will rely on impact intentionality, measurement, and management as key differentiators to distinguish attractive investment opportunities.
INVESTOR INSIGHT

FMO

FMO, the Dutch development finance institution (DFI), has been investing for social and environmental impact since 1970. FMO has identified three noteworthy changes in both its own impact investing practice and the wider industry during the last three years, as well as corresponding forward-looking opportunities:

1 Ongoing refinement of impact measurement practice: With the help of an external consultant, FMO has developed an impact measurement model that captures both direct and indirect outcomes from an investment. The model considers external, macro-level data, investee performance metrics, and other indicators of impact. Looking forward, FMO hopes the market will move toward auditable, integrated impact reporting with higher-quality impact data.

2 Growing importance of its catalytic role: It is widely recognized that private capital and partnerships are needed to realize the Sustainable Development Goals. In recent years, FMO has increasingly played a catalytic role e.g. by taking a second loss position in several of its investments, thus mitigating risk for private investors. Through FMO Investment Management and syndicated loans, FMO has catalyzed and channeled capital from institutional investors and high-net-worth individuals to emerging markets. Looking forward, FMO sees further opportunity to facilitate public-private partnerships and to crowd in private capital, for instance for green bonds in emerging markets.

3 An increasingly specialized intermediary market: FMO noted the emergence of more funds focused on specific geographies and impact themes. Funds have expressed greater interest in forestry, renewable energy and women-owned SMEs, for instance. Further, FMO has found more funds with a liability structure built to accommodate both public and private capital. In addition to funds, ‘platforms’ and holding companies are gaining importance. For example, the Arise platform invests in financial inclusion in Africa with a longer term horizon than is typical with closed-ended funds and also provides other, non-financial support.
REVOLUTION FOODS

Description: Revolution Foods, a B Corp, is disrupting the $25 billion dollar school lunch market in the United States. It provides more than 1 million healthy, nutritionally-balanced meals with natural ingredients to K-12 schools every week at prices in line with traditional lunch suppliers.

Notable Investors: W.K. Kellogg Foundation, Catamount Ventures, City of Oakland, DBL Investment Partners

Impact Geographies: USA

Social Impact Objectives: Community Development, Food Security, Health Improvement

Data provided by Briggs, S, 2021
Photo credit: Shelly Fuji
Disclosure: Revolution Growth, a fund co-founded by the Croes Foundation’s Chairmen Steve Croes, is an investor in Revolution Foods.
SPOTLIGHT

D.LIGHT

Description: d.light designs, manufactures and sells solar light and power products in emerging markets worldwide, with the goal of bringing at least 100 million people safe, bright and renewable lighting by 2020.

Notable Investors: DFJ, Mahindra Group, Omidyar Network, Grey Ghost Ventures

Impact Geographies: Africa, Asia

Social Impact Objectives: Access to Energy, Community Development, Income/Productivity Growth

Data provided by ImpactSpace

Photo credit: POWER AFRICA
GLOSSARY

AMbsolute Returns
An absolute returns strategy is one by which a fund invests across a range of different instruments and asset classes in order to hit a specific targeted return.

Additionality
Additionality is a term that refers to the additional impact that was achieved by the presence of an impact investor. It prompts the question of whether the same impact would have been achieved even without the presence of an impact investor.

Alpha and Beta
Alpha and Beta are both used by investors to determine the risk-reward profile of an investment. Alpha is the return on an investment that is in excess of the compensation for the risk borne by making that investment. Alpha is commonly referred to as the value that a portfolio manager adds beyond a fund’s risk/reward profile. Beta is a measure of volatility or risk of an investment or portfolio of investments in comparison to the market as a whole.

Benefit Corporations
A benefit corporation is a class of corporation that voluntarily meets higher standards of corporate purpose, accountability and transparency. The nonprofit B Lab certifies some benefit corporations; a corporation certified by B Lab is called a “B Corp.”

Blended Value
Blended value is a framework that evaluates a business or nonprofit based on the ability to generate financial, social and environmental value. Blended value is sometimes used interchangeably with the terms “triple bottom line” and “social enterprise.”

Capital Structure
The capital structure refers to the composition of funds that a firm uses to finance its operations and growth.

Corporate Social Responsibility
Corporate Social Responsibility (CSR) is the commitment by business to behave ethically and contribute to economic development while improving the quality of life of its workforce and their families, as well as of the local community and society at large.

Double Bottom Line
Double bottom line investments deliver both risk-adjusted market rate financial returns in addition to positive social and/or environmental impact.

ESG (Environmental, Social and Governance)
ESG stands for “environmental, social and governance.” It is a set of standards for a company’s operations that socially conscious investors use to screen investments.
**FIXED INCOME**
Fixed income is a type of investing or budgeting style for which returns or period income is received at regular intervals and at predictable levels. The most common type of fixed income security is the bond.

**IMPACT INVESTING**
Impact investing refers to investments made into companies, organizations and funds with the intention to generate measurable social and environmental impact alongside a financial return.

**MICROFINANCE**
Microfinance refers to a variety of financial services—including loans, insurance and savings products—that target low-income clients.

**NEGATIVE SCREEN**
A negative screen eliminates from an investment portfolio companies that partake in practices generally deemed detrimental to society, such as arms or cigarette production.

**PRIVATE EQUITY**
Private equity consists of investors and funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity. The majority of private equity consists of institutional investors and accredited investors who can commit large sums of money for long periods of time.

**PUBLIC EQUITY**
Public equity is an asset class where individuals or organizations can buy ownership in shares or stock of a company through a public market, such as the New York Stock Exchange.

**REAL ASSETS**
Real assets are physical or tangible assets like land, gold or oil. They have intrinsic value due to their utility.

**RISK-ADJUSTED RETURNS**
A concept that refines an investment’s return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating. Risk-adjusted returns are applied to individual securities and investment funds and portfolios.

**SOCIALLY RESPONSIBLE INVESTING (SRI)**
Socially responsible investing (SRI)—also known as sustainable, socially conscious, “green” or ethical investing—is any investment strategy which seeks to consider both financial return and social good. In general, socially responsible investors encourage corporate practices that promote environmental stewardship, consumer protection, human rights and diversity.

**TRIPLE BOTTOM LINE**
Triple bottom line investments deliver financial, social and environmental returns.

**VENTURE PHILANTHROPY**
Venture philanthropy works to build support nonprofits by providing them with both financial and non-financial support in order to increase their impact.