

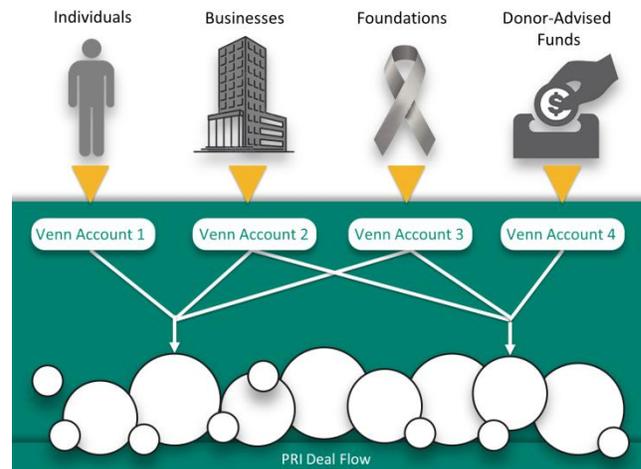


PRI Recipient FAQ

What is Venn Foundation?

Venn Foundation (Venn) is a nonprofit, 501(c)(3) public charity on a mission to unleash the full power of Program-Related Investments (PRIs) to advance charitable impact. PRIs are investments made primarily to advance a charitable purpose and include “below-market” financial terms.

Through Venn Foundation, organizations of all types, even businesses and social businesses, can design a PRI to help them advance their charitable impact. Venn Foundation then works with the organization to fundraise for support of their PRI. Once adequate support is secured, Venn Foundation completes the PRI with the organization.



Who can donate to support a PRI, and how does it work?

By opening a specialized Donor-Advised Fund (DAF) with Venn Foundation called a “Venn Account™,” any individual or entity (including any private foundation, public charity, DAF, or business) can recommend that their charitable dollars be used by Venn to make PRIs. Venn can syndicate any one PRI among any number of Venn Accounts. Financial returns from these PRIs go back to participating accounts pro rata for the donors to recommend redeployment into new PRIs or as grants to nonprofits. Charitable entities also have options for returning Venn Account dollars back to their organizational accounts.

What counts as a PRI?

PRIs are an incredibly versatile tool in the philanthropic toolkit. As long as each PRI is made to advance an IRS charitable purpose and with below-market financial terms, basically anything is possible. PRIs can be structured in any financial form (loans, equity, convertible debt, etc...) and made to any type of entity (nonprofits, government, businesses, etc...). These entities can be in any stage of development, in any geographic location, and in any industry. The possibilities of PRIs are limited only by our creativity and generosity.

Are PRIs new?

PRIs have existed since the Tax Reform Act of 1969, and they have long been used by leading national private foundations like Ford, Heron, MacArthur, and Gates, among many others. PRIs have been used effectively to launch the microfinance movement, advance research for orphan drugs, and provide affordable housing.

Nonetheless, PRIs remain broadly under-utilized. Individuals and businesses cannot directly make PRIs, regardless of the purpose and terms of the investment. And while public charities, DAFs, and private foundations legally can make PRIs, they face many practical challenges. The Lilly School of Philanthropy reports that in 2004, the peak year for PRI activity from 2000-2010, only 137 out of ~66,000 US private foundations made a PRI and less than 1% of all US charitable distributions were structured as PRIs. Most DAF sponsors do not allow their DAFs to recommend PRI distributions, even though they legally could do so.

What does the PRI process entail?

There are three main phases of the Venn PRI process: Design, Fundraising, and Management. These phases each have a number of stages, which are shown below.

DESIGN			FUNDRAISING			MGMT
PRI Outline	Due Diligence	Term Sheet	Anchor Donations	Donor Syndication	Deal Closing	Reporting & Repaying

How long does the PRI process take?

It is impossible to predict how long any given PRI process will take. The two biggest timing factors are how quickly the recipient can complete Venn's due diligence process as well as the willingness of one or more motivated anchor donors to meet the minimum PRI fundraising amount.

What fees does Venn charge recipients?

As a nonprofit public charity, Venn does not seek to make a profit, but it does seek to cover the costs of its operations through earned revenue so that it can sustain itself. For recipients, Venn charges a one-time closing fee equal to the greater of \$5,000 or 3-5% of the closing amount. Venn also charges a \$500 fee for each additional closing on the PRI. These fees are withheld from the total proceeds of the PRI at the time of closing. Venn earns no fee from recipients until the PRI is successfully closed.

What fees does Venn charge donors?

Venn does not charge donors any fees to support a new PRI. If a donor contributes \$10,000 to a Venn Account, she can recommend that all \$10,000 go to support the PRI. Venn also does not charge administrative fees on the total account balance, as traditional DAFs do. Venn only charges donors a fee if and when the PRI(s) they support are successful, allowing donors to actually reuse their charitable dollars. This fee is usually 0.5% - 1% of a PRI loan principal annually, or 20% of a PRI's equity or warrant return. All other PRI returns go back to donor accounts pro-rata based on their initial participation for donors to recommend redeployment as new PRIs or grants to nonprofits.

Are there any limits on who can support a Venn PRI to a given organization?

When recommending that their donations be used to support a given PRI, donors represent that it will not result in an Impermissible Benefit to a Disqualified Person. A "Disqualified Person" includes: (i) the Donor that initially established the Venn Account; (ii) the Advisors for the Venn Account; (iii) any person who has, or reasonably expects to have, advisory privileges with respect to the Venn Account; (iv) family members of anyone listed in (i) through (iii); and (v) any entity that is 35-percent or more controlled by anyone described in (i) through (iv).

When defining Disqualified Persons, "Family Member" means any of the following: spouses; ancestors; lineal descendants (e.g. children, grandchildren, great grandchildren); the spouses of lineal descendants; brothers and sisters (whether by whole- or half-blood); and spouses of brothers and sisters (whether by whole- or half-blood). A legally adopted child is treated as a child by blood for purposes of determining whether or not a person is a Disqualified Person. A spouse is only a "Family Member" while they are a spouse (e.g. not deceased or divorced).

Can an owner of a business and his/her family members support a Venn PRI to that business?

Yes, as long as all of the Disqualified Persons associated with the Venn Account collectively own less than 35-percent of the business and the distribution is not being made to manipulate the value of the investment of the relevant Disqualified Persons. Vendors of a business can also support a Venn PRI to that business, as long as the PRI recipient does not spend that amount on the vendor's services.

Who can I contact at Venn Foundation to learn more?

Please contact Jeff Ochs, CEO, at jeff.ochs@vennfoundation.org or 612-834-6332.