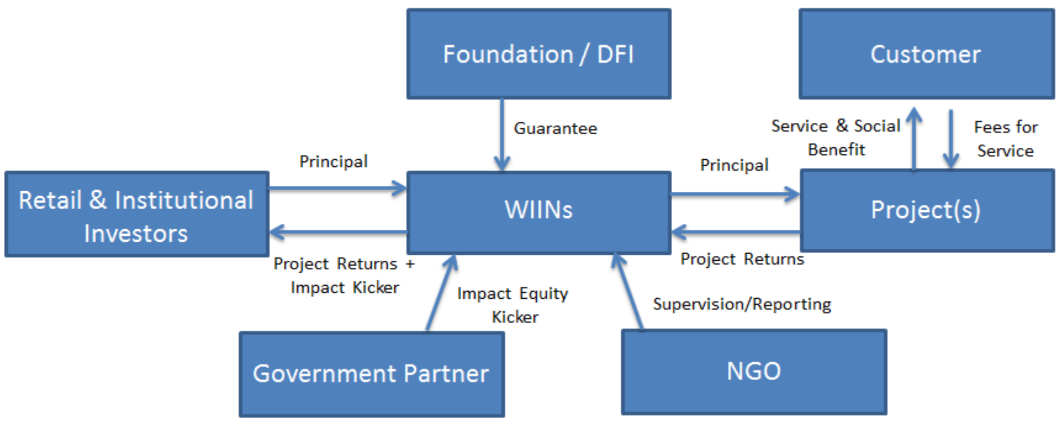
Opportunity Currently, high risk/high return/high impact projects are not able to secure financing due to 1) the lack of diverse investment vehicles to reach a broad investor base and 2) the unwillingness of governments and individual private financiers to take on risky projects.

Asset Class Within the asset class of Exchange Traded Products, we propose a new Exchange Traded Note (ETN) that invests principal in impact projects around the world. Our notes, called Worldwide Impact Indexed Notes (WIINs), will give retail and institutional investors the opportunity to participate in previously illiquid, socially beneficial, market return investments. The following combination of benefits makes WIINs a unique, innovative investment:

- *Exchange traded*: provides liquidity, price discovery, and transparency across a broad group of investors: institutional, family offices, and individuals
- *Structured Note*: allows investors to pool resources and to access previously illiquid project finance investments while lowering the risk profile for local beneficiaries
- *Scalable Impact Investing Asset Class*: develops the platform upon which capital markets can be the key driver of large-scale, diverse impact investments

Structure The following structure optimizes the balance between the market return for our investor base and the socio-economic benefits for the targeted impact population.



Within this structure, investors fund the WIIN, which will invest the cash into a project or group of projects that meet the investment criteria (listed below). The resulting project cash flows, after being verified by an NGO, will flow through the performance of the note. Furthermore, the WIIN will enter an agreement with a government partner that provides cash flows (the "impact kicker") if the project meets pre-determined, measurable social gains. By combining current market infrastructure (ETNs, OTC markets) with principles underlying social impact bonds (SIBs), we can provide the same social impact while using a vehicle that doesn't have SIB limitations such as liquidity risk, narrow investor base, lack of transparency, and inability to achieve scale. Multiple projects may be included in each note, allowing potential for significant scale and providing diversification for investors.

Key Stakeholders:

<u>WIINS</u>: Vehicle connecting broad investor base to impact focused project finance with market risk-adjusted returns
<u>Foundation</u>: Non-profit that leverages balance sheet to support all or part of the principal investment. Well-connected foundations will provide return floor, operational expertise, and access to subject matter experts
<u>*Project:*</u> Any impact project(s) that produces market returns and tangible, measurable benefits for a defined population in underserved markets
<u>*Government Partner:*</u> Trustworthy entity (can be local, state, or federal) that financially supports (the "Impact Kicker" represents return on pay-for-performance contracts) measurable social benefits for the targeted population
<u>*NGO:*</u> Monitors social impact and provides independent quarterly updates for both the financial return on the project as well as the social return of the project

Market Opportunity While the vehicle may be used for a wide range of projects, we use the example of solar energy in Botswana to illustrate the design. As of 2010, Africa faced a financing shortfall of $23 billion annually in the energy sector. Botswana imports 80% of its power from surrounding countries (primarily generated from coal) and emits 2.5 metric tons of CO_2 per capita, highlighting its need for developing renewable sources internally. While consumption continues to increase, production is not keeping pace, and still only about half of the country has access to electricity. However, the government is currently introducing initiatives to promote renewable energy production as part of its Vision 2016 platform, and we see opportunities in both on-grid and off-grid renewable energy projects. Increased electrification, including solar energy, can result in increased economic activity (especially from SMEs) and reduced poverty, especially in rural areas where off-grid power is the best way to electrify households.

Botswana is an ideal location for the first WIIN project due to its politically stable democracy and land rights, which encourages private sector investment. In fact, it ranks highly in Transparency International's assessment of corruption (32 out of 182 countries). Botswana is one of the fastest growing economies globally, indicating its potential to produce financial returns to investors; yet many citizens remain in poverty and/or unemployed. In 2007, the government opened the electricity sector to independent power plants. The government has a goal of developing up to 200 MW of solar power by 2020, yet it recognizes that costs are a significant barrier. Less than 1% of the county's energy supply is currently solar energy; only one project with 1 MW of solar photovoltaic capacity will be added by mid-2012.

The inability to finance this project with traditional project finance methods is due to investor aversion to risk, the lack of sufficient PE/VC funding in frontier markets, and the lack of sufficient long-term debt financing available to developers in this market. WIINs allow investors to gain access to renewable energy in Botswana (a high growth industry) with little investment and greater liquidity than PE/VC investments. In this instance, a financial intermediary would structure the WIINs with the project developer providing the debt-like cash flows (based on subsidized electricity revenues) and the government of Botswana providing the impact equity kicker (paid only if quantifiable CO_2 reductions and other measurable social gains targets are met), indexed off the initial principal amount. The foundation (e.g. African Development Bank) would provide a partial guarantee and a large, reputable NGO would report semiannually on the tons of carbon per capita saved based on the project's process and publish audited project financials (for transparency).

Investment criteria / Due Diligence / Deal Selection Projects can be sourced from any stakeholder within the WIIN structure. The originating financial institution will determine if a market can be made and partners can be organized; if so, they will structure the deal. Governments or NGOs can facilitate the structuring by forging partnerships and contracts. Deal selection will be based on investor demand, the credit quality of the government and project developer, the ability to translate impact into quantifiable values, and the stability of the cash flows from the project. Any project with the impact equity kicker must have strong government political will for impact objectives to be met.

Monitoring and Measuring Protocols An external NGO will be responsible for measuring the impact in accordance with the contract. In return for this service, they will receive a portion of the WIIN management fee.

Type of Risk	Mitigating Factor(s)
Operational (includes the risk of cash flows not materializing, construction risk where applicable, and project related risks such as theft of solar equipment)	Foundation guarantee; assessment of credit quality by intermediary structuring notes; financial statements and project details provided to investors; public utility model with step up provision (peer village support) to ensure buy-in from targeted population
Counterparty (includes the risk the Government defaults on its impact kicker, developer defaults on its debt, structuring intermediary defaults)	Selection of government includes assessment of credit quality and use of Transparency International's ratings of corruption; foundation guarantee provides some backstop in case of default of any party
Liquidity (includes the risk of insufficient market demand for notes, risk of sell-off at the outset)	The financial intermediary will assess market demand prior to issuing the notes; a brief lock-up period can be imposed to reduce risk of a sell-off (while this will reduce liquidity, it will still be more liquid than PE/VC investments)