

# Program-Related Investment Challenges

Foundations are a natural source of flexible, high-impact investment capital for nonprofits and social enterprise.

Despite growing interest, the number of deals and dollar amounts of PRIs have not changed materially in 20 years

There are recurring challenges to using PRIs *even for foundations that want to*:

- Lack of knowledge and expertise in PRI management
- Disconnect between program and financial teams
- Lack of dedicated PRI staff given scale and/or level of commitment
- High potential transaction costs – legal, accounting, management, etc.
- Weak deal flow

# The New York Pooled PRI Fund

*A collective effort by SeaChange and four New York-focused foundations to make flexible, high-impact investment capital available to organizations working with and on behalf of low-income New Yorkers*

## **Benefits:**

- Lower transaction costs; synthesized expertise; dedicated resources
- Mitigated risk - diversified portfolio, active management
- Responsive to non-profit needs for coordination, speed, discretion
- Access to existing SeaChange and participant networks

## **Structure:**

- NYPRI is a Delaware LLC; participants are members (and get K1s)
- SeaChange is the manager (cost-based fee with a cap) and a participant
- Participants make three year commitments and cover joint-costs
- Participants retain sole discretion to participate in individual investments
- NYPRI is the lender and investor – one set of documents, etc.

# The New York Pooled PRI Fund

## Target Investments:

- Secured and unsecured loans, guarantees, equity, quasi-equity
- Real estate, working capital, or expansion capital loans
- \$250,000 - \$1.0 million; 6 months – 3 years; rate determined case by case

## Objectives:

- Deal flow, 6+ transactions over 3 years
- Earn a positive rate of return in aggregate
- Sustainable and scalable model

## Progress to Date:

- Launched in November 2014
- First investment - \$250,000 loan to Per Scholas in March 2015
- Growing pipeline
- Evolving process - weekly call, reporting formats, etc.

New York Pooled PRI Fund LLC - ILLUSTRATION ONLY								
Participant	A	B	C	D	E	Total		
Capital Calls								
Investment #1								
Available Capital	\$ 100,000	\$ 250,000	\$ 250,000	\$ 200,000	\$ 200,000	\$ 1,000,000		
Invested Capital	\$ 50,000	\$ 125,000	\$ 125,000	\$ 100,000	\$ 100,000	\$ 500,000		
Investment #2								
Participating Capital	\$ 50,000	\$ -	\$ 125,000	\$ 100,000	\$ 100,000	\$ 375,000		
Invested Capital	\$ 20,000	\$ -	\$ 50,000	\$ 40,000	\$ 40,000	\$ 150,000		
Investment #3								
Participating Capital	\$ 30,000	\$ 125,000	\$ 75,000	\$ -	\$ 60,000	\$ 350,000		
Invested Capital	\$ 12,857	\$ 53,571	\$ 32,143	\$ -	\$ 25,714	\$ 150,000		
Investment #4								
Participating Capital	\$ 17,143	\$ 71,429	\$ 42,857	\$ 60,000	\$ 34,286	\$ 200,000		
Invested Capital	\$ 17,143	\$ 71,429	\$ 42,857	\$ 60,000	\$ 34,286	\$ 200,000		
Ending Capital Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Portfolio								
Investment #1	\$ 55,000	\$ 137,500	\$ 137,500	\$ 110,000	\$ 110,000	\$ 550,000		
ROI	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%		
Investment #2	\$ 16,667	\$ -	\$ 41,667	\$ 33,333	\$ 33,333	\$ 125,000		
ROI	-16.7%	N/A	-16.7%	-16.7%	-16.7%	-16.7%		
Investment #3	\$ 15,000	\$ 62,500	\$ 37,500	\$ -	\$ 30,000	\$ 175,000		
ROI	16.7%	16.7%	16.7%	N/A	16.7%	16.7%		
Investment #4	\$ 15,857	\$ 66,071	\$ 39,643	\$ 55,500	\$ 31,714	\$ 185,000		
ROI	-7.5%	-7.5%	-7.5%	-7.5%	-7.5%	-7.5%		
Total	\$ 102,524	\$ 266,071	\$ 256,310	\$ 198,833	\$ 205,048	\$ 1,035,000		
ROI	2.5%	6.4%	2.5%	-0.6%	2.5%	3.5%		