



**MORE THAN A PROFIT?
MEASURING THE SOCIAL AND GREEN OUTCOMES OF URBAN INVESTMENTS**

Lisa A. Hagerman

School of Geography at the Oxford University Centre for the Environment

Pensions and Capital Stewardship Project, Labor & Worklife Program, Harvard Law School

Abstract. Institutional investors, in particular public sector pension funds, are increasingly investing in the emerging domestic markets. This paper examines the outcomes of urban investments that move beyond the financial to include quantifiable social and environmental benefits in the revitalized geographic area. Investment vehicles and their investors are increasingly aware of the importance of measuring the extra financial impacts from their investment. More firms are engaged in assessing the ancillary social benefits and recognize that additional institutional investment may be contingent on reporting beyond the financial returns. This study examines the investment vehicles and partners engaged in the process, outcomes assessed, and challenges ahead for the industry.

Key Words: Public sector pension funds, emerging domestic markets, social outcomes.

Contents

| | |
|--|----|
| 1. Introduction | 3 |
| 2. Moving beyond the financial outcomes | 6 |
| 3. Firms engaged in measuring the outcomes | 11 |
| 4. Social outcomes | 18 |
| 5. Green outcomes | 23 |
| 6. Conclusion | 30 |
| 7. References | 35 |

Tables and Figures

| | |
|--|----|
| Table 1 MassPRIM ETI Quarterly Update Form | 12 |
| Table 2 MassPRIM ETI Quarterly Update—Q2 2007 | 38 |
| Table 3 CDVCA Core Survey | 39 |
| Table 4 CDVCA Enhanced Modules | 42 |
| Table 5 Triple Bottom Line Collaborative Investment Scorecard | 45 |
| Table 6 USA Fund 12 Measurements of Success | 46 |
| | |
| Figure 1 Impact Value Chain | 10 |
| Figure 2 Summary of methods applied in the venture capital world | 10 |

1. INTRODUCTION

Institutional investors are increasingly investing in the underserved markets seeking to realize competitive financial returns along with ancillary social benefits. Public sector pension fund investors refer to such investing as investments in urban revitalization or more broadly termed economic development. Other institutional investors (e.g. commercial banks, insurance companies, and foundations) consider this type of investing as community-based investing as referred to in the “Double Bottom Line” investment industry. Foundations may term these types of investments as “mission-oriented investments”. Large institutional investors, in particular public sector pension funds, deploy significant amounts of institutional capital into the underserved markets through intermediaries referred to as investment vehicles.

Investment vehicles in community-based investing take a holistic approach to investment ventures seeking to achieve above market-rate returns and an improved quality of life for the community and its residents. As evidenced by increased investment in a growing industry, investors are attracted to the idea of being able to diversify their investment portfolio while realizing competitive financial and social returns. This growing industry is examined in the Double Bottom Line Handbook (Flynn et al., 2007) in which institutional investors have created over \$6 billion in double bottom line funds nationally in the period from 1998 to 2006.

Public sector pension fund investment in urban revitalization has reached a total commitment of an estimated \$12 billion from the major public sector pension funds (CalPERS, CalSTRS, the five New City Retirement Systems (NYCERS, Police, Fire, BERS), New York State Common, Massachusetts Pension Reserves Investment Management Board (MassPRIM), Connecticut Retirement Plans and Trust Funds (CRPTF), LA City and County, and LA Fire and Police.¹ Investments are made across three asset classes: fixed income (debt based real estate and small business development

¹ The number does not include broad in-state targeting, but, rather, specific programs designed to stimulate economic activity in underserved capital markets or urban and rural underdeveloped areas. For a complete breakdown of dollars committed across public pension funds and asset classes, see the Pension Funds & Urban Revitalization website: <http://urban.ouce.ox.ac.uk>. This number also includes the 2007 investments made by TIAA-CREF, the private pension fund that serves the academic, medical, and cultural fields.

finance, and credit enhancement), equity real estate (investments in mixed-use, mixed-income greyfields (urban infill development) and brownfields (clean-up of environmentally contaminated properties) and private equity (early and later stage venture capital) (Hagerman, 2007; Hagerman et al., 2007).

As the field grows institutional investors will become increasingly interested in not only the financial returns but also the social and environmental or “green” returns. Greater transparency of the financial, social, and environmental returns is important for the development of the community-based investing industry. To date financial returns have been reported in the areas of fixed income, equity real estate, and private equity investments. Financial returns are measured through risk-adjusted (adjusted for illiquidity and risk of the investment) internal rates of return (IRR) and in investment multiples (e.g. 2X: return of two times the value of the initial capital investment) (Hagerman, 2006). The financial returns are being measured against established benchmarks. In fixed income the benchmark is the Lehman Aggregate Bond Index, in private equity the Thompson Financial Venture Economics venture capital index, and in equity real estate it is the index of the National Council of Real Estate Investment Fiduciaries (NCREIF).²

In the case of the social outcomes metrics are being assessed for the most part by private equity venture capital funds. The extra financial outcomes are also being tracked to a lesser extent on the private equity real estate investments and fixed income. The focus of discussion in this paper will be on the venture capital funds and equity real estate funds. As more institutional investors demand to see quantitative results on the social as well as the financial returns, the social metrics are increasingly being evaluated. The

² Financial returns report, for example, the New York City Employees’ Retirement System ten-year net return on the forward rate commitment program yielded 8.19 percent (as 12/31/06), outperforming the established benchmark of the Lehman Aggregate Bond Index of 6.24 percent (NYC Comptroller’s Office, Office of Economically Targeted Investments). A CalPERS recent investment committee report (April 2007) referred to overall real estate returns and the CURE initiative stating “by September 30, 2006, CalPERS’ trailing one-, three-, and five-year returns outperformed the NPI (NCREIF Property Index) by 10 to 17.2 percent. Much of this outperformance can be attributed to strong returns in the Core, Housing, and CURE programs.” CalPERS Investment Committee Report April 16, 2007 Global Real Estate (<http://www.calpers.ca.gov/index.jsp?bc=/utilities/search/search.xml>)

research identifies different firms engaged in the process, methodology used, and challenges in measuring and tracking the social outcomes.

I argue that incorporating the social and environmental goals into the investment criteria is important for measuring the outcomes and growth of the industry. As the number of institutional investors expands there will be greater demand for reporting the extra financial outcomes. Each firm approaches tracking the social and green outcomes from a different perspective. Further, the level of interest from the institutional investor in measuring the extra-financial outcomes can vary depending on the type of investor. For example, a foundation may be more apt to demand quantifiable social outcomes, equal to the financial indicators, whereas a public pension fund might consider it more secondary. Balancing tensions among these different types of investors can be difficult. Another challenge is assessing whether the outcomes would have happened anyway regardless of the infusion of capital. The question arises as to whether the economic growth and revitalized area would have occurred due to other economic activity.

Social indicators measured include: increased jobs and living wages, employee benefits (health insurance, retirement plans, tuition reimbursement etc.), wealth building (broad based stock options, employee stock ownership plan (ESOP), phantom stock program, profit sharing, Individual Development Accounts (IDAs), home-ownership assistance etc.) and employee training programs. The extent to which these measurements are tracked varies among different investment vehicles currently engaged in measuring the social metrics. Other measurements, specific to the broader community beyond the individual employee, include community outcomes including: export-oriented sales, and increased tax revenues for state and local governments. Tracking reduced crime levels is another area of measurement that can be an important indicator of the investment's greater impact on the community and economic development of the area.

The environmental outcomes are increasingly important as investment vehicles track the success of their business model and the green returns—that often directly align. Investment vehicles are being judged on their environmental performance as well as their social performance. Environmental metrics can include (among other outcomes) investments in clean technology companies, recycling efforts, company-wide energy

savings efforts, and holistic real estate developments with green construction certification and public transportation links. Further, investment firms specializing in brownfield investments (clean-up of contaminated sites) can quantify the number of greenfields saved from real estate development.

In this paper I argue that double bottom line investments do produce more than a financial profit. The paper provides evidence of the social and green outcomes measured and how the process is important for the growth of the industry. Looking ahead the study puts forth the idea that investment vehicles' evaluation of the extra financial outcomes of urban investments may place them at a competitive advantage over firms only tracking financial outcomes. For increased institutional capital to flow into the emerging domestic markets measuring the social and green outcomes will be an important consideration.

This paper is structured in the following way. Section two examines the importance of measuring the extra financial metrics with a review of the literature on the subject. Section three provides an overview of the industry and firms actively measuring the social and green outcomes, often leaders in creating methods for measurement. Sections four and five examine the social and green outcomes to date. I conclude with a review of the challenges ahead for the development of the industry.

2. MOVING BEYOND THE FINANCIAL OUTCOMES

In assessing the importance of measuring the social and green outcomes of community-based investing it is helpful to look at the origins and expansion of moving beyond the financial metrics across industries. Extra-financial metrics are those outcomes that complement the financial returns and measure activities that impact future financial performance. Academic literature examines the expansion of conventional financial measurements and situates the reader in relation to a discussion of the community-based investing metrics.

The burst of the technology, media, and telecommunications (TMT) bubble in 2000 followed by the corporate accounting scandals of, most notably Enron and WorldCom, raised awareness and need for greater transparency, accountability to

shareholders, and rigorous corporate reporting standards.³ While Lowenstein's (1996) noting of *managing what you measure* became standard practice as a managerial tool to enhance firm value, the rise in corporate scandals evidenced a failure in doing so. As the nature of investment performance changed, literature (Clark et al., 2005) cite the emergence of forms of measurement that move beyond the language of finance and standard financial metrics and investment analysis to non-traditional forms of information.

Investors now seek other kinds of metrics not derived from the traditional forms of the language of finance. Expansion of conventional financial metrics beyond the traditional regulatory financial systems⁴ and global standards of IASB continue to gain in importance across industries. These non-financial measures take into account social and environmental concerns and can be assessed by voluntary and involuntary governmental organizations and other public-private supranational, international, and local organizations.

The “institutional investment value chain” (Hebb and Wójcik, 2005) links the demands of institutional investors with standards for corporate, social and environmental transparency and outcomes. Hebb and Wójcik (2005, p.1962) refer to global standard setting bodies that monitor across corporate, social, and environmental behavior that can range from “...supranational bodies such as the Organization for Economic Cooperation and Development (OECD) or the International Labour Organization (ILO), to international agencies such as the International Accounting Standards Board (IASB), the Coalition for Environmentally Responsible Economics – CERES) or International Organization for Standardization (ISO), to single issue locally-based networks such as

³While Lowenstein's (1996) notion of *managing what you measure* became standard corporate practice whether mandated through the financial disclosure programs or as a managerial tool to measure and enhance firm value, we saw during the rise in corporate scandals a failure in doing so.

⁴ Hebb and Wójcik (2005, p.1965) neatly summarize the evolution and standardization of financial measuring: “US financial accounting standards were developed in direct response to the 1929 US stock market collapse. Preliminary accounting standards were initially developed by the newly formed Securities and Exchange Commission in the early 1930s. These standards were strengthened in 1938 with the development of the Committee on Accounting Procedure, the Accounting Principles Board in 1959 and Financial Accounting Standards Board in 1973. The standards and opinions set by these three bodies over sixty five years are recognized as the US Generally Accepted Accounting Principles (GAAP), one of the global measurements of traditional financial accounting”.

Oxfam or Friends of the Earth.” Reference is made to the more successful non-financial standardized reporting body of the Global Reporting Initiative (GRI) although noted it remains not very accessible to outsiders. GRI’s mission is “establishing a common framework for sustainability reporting with the vision that reporting economic, environmental, and social performance by all organizations becomes as routine and comparable as financial reporting (www.globalreporting.org)”.

The voluntary standardized reporting agency, the International Organization for Standardization (ISO)⁵, is an organization that develops technical standards across industries. The ISO 14000 family of standards is concerned with “environmental management” in terms of how the organization minimizes its harmful effects on the environment. With regard to the community-based investing industry investment firms with an environmental niche may seek an ISO 14000 certification in their environmental performance.

In addition to the global standard setting organizations, private non-financial rating agencies also measure sustainability and finance by identifying non-traditional sources of risk and value potential. Within the field of socially responsible investing (SRI) Salo (2005) cites the importance of new intermediaries of non-financial rating agencies that move beyond the standard credit rating agencies (e.g. Standard & Poor’s, Moody’s Investors Service, and Fitch Ratings) to examine non-financial firm performance and outcomes. He refers to non-financial corporate ratings acting as a “lens” to help investors identify investment risk and use the information to weed out under-performing firms. Salo (2005) cites the emergence of non-financial rating agencies such as Innovest and other small rating agencies. Researchers (Salo, 2005; Hebb and Wójcik, 2005) note a correlation between non-financial performance indicators of firm value with stronger financial performance.

⁵ Without international standards we, as consumers, quickly notice when products are of poor quality, damaging the environment, and dangerous. It is interesting to note that while the “International Organization of Standardization” could take several abbreviations depending on the country’s language, it was agreed to use a word derived from the Greek isos, meaning "equal" for the abbreviated form for the organization—ISO. Equal is essentially what universally accepted standards are about, creating an equal, level playing field in a particular industry (<http://www.iso.org/iso/en/iso9000-1400/understand/inbrief.html>)

In thinking about how to measure the social and environmental outcomes in the community-based investing industry reference to the “Balanced Scorecard” (Kaplan and Norton, 1992) is useful in understanding the value of setting goals (beyond the financial) and translating those goals into specific measures. Kaplan and Norton’s model sets forth four basic questions that seek to score the vision and strategy of an organization. These questions move beyond the financial to think about creating value from the customer perspective, internal firm perspective, and increased innovation.

The limit on the number of questions reduces the risk of information overload and also frames the questions within four different perspectives. The balanced score card concept emphasizes the importance of identifying the right parameters that lead to competitive success and connects with a company’s added value. The parameters move beyond the traditional financial metrics that measure control to areas that measure strategy and innovation that lead to entering new markets and increasing shareholder value. Mission-oriented venture capital companies are also moving beyond the traditional Balanced Scorecard and, as noted in the Double Bottom Line Project Report (Clark C. et al., 2004), now modified for organizations seeking social outcomes that includes another perspective—social impact.

Within the community-based investing industry the Double Bottom Line Project Report (Clark C. et al., 2004, p.7-11) catalogs different methods used by venture funds to measure social impacts. Figure 1 illustrates the impact value chain in terms of the inputs, activities, outputs, outcomes and goal alignment. Further figure 2 illustrates some of the different methods, the purpose (process, impact, or monetization) the method best measures, and the type of organization applied to either a non-profit or for profit. As the report notes the three different purposes complement each other and are each necessary for the other.

The Double Bottom Line Project Report (Clark et al., 2004, p.9) defines impact as, “...*the portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway*”. The counterfactual, or “but for” question (CDVCA, 2005) considers if the investment actually created new social impact or would have occurred anyway as a result of the economic conditions

already in place or a by-product of other economic factors. Determining the “what if” factor can be extremely challenging and costly to assess.

Figure 1 Impact Value Chain

Source: (Clark et al, 2004, 7)

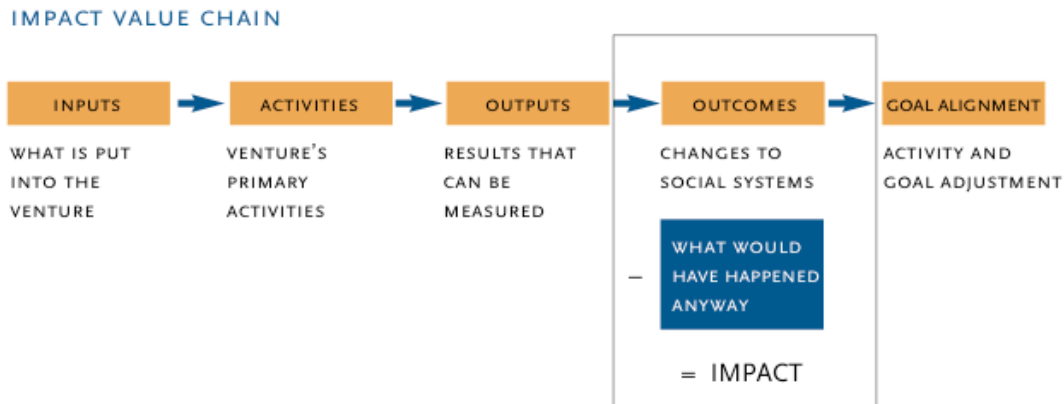


Figure 2 Summary of methods applied in the venture capital world⁶

Source: (Clark et al., 2004, 11)

| METHOD | PROCESS | IMPACT | MONETIZATION | PRIMARY APPLICATION TO DATE | |
|--|---------|--------|--------------|-----------------------------|------------|
| | | | | NONPROFIT | FOR-PROFIT |
| Theories of Change | • | | | • | |
| Balanced Scorecard (BSc) | • | • | | • | |
| Acumen Scorecard | • | | | • | • |
| Social Return Assessment | • | | | | • |
| AtKisson Compass Assessment for Investors | • | • | | | • |
| Ongoing Assessment of Social Impacts (OASIS) | • | • | | • | |
| Social Return on Investment (SROI) | | • | • | • | |
| Benefit-Cost Analysis | | • | • | • | |
| Poverty and Social Impact Analysis (PSIA) | | • | • | • | • |

Non-profit and for-profit organizations follow different logic structures and metric systems based on the culture and function of their organization. Ogaki (2003, p.7)

⁶ As noted in the Double Bottom Line Project Report (Clark et al., 2004, p. 8) “Process Methods are tools used to track and monitor the efficiency and effectiveness of outputs, variables or indicators management uses to track ongoing operational processes. Outputs can then be evaluated by the extent to which they correlate with or cause desired social outcomes. Impact Methods are tools that relate outputs and outcomes, and attempt to prove incremental outcomes relative to the next best alternative. Monetization Methods monetize outcomes or impact by assigning a dollar value to them.”

in work done for the nonprofit community development fund, Shorebank Enterprise Cascadia, refers to the causality factor and the different logic structures of various metric systems. Ogaki notes, “Outcomes are the more immediate tangible effects the program has had on the initial situation... {i}mpacts, then, are long-term results – broader societal or economic change which often can only be measured several years after the program is completed. Although “impacts” are the final and the most important step in the chain of causality, their measurement is generally much more problematic.”

This discussion will generally focus on what will be referred to as the social and green “outcomes”—measurable positive results for either the employee and or the community from a community-based investment. Measuring the extra financial outcomes is a growing craft and state of art in which firms are becoming increasingly active and honing the process. The challenges lie in how to effectively gather the information and verify its credibility. A review of the firms and partnerships currently engaged in measuring these outcomes, within the broader community-based investing industry, creates a picture of progress to date in this area.

3. FIRMS ENGAGED IN MEASURING THE OUTCOMES

The community-based investing industry has grown to include a myriad of different types of investment vehicles that cross the asset classes of fixed income, equity real estate, and private equity. Each of these vehicles approach assessment of the social and environmental outcomes differently. They each gather data and information, establish different monitoring and evaluation systems, and analyze the outcomes. A successful model for reporting of the ancillary benefits is one in which the investment vehicle is a for-profit fund manager that includes a not-for-profit advisory services component. In this case the not-for-profit advisory services arm tracks the social and environmental metrics as the task is embedded in the group’s mission. The advisory services arm has the funding expertise, and dedicated staff to oversee the effective measurement of the social and environmental outcomes in practice. As such, these organizations are able to collect robust data on the ancillary benefits generated from their investments.

Conversely, tracking of the ancillary benefits by for-profit investment fund managers can be less rigorous given their primary, and essential, first goal of achieving

risk-adjusted market rates of return to the institutional investor. Often the firm may not have dedicated staff to track the social measurements. The for-profit fund manager will measure the social outcomes when directed by the investor, and may be a condition of investment. For example, in the case of the Massachusetts Pension Reserves Investment Management Board (MassPRIM) the board requests from their fund managers an Economically Targeted Investment (ETI) “Quarterly Update Form” as detailed in Table 1 and a current completed update in appendix table 2. In this case the institutional investor asks of the fund manager not only the gross performance returns but for the residual social benefits on their investment as well. MassPRIM requires firms to submit the residual benefits as a condition of initial and continued investment in the firm. Without this requirement fund managers, with limited resources, may not track and measure the ancillary benefits.

Table 1 MassPRIM ETI Quarterly Update Form

| | | | | | |
|--|---------|-------------------------|-------------------|----------------------|-------------------|
| Asset Class _____ | | Quarter Ending _____ | | | |
| Firm _____ | | | | | |
| AUM _____ | | Committed Capital _____ | | Capital Called _____ | |
| <i>Program Objective</i> (Please describe your investment vehicle and its objectives. Please attach an additional page if more space is required.) | | | | | |
| Gross Performance | | | | | |
| | Quarter | Year to Date | 1 Year Annualized | 3 Year Annualized | Inception to Date |
| Return | | | | | |
| Benchmark Return | | | | | |
| Difference (In Basis Points) | | | | | |
| <i>Residual Benefits of Program in Massachusetts</i> (Please quantify or explain how this investment program benefits Massachusetts and its residents. Quantify the number of jobs that have been created in Massachusetts as a result of the program, if applicable. Please attach an additional page if more space is required.) | | | | | |

Similarly the California Public Employees’ Retirement System (CalPERS) seeks both competitive risk-adjusted rates of return as well as ancillary benefits on their targeted investments. In 2001 CalPERS committed \$475 million to the underserved markets of California through the “California Initiative”. In pursuit of the community outcomes on their investment, CalPERS hired the consultant and venture capital fund

manager, Pacific Community Ventures (PCV)⁷, initially through the independent consultant LP Capital Advisors, to collect and analyze the extra financial outcomes. PCV evaluated ancillary benefits that included successful employment growth for residents of low-to-moderate income areas (Interview, 2007a).

CalPERS announced in October 2006 a second \$500 million commitment to the Golden State Investment Fund (GSIF) or also referred to as the “second California Initiative”. While there is no definitive evidence, the assumption can be made that the extra financial outcomes reported by consultants on the “first California Initiative” influenced CalPERS decision to commit capital to a “second California Initiative”. The goal of the second California Initiative is again to invest in the underserved markets of California and the \$500 million has been placed in the hands of the investment manager Hamilton Lane.⁸ In seeking to report to CalPERS not only on their financial results, Hamilton Lane has hired PCV to evaluate the ancillary benefits on the GSIF. PCV and Hamilton Lane will work collaboratively to collect and analyze the data in assessing the community outcomes of CalPERS’ second investment in the state of California.

The five New York City Retirement Systems (NYCERS, Police, Fire, Board of Ed & Teachers) also seek both the financial and extra financial returns on their economically targeted investments. The New York City’s Comptroller’s Office is engaged in tracking the ancillary benefits on the forward-rate commitment Public-Private Apartment Rehabilitation Program (PPAR). Tracking of the ancillary benefits on this fixed-income program is done internally through the Office of Economically Targeted Investments. The PPAR program finances multifamily residential buildings in the five

⁷ PCV was founded in 1999 with a “mission to invest in traditionally underserved markets primarily, but not exclusively, located in California. To discover and invest in opportunities that may have been bypassed or not reviewed by other sources of investment capital (www.pcv.org).” In 2001 CalPERS invested in PCV’s for-profit fund PCV LLC II as part of the California Initiative. In 2004 CalPERS selected PCV to evaluate the social outcomes. Other institutional investors that have contracted PCV to report on the social impacts include Northwest Area Foundation.

⁸ As noted in the firm’s website (www.hamiltonlane.com), “Hamilton Lane is an independent financial institution that provides discretionary and non-discretionary asset management services in private equity and hedge fund investments. Founded in 1991, Hamilton Lane has over 70 private equity employees operating out of offices in Philadelphia, San Francisco, London and Singapore.” The second California Initiative of \$500 million committed to Hamilton Lane will be split (50/50) between partnership investments (venture capital funds) and direct, co-investments (CalPERS, 2006).

boroughs of New York City through permanent, long-term mortgages for the rehabilitation or new construction of multifamily buildings that remains affordable. From 1984 through March 2007 the PPAR program has invested \$447 million that has produced 22,511 affordable housing units (NYC Comptroller's Office, Office of Economically Targeted Investments).

In another example SJF Ventures is a venture capital fund active in measuring the extra financial outcomes through their advisory services component, SJF Advisory Services.⁹ The nonprofit advisory arm performs assessments on firms prior to investment and helps companies achieve their community outcomes through customized entrepreneurial (management and operational assistance), workforce innovation (promote a high performing workforce and culture of ownership), and sustainable business assistance. The firm actively works with growing companies through training and annual conferences such as the Cleantech CEO Panel.¹⁰ The advisory group in 2007 also held its first Winning Workforces CEO Panel on engaging employees to achieve success. SJF Advisory Services actively measures the social outcomes on their investments through their Annual Mission Results Report (Interview, 2007b).

CEI Ventures¹¹ is also actively engaged in the process of measuring the social outcomes. As a certified Community Development Financial Institution Fund (CDFI) the financial and extra financial impacts on investments are assessed through the Department

⁹ As noted in the firm's website (www.sjfund.com), "SJF Advisory Services, an allied non-profit organization, provides entrepreneurial, workforce and sustainability assistance services to SJF prospect and portfolio companies. SJF Advisory Services seeks out firms whose competitive strategy is built on workforce and environmental innovation."

¹⁰ Such panels may provide an opportunity for presenting companies seeking investments. For example, as SJF Advisory Services notes, groSolar and Intechra received investments from SJF Ventures, partly based on the relationship built with SJF Ventures during the 2006 Cleantech CEO Panel at which they were presenters.

¹¹ CEI Ventures since 1994 has built two venture capital funds seeking both a financial and a social return: Coastal Ventures Limited Partnership (\$5.54 million fully invested) and Coastal Ventures II LLC (\$20 million actively investing) making investments in underserved markets throughout the Northeastern United States. The fund's are diversified by business stage, industry, geography, and social benefit with investments ranging from \$500,000 to \$2 million. CEI Ventures is a wholly-owned subsidiary of Coastal Enterprises, Inc (CEI) a not-for-profit community development corporation founded in 1977 (<http://www.ceiventures.com/pages/812932/index.htm>).

of Treasury's data reporting system.¹² In addition CEI Ventures has incorporated processes to track the extra financial outcomes such as the "Employment and Training Agreement". In this case CEI Ventures contracts with their non-profit Coastal Enterprises Inc. to do the low-income evaluation and measuring of the social outcomes. CEI Ventures themselves are also engaged in assessing and gathering the data. The Ford and MacArthur Foundations, investors in the fund through their Program Related Investments (PRI), encourage tracking of the extra financial outcomes through the ETAG (Interview, 2007c).

In another example, the Oregon Investment Fund (OIF)¹³, managed by Credit Suisse Customized Fund Investment Group, is starting to measure the extra financial outcomes. The Fund was established through the state of Oregon's in-state investment strategic initiative. Consequently, tracking the ancillary benefits is of interest although a challenge given the structure of the program and the lack of dedicated resources to compile this type of information. In this example there is no nonprofit advisory service component dedicated to measuring the extra financial outcomes. The Fund's investor, the Oregon Investment Council, manages among other public funds, the Oregon Public Employees Retirement Fund (OPERF). The Fund's directive first and foremost is to achieve risk-adjusted market rates of returns, although ancillary benefits are of interest. While there is no extensive metrics program to date, OIF's presentations compiles data that include current status of invested dollars in a geography, syndicate dollars brought in addition to those investments, and jobs impacted (Interview, 2007d).

Another scenario for measuring of the social outcomes may include a partnership arrangement between the institutional investor, the investment vehicle, and a third party

¹² The Community Development Financial Institutions Fund (CDFI Fund) a program of the United States Department of the Treasury established in 1994 to promote economic revitalization and community development. In 2004 the Community Investment Impact System (CIIS), a web-based system that collects institution and transaction level data from CDFIs and NMTC Program was launched. In addition to the financial performance indicators the community development impacts are included within the data set enabling the CDFI Fund to measure impact at the census tract level and to map CDFI activity in specific geographic locations http://www.cdfifund.gov/impact_we_make/data_reports.asp.

¹³ As detailed in Hagerman et al. (2007), OIF is a \$105 million fund that commits capital primarily in the state of Oregon, as well as the Northwest region. The Fund was established in 2004 through a directive passed by the Oregon State Legislature (HB 3613) to encourage the growth of small businesses within the state of Oregon.

research organization. An example of this is the arrangement between the Banc of America Capital Access Funds, its public pension fund investors, and the University of North Carolina at Chapel Hill. The Kaufmann Foundation for Entrepreneurship provides funding support to the University of North Carolina at Chapel Hill for the project. T

The Banc of America Capital Access fund-of-funds (BACAF) has agreed to collect social metrics, as well as the financial metrics, from the venture capital funds in which they invest. Ratcliffe (2007) notes among the 13 funds in which BACAF has invested 10 have a focus on ethnic minorities and 10 on low to moderate-income geographies. The third party research organization collecting the data is the Center for Community Capitalism at the University of North Carolina at Chapel Hill. In this case the partnerships between the investor, the investment vehicle, and the research institution facilitate first and foremost the commitment by the fund-of-funds manager (Banc of America Capital Access Funds) to collect the data from the companies. BACAF requests a “side letter” from the venture capital funds that prescribes the extra financial outcomes they will collect from the companies in which they invest (Interview, 2007e).

Other consulting firms and funds engaged in measuring the social outcomes include for example; the Bay Area Family of Funds, Economic Innovation International, Economics Research Associates (ERA), Enterprise Community Partners, Genesis LA, Strategic Development Solutions, and Sustainable Systems. Banc of America uses different providers (e.g. UNC Chapel Hill and ERA) depending on whether the investment is venture capital or real estate. In particular, Economic Innovation International measures three areas: 1. Economic Performance Measures (e.g. land prices compared to the region, housing affordability index, real assessed value by land use), 2. Economic Welfare Measures (e.g. sources of income, household income distribution, poverty rate) 3. Quality of life measures (e.g. commuting time, housing quality, public safety index) and, 4. Municipal, state, and federal tax impacts (Interview, 2007f).

Measuring the social outcomes within the community-based investing industry is expanding as many universities and consulting firms and trade organizations have developed programs in the research of double bottom line investment initiatives and measurement of the social impacts. Assessment professionals are increasingly finding

ways to perfect the craft and are doing so as the industry develops and becomes more rigorous in practice.

Trade associations such as the Community Development Venture Capital Alliance (CDVCA)¹⁴ are producing impact assessment reports as a guide for the industry. In 2005 they produced the Measuring Impacts Toolkit, a product of the CDVCA Return on Investment (ROI) Project funded by the F.B. Heron and Rockefeller Foundations. The report gathered five CDVC fund management groups active in measuring the impacts and making investments in mission-driven companies. The report included a social metrics template to be used by firms (Interview, 2007g). The core survey and enhanced modules can be found in appendix tables 3 and 4 reprinted with permission from CDVCA (CDVCA, 2005).

A similar type of trade organization, the Opportunity Finance Network¹⁵, that provides loans and investments to CDFIs, has created a financial rating system (CARSTTM) for Community Development Financial Institutions (CDFIs) that rates the Impact Performance and Financial strength of CDFIs. In rating the impact performance (on a scale of AAA, AA, A, B)¹⁶ the impact rating system measures four key criteria as noted in CARSTTM including how well the CDFI tracks the actual outcomes of its work for individuals and communities of disadvantaged areas.

These examples show how trade organizations such as CDVCA and the Opportunity Finance Network set forth voluntary reporting systems for venture capital funds and community development loan funds. In addition, venture capital funds that are certified Community Development Finance Institutions (CDFIs) (e.g. CEI Ventures) also

¹⁴The Community Development Venture Capital Alliance (“CDVCA”) is the national trade association of community development venture capital (“CDVC”) funds. CDVC funds provide equity capital and technical assistance to businesses that create jobs and promote economic development in low- and moderate-income areas within the United States.

¹⁵ The Opportunity Finance Network “has been providing loans and investments to CDFIs since 1990, financing 61 CDFIs with more than \$59 million to support the development of affordable housing, small businesses, community facilities, and financial services in low-income urban and rural communities across the United States (http://www.opportunityfinance.net/financing/finance_main.aspx?id=44).

¹⁶ The Financial Strength and Performance is rated on a scale of 1 to 5 using CAMEL (Capital, Assets, Management, Earnings, Liquidity) analysis of the CDFI to assess their overall creditworthiness based and financial performance (http://www.opportunityfinance.net/financing/finance_sub4.aspx?id=56).

report on the extra financial outcomes as a requirement for federal financing. CDVCA and the Opportunity Finance Network are members of the CDFI Data Project (CDP), supported by the Ford and MacArthur Foundations, a collaborative initiative to create a data collection and management system for the community development finance field. CDP collects data across all industry sectors including community development venture capital funds, as well as community development loan funds (including micro-enterprise funds, housing funds, community facilities funds, and business funds), community development credit unions, and community development banks.

Research centers at universities are also becoming more engaged in measuring the social impacts. An example of a university based research initiative is the Research Initiative on Social Entrepreneurship (RISE), a research project based at Columbia Business School whose mission is to “study and disseminate knowledge about the markets, metrics and management of for-profit and nonprofit social enterprise and social venturing (<http://www.riseproject.org/>).” Other organizations broadly measure social impacts of companies such as REDF (formerly known as the Roberts Enterprise Development Fund) that, “promotes the use of social impact data to inform and improve real-time practice for the organizations we support and for ourselves. We see measurement as an integral part of how we conduct business (www.redf.org)” and completed the OASIS (Ongoing Assessment of Social Impacts) Report.

The research thus far has highlighted a small group of investment vehicles and organizations engaged in measuring the social outcomes. The industry will continue to grow as institutional investors require such metrics as a condition for investment. Firms either independently through their for-profit and not-for-profit arms or with consulting companies and university research centres are engaged in measuring the extra financial outcomes. To better understand the types of metrics evaluated, we move on to a discussion of the social and green outcomes.

4. SOCIAL OUTCOMES

There are various metrics used to assess the social impact of investments in underserved communities. Social outcomes measured can be looked at in terms of two core social benefits: employee benefits and community benefits. The employee benefits

assessed by firms engaged in the process track wages, career mobility, health benefits (medical, dental, vision, family coverage, life insurance), wealth creation benefits (bonuses, 401(k) stock option plans, IRA plans, employee stock ownership plans (ESOP), equity sharing, financial literacy programs), woman and minority ownership, training towards homeownership, and educational programs to cultivate skilled employees. In terms of community benefits, outcomes tracked can include environmental benefits, export-oriented sales,¹⁷ the investment's ability to grow the state and local community tax base, reduced crime rates, and decreased number of individuals on public assistance. Finance academics, assessment experts, and finance practitioners all may interpret the outcomes (measurable positive results for the employee and the community) differently. Processes in place to assess the employee benefits described include the gathering of information from companies through company questionnaires and review of internal company reports.

Measuring the outcomes requires the use of definitions as illustrated in the CDVCA Measuring Impacts Toolkit such as “target employees” and how to define a job that entails employees, full-time equivalents, full-time employees, and part-time employees.¹⁸ Firms engaged in the process work hard to ask the right questions rather than try for too much information that might be impossible to collect. They attempt to assess whether the outcomes have an impact in the community and meet the larger business and social objectives. Outcomes measured can often depend on the organization's mission and strategy.

¹⁷ In the case of Venture Capital funds, as noted in the CDVCAs Measuring Impact Toolkit (2005, p.22), “Companies that are VC-funded are especially likely to be export oriented because their rapid growth requires a national or even international market for their ultimate success. The Core Survey asks for the percentage of sales out of state and out of the country.”

¹⁸ The CDVCA Measuring Impacts Toolkit (MIT) (2005, p.7-8) “defines “target employee” an employee whose hourly wage (or salary) is 80 percent or less of the area median income (AMI). For companies in urban areas, the AMI is the metropolitan statistical area's (MSA) median family income; for rural areas the AMI is the state's non-MSA median family income. The MIT includes an electronic spreadsheet with AMIs for all of the MSAs in the country and non-MSA AMIs for each state...” The MIT Core Survey requests four numbers related to employment impacts: “full time employees at time of investment, part-time employees at time of investment, average hours worked by part-time employees; and number of “target employees, a fifth indicator, full-time equivalents or FTEs, is calculated from the first three measures”.

Metrics are often investor driven and relate directly to a firm's theory of change or roadmap for change.¹⁹ For example, the Heron Foundation's mission is to help people help themselves through wealth creation. As such they are interested in creating business enterprises in low-moderate income areas that result in job creation and include not only an increased payroll, but also self-sustaining benefits such as wealth-creation and home ownership opportunities.

Investors can prescriptively outline their social objectives as seen in the CalPERS example. The Chair of the CalPERS Investment Committee, stated in a Press Release on the California Initiative (March 6, 2007) the metrics of interest to CalPERS, "...three key benchmarks of underserved markets: companies that have limited access to capital, companies that employ workers who reside in economically disadvantaged areas, and companies that have female and/or minority management (CalPERS and Pacific Community Ventures 2007)." In February 2007 Pacific Community Ventures (PCV) issued their second report for CalPERS "California Initiative Impacting California's Underserved Communities: Taking a Second Look". PCV reported to the CalPERS Investment Committee in February of 2007 on the outcomes to date of the California Initiative:

PCV reported that 131 companies were in the California Initiative Program as of June 30, 2006. They represented a full spectrum of businesses, ranging in size from three to more than 22,000 employees. The vast majority of them are in California. Employment grew by 7 percent at 56 companies that have been in the portfolio since before June 30, 2005, and that provided data in 2005 and 2006. Almost 40 percent of the companies' California employees were residents of low-to-moderate income areas. Central Valley employment at California Initiative companies grew by 13 percent" (CalPERS, 2007).

The data reflects social outcomes such as 7% of employment growth and 40% of employees being residents of low-to-moderate income areas. This appears to be a direct

¹⁹ Organizational Research Services (2004) explains in practical terms the notion of the "theory of change" in terms of creating a roadmap for how an organization's theory of how change is produced. Organizational Research Services (2004,2) report that it is about developing an "outcome map...{that} reflects your community's view of how change occurs". Theory of change work should create two products: "...outcome map {and} list of assumptions about change".

positive social impact for residents of low-to-moderate income areas from CalPERS' investment, through the fund-of-funds, in the 56 California companies.

PCV helps low-income communities in California through networks, assets, and information and assesses outcomes reflected in their "Community Benefit Reporting". PCV is continually refining how they assess investing in the underserved markets. They can show by zip code where venture capital firms invest and in which underserved communities. They identify companies (financed and advised businesses) that offer health insurance, provide living wages, and have woman or minority owned representation among other metrics. For example the PCV Social Return Executive Summary (2007, p. 2-3) reported that, "At the end of 2006, there were 947 designated {lower-income} employees working at 46 advised companies. Throughout the course of 2006, 531 designated employees worked at PCV's eight financed companies and, on average, 92% worked on a full-time basis each quarter. 100% of financed companies and 74% of advised companies offer health benefits to eligible designated employees. This exceeds the proportion of firms in the U.S. (61%) and California (71%) providing health insurance in 2006.

Establishing a positive working relationship with the company invested in is key to data accumulation. The for-profit fund manager will often engage the company in the process of measuring the social outcomes by requiring the CEO to sign a letter of intent locking in the commitment from the CEO to measure the ancillary benefits. For example, in the case of SJF they perform a "Community Development Assessment" with the company prior to investment to assess the types of jobs created, benefits, and environmental outcomes. The SJF Advisory services component may be able to assist the company with benefits and potential employee training grants among other factors (Hagerman, 2007).

As part of SJF's Mission Results Report (2007) they conduct a survey that includes questions about employee compensation and benefits, training opportunities, environmental outcomes, and best practices. Outcomes examined include: entrepreneurial assistance, employment, workforce innovation, clean-tech innovation, and amount of additional investment leveraged. In the employment metric for example,

of SJF's 18 portfolio companies 1,228 new jobs were created with 75% of the jobs going to low-moderate income individuals (Broughton and Sturman, 2007).

CEI Ventures also locks in the commitment from the investment company through their Employee Training and Assessment Agreement (ETAG). As a condition of investment in a portfolio company CEI requires the company to sign an ETAG that locks in the firm's commitment to hire low-income individuals among other social benefits. ETAG measures ancillary benefits that include 46 social indices including: pre and post investment employment (female and minority employees), jobs created (low-income and ex-public assistance), employee benefits (health, dental, retirement, child care and educational assistance), jobs with profit sharing, and export-oriented sales among other outcomes. ETAG is assessed over a ten-year cycle to reflect pre-investment levels in comparison to after the fund's exit on the investment. The Coastal Ventures Limited Partnership Fund I now at the end of this process is reflecting quantifiable results on all social indices.

The community development partner is equally important in the process and can ensure that the social goals are realized. The Los Angeles Sports and Entertainment District included a comprehensive CBA or referred to as the "Staples CBA" (Gross et al., 2005) and incorporated into the agreement that, among other benefits, a goal of 70% of the jobs created in the complex will pay the city's living wage and that the hiring program will provide job opportunities to low-income individuals and those displaced by the project. These benefits were negotiated through a broad coalition of community groups and activists working collaboratively to achieve their individual agendas.

In addition to private equity venture capital funds, equity real estate funds are also active in measuring the extra financial outcomes. For example social objectives targeted by the USA Fund (a New Boston Real Estate Fund) in their first double bottom line fund identify 12 measures of success for meeting their social objectives as detailed in appendix table 6. These include factors such as housing units created, permanent and construction jobs created, and ability to stimulate third party economic development in the area. The ability to partner with local community development corporations and developers to ensure involvement with the local community in the projects is also assessed.

In addition to the social outcomes, measuring the green outcomes is also important as increasingly the investment fund's business model is based on green initiatives. The next section examines the types of environmental metrics and associated green initiatives.

5. GREEN OUTCOMES

As the planet faces climate change and other environmental issues, measuring our ability to lessen our impact on the environment is an important consideration. The 1973 oil crisis gave America a warning signal to reduce consumption of energy derived from fossil fuels. Regrettably, the opportunity to aggressively move towards alternative forms of renewable energy was missed.

Now in the 21st century as oil prices and greenhouse gases rise, the ability to curb carbon emissions through “smart growth” developments, sustainable energy policies, and investments in clean-tech is increasingly important. We are seeing more research and innovation in energy saving policies, adoption of low-carbon energy generation technologies, and transit accessible developments aimed at reducing CO₂ emissions. Factors that play a role include a companies' ability to gain green credentials and be recognized for their positive impact on the environment. Real estate development construction, material use, and energy conservation can all be monitored.

Private venture capital funds are having a role through investments in innovative clean-tech companies and renewable energy initiatives. A necessary component is the ability to track and monitor the success of such environmental initiatives. Private equity firms are now capitalizing on the burgeoning “green” market as companies in clean-tech and renewable energy market their environmental niche.²⁰ We are seeing large public sector pension funds are joining the “green wave” revolution by adopting investment policies aimed at achieving environmental outcomes.

²⁰ As Thomas L. Friedman notes in the New York Times Magazine (April 15, 2007, 50) article, The Greening of Geopolitics; “The only thing as powerful as Mother Nature is Father Greed. To a degree the market is already at work on this project—because some venture capitalists and companies understand that clean-tech is going to be the next great global industry. Friedman further notes in the article (p.12), “Clean-tech plays to America’s strength because making things like locomotives lighter and smarter takes a lot of knowledge—not cheap labor. That’s why embedding clean-tech into everything we design and manufacture is a way to revive America as a manufacturing power.”

In 2004 former State Treasurer Phil Angelides launched a “Green Wave”²¹ environmental investment initiative to “bolster financial returns, create jobs, and clean up the environment” (California State Treasurer’s Office Press Release, February 3, 2004). Further in a recent Business Week article, *Investors Call on Congress to Go Green* (March 20, 2007) CalPERS CEO Fred Buenrostro commented, "Global warming presents enormous risks and opportunities for U.S. businesses and investors, {t}o tap American ingenuity and drive business to a leadership position in the low-carbon future, we need regulations to enable the markets to deploy capital and spur innovation." Given the increased attention from institutional investors in green initiatives, it will become increasingly important to measure and validate the green outcomes.

Measuring the green outcomes can often involve an external third party to validate the information. The United States Green Building Council, for example, acts as the third party validating organization for certification of “environmentally friendly” developments. The Council, established in 1998, is a nonprofit, national advocacy and educational organization that certifies that buildings are environmentally friendly. The organization is the source of the Leadership in Energy and Environmental Design (LEEDs) rating system whose standards certify if a building is environmentally friendly through outcomes such as a building’s energy efficiency, water savings, and indoor air quality among other factors.²² LEED also has a program for professionals to become a “LEED Accredited Professional”. While green building classification is relatively new a recent New York Times article *Finding the Green in Building Renovation* (January 10,

²¹ “The four-pronged initiative calls on the State’s two large public pension funds CalPERS and CalSTRS – to marry the jet stream of finance and capital markets with public purpose by committing \$1.5 billion to investments in cutting-edge technologies and environmentally responsible companies. The goal of the initiative is to improve long-term financial returns for pensioners and taxpayers through investments in the burgeoning environmental technology sector, while also reducing the risks to the pension funds posed by corporate environmental liabilities” (California State Treasurer’s Office Press Release February 3rd, 2004).

²² “LEED-certified buildings: are leading the transformation of the built environment, are built as designed and perform as expected, have lower operating costs and increased asset value, are healthy and comfortable for their occupants, reduce waste sent to landfills, conserve energy and water, reduce harmful greenhouse gas emissions, qualify for tax rebates, zoning allowances, and other incentives in hundreds of cities, demonstrate an owner's commitment to environmental stewardship and social responsibility (<http://www.usgbc.org/DisplayPage.aspx?CMSPageID=64&>.)”

2007) addressed the issue as Doug Gatlin, Director of the Green Building Council's certification commented,

From an environmental standpoint, if we really want to address climate change and water conservation, the bigger opportunity is in existing buildings... but the greater value to the commercial owners and managers is, in a few years, if you don't have a green building, you won't be able to charge the highest rent.

Green building classification and other environmental standards will clearly become more important as investors and fund managers appreciate the associated financial and environmental gains.

Another standardized reporting agency on the environmental outcomes is the earlier mentioned International Organization for Standardization (ISO), a network of national standards that produces "generic management system standards" such as the ISO 9000 (universally accepted quality standards in manufacturing) and the newer ISO 14000/14001 Environmental Management Systems (EMS) that is concerned with environmental management.²³ The management systems provide a framework to improve processes to meet a firm's business and environmental goals. The organization's management systems may involve external certification, registration and accreditation.

Cherokee Investment Partners, a private equity firm that specializes in remediation of brownfields is one of the few private equity firms to have received their ISO 14001 certification in Environmental Management Systems (EMS) and notes that the firm continues to provide increased business and environmental value through better processes and regulatory compliance. The certification process is a rigorous one in which Cherokee demonstrates to management that they have achieved their environmental targets. The certification allows Cherokee to earn the trust of their stakeholders that they can responsibly manage the environmental risks and liabilities associated with the remediation of brownfields. It is worth noting that one of Cherokee's investors

²³ ISO defines Environmental management as the way an organization goes about its work, and not directly the result of this work. In other words, they both concern processes, and not products - at least, not directly... In the case of ISO 14000, the efficient and effective management of processes is going to affect whether or not everything has been done to ensure a product will have the least harmful impact on the environment, at any stage in its life cycle, either by pollution, or by depleting natural resources (http://www.iso.org/iso/en/iso900014000/understand/basics/general/basics_4.html)

themselves has achieved their ISO certification thus strengthening the investor's view of Cherokee.

Cherokee's EMS acts as a framework for the firms' environmental programs and processes for effective implementation. The management systems help the firm achieve their overall business goals to manage and mitigate their risks and liabilities. The EMS also sets forth the development of public communications through a Sustainability Report. The 2005 Sustainability Report illustrates the firm's larger impact on the community noting, for example, that per the Environmental Protection Agency "For every urban brownfield acre cleaned up, 4.5 acres are preserved. To date Cherokee's work has preserved approximately 20,000 greenfield acres" (Cherokee Investment Partners, 2005). In 2006 Cherokee properties purchased preserved 250 acres of open space and wetlands and indirectly another 2,700 through urban brownfield development (Cherokee Investment Partners, 2006)

While both the EMS and Sustainability Report provide direction and outcomes on the firm's environmental and sustainability reports, the firm also carries out project assessments on individual brownfield sites. In this case, at a minimum, the "sustainability implementation plan" for each site may assess the treatment of environmental issues such as general good management processes, demolition management (e.g. sedimentation and erosion control), material handling (e.g. recycling efforts), equipment use (e.g. biodiesel fuel), and protection of natural habitats and preserves among other factors. The sustainability implementation plans can be validated through an external third party auditor. Cherokee also asks their service providers and contractors to complete a "pre-qualification questionnaire" and seeks information on the firm's internal processes that aim to reduce the firm's environmental impact (e.g. recycling, water efficiency), "this is not just about a value issue but it is a quality issue as such processes lead to better firms". In addition, third party external agencies can audit a companies' compliance with their environmental regulations and sustainability plans (Interview, 2007h).

Turning to an example in the community development lending business, Coastal Enterprises Inc. (CEI), the nonprofit parent company of CEI Ventures is active in

measuring the green outcomes. CEI currently measures the environmental outcomes on loans through their “EcoTag environmental agreement” that can include incentives such as a reduced interest rate on loans as a reward for a high environmental score (e.g. reductions in energy consumption and green house gas emissions.). Further, CEI, in collaboration with Shorebank Enterprise Cascadia and nine CDFIs,²⁴ created a triple bottom line (TBL) investment scorecard.

TBL is a collaborative project lead by CEI and Shorebank Enterprise Cascadia along with nine CDFIs. TBL has moved beyond Economic and Equity indicators to include the third E—Environment and can be found in appendix table 5.²⁵ The collaborative effort is funded by the Ford Foundation and is now in its second phase with the intent of engaging others in the field²⁶ to think about the third environmental metric. The TBL Collaborative Investment Scorecard tracks various metrics across the three Es. An investment qualifies as a triple bottom line investment if there is at least one measurable metric in each of the three triple bottom line categories—Economy, Equity, and Environment (Interview, 2007i).

Another way for venture funds to formalize their environmental awareness and accountability is through their association with the environmental and investor coalition CERES. The global standards agency CERES spearheaded, in partnership with the United Nations Environment Programme (UNEP), the Global Reporting Initiative (GRI), the first global framework for a comprehensive sustainability reporting by corporations, governments, and non-governmental organizations on economic, environmental and

²⁴ ShoreBank Enterprise Cascadia is a ShoreBank Corporation affiliate, the oldest Community Development Finance Institution in the country, established to assist natural resource dependent communities strengthen their economic, environmental and social conditions. Shorebank provides financing and information to develop affordable housing, community centers, and small businesses. Products include a revolving loan fund and a product innovation fund. Shorebank encourages energy-saving "green" design to protect vital natural resources. Some of loan products are specifically designed for certain places or special needs (for example, septic system loans, new value-added products, or brownfield clean-up) <http://www.sbpac.com>.

²⁵ According to the CEI Environmental metric in the Triple Bottom Line Investment Scorecard (2006) is defined as, “Environment—The purpose of these metric category is to measure both increasing positive and reducing negative effects on nature’s macro systems through sustainable management of resources, by protecting water quality and systems, through reduction in material use, toxics, energy consumption and greenhouse gas emissions.”

²⁶ As of January 2007 the CFI Fund certified 778 institutions as CDFIs, of which 27 are venture funds. http://www.cdfifund.gov/news_events/speech32207.asp

social issues. Venture capital funds can become CERES companies by adopting the CERES principles and committing to sustainable environmental metrics.²⁷

Measuring the environmental initiatives is an important component of doing good business and is a way to evaluate whether a firm is on track in realizing their interrelated business and environmental goals. A companies' business mission may include innovative green strategies—their competitive advantage. In effect the financial and environmental returns are intertwined and as such it is essential for the returns to be measured to assess the companies' ability to reach their larger business objectives. For example, SJF Ventures mission is to help visionary entrepreneurs whose business model benefits society, the environment, and their employees.

SJF portfolio companies measure clean-tech innovation as seen by companies that recycled tons of materials, provided energy efficient consulting, or reduced water consumption in agricultural fertilization and eliminated nutrient chemical runoff.²⁸ In addition 7 of the 13 portfolio companies have company wide energy savings efforts and recycling programs. Sixty seven percent of SJFs portfolio companies purchase recycled or refurbished products (Broughton and Sturman, 2007).

Tracking the environmental outcomes can also be important for increasing overall profitability and thus coming full circle in achieving higher financial and extra financial

²⁷ Requirements for becoming a CERES company as noted on the organizations website (www.ceres.org) include: “executive-level commitment to improve environmental and social performance using the CERES Principles as a starting point. Public disclosure of this commitment by reporting on objectives, targets and performance in a sustainability report, Global Reporting Initiative report, annual report, environment and/or community report. CERES and coalition engagement in the development and review of this reporting. Ongoing stakeholder engagement and response to input from stakeholders is considered and integrated into company actions. Continuously improve both performance and reporting on sustainability issues. Annual fee scaled to reflect corporate revenues, ranging from \$200 to \$35,000”.

²⁸ SJF Ventures portfolio companies include investments in a myriad of companies that produce environmental results such as: Intechra (electronics recycler and information asset disposition company), BB Hobbs (water conservation and minimization of agricultural fertilizer runoff), GroSolar (installs efficient solar energy systems in new and existing homes and businesses) Evco research (recyclable products and utilizes recycled PET soft drink bottles), Foxfire printing and packaging (seeks to use environmentally sound inks and recycled paper scrap), Real win/win (energy efficient strategies in lighting, HVAC (heating, ventilating, and air conditioning) and building management) Salvage direct (efficient automotive recycling), Selectech (New England leader in converting scrap plastic into value added products, saving energy and resources), and R24 lumber (waste reduction and reduction of need for virgin timber),

returns. A firm may seek to achieve a green business certification and in the process find ways to save on, for example, water utility usage, reducing expenses and improving profitability. Labcyte provides an example as the company achieved their green business certification and reduced utility bills and increased overall profitability. Labcyte issued a press release (July 18, 2006) on their “Green Business” certification. The company is one of the first high-tech manufacturing companies in Sunnyvale, CA to receive their Green Business certification.²⁹ One of Labcyte’s investors, the JP Morgan Bay Area Equity Fund (BAEF), assisted Labcyte in obtaining their certification. The Vice President of Manufacturing and coordinator of the Green Business initiative at Labcyte commented on the program and its benefits:

Labcyte is committed to protecting the environment. We have implemented practices that decrease energy and water consumption. We have also reduced the amount of waste going to the landfills. In addition to being good for the environment, these practices reduce our operating costs.

In the case of Labcyte, the company received immediate and concrete financial feedback from its efforts to get certified as a green business: the company discovered that its landlord had been allocating a portion of the water bill to the company for a part of the building complex it did not rent. Labcyte received an immediate refund for this error (Interview, 2007j).

The Contra Costa County Retirement system, a public sector pension fund in Contra Costa, California, is an investor in BAEF and interested in seeing how their investment is benefiting not only the pension fund beneficiaries but also the environment in which they live and work. In addition to energy efficient companies, energy efficient buildings can also economize utility costs and may enjoy tax credits on energy savings programs. They would thus increase overall profitability—which could mean higher employee wages as a measurable social outcome.

The green outcomes are being measured and increasingly important as firms integrate green initiatives into their business models and investors seek quantifiable

²⁹ The Green Business program is a free, voluntary program run through the Santa Clara Green Business Program encouraging businesses to implement sustainable practices in business operations that go beyond regulatory requirements in lowering pollution, reducing waste, and conserving resources.

results. We see the future in developments powered by renewable energy (sunlight, wind, water, geothermal) and bio-fuel, and real estate developments with green buildings. An investment in a product or development that has a positive environmental benefit is good for investors as well as the community. Determining the success of these investments is not only in the financial returns but also in the environmental returns intrinsic to the business model. As such we will continue to see a greater emphasis and rigor placed on measuring the green returns.

6. CONCLUSION

Community-based investing is about sustainable and equitable development that creates diverse and healthy communities. The success of these investments lies not only in the financial returns but also the social and green returns. In the community-based investing industry investment vehicles seek to outperform the market (alpha) and yield risk-adjusted market-rate returns to the institutional investor. Monitoring their ability to innovatively achieve the extra financial measurements (that connects with investment objectives) translates into both financial and non-financial success. Gathering data and information and establishing monitoring systems on the extra financial outcomes will increasingly become standard practice.

Transparency and benchmarking of the outcomes creates a level playing field within the community-based investing industry. The heterogeneity of the types of investments, classification, geography, and investor type make it a challenge to reach a universally accepted benchmark for double bottom line investments. The level of detail in tracking the outcomes varies among organizations depending on dedicated resources. Standardization in measuring the outcomes allows for benchmarking against industry peers and ensures the outcomes are meaningful. However, as seen in the corporate accounting world, establishing reporting standards is a lengthy and arduous process. Standardization of the outcomes in community-based investing is a challenge and requires a commitment from the industry and its stakeholders. Validating the information against an industry accepted benchmark and through external auditors is a necessary component. In measuring the environmental outcomes there is often a validation process that includes a third party auditor.

While no industry benchmark or type of social purpose index formally exists, firms can compare their outcomes to national standards such as living wage statistics, national figures for employer based health coverage plans, and percentage of women and minority ownership representation in national and state companies. Firms can develop their own internal standards and methodology in measuring the social and environmental outcomes and impact of their investments. The CDVCA Measuring Impacts Toolkit successfully started the standardization process with a metric template for venture capital firms to adopt and use. The Opportunity Finance Network has created the impact rating system (CARS) for CDFIs. The larger CDFI Data Project working with CDVCA and the Opportunity Finance Network is looking into how to collaboratively gather the data.

Measuring the outcomes varies depending on the goals of the investment vehicle and the investor. Often a firm's targeted ancillary benefits and their business model (investment objectives) are directly aligned. Firms and investors aim to match their business strategy with targeted results through the measurement of the outcomes (financial and social) and the larger impact of the investment on society. As such the social and financial outcomes are equally important as barometers of an investment's impact on the underserved market.

One of the challenges going forward is balancing tensions among investors (foundations, pension funds, banks, and insurance companies) with regard to investor preference and pressure placed on investment vehicles to measure the extra financial returns. The extent to which an investor monitors the ancillary benefit can be a factor of the investor's larger purpose and mission. For example, a foundation may be more actively engaged in pursuing the non-financial outcomes on their investments as it directly aligns with the overall mission of a foundation—to improve the lives of low-moderate income individuals.

Alternatively, other institutional investors such as public pension funds and insurance companies³⁰ may not place as much importance on the extra financial

³⁰ Institutional investors such as banks may be more apt to track the social returns as required for the Office of the Comptroller's (OCC) rating in compliance with the Community Reinvestment Act (CRA). Other federally sponsored venture capital programs such as the Small Business Investment Corporation (SBIC) or Community Development Financial Institution (CDFI) also qualify for CRA credit.

outcomes, although this is changing. In the case of the Massachusetts Pension Reserve Investment Management Board, the pension fund demands the ancillary benefits on their investment to report to their board of trustees. The investor with the largest investment can often dictate the extent to which the social and environmental outcomes will be measured by the investment vehicle. Trade organizations of investors such as the Small Business Investment Alliance (members include banks, foundations, and community development corporations) aim to increase awareness of the benefits of investing in venture capital funds and may consider issues such as how to create common social indicators sought among investors.

Measuring the social and environmental returns, a costly and labour intensive process, requires a commitment at the investment vehicle level to put resources to work in this area. Firms sometimes sacrifice resources (time and capital) that yield less than credible results. Perfecting the usefulness and accuracy of the information is a skill that demands a balance between the feasibility in measuring the data and credibility of the data. Time is money and the investment vehicles first objective is to yield competitive rates of return to the investor. The commitment from the fund manager, at the initial time of investment, to gather and collect data is essential. The investor can often drive the process and lock in the fund manager's commitment to gather the social and environmental outcomes of the investment. A not-for-profit advisory services arm (of the for-profit investment manager) analyzes and reports on the ancillary benefits of the for-profit investments. This can be a successful model for delivering the social and green returns.

Incorporating the social goals directly into the investment criteria is important to ensure tracking of the extra financial outcomes. We see how incorporating a contract (e.g. "Community Development Assessment", "Employment and Training Assessment", or "EcoTag Environmental Agreement") to track the social and green returns as a condition for capital investment is crucial for collection of the data. In order to place additional investment in the underserved markets practitioners will increasingly engage in

rigorously measuring the social and environmental outcomes.³¹ As investors demand to see the ancillary benefits on their investments, we will see more firms collecting and analyzing the data. Partnerships between investors, investment vehicles, and third party research organizations also play an important role in measuring the social and green outcomes.

Another challenge is assessing if the extra financial outcomes would have happened anyway regardless of the investment. This is considered the “but for” factor in determining the true cause of the outcomes that is, whether a direct result of the investment or other economic activity. The employee and community outcomes could also be a result of perhaps simultaneous economic development activity generated in the area and precisely determining the cause is difficult.

Tracking the ancillary benefits is not only about satisfying an investor’s reporting requirement but it is also about saving money and increasing profits. On the social side for example the cultivation of skilled employees retains jobs and saves money on recruiting costs. On the environmental side, green business certification gains credibility and trust among investors and leads to securing more institutional dollars on future investments. In effect measuring the social and green returns furthers the larger goal to achieve high financial and non-financial returns on an investment.

Looking ahead we see that rigorous measurement of the social and green returns by investment fund managers will put those managers producing quantifiable results at a competitive advantage. Data for measuring relevant indicators is being systematically gathered by means of a core survey and enhanced modules, as evidenced by the CDVCA templates, and through annual employer interviews and quarterly employment reports. As practitioners commented in the CDVCA Measuring Impacts Toolkit, it is important to gather the correct answers to the right questions rather than too much information that may be impossible to collect. A company that rigorously seeks the ancillary benefits of their investments leads to better employees, better companies, and better profits that come back to the institutional investor.

³¹ CalPERS’ second California Initiative investment showed the importance of measuring the ancillary benefits of these investments as the \$500 million commitment to Hamilton Lane was contingent on Hamilton Lane’s rigorous tracking of the extra financial returns.

Tracking of the social and green outcomes is needed to document whether the investments are in fact producing benefits beyond the financial. As double bottom line investments seek profits first, the more the business case can be made for tracking such outcomes the more investment intermediaries will take part in the process. Success in measuring the extra financial outcomes is dependent on cooperation among the investors, investment intermediaries, and the investment companies or developers. If there is a break in the process assessing the outcomes can be very challenging. We will see more firms and investors take part in measuring the extra financial outcomes as the industry grows. Community-based investments are producing more than a profit and investors, investment vehicles, and firms will continue to collaborate in achieving meaningful and quantifiable social and green outcomes.

7. REFERENCES

Broughton, C., and Sturman, J. (2007) SJF Advisory Services Mission Results Report. <http://www.sjfund.com/index.php?id=18>.

CalPERS and Pacific Community Ventures (2007) California Initiative Impacting California's Underserved Communities: Taking a Second Look. February: <http://www.calpers.ca.gov/eip-docs/about/board-cal-agenda/agendas/invest/200702/item05b-02.pdf>.

CalPERS (2007) California Initiative Program is on Track. March: <http://www.calpers.ca.gov/index.jsp?bc=/about/press/pr-2007/march/initiative-program.xml>.

Cherokee Investment Partners, L. L. C. (2005) Sustainability Report. <http://www.cherokeefund.com/risk.html>

Cherokee Investment Partners, L. L. C. (2006) Sustainability Report. <http://www.cherokeefund.com/risk.html>.

Clark, C., Rosenzweig, W., Long, D., and Olsen, S. (2004) Double Bottom Line Project Report: Assessing Social Impact in Double Bottom Line Ventures Methods Catalog. January: www.riseproject.org/DBL_Methods_Catalog.pdf .

Clark G.L., Hebb T., Wojcik, D. (2005) Institutional Investors and the Language of Finance: the Global Metrics of Market Performance. *Oxford University Centre for the Environment*, WPG 05-05: 1-30.

Cole, S., and A. Zimmerman (2006) Triple Bottom Line Collaborative Investment Scorecard. Wiscasset, Maine: Coastal Enterprises, Inc.

CDVCA, Community Development Venture Capital Alliance (2005) Measuring Impacts Toolkit. <http://www.cdvca.org/media/research/mit.php>.

Flynn, E., et al. (2007) The Double Bottom Line Handbook: a Practitioner's Guide to Regional Double Bottom Line Investment Initiatives & Funds. *Ford Foundation*, 1-176.

Hagerman, L. A. (2007) Investment Intermediaries: Channelling Capital Flow. *Inner City Economic Forum Newsletter*, April <http://www.innereconomicforum.com/sitemanager/vsmICEF/bin/smRenderFS.php>

Hagerman, L. A., Clark, G.L., Hebb, T. (2007) Investment Intermediaries in Economic Development: Linking Public Pension Funds to Urban Revitalization. *Community Development Investment Review of the Federal Reserve Bank of San Francisco*, 3 (1): 45-65.

Hagerman, L. A. (2006) Summary Proceedings of the Regional Investment Roundtable on Pension Funds & Urban Revitalization. *Pension Funds and Urban Revitalization Initiative Investment Roundtable, Federal Reserve Bank of Boston*, December <http://urban.ouce.ox.ac.uk/network/notes061206.pdf>.

Hebb, T., and Wójcik, D. (2005) Global Standards and Emerging Markets: the Institutional Investment Value Chain and Calpers' Investment Strategy. *Environment and Planning A*, 37(11): 1955 – 1974.

Interview (2007a) Pacific Community Ventures. San Francisco, CA.

Interview (2007b) SJF Advisory Services. Durham, NC.

Interview (2007c) CEI Ventures. Portland, ME.

Interview (2007d) Oregon Investment Fund. Portland, OR.

Interview (2007e) Center for Community Capitalism. Chapel Hill, NC.

Interview (2007f) Community Development Venture Capital Alliance. NY. NY.

Interview (2007g) Cherokee Investment Partners. Raleigh, NC.

Interview (2007h) Coastal Enterprises, Inc. Wiscasset, ME.

Interview (2007i) JP Morgan Bay Area Equity Fund. San Francisco, CA.

Kaplan, R.S., Norton, D.P. (1992) The Balanced Scorecard: Measures That Drive Performance. *Harvard Business Review*, 70 (1): 71-79.

Lowenstein, L. (1996) Financial Transparency and Corporate Governance: You Manage What You Measure. *Columbia Law Review*, 96 (5): 1335-62.

Massachusetts Pension Reserves Investment Management Board (2007) Prim Board ETI Quarterly Update Form. *PRIM Board ETI Quarterly (3Q) Update Form*, Boston, Massachusetts.

Okagaki, A. (2003) Shorebank Enterprise Pacific: a Triple-E System of Metrics. *Report to the Meyer Memorial Trust, Shorebank Corporation*, Chicago, Illinois.

Organizational Research Services (2004) Theory of Change: a Practical Tool for Action, Results and Learning. *Annie E. Casey Foundation*, www.organizationalresearch.com .

Salo, J. (2005) The Emergence of Non-Financial Rating Agencies for the Promotion of Global Standards: an Assessment and Empirical Analysis of Two Proprietary Database. *Oxford University Centre for the Environment*, WPG 05-01: 1-35.

Pacific Community Ventures (2007) Social Return Executive Summary: Expanding Reach, Increasing Social Return. April:
<http://www.pacificcommunityventures.org/publications/reports.html>.

Ratcliffe, J. (2007) Who's Counting? Measuring Social Outcomes From Targeted Private Equity. *Community Development Investment Review of the Federal Reserve Bank of San Francisco*, 3(1): 23-38.

Salo, J. (2005) The Emergence of Non-Financial Rating Agencies for the Promotion of Global Standards: an Assessment and Empirical Analysis of Two Proprietary Database. *Oxford University Centre for the Environment*, WPG 05-01: 1-35.

Appendix Tables

Table 2 MassPRIM ETI Quarterly Update—Q2 2007

Source: PRIM ETI Executive Office 2007³²

Asset Class Real Estate Quarter Ending 6/30/07

Firm Canyon-Johnson Urban Fund II, L.P.

AUM \$7,642,000* Committed Capital: \$20,000,000 Capital Called: \$8,569,405

*from PRIM's Mellon Performance Report

Program Objective

The Canyon-Johnson Urban Fund II, L.P. was formed to identify, enhance and capture value through the development and redevelopment of real estate in densely populated, ethnically diverse urban communities. The Fund's objectives are to seek current income and capital appreciation and, in addition to meeting its investment goals, Canyon-Johnson II is committed to providing for and fostering economic opportunities for the residents of the urban neighborhoods in which the Fund invests. Canyon-Johnson Urban Fund II is a successor to Canyon-Johnson Urban Fund, L.P.

Residual Benefits of Program in Massachusetts

CJUF II called capital of \$12,000,000 for deal in Charlestown, MA (Metro) that includes converting a former bakery into 146 for-sale condominium units – 15 affordable and 131 market-rate plus 190 parking spaces, thus supplying the state with construction employment and work force housing.

CJUF II is also negotiating and evaluating over \$500 million of potential redevelopment and development opportunities in South Boston, the Theatre District, Medford and Roxbury. Participation in these potential projects will support several hundred construction and permanent jobs as well as improve formally distressed areas.

Job Creation Matrix State of Massachusetts Only

Property Name: Brighton Street, Charlestown, MA - Mezzo

Total Jobs Created (e.g. Building Trades, Electricians, Operating Engineers): 221

³² Note the full report details financial performance as well, however, at this stage of the investment the returns are not meaningful for purposes of this study.

Table 3 CDVCA Core Survey

CORE SURVEY -- INSTRUCTIONS Social Impacts of Portfolio Company

COMPANY INFORMATION

- 1 **Legal name of company (e.g., ABC Manufacturing, Inc.)**
Enter the full legal name of the company (e.g., ABC Cleaning, Inc., Big Chef, LLC). Include commas and periods as appropriate.
- 2-3 **Address**
Enter the complete mailing address of the company's headquarters or main plant. For firms with more than one facility enter the facility where the majority of the employment is located. Use the street address. Do not use PO box. Only street addresses can be mapped to census tracts (in order to determine income category of the tract; e.g., low-, moderate-, medium-, or upper-income, and whether the company is located in a designated economic development zone. See "Locational Characteristics" below for more details.)
- 4 **State**
Use the standard two letter abbreviations for the states.
- 5 **Zip**
Enter the 5-digit zip code. (There is no need for Zip+4.)
- 6 **Name of primary contact person at the company completing survey**
Enter the name of the company employee who is responding to the survey or who they give as the primary contact person at the company.
- 7 **Phone number for the primary contact**
Used for follow up purposes only. Include extension if necessary.
- 8 **Name of CDVC fund staff administering the survey**
For internal use by the CDVC fund.
- 9 **Survey year**
Survey year is the year for which you are collecting data. We recommend that funds send out this survey in early December of the survey year and then follow up either in person or via phone in January. Most of the data collected here are based on a snapshot of the company as of the last day of the survey year.

EMPLOYEES & EMPLOYMENT CHANGE

TARGET EMPLOYEES (LOW- OR -MODERATE INCOME EMPLOYEES)

CDVC funds have as an important social goal, increasing employment opportunities for low- and moderate-income persons. Throughout the survey low- or moderate-income employees are referred to as "target employees." An employee's status as a target employee is determined by his or her annual salary or hourly wage and will vary depending on the city and state in which they work. Low-income is any employee who makes 50 percent or less of the Area Median Income (AMI), moderate income employee is anyone who makes 80 percent or less of the AMI. AMI is determined based on metropolitan statistical area (the city) in which the job is located. Every metropolitan statistical area in the US has its own AMI, as specified by the US Census. For companies whose location is outside of a metropolitan statistical area, the AMI is determined at the state level for all non-urban counties.

EMPLOYMENT

- 10 **What is the total number of full-time employees at your company?**
The number of full-time employees at the end of last calendar year, also known as the "survey year". If you administer the survey in January 2005, you would be collecting data for the calendar year 2004, the "survey year." Full-time employees may work from 35 to 40+ hours per week, depending on the sector and the company's own definition. In some sectors full-time status might be less than 35 hours per week. The company should answer this question based on its own definition of full-time employee (within reason--20 hours per week for a factory job should not be considered full-time.)
- 11 **What is the total number of part-time employees at your company?**
The number of part-time employees at the end of the last calendar year. Part-time employees may work anywhere from just a few hours per week up to 32 hours per week, but again the definition will vary across sectors and across companies. The company should determine the number part-time employees based on its own definition of the term.
- 11a **Total number employees (calculated).**
The sum of full-time and part-time employees. This number is used to report total employment at the company.
- 12-12a **Of the total number of employees, full-time and part-time, what number are target employees?**
Target employees are low- or moderate income persons defined as an employee at or below 80 percent of the Area Median Income. This is the number used to report low-and-moderate income employment impacts. See above for a complete definition of target employee and how it is determined.
- 13 **What is the average number of hours per week that all of your part-time employees work?**
This is the average number of hours worked per individual part-time employee taken as a whole. If 2 part-time employees work 10 hours per week and 4 part-time employees work 20 hours per week the average for all would be 16.7 hours per week. $((2 \cdot 10) + (4 \cdot 20)) / 6$. This question is asked in order to calculate the total "full-time equivalents" (FTEs) that the company employees. Average hours worked per part-time employee will likely be an estimate by the respondent and should probably fall in the range of 10 to 20 hours per week.
- 13a **FTEs (calculated)**
Total FTEs is calculated automatically based on the number of FTEs given above (1 FTE for each full-time employee) plus the number of part-time employees adjusted for hours worked (part-time employees-times-average hours worked per week-divided by 37.5). The denominator--37.5--is assumed to be the best guess for the average number of hours constituting one FTE. FTE data are collected in order to estimate the annual, cumulative employment impacts of CDVC funds' investment activities.

EMPLOYMENT CHANGE

- 14 **Net Change in All Employees (calculated)**
The survey instrument automatically calculates net change in the number of employees at the company using data taken from last year's survey and from data provided above.
- 14a **Is this number correct for all employees? ('Yes', 'DK', 'Override')**
Because net job change is such an important data point, the survey asks for a confirmation. Respondents have a choice of 'Yes' or 'Don't know'. If the respondent can confirm the net job change calculation as correct, enter 'Yes'; if the respondent does not know, enter 'DK' and continue; if the respondent is sure that the net job change number is something other than what was calculated (and has a good explanation of why), enter 'Override' and update the net job change number using the respondent's number.
- 15 **Net Change in Target Employees (calculated)**
The survey instrument automatically calculates net job change for target employees at the company using data taken from last year's survey and from data provided above.
- 15a **Net job change for target employees ('Yes', 'DK', 'Override')**
This is the same calculation as above except it counts only target employees. If the respondent can confirm the net job change in target employees calculation as correct, enter 'Yes' and continue with the survey; if the respondent does not know, enter 'DK' and continue; if the respondent is sure that the net job change number is something other than what was calculated (and has a good explanation of why), enter 'Override' and update the net job change number using the respondent's number for net change in target employees.

WAGES & CAREER LADDERS

WAGES

- 16 **What was the average hourly wage for the entry level employees hired last year?**
For the entry level employees hired last year, estimate their average hourly wages. Combined with the answer from the next question on average hourly wages for all hourly employees, this number can be used to show that entry level, hourly workers have opportunities to increase their hourly wages over time.
- 17 **What was the average hourly wage for all hourly employees at your company at the end of last year?**
The respondent should estimate the average hourly wage for all hourly employees. To the extent possible, the respondent should try to give a weighted average. If 50 hourly workers make \$10 per hour and 5 hourly workers make \$15 per hour, the average hourly wage for all employees would be $\$10.45$ per hour $((50 \cdot \$10) + (5 \cdot \$15)) / (50 + 5)$.
- 18a-c **What was the total payroll, benefits, and payroll and benefits last year FOR ALL EMPLOYEES?**
These three questions ask about all employees at the company. If possible company's should break out their wages and salaries from the benefits. Payroll includes wages, salaries, and any bonuses; benefits includes health insurance, retirement, tuition remission, etc.). If the company cannot break out these costs enter the combined amounts in the 17-c.

PROMOTIONS & CAREER LADDERS

- 19 **How would you describe your company's career ladder? "Formal", "Informal", "No real career ladder", "Don't know".**
Career ladders provide entry level employees with a way of moving up in the company. A company may have a formal career ladder or an informal career ladder.
- 20 **How many target employees were either promoted or received a wage increase last year?**
Promotions and/or wage increases are an important marker for progress for target employees. Company respondents should be encouraged to estimate these numbers even if they have not formally tracked them over the year. However, if a respondent is not comfortable estimating this number, enter the "DK" response.
- 21 **How many target employees went from below our hourly wage threshold for target employees to above the threshold during the last year?**
Remind the respondent of the hourly (and annual) threshold for target employees and ask respondent to estimate the number of employees who moved from at or below the threshold at anytime during the year to above the threshold by the end of the year. Again, estimates should be encouraged, but if the respondent is not comfortable estimating enter "DK".

BENEFITS, WEALTH BUILDING, & TRAINING

The following questions on Benefits, Wealth Building, & Training should be asked about the companies MANAGEMENT and NON-MANAGEMENT WORKFORCE--not based on targeted and non-targeted employees. The questions have 'Yes' or 'No' answers. If a company phases in the benefit over time, answer the question as 'Yes'. For example, if medical insurance is covered only after a 6-month probationary period, answer 'Yes' to the question about medical insurance. The Enhanced Modules include more detailed questions about actual enrollment and conditions for benefits.

BENEFITS

- 22 **Health insurance**
Does the company cover some or all of the medical insurance costs for management and non-management employees? 'Yes' or 'No'. Coverage may start on the first day of work or it may be phased in over time. If there is a probationary period after which insurance is offered, enter 'Yes'.
- 22a **Percent of employees enrolled in medical insurance that is offered**
Estimate the percentage of non-management and management employees who are actually enrolled in the medical insurance program offered by the company. This should be enrollment as of the last day of the survey year. This information is best provided by the human resources department or the person responsible for overseeing the company's benefits.
- 23 **Retirement Plan (401k/IRA/SEP)**
Does the company's benefits package include any kind of retirement savings plan--IRA, SEP, 401K, or other type of pension for management and non-management employees? 'Yes' or 'No'. The retirement benefit may start on the first day of work or it may be phased in over time. If there is a probationary period after which the retirement benefit is offered, enter 'Yes'.
- 24 **Sick leave**
Does the company offer formal, paid sick time to its employees. Sick time may accumulate over time (e.g., 1 day per month) or it may be granted after 1 year of employment; either way the company would answer 'yes' to this question.
- 25 **Tuition Remission**
Does the company offer a formal program that pays all or part of the tuition for formal education (college, associates degree, professional training, etc.)? Reimbursement may be contingent on the employee obtaining a certain grade in the course. The company may require that courses be directly related to the employees work at the company.
- 26 **Vacation time**
Does the company offer formal, paid vacation time to its employees. Vacation time may accumulate over time (e.g., 1 day per month) or it may be earned after 1 year of employment; either way the company would answer 'yes' to this question.

WEALTH BUILDING

- 27 **Broad based stock options**
A stock option program that allow employees at all levels of the company to buy company stock at a specified price during a particular period once they have vested.
- 28 **Employee stock ownership plan**
Employee stock ownership plan (ESOP) is a plan in which the company allows employees to purchase company stock at discount. By tying employee compensation to the success of the company the employer hopes to motivate individual employees to work for the benefit of the company.
- 29 **Phantom Stock Program (will need to define)**
Phantom Stock is a right to receive a cash bonus equal to either the value of a specified amount of company stock or the increase in that value over a specified period of time. There is no cost to the employee and typically an employee account is credited with stock "units" rather than actual stock. Upon a trigger event (such as sale of company or employee leaving), the employee receives a cash bonus equal to the stock value or the increase in the stock value since the time of award.
- 30 **Profit sharing**
Profit sharing is a formal agreement between the company and its employees that allows the employees to share in company profits. Contributions are made by the company, when it has profits, to a profit-sharing account for each employee, either in cash or in a deferred plan, which may be invested in stocks, bonds, or cash equivalents. The funds in a profit-sharing account generally accumulate tax deferred until the employee retires or leaves the company.
- 31 **Structured Bonuses (but not "spot" bonuses)**
A structured bonus is a bonus plan (annual or otherwise periodic) in which bonus payments are based on a predetermined formula. The formula may be based on one or more of the following: skills gained, productivity achieved, incident rates, safety records, or other factors. Structured bonuses are different from "spot bonuses" which are paid at the discretion of management and are not based on a formula (the "Christmas Bonus" is a classic example of a spot bonus and is not a structured bonus.)

TRAINING

- 32 **Trade specific (e.g. machinery or specific skills related to job)**
Does the company offer to at least some of its employees training that is directly related to the employees work responsibilities. This could include how to operate particular machinery, how to perform specific tasks (e.g., installing telephone equipment), and other activities that relate to company's business.
- 33 **Computer-related**
Does the company offer to at least some of its employees training on computers, including how to use specific software (e.g., MS Word, Excel, QuickBooks, etc.)?
- 34 **Customer service**
Does the company provide training related to customer service? This could include basic training for retail companies, as well as telephone training for call centers, or any other activity that teaches employees how to work better with the firm customers.
- 35 **Soft skills**
Does the company have a formal training program (in-house or done off premises) that teaches employees soft skills? Soft skills are defined as general interpersonal skills, including: communication, conflict resolution, decision making, leadership, and team-building, to name the most common features.

ADDITIONAL SOCIAL IMPACTS

COMMUNITY IMPACTS

- 36 **Does your company actively work with local employment agencies (private or publics) to recruit entry level employees?**
Some CDVC funds work with local employment agencies (private and/or publics) to recruit entry level employees and to fill open jobs. If your fund has worked with one or more agencies in the last year to fill these position, enter "Yes".

ENVIRONMENTAL IMPACTS

- 37 **Does your company's product or service have positive environmental impacts or use those impacts as part of its competitive advantage?**
Some CDVC portfolio companies make products or provide services that have a positive impact on the environment. Examples include things like making consumer products from recycled materials, using special production processes designed to reduce waste, or making a product, which by its nature, improves the environment, for example, a company that produces wind energy, an organic farm, or a manufacturer of solar-powered batteries. If the company has a comparative advantage that relies at least in part on its environmental advantage, enter "yes" here.

EXPORT-ORIENTED SALES

- 38 **Please estimate the percentage of your sales that went outside the state...**
This is the percentage of sales last year that were shipped out of state. For companies that are service-based, the company should estimate what percentage of their income came from work conducted outside the state in which the company is headquartered. This estimate should be fairly straight forward for companies with just one plant or one main office. For company's with just two or three establishments located in different states, ask them to estimate these numbers to the extent that they can. If the company has many establishments in many states, enter "NA". Try to estimate these numbers separately so that Shipped out of state and Exported are reported independently. A firm that ships 70 percent of the value of its products out of state and exports nothing outside the US, would report 70% and 0%. A company that ships 50 percent of its products outside the state but in the US, and exports and additional 25% outside the US, would report 50% and 25% respectively.
- 39 **Please estimate the percentage of your sales that went outside of the country (outside the US)...**
This is the percentage of sales last year that were sold to buyers outside of the US.
- 40 **What was your total sales/revenues last year?**
This is the percentage of sales last year that were sold to buyers outside of the US.

TAXES

- 41 **What was the total taxes paid by the company last year?**
Total taxes paid includes all taxes paid except for payroll taxes. It includes federal income taxes, state income taxes, local property taxes, city and state sales taxes, if applicable.

ADDITIONAL COMPANY INFORMATION

The following industrial classification data are collected in order to describe in the aggregate the types of companies that are receiving investments from developmental VC funds. It is also helpful to categorize CDVC portfolio companies using the Venture Economics' classification system in order to show that CDVC portfolios look different than traditional VC portfolios and that CDVC funds oftentimes invest in sectors in which traditional VC does not.

OWNERSHIP/CONTROL

Ownership or control is defined as the person who has primary control over the day-to-day operations of the company. In most cases this will be the entrepreneur in whom the fund has invested. This entrepreneur may or may not have the legal, controlling interest; i.e., the entrepreneur need not have greater than 50 percent ownership to be considered the person with primary control.

42 *Minority-owned or controlled*

Minority is defined in terms of the national population—not the region's or neighborhood's population. Minority is any person who is not non-Hispanic White.

43 *Woman-owned or controlled*

Is the entrepreneur a woman?

DESCRIPTION OF BUSINESS

44 *Standard Industrial Classification Code (SICC)*

Standard Industrial Classification Code (SICC) is a set of industrial classifications created by the US Census and used for a long time to classify companies into sectors. SICC was replaced by the NAICS in the mid-1990s, but it is still frequently used. Funds and companies will usually know the SIC code of the company either through due diligence or market research analysis. SIC codes are available on the web at the URL listed below for NAICC. (Use the NAICC to find the SIC code.)

45 *North American Industrial Classification Code (NAICC)*

In the mid-1990s, the North American Industry Classification System (NAICS) replaced the Standard Industrial Classification (SIC) system. NAICS was developed jointly by the U.S., Canada, and Mexico to provide new comparability in statistics about business activity across North America. NAICS uses a similar classification technique as the SICC, a string of numbers that define in progressively sharper detail the product or service of a company. The fund is likely to know the NAICS code for all of the companies in its portfolio from conducting due diligence. If you do not know the NAICS code, go to <http://www.census.gov/epcd/www/naicstab.htm> and use the search function to track it down.

46 *Venture Economics Industry Codes (VEIC)*

Venture Economics Industry Codes (VEIC) is the classification system used by Venture Economics to categorize investments made by VC funds that participate in their reporting (conducted by PriceWaterhouseCoopers and with the support of the National Venture Capital Association. For a complete list of the VEIC classification system see the appendix of the NVCA Yearbook.

47 *Enter total number of establishments associated with the company.*

A company may have several plants or establishments in addition to its headquarters and main plant. Enter the number of establishments that the company has, including its main office if it is at separate location from the other company establishments.

48 *Short text description of business for the CDVCA Deal Directory*

Enter a short text description of the company (less than 255 characters) and CDVCA will include an anonymous reference to this company in our on-line deal directory accessible only to CDVCA members. The Deal Directory allows CDVC funds to share and seek out sector expertise with other CDVC funds. To access the CDVCA Deal Directory go the Members Only section of the CDVCA web page: www.cdvca.org.

LOCATIONAL CHARACTERISTICS

Collecting information on the locations of CDVC portfolio companies allows the industry to report on its developmental impacts in urban and rural areas and to show the CDVC funds invest in areas where traditionally VC is rarely available. It also allows the industry to track itself against a variety of state and federal programs that aim to induce economic development in particularly distressed areas of the country.

49 *Metropolitan Statistical Area (MSA) of headquarters or main plant/facility (enter MSA if known)*

MSAs are designated by the Office of Management and Budget and are based on counties. The easiest way to determine the MSA for the company is to go to the Federal Financial Institutions Examination Council's (FFIEC) web page (www.ffiec.gov) and follow the links for Geocoding/Mapping. Funds will need to know the street address, city, state, and zip for each company.

50 *Census tract of headquarters or main plant/facility (enter FIPS code if known)*

The US Census assigns every state, county, and census tract a unique Federal Information Processing Standards (FIPS) code. The code consists of a two-number state code, plus a three number county code, plus a six-number tract code (sometimes shown with a decimal place). To find out the FIPS code for the census tract for the establishment go to: <http://www.ffiec.gov/geocode/default.htm> and enter the complete address. This will give you the FIPS code for the 2000 census.

51 *US Census designation of this census tract as Low-, Moderate-, Middle-, or Upper-income (select from dropdown list)*

The US Census categorizes all census tracts into income categories based on median household income: low-income (the median household income for the tract less than 50 percent of area median income); moderate-income (tract median household income is 50 to 80 percent of the area median income); middle-income (tract median household income is 80 to 120 percent of area median income); and, upper income (tract median household income is greater than 150 percent of area median income). Many federal programs use these categorizations in setting and defining their program priorities. For example, the Community Reinvestment Act (CRA) emphasizes lending, investing, and service activities in low-or-moderate income census tracts. To find out the income category of a census tract go to: <http://www.ffiec.gov/geocode/GeocodeSearchmapping.htm>? Enter an address, a census tract designation will appear; click on the button "Get Census Demographic".

52 *Is this census tract (or county) a "Hot Zone," as defined by the CDFI Fund?*

"Hot Zones" are urban census tracts or rural counties that meet specific criteria of distress as defined by the CDFI Fund. The CDFI Fund gives priority to CDFIs that make investments in Hot Zones. By collecting information on the CDVC industry's investment activities in these Hot Zones, we will be able to prove to the Fund that CDVC funds invest in these targeted areas.

53 *Is the company located in a federal Empowerment Zone, as defined by HUD?*

Empowerment zones are administered by the Department of Housing and Urban Development (HUD) and offer a variety of tax benefits for investors and companies located in these areas. To determine if the company is located in an Empowerment Zone go the HUD's online RC/EZ/EC locator at: www.hud.gov/crlocator.

54 *Is the company located in a federal Enterprise Community, as defined by HUD?*

Enterprise Communities (ECs) are administered by the Department of Housing and Urban Development (HUD) and offer a variety of tax benefits for investors and companies located in these areas. To determine if the company is located in an Empowerment Zone go the HUD's online RC/EZ/EC locator at: www.hud.gov/crlocator.

55 *Is the company located in a federal Renewal Community, as defined by HUD?*

Renewal Communities (ECs) are administered by the Department of Housing and Urban Development (HUD) and offer a variety of tax benefits for investors and companies located in these areas. To determine if the company is located in an Empowerment Zone go the HUD's online RC/EZ/EC locator at: www.hud.gov/crlocator.

56 *Is the company located in a HUBZone, as defined by the SBA?*

The HUBZone Empowerment Contracting Program stimulates economic development and creates jobs in urban and rural communities by providing Federal contracting preferences to small businesses. These preferences go to small businesses that obtain HUBZone (Historically Underutilized Business Zone) certification in part by employing staff who live in a HUBZone. To determine if the company is located in a HUB Zone go to: <http://www.sba.gov/hubzone/>.

57 *Is the company located on Native American Tribal Lands?*

Select "Yes" from the drop-down menu if the company is located in Native American Tribal Land as defined by the federal government.

58 *Is the company located in a state economic development zone?*

States often designate certain areas of the state for targeted economic development. These may be cities or towns, individual counties, or other geographies. If you are aware of these programs and know that this company is located in a state economic development zone, select "Yes" from the drop-down menu.

59 *Name/type of state economic development zone, if applicable*

Enter the name of the zone or type of zone in which this company is located.

OPEN ENDED QUESTIONS

The open ended questions included in the Core Survey are intended for use by funds on a case-by-case basis. Not every company surveyed needs to be asked every question. Funds should consider their specific knowledge about the company, the various questions below, and determine if there is one or more questions that would be appropriate for that company.

Table 4 CDVCA Enhanced Modules

Enhanced Modules--Survey Questions

This spreadsheet contains the Enhanced Modules designed by the ROI Program participants. It is NOT a complete survey and it is NOT intended to be used on its own. It is designed to be used in addition to the Core Survey. The Enhanced Modules are of two types: (1) modules that add additional questions to modules already in the Core Survey, and (2) modules not included as part of the Core Survey that can be used to measure additional social impacts of a fund's investment activities.

| OTHER EMPLOYMENT IMPACTS and EMPLOYEE DEMOGRAPHICS | | This Year's Answer | Last Year's Answer |
|--|---|--------------------|--------------------|
| A OTHER EMPLOYMENT IMPACTS | | | |
| Some companies generate employment outside of the firm either through the hiring of contract employees, who may or may not work on the premises, or through subcontracting with companies located outside of the US. If your company uses either contract employees or subcontractors, enter the number of employees that work in this capacity. | | | |
| A-1 | Does your company employ contract workers? | | |
| A-2 | If 'yes', what number of contract workers did you employ last year? | | |
| A-3 | Does your company employ workers outside of the US? | | |
| A-4 | If 'yes', what is the number of non-US employees? | | |
| B EMPLOYEE DEMOGRAPHICS | | | |
| In addition to our goal of creating good employment opportunities for people with limited skills, we are also interested in the extent to which our portfolio companies employ women and minorities--people who historically have experienced difficulties securing good jobs. The following questions ask about the demographics of your work force. | | | |
| You reported that your company had total employees of: Of this total please tell me what number were: | | | |
| B-1 | Female | | |
| B-2 | Male | | |
| B-3 | Minority | | |
| B-4 | Non-minority | | |
| You also reported that the total number of TARGET employees at your company was: Of these TARGET employees tell me what number were: | | | |
| B-5 | Female | | |
| B-6 | Male | | |
| B-7 | Minority | | |
| B-8 | Non-minority | | |
| And the total number of NON-TARGET employees at your company you reported as: Of these NON-TARGET employees tell me what number were: | | | |
| B-9 | Female | | |
| B-10 | Male | | |
| B-11 | Minority | | |
| B-12 | Non-minority | | |
| PROMOTIONS, HIRING, & TURN-OVER | | | |
| C PROMOTIONS | | | |
| The following questions ask about promotions at the company in the last calendar year. | | | |
| C-1 | What was the total number of promotions and wage increases last year? | | |
| C-2 | How many of those promotions and wage increases went to target employees? | | |
| D HIRING | | | |
| The following questions ask about your hiring activities in the last calendar year. We are interested primarily in target employees. We are also interested in the life circumstances of these hires BEFORE YOU HIRED THEM. That is, to the extent possible, we ask you to estimate whether the people that you hired last year were low-income, unemployed, or receiving public assistance BEFORE YOU HIRED THEM. | | | |
| D-1 | What was the total number of people hired last year? | | |
| D-2 | How many of those people were hired as target employees? | | |
| The following asks about the life circumstances of last year's TARGET EMPLOYEE HIRES BEFORE you hired them. To the extent that you know the circumstances of all, or even some, employees, please estimate these numbers as best you as can. | | | |
| What is number of last year's target employee hires about whom you have knowledge of their life circumstances before they were hired? | | | |
| D-3 | If answer is 0 (zero), skip to ##. | | |
| D-4 | What number of last year's target employees hires were unemployed at the time of hire? | | |
| D-5 | What number of last year's target employee hires were previously on public assistance? | | |
| D-6 | What number of last year's target employee hires were living in "distressed areas" at time of hire? | | |
| E TURN-OVER | | | |
| Employees leave companies for a variety of reasons some favorable, some unfavorable. This section asks about target employees who left the company last year and why they left, to the extent that you know. If you are reasonably sure about the circumstances under which some target employees left, please categorize them to the extent that you can. | | | |
| E-1 | What is the total number of employees who left the company last year? | | |
| E-2 | What is the number of target employees who left the company last year? | | |
| Now I'm going to read a list of reasons why employees may leave a company. Please categorize employee departures into one of the following seven categories. I will begin by listing all of the categories, then we will go through the list and you can estimate the number of target employees who left by reason for leaving. | | | |
| E-3 | Reason for leaving low-income employees: | | |
| E-4 | Number who were laid off due to lower business activity | | |
| E-5 | Number who were laid off due to poor performance | | |
| E-6 | Number who left to pursue educational opportunities | | |
| E-7 | Number who left to seek other employment opportunities | | |
| E-8 | Number who left based on POSITIVE life circumstances (if known) | | |
| E-9 | Number who left based on NEGATIVE life circumstances (if known) | | |
| E-10 | Don't know circumstances around employee's leaving | | |
| Total | | 0 | 0 |

BENEFITS, WEALTH BUILDING, & TRAINING

We are especially interested in the benefits, wealth-building, and training opportunities that your company offers to its management and non-management employees. These factors can be good indicators of job quality, especially to the extent that they are offered to non-management employees. An important difference about this section, however, is that we are now asking you to group your employees into management and non-management employees, rather than target employees.

In order to help us make the most use of these numbers, we need to know the number of employees at the firm who are management and the number who are non-management. Above, you reported that the total number employees at the firm last year was...

Number of employees reported last year:

F-1 What number of those employees were **MANAGEMENT**

F-2 What number of those employees were **NON-MANAGEMENT**

I will read through a list of benefits and I want you to say whether it is offered ('yes' or 'no'), if it is offered the number of employees who are eligible for it, next, the number employees who are actually enrolled, and finally, if there are any conditions associated with benefit or wealth-building or training opportunity. For example, you may offer medical insurance to all non-management employees after 6 months of employment or you have profit sharing arrangement that gradually vests with the employee over a certain period of time. I will go through the list twice. The first time I will ask for details for non-management employees and a second time for details about management employees.

Let's begin with benefits for non-management employees.
F BENEFITS FOR NON-MANAGEMENT EMPLOYEES

| | | NON-MANAGEMENT | | | |
|------|---|----------------|------------------------------|------------------------------|------------|
| | | Offered | Number of Employees Eligible | Number of Employees Enrolled | Conditions |
| F-3 | Health insurance | | | | |
| F-3a | Number of employees covered by spouse's insurance | | | | |
| F-4 | Dental insurance | | | | |
| F-5 | Retirement Plan (401k/IRA/SEP) | | | | |
| F-6 | Vision Insurance | | | | |
| F-7 | Life Insurance | | | | |
| F-8 | Disability Insurance | | | | |
| F-9 | Sick leave | | | | |
| F-10 | Vacation time | | | | |
| F-11 | Tuition remission | | | | |
| F-12 | Childcare subsidy/assistance | | | | |
| F-13 | Employee Assistance Program (EAP) | | | | |
| F-14 | Transportation subsidy/assistance | | | | |
| F-15 | Direct deposit of paychecks | | | | |

Now let's go through the list of benefits available to management employees.

BENEFITS FOR MANAGEMENT

| | | MANAGEMENT | | | |
|-------|---|------------|------------------------------|------------------------------|------------|
| | | Offered | Number of Employees Eligible | Number of Employees Enrolled | Conditions |
| F-16 | Health insurance | | | | |
| F-16a | Number of employees covered by spouse's insurance | | | | |
| F-17 | Dental insurance | | | | |
| F-18 | Retirement Plan (401k/IRA/SEP) | | | | |
| F-19 | Vision Insurance | | | | |
| F-20 | Life Insurance | | | | |
| F-21 | Disability Insurance | | | | |
| F-22 | Sick leave | | | | |
| F-23 | Vacation time | | | | |
| F-24 | Tuition remission | | | | |
| F-25 | Childcare subsidy/assistance | | | | |
| F-26 | Employee Assistance Program (EAP) | | | | |
| F-27 | Transportation subsidy/assistance | | | | |
| F-28 | Direct deposit of paychecks | | | | |

Now let's turn to wealth-building opportunities for non-management employees.

G WEALTH BUILDING FOR NON-MANAGEMENT EMPLOYEES

| | | NON-MANAGEMENT | | | |
|-----|---|----------------|------------------------------|------------------------------|------------|
| | | Offered | Number of Employees Eligible | Number of Employees Enrolled | Conditions |
| G-1 | Broad Based Stock Options | | | | |
| G-2 | Employee stock ownership plan (ESOP) | | | | |
| G-3 | Phantom Stock Program | | | | |
| G-4 | Profit sharing | | | | |
| G-5 | Structured Bonuses (not "spot" bonuses) | | | | |
| G-6 | Individual development accounts (IDAs) | | | | |
| G-7 | Home ownership assistance | | | | |

And wealth-building opportunities for management employees...

WEALTH BUILDING FOR MANAGEMENT

| | MANAGEMENT | | | |
|--|------------|------------------------------|------------------------------|------------|
| | Offered | Number of Employees Eligible | Number of Employees Enrolled | Conditions |
| G-8 Broad Based Stock Options | | | | |
| G-9 Employee stock ownership plan (ESOP) | | | | |
| G-10 Phantom Stock Program | | | | |
| G-11 Profit sharing | | | | |
| G-12 Structured Bonuses (not "spot" bonuses) | | | | |
| G-13 Individual development accounts (IDAs) | | | | |
| G-14 Home ownership assistance | | | | |

Finally, let's look at the training opportunities for non-management employees...

H TRAINING FOR NON-MANAGEMENT EMPLOYEES

| | NON-MANAGEMENT | | | |
|---|----------------|------------------------------|------------------------------|------------|
| | Offered | Number of Employees Eligible | Number of Employees Enrolled | Conditions |
| H-1 Trade specific (e.g. machinery or specific skills related to job) | | | | |
| H-2 Computer-related | | | | |
| H-3 Customer service | | | | |
| H-4 Soft skills (attendance, punctuality, professional appearance, etc..) | | | | |
| H-5 Telephone reception | | | | |
| H-6 Bookkeeping | | | | |
| H-7 Sales | | | | |
| H-8 Financial literacy training | | | | |
| H-9 Management training | | | | |
| H-10 Other training provided (enter description in yellow boxes) | | | | |
| H-11a Other 1 | | | | |
| H-11b Other 2 | | | | |
| H-12 Total training hours per year | | | | |
| H-13 Total dollars spent on training | | | | |

And training opportunities for management employees...

TRAINING FOR MANAGEMENT

| | MANAGEMENT | | | |
|--|------------|------------------------------|------------------------------|------------|
| | Offered | Number of Employees Eligible | Number of Employees Enrolled | Conditions |
| H-14 Trade specific (e.g. machinery or specific skills related to job) | | | | |
| H-15 Computer-related | | | | |
| H-16 Customer service | | | | |
| H-17 Soft skills (attendance, punctuality, professional appearance, etc..) | | | | |
| H-18 Telephone reception | | | | |
| H-19 Bookkeeping | | | | |
| H-20 Sales | | | | |
| H-21 Financial literacy training | | | | |
| H-22 Management training | | | | |
| H-23 Other training provided (enter description in yellow boxes) | | | | |
| H-24a Other 1 | | | | |
| H-24b Other 2 | | | | |
| H-25 Total training hours per year | | | | |
| H-26 Total dollars spent on training | | | | |

OTHER IMPACTS

The final area of concern for us with respect to social impacts covers other general social impacts that your company has on the community, the environment, taxes, and management practices. In general, these are broad social impacts which the company creates as part of its business activities and are not directly tied to low-income employees or non-low-income employees. The data collected here are used to show that CDVC portfolio companies create a variety of positive social impacts that are broadly shared.

| | This Year's Answer | Last Year's Answer |
|--|--------------------|--------------------|
| I COMMUNITY IMPACTS | | |
| I-1 Does your company make cash or in-kind grants in local community? ('Yes' or 'No'.) | | |
| I-2 What was the total value of cash grants made last year? | | |
| I-3 What was the total dollar value of in-kind grants made last year? (Please estimate.) | | |
| I-4 Does your company sponsor employee volunteerism (pro bono activities)? ('Yes' or 'No'.) | | |
| I-5 What was the total number of hours volunteered last year? | | |
| J ENVIRONMENTAL IMPACTS | | |
| J-1 Is there a work-wide recycling program in place? | | |
| J-2 Does the company have an energy efficiency program in place? | | |
| J-3 Does the company purchase environmentally sensitive products? | | |
| J-4 Total weight of materials recycled last year (estimate) | | |
| J-5 Total amount of energy conserved year | | |
| K TAXES | | |
| K-1 Federal corporate income taxes paid last year | | |
| K-2 State corporate income taxes paid last year | | |
| K-3 Local taxes paid last year (incl. Real estate) | | |
| K-4 Sales Taxes paid last year | | |
| K-5 Total of all taxes paid last year | | |
| K-6 Does the company receive any tax credits for hiring specific employees? | | |
| K-7 Does the company receive any tax credits related to where it is located? | | |
| L CERTIFICATIONS AND MANAGEMENT PRACTICES | | |
| As a double-bottom line investor, we want to know whether our portfolio companies have implemented specific procedures for improving environmental and management practices. If you do not know the answer to these questions, enter "DK". (See the "Survey Glossary" for detailed descriptions of these protocols.) | | |
| L-1 Is the company ISO 9000 Certified? (International standards designed to ensure quality management) | | |
| L-2 Is the company ISO 14000 Certified? (International standards covering environmental management) | | |
| L-3 Is the company CERES Certified? (Formalized principles adopted by the company that promote environmental awareness and accountability) | | |
| L-4 Is the company LEEDS Certified? (Voluntary, consensus-based national standard for developing high-performance, sustainable buildings) | | |
| L-5 Does the company practice open-book management? (Generally, open financials, shared accountability, and shared stake in company) | | |

Table 5 Triple Bottom Line Collaborative Investment Scorecard

| TBL Collaborative Investment Scorecard | | |
|--|---|---|
| Organization Name: | | |
| Lead Staff Contact: | Phone: | Email: |
| Date of Scorecard Completion: | | |
| Investment "Name": | | |
| Brief Description of Investment (3-5 sentences): | | |
| Amount of Transaction (\$): | | |
| Date of Closing (if applicable): | | |
| Economy Metrics | Does this investment have measurable outcomes for this metric (Y/N)? | What is the total (in units) of the measurable outcomes (if applicable)? |
| Number of Jobs Created and/or Retained (#FTE) | | |
| Payroll and Benefits (\$) | | |
| Leveraged Investment (\$) | | |
| Secondary Value-added Businesses: Manufacturing Businesses (#), Natural Resource Businesses (#) | | Manufacturing: Natural Resource: |
| Local Sourcing (\$) | | |
| Housing units constructed or preserved (#) | | |
| Environment Metrics | Does this investment have measurable outcomes for this metric (Y/N)? | What is the total (in units) of the measurable outcomes (if applicable)? |
| Sustainable Management of Natural Resources | | |
| 7 Sustainable/Certified Natural Resource Management (acres, # of species) | | |
| 8 Land Conserved or restored (acres) | | |
| Protection of Water quality and systems | | |
| 9 Functioning riparian zone restored or retained (ft.) | | |
| 10 Water Quality preserved (gallons) | | |
| Reductions in Material use and Toxics | | |
| 11 Material diverted from the waste stream (lbs), (# of units), (gallons) | | # of Lbs: # of Units: # of Gallons: |
| 12 Toxics reduced or eliminated (pounds) | | |
| 14 Building Re-use (sq. ft.) | | |
| 15 Healthy buildings: improve indoor air quality (sq. ft.) | | |
| Reductions in Energy consumption & Green House Gas Emissions | | |
| 16 Energy saved / conserved (BTUs) | | |
| 17 Energy efficient improvements (sqft) | | |
| 18 Renewable energy capacity generated (megawatts, hours) | | |
| 19 Reduction in Greenhouse Gas Emissions (metric tons of CO2.) | | |
| Promotion of Healthy Communities: Healthy Buildings, Smart Growth and Livable communities | | |
| 20 In-fill of buildings, sites and infrastructure (sq. ft.) | | |
| Equity Metrics | Does this investment have measurable outcomes for this metric (Y/N)? | What is the total (in units) of the measurable outcomes (if applicable)? |
| Targeted Group Impacts | | |
| 21 Assistance provided to businesses or households in a targeted group (#) | | |
| 22 Employment and training opportunities created for members of targeted group (#) | | |
| 23 Investment (\$) in a business or household controlled by a targeted group | | |
| 24 Assistance to low income families (#) | | |
| Targeted Area Impacts | | |
| 25 Assistance provided to businesses, or households in a targeted area (#) | | |
| 26 Employment and training opportunities created in a targeted area (#) | | |
| 26 Investment (\$) in a business or household in a targeted area | | |
| Local Control and Access Impacts | | |
| 27 Assets under local control in a targeted area (\$) | | |
| 28 Public access to land/facilities (acres, sq. feet) | | |
| 29 Access to working lands (acres, lineal feet) | | |
| Housing Access Impacts | | |
| 30 Affordable housing units (#) | | |
| 31 Businesses and Housing units made more accessible (#) | | |
| Deal Evaluation (qualitative evaluation describing secondary impacts, strategy impacts and other variables contributing to the TBL status of the deal): | | |
| | | |

Table 6 USA Fund 12 Measurements of Success

1. Create housing for sale and for rent that address all levels of affordability.
2. Permanent and construction jobs created for local residents, women and minorities.
3. Ability to stimulate third party and economic development in an area, thereby creating a ripple effect for each development.
4. Project components that offer goods, services and amenities that are missing or underrepresented in a community.
5. Investments that lever the creation of infrastructure to benefit the broader community (i.e. transit, traffic, utility, recreation, etc. improvements).
6. Undertake projects of a scale that have a significant impact on the surrounding community.
7. Invest in projects that offer residents job and career advancement at all levels of employment and structure local partnerships to facilitate this goal.
8. Capitalize on institutional anchors in a community by offering supportive services that can benefit the community and the institutions (i.e. administrative back office or institutional housing).
9. Partner with local CDC's and developers to assure participation by the local community in all aspects of the project economics and approvals.
10. Create retail and office environments by blending local and national tenants to create stability and growth.
11. Empower local minority and women development entities by offering expertise and financing in a joint venture structure.
12. Develop and acquire "Green Buildings" that utilize sustainable and energy efficient technology.

Source: Senior Management, www.newbostonfund.com