

# MFI PHILANTHROPIC GUARANTEE AGREEMENT SUMMARY

MCE Social Capital (MCE) is a nonprofit impact investing firm that uses a pioneering loan guarantee model to generate economic opportunity for women and families living in poverty throughout the developing world. Below is a summary of the Philanthropic Guarantee Agreement (PGA) for MCE's Microfinance Institution (MFI) Program, which lends money to MFIs that help people living in rural areas gain access to credit, savings accounts, insurance, healthcare and health education, business education, and technical assistance. As of 12/31/20, MCE's portfolio included 39 MFIs in 27 countries.

<b>GUARANTORS</b>	Accredited/sophisticated/informed individuals and institutions/entities that wish to multiply their impact for good in the developing world
<b>EUROPEAN PARTNER</b>	A European who wishes to support MCE's work but prefers to contract with a European entity may provide a guarantee to MCE's partner in Switzerland, 1to4 Foundation — <a href="https://www.1to4.ch/">https://www.1to4.ch/</a> . This is accomplished by signing the 1to4 Foundation Philanthropic Guarantee Agreement, which is substantially similar to the MCE PGA described in this summary. 1to4 will then increase the number of guarantees it provides to MCE commensurately.
<b>MAXIMUM AMOUNT OF GUARANTOR COMMITMENT IN ALL CIRCUMSTANCES</b>	USD \$1,000,000 per unit
<b>MAXIMUM AMOUNT MCE BORROWS AND LENDS PER GUARANTEE UNIT</b>	USD \$500,000 per unit
<b>PURPOSE OF GUARANTEE</b>	To induce banks, foundations and impact investors to lend money to MCE so it can carry out its charitable purposes
<b>COLLATERAL REQUIRED</b>	None
<b>UPFRONT CONTRIBUTION REQUIRED</b>	None
<b>ASSET SEGREGATION REQUIRED</b>	None
<b>FINANCIAL RETURN TO GUARANTOR</b>	None, but Guarantors retain and invest their assets while guarantee is at work
<b>SOCIAL RETURN TO GUARANTOR</b>	USD \$500,000 deployed to provide economic opportunity to thousands of women and families living in poverty throughout the developing world
<b>CALL EVENT</b>	Loan to microfinance institution (MFI) within MCE's loan portfolio is declared in default by Board of Directors
<b>SHARE OF CALL</b>	Pro rata (amount of the default divided by the number of responsible guarantee units)
<b>RESPONSIBILITY OF NEWLY JOINING GUARANTORS</b>	Guarantors are not responsible for default of an MFI that was on MCE "impaired list" at the time the Guarantor joined.
<b>HISTORIC DEFAULT RATE</b>	1.55% per annum (dollar-weighted)
<b>CUMULATIVE CALLS ON GUARANTORS</b>	Ten MFIs have partially defaulted on their obligations to MCE through Q4 2020, resulting in six calls on Guarantors in 15+ years since inception. Total cumulative call per Guarantee Unit since inception = USD \$47,760.

<b>AVERAGE ANNUAL CALL ON GUARANTORS</b>	Average annual call per MFI Guarantee Unit for Guarantor who joined at inception = \$3,184. Five year average (2016 - 2020) = \$7,124
<b>REPORTING</b>	Guarantor Informational conference calls three times a year; quarterly newsletters; annual impact report
<b>SIZE OF GUARANTOR POOL</b>	104 Guarantors representing \$129.6 million of guarantee value as of December 31, 2020
<b>RISK MITIGANTS</b>	<ul style="list-style-type: none"> <li>• Per MFI and Per Country exposure limits</li> <li>• Portfolio diversified across 39 borrowers operating in 27 countries</li> <li>• Due diligence by team of experienced finance professionals</li> <li>• Review and approval by Loan Committee 100% composed of Guarantors within the risk pool, with expert advisors</li> <li>• Currency Hedging of non-USD loans</li> </ul>
<b>TAX TREATMENT OF CONTRIBUTION RESULTING FROM CALL ON GUARANTOR</b>	MCE has obtained a ruling from the Internal Revenue Service that it is a tax-exempt entity under U.S. tax law. 1to4 has obtained a ruling by the tax authorities of the Canton of Neuchatel, Switzerland, affording limited tax-exempt status. Consult your tax advisor.
<b>DIRECT GUARANTORS</b>	U.S. Guarantors who agree to sign a separate USD \$500,000 Direct Guarantee with certain bank lenders as required by those lenders have their obligation under the PGA reduced dollar-for-dollar.
<b>DUTY OF CARE</b>	MCE must use commercially reasonable efforts to perform obligations under the PGA and must make loans consistent with how a prudent person would behave under similar circumstances.
<b>EUROPEAN ENFORCEMENT</b>	The 1to4 PGA is enforceable by 1to4 and MCE and lenders through arbitration under The Swiss Arbitration Rules in Lausanne, Switzerland, with the arbitration rules and award enforceable by the district court of Lausanne, Switzerland.
<b>GUARANTOR FAILURE TO PAY</b>	Amounts not paid by a Guarantor may be allocated to other Guarantors, who may have a right to collect (a right of "contribution") from that Guarantor
<b>TERMINATION</b>	18 months advance written notice
<b>NO RELIANCE</b>	This partial summary of the PGA is provided solely for the convenience of prospective Guarantors. Guarantors must review and rely on the PGA that they sign rather than this partial summary of its terms, and the PGA controls if there are any inconsistencies between the documents.

Disclaimer: This document is intended to be illustrative only; any information provided herein is intended to be general information about our management, business model and historical data only. Please do not distribute this document without MCE's permission. The full MFI PGA should be read carefully before any financial decision is made.