

# SGB 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 Small and Growing Business (SGB) Portfolio, which lends money to SGBs in the agriculture value chain, water & sanitation, and renewable energy sectors, to create reliable jobs in rural economies, raise smallholder farmers' income, and address basic needs in underserved areas. As of 12/31/20, MCE's portfolio included 13 SGBs operating in 11 countries.

<b>GUARANTORS</b>	Accredited/sophisticated/informed individuals and institutions/entities that wish to multiply their impact for good in the developing world
<b>MAXIMUM AMOUNT OF GUARANTOR COMMITMENT IN ALL CIRCUMSTANCES</b>	USD \$500,000 per unit
<b>MAXIMUM AMOUNT MCE BORROWS AND LENDS PER GUARANTEE UNIT</b>	USD \$250,000 per unit
<b>PURPOSE OF GUARANTEE</b>	To induce banks, foundations and impact investors to lend money to MCE so it can provide capital to women-oriented SGBs in the developing world
<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 \$250,000 deployed to provide economic opportunity to thousands of women and families living in poverty throughout the developing world
<b>CALL EVENT</b>	Loan to small and growing business (SGB) within MCE's loan portfolio is declared in default by Board of Directors
<b>SHARE OF CALL</b>	Pro rata (amount of default divided by number of responsible guarantee units)
<b>RESPONSIBILITY OF NEWLY JOINING GUARANTORS</b>	Guarantors are not responsible for default of an SGB that was on MCE "impaired list" at the time the Guarantor joined.
<b>CALLS ON GUARANTORS</b>	Three SGBs have partially defaulted on their obligations to MCE through Q4 2020, resulting in two calls on Guarantors since the SGB portfolio and guarantee pool were formally launched in March 2017. Total cumulative call per SGB Guarantee Unit since March 2017 = USD \$14,238.
<b>LOAN LOSS RESERVE (LLR)</b>	MCE maintains a LLR that will be drawn down if a call on SGB Guarantors would otherwise exceed \$10,000 per guarantee unit in a year, until the USD \$1 million LLR is exhausted.

<b>REPORTING</b>	Guarantor Informational conference calls three times a year; quarterly newsletters; annual impact report
<b>SIZE OF GUARANTOR POOL</b>	42 guarantee units from 26 Guarantors representing \$20.7 million of guarantee value as of December 31, 2020
<b>RISK MITIGANTS</b>	<ul style="list-style-type: none"> <li>• Per SGB and Per Country exposure limits</li> <li>• Due diligence by team of experienced finance professionals <ul style="list-style-type: none"> <li>• Review and approval by Loan Committee 100% composed of Guarantors within the risk pool, with expert advisors</li> </ul> </li> <li>• Currency Hedging of non-USD loans</li> <li>• Depending on the business type and maturity, MCE may require: <ul style="list-style-type: none"> <li>• A trusted partner to be already engaged with the business (i.e. investor or technical assistance provider)</li> <li>• Account receivables collateral for export businesses (100 - 150% of the loan value)</li> </ul> </li> <li>• MCE may choose to apply \$X USAID guarantee to reduce by 50% Guarantors' exposure for loans that meet USAID requirements.</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. European Guarantors should review tax treatment of Guarantor calls with MCE and their tax advisors.
<b>DIRECT GUARANTORS</b>	U.S. Guarantors who agree to sign a separate USD \$250,000 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>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 SGB PGA should be read carefully before any financial decision is made.