

\$40 Million Northwest Louisiana Community Development Fund I A Mission-related Investment Opportunity

Summary of the Fund

On December 28, 2007 the Northwest Louisiana Strategic Action Council (SAC), the Fund Sponsor, and Kennedy Wilson, its nationally regarded Fund Manager, completed the first \$5+ million close of the \$40 million Northwest Louisiana Community Development Fund I to finance local real-estate projects that will help revitalize low-and moderate-income (LMI) communities across Northwest Louisiana. Since then, the Fund has held several subsequent closings and currently needs only \$12.4 million to reach its \$40 million goal.

This Fund will *only* invest in low and moderate income neighborhoods in the ten parish region of Northwest Louisiana centered on Shreveport and Bossier City to produce [1] superior risk adjusted market rate returns to investors [the *first* bottom line] and [2] measurable jobs, income and community revitalization for low income residents [the *second* bottom line]. The first investments to achieve these goals are expected to be made in the fall 2008 from a substantial pipeline including mixed-income, mixed-use, workforce housing and commercial joint ventures with a range of developers and builders in the community.

JPMorgan Chase and TIAA-CREF have each committed up to \$10 million as the lead investors. Family, community and national foundations, including the F. B Heron Foundation and the Kellogg Foundation, have committed to mission-related investments in this unique community development fund. JPMorgan Chase, TIAA-CREF and these foundations are joined by other leading national and community banks, notably Regions Bank, churches and individuals who are formally invested in the Fund. Many other large repeat institutional investors who have previously invested in other Double Bottom Line funds—major banks, insurance companies, pension funds, foundations and university endowments—are now considering committing to the Fund.

A Local Investor Group brings African-American and Anglo-American investors together to invest jointly for mutual benefit in this unique Fund. Red River Bank is the largest community bank thus far in this local investor group. Other members of this group include Beaird Properties LLC, Jeff Lowe, Dr. and Mrs. E. Edward Jones, Community Foundation of Shreveport Bossier, Galilee Baptist Church, First Baptist Church of Shreveport, Praise Temple Baptist Church and Centenary College.

These investors along with Kennedy Wilson have committed over \$15 million for the Fund. The Fund will continue to hold subsequent closings during the remainder of its subscription period until it reaches its target of \$40 million.

The Fund Sponsor, the SAC, is a highly regarded regional organization of Anglo-American and African-American leaders committed to integrating the poorest neighborhoods of the ten parish region into this strong and diversified regional economy. The SAC, which has a comprehensive agenda for re-invigorating the entire ten parish region, has delegated the day-to-day neighborhood development and fund oversight functions to its Community Development Committee (CDC).

The Fund Manager, Kennedy Wilson, was chosen through a rigorous national search because of [1] their superior track record and upper quartile returns in managing private equity real estate funds for the benefit of both investors and community stakeholders, [2]

their history in managing two other mission-related investment funds [in the Bay Area and Puget Sound] and [3] their confidence in the mixed-use, mixed-income investment opportunities in Shreveport and Bossier City's low and moderate income neighborhoods and surrounding rural areas. One of the compelling reasons for choosing Kennedy Wilson as the Fund Manager of the Northwest Louisiana Community Development Fund I was their shared conviction in the opportunities present for mutually beneficial investment in these neighborhoods and in the region.

The \$40 million Community Development Fund I

The Northwest Louisiana Community Development Fund I (The Fund) is the Strategic Action Council's keystone initiative to stimulate job and wealth creation for residents in low- and moderate income neighborhoods by fully connecting lower income neighborhoods into the healthy regional economy.

The Fund was created to realize the substantial potential to develop these low income areas in ways that *both* benefit the residents who live in the poorer inner city and rural neighborhoods and at the same time add value to the entire Northwest Louisiana economy. These poor neighborhoods are understood by the SAC to represent urban emerging markets with substantial potential to contribute to the growth and vitality of the larger region. Their under-appreciated resources include an available workforce to fuel further regional growth, an under-served consumer base that provides an untapped market for local goods and services, unrealized opportunities for commercial and industrial development, an acute need for quality affordable housing development, and available under-utilized infrastructure. In summary, these low-income communities have the potential to be developed in ways that benefit the low- and moderate-income residents who live in these Shreveport-Bossier neighborhoods while adding value to the entire Northwest Louisiana region.

Origin of this Unique Double Bottom Line Fund

The \$40 million Northwest Louisiana Community Development Fund I is the keystone initiative of the Northwest Louisiana Strategic Action Council (the SAC) which was created by seven leading business and civic organizations in this first decade of the 21st Century to accomplish two goals:

- ✓ Provide the firms, families and communities of the ten parishes of Northwest Louisiana with world class skills and resources to compete in today's global technological economy, and
- ✓ Ensure that the benefits of a world class regional economy and culture are available to all citizens—rural and urban, poor and rich, black and white across the ten parish region served by the Fund and its Fund Sponsor.

At the turn of the Century, the seven founding business and civic organizations—the Greater Shreveport Chamber of Commerce, Bossier Chamber of Commerce, Louisiana State University at Shreveport Foundation, United Way of Northwest Louisiana, Minden-South Webster Chamber of Commerce, Committee of One Hundred, and Northwest Louisiana Partnership for Economic Development—were concerned about the global competitiveness of the region and the health of the economy and the culture. They asked Economic Innovation International, Inc. to undertake a rigorous assessment and recommend actions.

The September 9, 2003 two volume Strategic Analysis and Action Plan, “Finding the High Common Ground” (called locally the Belden Daniels Report) described a vibrant, remarkably diversified economy with many competitive strengths, but one deep flaw—a profound poverty at the core that undermined the health and strength of all people and firms in the region.

The Northwest Louisiana Strategic Action Council –The Fund Sponsor

The Report recommended that the seven founding institutions create the Northwest Louisiana Strategic Action Council (the SAC) to accomplish two broad goals:

- 1) To equip the Region to compete globally by improving regional economic development, education, enterprise development, workforce training and healthcare for all firms and families, and
- 2) To integrate the poorest neighborhoods and citizens of Shreveport and Bossier and the ten surrounding rural parishes into a vibrant, growing regional economy and culture. The Northwest Louisiana Community Development Fund I was created as the centerpiece of this second Initiative. The SAC then established its Community Development Committee (CDC) to give concentrated, continuous focus to both its keystone Community Development Initiative and the Fund.

The Strategic Action Council is reported by national experts to be unique among regional business and civic associations in the country, and especially in the true South, in its deep commitment to undertaking regional development in a way that attends to and focuses on the poorest citizens and communities in the region in such an intense and committed way. And they undertake this mission with a fully integrated leadership organization from the standpoint of race and gender.

The Community Development Committee (CDC) of the SAC

To carry out this Broad Community Development Initiative with the Fund at its center, the SAC has created its Community Development Committee (CDC). The CDC is designed to reach even deeper into the Community. Key community leaders, churches and community organizations are represented to ensure that the Fund and the Initiative reach into and reflect the low and moderate income neighborhoods (LMI) that are the focus of the Initiative and the Fund. The CDC is also responsible for seeing that all the Initiatives of the SAC positively impact these low and moderate income (LMI) areas.

Kennedy Wilson – The Fund Manager

Founded in 1977, Kennedy Wilson is an international real estate investment and services firm with a proven track record in the real estate industry. The Company, headquartered in Beverly Hills, California, has grown from one office into a vertically-integrated operating company with over 300 professionals in 20 regional offices throughout the U.S. and Japan. Kennedy Wilson offers a comprehensive array of real estate services through its vertically-integrated platform, KW Investments and KW Services. Kennedy Wilson is an industry leader, currently owning real estate (through its closed-end funds and joint ventures) representing \$2.8 billion in aggregate transaction value and managing over 30 million square feet of office, industrial and residential properties through out the U.S. and Japan.

Through its vertically integrated platform, KW Investments and KW Services, Kennedy Wilson offers a comprehensive array of real estate services. These services include acquisitions, asset management, leasing, mortgage financing, property management, investment sales, construction management, engineering management and development.

The Company has invested more than \$5.6 billion (based on Aggregate Transaction Value) in office, multifamily, industrial, retail and residential properties in the U.S. and Japan, generating Gross IRRs through December 31, 2008 of 39% (32% Net IRR) on its 85 realized investments. Over the past ten years, Kennedy Wilson's average holding periods for realized investments have been approximately three years. Kennedy Wilson has also consistently outperformed its underwritten targeted returns on realized investments.

As part of its corporate culture, Kennedy Wilson has been committed to both bottom lines in their real estate activities through long and profitable relationships with their investors, developer partners, and always their community partners.

As a family of real estate professionals, Kennedy Wilson has always made a priority of implementing social benefits into their projects. Financial performance is the "benchmark" most often utilized when determining deal performance, but their lifelong real estate experience leads them to conclude that social benefit to their tenants and the community is not only intrinsically good, but always adds to the success of the venture. Kennedy Wilson has always held the notion that they are "guests" in the communities in which they invest. By fostering relationships within the cities and communities that they inhabit, Kennedy Wilson can create an "economic/community synergy" which will not only help to produce a sustainable level of financial returns, but can simultaneously provide communities the key amenities necessary to increase their overall quality of life and the economic and social strength of their community. Kennedy Wilson views projects in LMI census tracts as providing excellent investment opportunities with tremendous economic development impact, that increase homeowners' net worth, increase the tax base, and trigger substantial additional development.

Kennedy Wilson's history of blending both financial gains and community benefit in each of its investments throughout its history, and its success in managing similar regional double bottom line private equity funds in partnership with Fund Sponsors in the Bay Area and in Puget Sound, positions them to be especially equipped to be successful with the SAC and this Fund in Northwest Louisiana.

The Northwest Louisiana Local Investor Group

A unique Local Investor Group (LIG) has a target to invest 15% of the \$40 million Fund, or \$6 million: Local investors from leading families, family foundations, community foundations, local colleges, African American and Anglo American churches, and both African American and Anglo American individuals are choosing to invest in this unusual Fund because of the Double Bottom Line returns and in order to demonstrate their deep confidence in this Fund to national investors—major commercial banks, insurance companies, public and faith-based pension funds, foundations and university endowments, as well as some national high net worth individuals and families who have expressed interest in investing in this most unusual Fund.

Nearly \$2 million in current commitments to the Local Investor Group include:

- Beard Properties, LLC (the investment vehicle for the Charles T. Beard Foundation), a leading real estate family and company in Shreveport.
- Red River Bank
- The Community Foundation of Shreveport-Bossier
- Galilee Baptist Church
- Dr. and Mrs. E. Edward Jones, Pastor of Galilee Baptist Church
- First Baptist Church of Shreveport
- Centenary College of Louisiana
- Praise Temple Baptist Church

Based on these initial commitments, other accredited organizations and individuals are now soft circled, both locally and nationally.

The Fund is a part of a rapidly growing \$12-15 Billion Double Bottom Line Industry

This Fund is a part of a dynamic private equity industry has grown from zero to \$12-15 billion in committed capital in less than a decade because it has consistently provided:

- 1) Superior risk-adjusted market rates of return (no less than net/net/net mid-to-high ‘teens returns) for its large cadre of repeat institutional investors—all the major national commercial banks, many insurance companies, pension funds, university endowments, foundations as well as high net worth individuals (*the first bottom line*);
- 2) Measurable jobs, wealth creation and community revitalization for residents of the low and moderate income areas in which the mixed-income and mixed-use housing, commercial and industrial projects are built in partnership with community stakeholders (*the second bottom line*), and

These funds are managed by proven national Fund Managers who are selected by local Fund Sponsors through a national search for their ability to consistently produce superior returns for large institutional investors in ways that also produce the second bottom line. After the Fund Sponsor has vetted the investment for its second bottom line soundness, the Fund Manager is solely responsible for making the final investment decision based only upon the capacity of the project to produce superior risk-adjusted market returns. The rapid growth of this industry is premised on the simple truth that there is no second bottom line without the continued successful returns of the first bottom line.

Measuring the Second Bottom Line

Louisiana State University at Shreveport (LSUS) was one of the founding seven civic institutions that commissioned the “Higher Common Ground Report”. Through its nationally regarded Center for Business and Economic Research (CBER), it was a major contributor of data and analysis to that September 9, 2003 Two Volume Report, and its subsequent November 27, 2004 “Northwest Louisiana Community Development Fund Market Assessment”. Since then, LSUS and its CBER has been a continuing contributor to the development of the SAC and CDC’s Community Development Initiative and the Fund.

LSUS/CBER have agreed to perform the ongoing evaluation and post audit of the Second Bottom Line impacts of the Fund, and are now working with a national panel of professionals to adopt the highest current standards of best practice in implementing their analysis.