Blue Forest Yuba II Forest Resilience Bond
A PRIVATE DEBT OFFERING

NEAR-MARKET RATE RETURNS FOR FUNDING FOREST MANAGEMENT PROJECTS THAT REDUCE WILDFIRE RISK AND PROTECT WATER RESOURCES

Proactive forest management projects, such as prescribed burns and strategic thinning, are critical to reducing wildfire risk. However, for the US National Forest, a lack of public funding and staffing shortages prevent these projects from being implemented at the pace and scale required to proactively address wildfire threats.

Blue Forest Conservation’s Yuba II Forest Resilience Bond (Yuba II FRB) provides climate-focused investors an opportunity to unlock and expedite funding for forest management projects while earning near-market rate returns. With financing from private investors, the Yuba II FRB will provide working capital for “shovel-ready” projects on public land while adding project management capacity through a designated implementation partner and therefore accelerate forest restoration timelines by 2-5x.

The Yuba II FRB will fund $25-$30M in forest restoration activities to reduce fire risk on over 40,000 acres of the Tahoe National Forest. Beyond mitigating wildfire risk, these projects also protect air quality, promote carbon sequestration and stability, safeguard biodiversity, enhance water supply, increase hydropower reliability, and protect recreation areas.

ABOUT BLUE FOREST CONSERVATION

Blue Forest Conservation* is a non-profit investment firm with a mission to harness financial innovation and build partnerships with investors, non-profits, private companies and the public sector to design solutions to systemic climate resilience challenges faced by vulnerable communities. Their signature financial product, the Forest Resilience Bond, was developed in partnership with the World Resources Institute, the U.S. Forest Service (USFS), and the National Forest Foundation (NFF). Through the Forest Resilience Bond, Blue Forest has created measurement techniques, innovative contracting approaches, and financial structures to bridge the gap between investors and environmental interventions.

Founded in 2015, Blue Forest Conservation launched their first Forest Resilience Bond, the Yuba I FRB, in 2018 with $4M in funding for ecological restoration across 15,000 acres of National Forest System land. The Yuba I FRB is still active, has completed all project and repayment milestones on time, and is on track for its planned project completion in 2023.

ABOUT THE VENTURE IMPACT PROGRAM (VIP)

VIP is an innovative way for MCF donors to engage in impact investing through philanthropy. Via a partnership with ImpactAssets — a market leader in impact investing — VIP enables philanthropic dollars to be directed towards both non-profit and for-profit companies that are seeking to make positive social or environmental impact.

For further information, contact Safia Kryger-Nelson at MCF, 415.464.2515 or skryger-nelson@marincf.org.
**ImpactAssets FUND SUMMARY**

**ASSET CLASS**
Private Debt - Revolving Credit Facility

**TARGET FUND SIZE**
$11M ($8M in private debt, $3M PRI loan)

**TERM**
Five years

**TARGET RETURN**
- Expected Average Annual Net Return: 1-2%
- 3.5% net return on drawn capital
- 0.15% net return on undrawn capital

**GEOGRAPHY**
Western US, specifically Tahoe National Forest

**IMPACT AREAS**
Wildfire risk, climate action, healthy forests, clean air, water supply protection, natural infrastructure

**FUND MANAGER FEES**
- Annual Management Fee: 1.36%
- One-Time Closing Fee: 2.48%

**INVESTMENT FEES**
This recommendation will incur an additional fee of 0.40%. The fee is calculated on current asset basis.

**INVESTMENT THESIS**
Blue Forest Conservation addresses the $58B backlog of forest restoration work through a public-private partnership model. The Forest Resilience Bond brings together multiple project beneficiaries, USFS, Utilities and state governments, to contribute project funding and create compelling economics for all stakeholders.

**IMPACT THESIS**
- **Proactive forest management**: activities including strategic forest thinning and prescribed fire are proven to reduce wildfire risk and severity, increase forest resilience to wildfire and provide multiple ecological, social, and economic co-benefits.
- **Unlock funding for “shovel-ready” projects**: The Yuba II FRB seeks to increase the amount of funding for restoration activities in order to create more resilient forests, protect communities, improve water supplies and create jobs.

**ILLUSTRATIVE INVESTMENT**
The Trapper Project: The Trapper Project area consists of dense forests in the Tahoe National Forest that are prone to large scale wildfires. The Project seeks to reduce the risk of high-severity wildfire and improve ecosystem health in this area near a rural community. As part of the Yuba II FRB, project beneficiaries, including the Yuba Water Agency, USFS, and California Wildlife Conservation Board, will repay investors over time. Without the private investment capital and additional grant funding the FRB brings to the Trapper project, this project would only be partially funded by the USFS alone; lacking sufficient budget, and the project completion would likely be delayed several years with fewer components completed.

**STRENGTHS**
- **Scalable, innovative model**: Blue Forest is changing the way the USFS approached funding conservation and has served as inspiration for new USFS grant programs and policy improvements. This model can be applied to other types of environmental land management challenges – a possibility the Blue Forest team is actively exploring.
- **Strong principal protection**: Loans can only be drawn by Yuba II FRB once grant agreements and contracted cash flows have been confirmed. Beneficiaries, including public agencies and state utilities, reimburse investors with principal and returns within 6-12 months of each disbursement.
- **Amplification Power**: funds will be reinvested as loans are repaid, thereby financing over $25M in forest management with only $11M in investor capital.

**RISKS**
- **Emerging Impact Manager**: Despite strong performance from the Yuba I FRB, Blue Forest is a new manager with three years of experience with this strategy. As a result, ImpactAssets is applying the Emerging Impact Manager designation.
- **Financially Subsidized**: As a non-profit organization, Blue Forest Conservation is dependent on grant fundraising for the majority of their operating budget.

LEGAL AND PROGRAM DISCLAIMER: This is not a solicitation to buy or sell securities, nor a private placement offering pursuant to any private placement memorandum that must be issued to qualified investors. It is an informational description of charitably oriented, social purpose investment options that have been approved by ImpactAssets only for use by its donors. The minimum commitment per account per option is $10,000. There is no guarantee of any recovery of capital. The Fund Manager has not approved the information contained in this Fund profile, including the assignment of risk ratings contained herein.