



NATURAL CAPITAL INVESTMENT FUND

2015 Impact Report



15 Years of Impact

www.ncifund.org

1098 Turner Road | Shepherdstown, West Virginia 25443 | 304-876-2815

FROM OUR PRESIDENT AND CEO

Natural Capital Investment Fund is proud to celebrate 15 years of supporting entrepreneurs who create jobs, improve their communities and protect natural resources in underserved areas. We've come a long way since our first loan. We've invested \$26 million in 183 businesses that have created or retained more than 3,000 jobs. Today, we operate across nine Central Appalachian and Southeastern states, and believe NCIF's success in demonstrating that businesses can integrate triple bottom line returns has national significance.

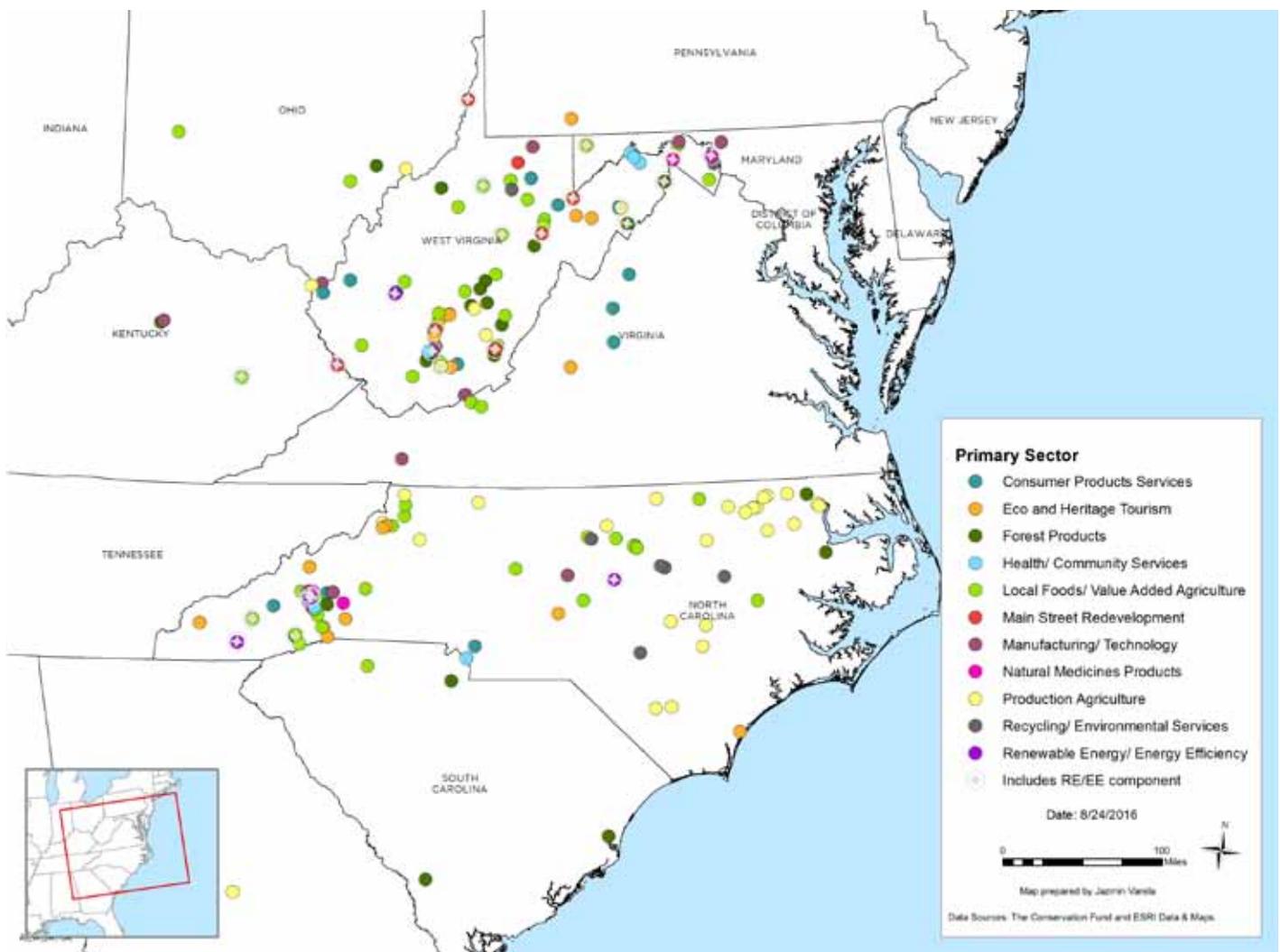
2015 was our biggest year yet, with \$7.9 million in loan volume—a 102 percent increase over 2014. We provided more the 4,240 hours of technical assistance and business advisory services to 674 businesses, farms and individuals. Our Energy Initiative and support for vibrant local economies across Appalachia continued to grow, and we launched our Farmers of Color Initiative to expand lending to minority farmers and business owners.

All of our work is guided by NCIF's mission to achieve triple bottom line results benefiting diverse communities, our economy and the environment. Our portfolio companies are using their creativity and innovation to have an impact on all three. These small businesses add up to big results, and as we look back on 15 years of success, we celebrate all that their passion and commitment has achieved.

We welcome your feedback, partnership and investment in NCIF's work and the communities we serve.

—Marten R. Jenkins, Jr., President & CEO

NCIF PORTFOLIO COMPANIES 2001-2015



NCIF Loans by Sector 2001-2015



Total \$25,992,099

2000 - 2015

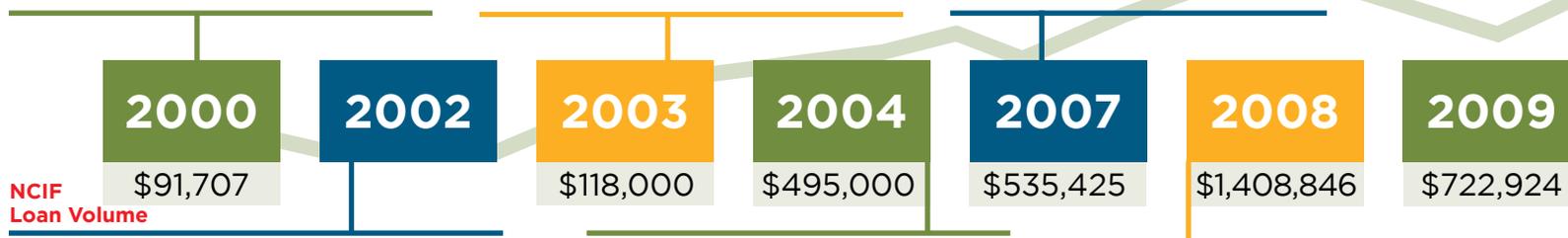


Natural Capital Investment Fund is founded by The Conservation Fund, in partnership with the West Virginia Small Business Development Center and the Appalachian Regional Commission (ARC). Marten Jenkins is named Executive Director. ARC provides operating and loan capital, beginning 15 years of steadfast support for NCIF.

NCIF makes its first loan using capital from USDA Rural Development (USDA RD) to the **Cabins on Miller Ridge** in Hico, West Virginia. USDA RD has been a critical partner for NCIF's work in rural communities, providing \$3.2 million in funds that NCIF has put to work in 27 companies since 2003. As of 2015, **77 percent of NCIF's loans have gone to rural entrepreneurs.**



With support from the Mary Reynolds Babcock Foundation, **NCIF expands to North Carolina and Virginia**, opening its second office in Chapel Hill, North Carolina. By 2015, NCIF also maintains offices in Hendersonville and Winston-Salem, North Carolina, and Shepherdstown and Fairmont, West Virginia.



NCIF is certified by the U.S. Treasury as a Community Development Financial Institution—the first small business CDFI in West Virginia, serving 38 counties—and the Claude Worthington Benedum Foundation, a critical partner to NCIF throughout our growth, provides capital for NCIF's lending.

NCIF begins operating statewide in West Virginia.



Our loan to **Songer Whitewater** in Fayetteville, West Virginia, begins NCIF's support for the river rafting industry and eco-tourism, a key economic engine for West Virginia. Between 2004 and 2011, NCIF makes \$1.3 million in loans to rafting companies and related infrastructure, such as cabins and restaurants.

Our first North Carolina loan, to **Piedmont Biofuels** in Moncure, North Carolina—which funds the purchase of a pumper truck to collect waste grease that is converted to biodiesel—**begins NCIF's support for renewable energy companies.**

FLS Energy in Asheville, North Carolina, turns to NCIF for working capital to fund its growing solar thermal and photovoltaic (PV) business and develop its first solar farm. By 2015, FLS installs its one millionth solar panel, reaches over \$100 million in revenue, and employs 55 people.

NCIF makes its first loans, to **Gauley Mountain Moulding** in Craigsville, West Virginia, and **Blue Smoke Salsa** in Ansted, West Virginia. **From 2001 to 2015, nearly 30% of NCIF's loans support forest products, local foods and value-added agriculture companies.**



The Grain Bin Project for Disadvantaged Farmers launches in North Carolina in partnership with the North Carolina Department of Agriculture and Consumer Services. NCIF pairs microloans with cost-share grants to 20 limited-resource farmers to install on-farm grain bins. They earn more from their harvests through futures contracts and timing the sale of grains.



NCIF's loan fund tops \$25 million, and we make a record \$7.9 million in loans to 38 businesses.

We launch our Farmers of Color Initiative with an accounting assistance cost-share program that defrays growers' costs of setting up financial record-keeping and engaging an accountant.

NCIF makes its first **craft brewery** loan to **Big Timber Brewing** in Elkins, West Virginia, the first of eight loans to craft breweries in West Virginia and North Carolina. Craft breweries not only create jobs, but also purchase locally-grown produce and malt made from local grains, creating new markets for independent farmers.

With loan capital and operating support from CEI and CEI Capital Management, LLC, and the U.S. Endowment for Forestry and Communities, NCIF launches the **Sustainable Logging Initiative** in Georgia and South Carolina to fund timber harvesters who operate in accordance with sustainable forestry and safe logging practices.



NCIF expands its service area to the Appalachian regions of Ohio, Kentucky and Tennessee to participate in the Ford Foundation's wealth creation strategy.

NCIF launches the **Value Chain Cluster Initiative (VC2)** to connect growers and markets, create and retain jobs, and leverage private investments in the local food sector in 17 West Virginia counties. VC2 has created or retained more than 350 jobs and leveraged over \$2.2 million in private investment in West Virginia's local food systems.

NCIF **expands to western Maryland**, making our first Maryland loan to **Firefly Farms**, a goat cheese maker in Accident, Maryland, to install solar panels that reduce operating costs and the company's carbon footprint.

NCIF's Energy Initiative is launched to provide loans, energy audits and project assistance to small businesses. Our loan to **Rock Cave IGA** in Rock Cave, West Virginia, for energy efficient upgrades to its lighting, coolers and freezer reduces the store's utility expenses by 25 percent.



2015 Highlights

More Than Capital: NCIF's Business Advisory Services

For more than seven years, we've been fortunate to work with SJ Morse Company of Capon Bridge, West Virginia—a high-end veneer manufacturer whose founder, Steve Morse, has used his commitment to sustainable forestry practices to create a unique niche. We've provided equipment loans, funded an energy assessment, helped transition the company to a new accounting system and are currently helping Steve structure a succession plan to sell the company to his employees through an Employee Stock Ownership Plan.

"NCIF has been such an important partner for SJ Morse as we've grown our company. They supported our expansion with capital when we needed it, but just as important has been the technical assistance NCIF offers."

—Steve Morse, CEO, SJ Morse Company, Capon Bridge, West Virginia

4,240 Technical Assistance Hours To 674 Businesses

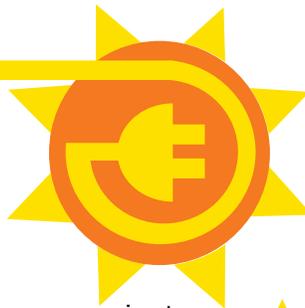
NCIF's business advisory services help entrepreneurs and companies make the most of the capital we lend. In 2015 alone, we provided 4,240 hours to 674 businesses.

NCIF's technical assistance also helps build sectors. Our Value Chain Cluster Initiative (VC2) works across 17 West Virginia counties building the linkages between growers and markets that are so critical to a thriving local food system. In addition to one-on-one assistance to hundreds of enterprises over the past three years, VC2 has delivered workshops on topics ranging from production planning and meat processing to QuickBooks, labels and branding, and grassland management.

High Energy:

NCIF Promotes Energy Efficiency and Renewable Energy in Appalachia

Energy efficiency upgrades and renewable energy just make sense for small businesses. They reduce costs and demonstrate how businesses can combine economic success with environmental awareness. NCIF's Energy Initiative has provided \$3.1 million in funding to small businesses and projects to date. In 2015, we provided hands-on technical assistance to 27 businesses across North Carolina, Virginia and West Virginia. We assisted with energy-efficient, whole building renovations, funded retrofits to lighting and HVAC systems, and helped companies install solar PV arrays. And, NCIF has been a leader in coordinating our efforts with other CDFIs in the region so that we can be sure to respond to every possible opportunity to save money and energy.



"We need to reinvest every available dollar back into our business to keep up with the growing demand for our products. So every kilowatt-hour we can produce ourselves helps us build a more profitable business."

—Eric Young, CEO,
Mountaineer Brand,
Shepherdstown, West Virginia



2015 Impact Spotlight



110 active portfolio companies and farms created

249 full-time and

113 part-time new jobs in 2015

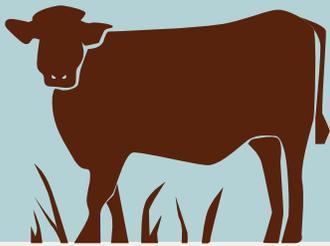


75K

farm visits to Simply Natural Creamery and Dairy, Ayden, North Carolina.



95% of Mountaineer Brand's energy needs are provided by newly-installed solar PV arrays, made possible by NCIF's loan to the Shepherdstown, West Virginia-based manufacturer of natural beard oils and grooming products.



4.1 MILLION

pounds of local produce and pasture-raised meat purchased by funded companies.



132.6 MILLION

pounds diverted from landfills (reused, recycled or composted)—the equivalent of 4,736 garbage trucks.



59%

of companies reported higher profits in 2015.



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INVEST WITH US

NCIF offers investors the unique opportunity to back companies that create jobs and benefit the environment in distressed communities. By growing our pool of capital, investors can help mission-driven entrepreneurs achieve economic and environmental success.

NCIF has funded over 180 businesses and non-profit enterprises while maintaining low loss rates. We credit this success to our rigorous underwriting process and the technical support we provide to our borrowers. We maintain a AA+3 rating from AERIS, a third-party auditor of community development financial institutions.

To inquire about investments in Natural Capital Investment Fund, contact Marten Jenkins, CEO, at 304-876-2815, ext. 207.