



NATURAL CAPITAL INVESTMENT FUND

THE CONSERVATION FUND

BEST PRACTICES IN THE NEW-ENERGY ECONOMY I:
Growing Green Enterprises

New Energy. New Jobs. New Opportunities for Appalachia

October 26-28, 2009

Athens, Ohio

Marten Jenkins, President



Overview: The Conservation Fund

- National non-profit land and water conservation organization, est. 1985
- Dual Charter: environmental protection *and* economic development
- Two major program areas:
 - **Land Protection:** land acquisition & conservation easements
 - **Sustainable Programs:** Freshwater Institute; land trust loan fund; Shade Fund, Community Forestry Initiative, leadership training, Resourceful Communities Program, NCIF, etc.



NCIF Overview

- CDFI founded 2001 in partnership with ARC & WV Small Business Development Center; affiliate of The Conservation Fund.
- \$4.4 M invested (or committed) to date in 37 businesses in NC, VA & WV; 1 loss.
- Expanded to Virginia, North Carolina, and NE Tennessee in 2007.
- Total capital under management - \$5.7 M.

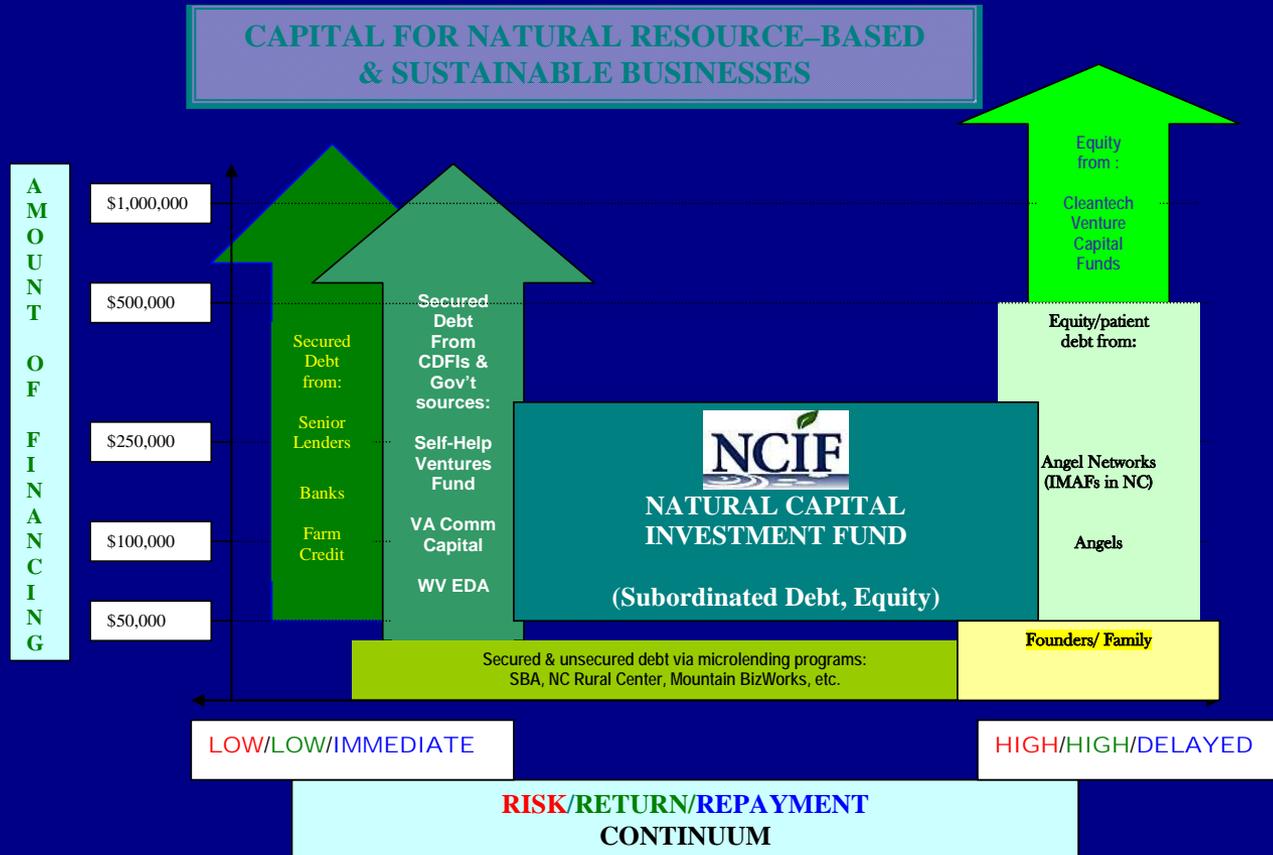
Objectives:

- Increase access to risk capital for environmental & natural-resource based businesses in rural/distressed areas.
- Create long-term, quality jobs through sustainable natural resource-based business growth.
- Partner with public and private sectors to stimulate local economic expansion and support NCIF stakeholders.

NCIF Investment Approach

- Start-up to expansion-stage natural resource-based companies with market traction and growth opportunities.
- Subordinated Debt or Equity; New Markets Tax Credits for transactions \$5 million or more.
- Typical investment range: \$35,000- \$250,000. Interest rates reflect subordinated debt or equity risk.
- Technical Assistance provided: Sector-specific and business-specific services provided to portfolio and applicant companies
- Partner with other funding sources to share risk (banks, community development lenders, venture capital, etc.)

Funding for natural resource-based businesses – NCIF fills a gap





NCIF Sectors



- Value-Added Agricultural Products
- Natural/Organic Agriculture & Livestock/Poultry
- Renewable Energy & Energy Efficiency
- Value-Added Forest Products
- Heritage and Eco-Tourism
- Recycling & Water Conservation
- Environmental & Green Products/Services
- Green Building
- Natural Medicines

NCIF Special Initiatives

- **Western NC Energy Initiative** – Providing financing to support renewable energy related enterprises.
- **WV Energy Initiative** - Providing technical assistance & financing to support energy efficiency related projects.



Carolina Wood Pellets, LLC

Location:

Franklin, NC (Macon County)

Investment Purpose:

Equipment and Working Capital

Total Project Costs:

\$2.805 M (NCIF \$250,000)



About the Company:

Carolina Wood Pellets is a family-owned manufacturer of wood pellets for use in residential stoves and commercial boilers. The company is co-located with Steve's Custom Log Homes, a log home construction and rustic furniture company. The Smith's log home & furniture business generates roughly 25,000 tons of wood waste per year, and Steve created CWP to transform that waste into a feedstock for renewable energy. The company will also provide an outlet for wood waste generated by flooring and mill operations within 50 miles of Franklin. The plant will produce 68,000 tons of pellets annually as configured.

Role of NCIF:

NCIF was instrumental in arranging the financing for Carolina Wood Pellets, which came from a variety of sources. NCIF's ability to commit up-front subordinated capital reduced the risk for Macon Bank of Franklin, NC, which provided construction and permanent financing, in conjunction with an SBA 504 guarantee from Smoky Mountain Development Corporation. NCIF's due diligence and early commitment leveraged additional risk capital from the NC Rural Center's Rural Venture Fund.

Impact:

Carolina Wood Pellets, the first wood pellet manufacturer in North Carolina, provides the western part of the state with a home-grown source of carbon-neutral renewable energy. CWP is expected to create 32 full-time and part-time jobs when operating at capacity.

FLS ENERGY, LLC

Location:

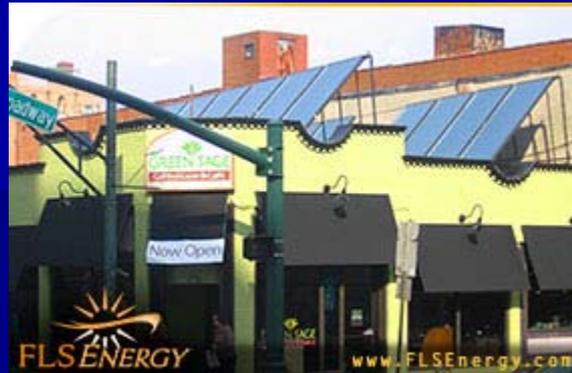
Black Mountain, NC

Investment Purpose:

Working capital for expansion

Total Project Costs:

\$250,000 (\$200,000)



About the Company:

FLS Energy, Inc. is a rapidly growing designer and installer of solar thermal (hot water heating) and solar photovoltaic (electric generation) systems for residential and commercial customers. The company also provides consulting services to help businesses evaluate their energy use and maximize the return on their investment in a solar energy system. Building designer Hardy LeGwin together with Dale Freudenberger, a general contractor, and Michael Shore, an engineer, incorporated FLS Energy in the Spring of 2006 to "make solar energy mainstream, sooner rather than later." FLS Energy quickly gained positive exposure for its installation of a large-scale 100-panel solar thermal system on the roof of the LEED-certified Proximity Hotel in Greensboro, NC. In the last two years, the company installed more than 70 commercial and residential systems across North Carolina, and sells solar energy systems all over the US through its website.

The drivers for FLS's rapid growth have been: a) the availability of state and federal tax credits for solar energy installations; b) the 2007 passage of legislation that created a North Carolina Renewable Portfolio Standard (RPS) mandating that 12.5% of the state's electrical generation from investor owned utilities must come from renewable energy sources by 2020 ; and c) growing public awareness about global warming.

Impact:

FLS products and services provide families and business owners with concrete strategies to reduce their consumption of electricity and non-renewable fossil fuels. In addition to expanding efficient alternative energy options for consumers, FLS is creating good jobs in the local community. The company expects to add 10 -12 employees to its payroll over the next year, including a manager of its new energy efficiency services. The company provides a stipend for employee health insurance and is committed to providing health insurance for all employees as it grows.



PIEDMONT BIOFUELS, INC.



Location:
Moncure, NC

Investment Purpose:
Equipment Financing

Total Project Costs:
\$44,000 (\$15,000)

About the Company:
Piedmont Biofuels, Inc.—a biofuels cooperative based in Moncure

impact:
NCIF and Self-Help Ventures Fund financed the purchase of a vacuum pump-equipped tanker truck to collect waste grease from restaurants and institutional food service facilities. The cooperative will use the grease to produce biodiesel for its 450 + members and supply affordable feedstock to its manufacturing arm, which produces 1,000,000 gallons of B100 biodiesel annually. .



Lights on West Virginia, LLC



Location:

Oak Hill, WV

Investment Purpose:

Real Estate and construction financing

Total Project Costs:

\$294,500 (\$100,000)

About the Company:

LightsON! West Virginia, LLC was established in March 2007 to develop LEED certified commercial properties and promote green building practices in rural West Virginia. The company is currently overseeing the renovation of the Bellann Building in Oak Hill, WV using green building practices. On completion, The Bellann Building will be the first LEED certified Existing Building in the State of West Virginia.

Role of NCIF:

NCIF helped finance the renovation of the Bellann Building on Main Street in Oak Hill, WV as mixed office and retail space (~10,000 sq. ft.) using green building practices. NCIF's participation enabled the company to leverage additional bank financing for the project.

Impact:

The project is unique as it is the first private sector LEED green building project in West Virginia. LightsON! West Virginia plans to seek LEED certification for the project. The project will also serve as an example of how private and public investment can attract new businesses to West Virginia's historic downtowns. This project is expected to bring 16 new jobs to the Oak Hill community.



WASHINGTON HOMEOPATHIC PRODUCTS

Location:

Berkeley Springs, WV

Investment Purpose:

Equipment & Expansion Financing

Total Project Costs:

\$703,000 (\$150,000)



About the Company:

Washington Homeopathic Pharmacy began operations in 1873 in Washington, D.C. and is the oldest homeopathic manufacturer in the US. Joe and Linda Lillard bought the pharmacy in 1991 and renamed it Washington Homeopathic Products (WHP). In 1993, with homeopathy back on the rise, the company set up a branch in Berkeley Springs, WV that focuses on bulk manufacturing, sales to retail stores, pharmacies, small chains, and private label companies. WHP manufacturers over 1,700 individual medicines which are sold worldwide. Joe and Linda also house a small homeopathic museum in Berkeley Springs. In 2004 the Lillards closed the Washington, D.C. pharmacy and moved the entire operation to Berkeley Springs. Continued growth and the consolidation of operations created a space issue for the company and the Lillards' began to plan for an expansion.

Role of NCIF:

In early 2005, NCIF met with Joe and Linda Lillard to assist with the planning for the construction of a new 12,500 square foot facility in the Morgan County Industrial Park. NCIF was able to help raise additional funding for the project from the WV EDA and provide supplementary funding for equipment needs.

Impact:

WHP moved into the new facility in the summer of 2006. The expansion created 25 additional jobs and streamlined the manufacturing process. The business is now able to service larger distributors and expand the private labeling market side of the business. Washington Homeopathic Products has been selected as the U.S. Small Business Administration's 2007 West Virginia Small Business Exporter of the Year.



Renick Millworks, LLC

Location:

Renick, WV (Greenbrier County)

Investment Purpose:

Equipment and Working Capital

Total Project Costs:

NCIF \$293,000 (\$40,000)



About the Company:

Renick Millworks, LLC is a family-owned antique flooring millwork enterprise established in January 2005. The company produces wide-plank solid wood flooring in antique chestnut, oak, and heart pine, as well as engineered chestnut flooring and custom trims and mouldings using salvaged lumber. Their flooring products are milled mostly from chestnut, oak, and heart pine that has been dismantled from old structures in the eastern Allegheny region.

In 2008, Renick Millworks received Forest Stewardship Council (FSC) Certification for their flooring and millwork products made from salvaged lumber. The certification will allow them to sell to the green/LEED building markets which require FSC certification.

Role of NCIF:

Renick Millworks sought working capital financing from NCIF to buy raw materials to build their inventory as a strategy to minimize the impact of price fluctuations in the reclaimed lumber market. The funding also allowed them to reduce order turn-around time by building finished goods inventory.

Impact:

Demand for Renick Millwork's products has been stimulated because of the interest by builders and customers in "green-building". The ability to purchase raw materials at market lows afforded by the financing from NCIF provided the margin to maintain the profitability of the business. In addition, Renick developed a competitive edge by reducing the long lead times for orders that are typical to the industry.



**RENICK MILLWORKS &
OLD MOUNTAIN SUPPLY**

Antique Flooring, Beams & Millwork



Results & Impact

- Demonstrating viability of natural resource-based business sector
- 37 businesses (44 financings / commitments), 1 loss
- Over 240 jobs created/retained
- 48% women-owned / controlled enterprises
- \$18.2 M leveraged (\$4.82 for every \$1 NCIF)

Partnering for best practices and maximum impact

■ Central Appalachian Network

APPALACHIAN
SUSTAINABLE
DEVELOPMENT



■ Triple Bottom Line Collaborative



- “Working partnership” with Coastal Enterprises, Inc. – access to \$159 M in New Markets Tax Credits for \$5 - \$20 M financings





Questions?

NCIF website: www.ncifund.org

TCF website: www.conservationfund.org