Place-Based Investing for Resilient Rural Development

The Emerging Eco-System for Impact Investing within Southern Rural Value Chains

wealthworks

CROATAN INSTITUTE

THE WEALTHWORKS INITIATIVE

This initiative (formerly Wealth Creation in Rural Communities), funded by the Ford Foundation, is a seven-year multi-stakeholder initiative to articulate and test a new systems approach to rural development. WealthWorks is an approach that brings together and connects a community's assets to meet market demand in ways that build livelihoods that last. The initiative has produced various other reports, which can be found at http://www.yellowwood.org/wealthcreation.aspx. Also see www.WealthWorks.org.

ACCELERATING IMPACT

A part of WealthWorks, the Accelerating Impact project is aimed at articulating the role of finance in supporting WealthWorks value chains in rural areas. Over two years, this project, housed at Tellus Institute and continued at Croatan Institute, has worked with ten projects on the ground in Central Appalachia and the Deep South, doing assessments of financing needs and assisting projects in advancing toward their financing goals.

The goal of this report series is to advance the initiative's broad aim of creating a comprehensive framework of community investing, ownership, and wealth control models that enhance the social, ecological, and economic well-being of rural areas.

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This paper draws initial inspiration from the Social Entrepreneurship Collaboratory we led at the Second Cross-Regional Convening of the Wealth Creation in Rural Communities Initiative, held at Berea College, in Berea, Kentucky on September 11-12, 2013. We particularly would like to thank both the participants in the Collaboratory, including representatives from alt.Consulting (now known as Communities Unlimited) and the Arkansas Green Energy Network, Appalachian Sustainable Development and WoodRight, Black Belt Treasures, the Deep South Community Agriculture Network, The Greater Kanawha Valley Foundation, McIntosh SEED, Emerging Changemakers Network, and our panel of evaluators, Marjorie Kelly, Rick Larson of the Natural Capital Investment Fund, and Sheri Ryder of The Greater Kanawha Valley Foundation.

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Introduction

WealthWorks value chains present compelling opportunities for place-based investments that can help establish and support profitable enterprises as well as generate tangible social and environmental impacts.

Working closely over the past several years with colleagues in the WealthWorks community of practice, however, we have observed two core challenges for their social enterprises and value chains:

1) First, small-scale entrepreneurs working in highly distressed rural areas such as Appalachia and the Deep South typically lack the capacity to access emerging forms of patient capital that seek social and environmental impact in addition to financial returns; and

2) many socially and environmentally attuned investors are largely unaware of the investment opportunities that are arising out of the novel forms of economic development that are beginning to take root in these regions.

Although mapping enterprises and opportunities within value chains has become a key practice within the WealthWorks community of practice, many value chain participants often view financing as external to the value chain. In order to develop durable financing strategies, value chain participants need to consider investors as part of their value chain. Fortunately, increasing numbers of investors are seeking ways to invest in local communities in ways that generate social and environmental dividends in addition to financial returns.

In order to help value chain practitioners understand emerging opportunities to tap into these friendlier forms of finance, this paper has four basic objectives:

1) Introduce a wide spectrum of stakeholder finance for WealthWorks Value Chains, from crowdfunding to impact investing;

2) Survey the broader place-based investment landscape relevant to resilient rural development;

3) Explore four stages of investment readiness; and

4) Introduce a basic framework for constructing and delivering a five-minute business pitch to investors.

This study is one of several papers that have emerged from more than four years of research, technical assistance, and assessment to support WealthWorks value chains, which have involved teams at the Aspen Institute Community Strategies Group, the Center for Rural Entrepreneurship, Croatan Institute, FAHE, MACED, Red Mantra Group, Tellus Institute, and Yellow Wood Associates, among others. It is the fourth in a series of WealthWorks papers focused on financing rural value chains associated with the Accelerating Impact project, directed by Marjorie Kelly at Tellus Institute from 2012 to 2014. This study complements the series' papers on enterprise finance, financing the role of the value chain coordinator, and crowdfunding.[1]

The genesis of this specific inquiry emerged from discussions among researchers at the Center for Rural Entrepreneurship and Tellus Institute about the need for greater entrepreneurial capacity building within the WealthWorks community of practice around attracting investment through

[1] Marjorie Kelly, *Enterprise Financing for WealthWorks Value Chains* (Boston, MA: Tellus Institute, 2014); id., *Financing the Evolving Role of the Value Chain Coordinator* (Boston, MA: Tellus Institute, 2014); Christi Electris, *Guide to Crowdfunding for WealthWorks Value Chains* (Boston, MA: Tellus Institute, 2014).

compelling business storytelling. To begin addressing this need, we led a one-and-a-half-day entrepreneurship workshop at the Second Cross-Regional Convening of the WealthWorks community of practice in Berea, Kentucky, in September 2013. The workshop was modeled on the Social Entrepreneurship Collaboratory developed at Harvard University a decade ago. At the Berea workshop, participants from WealthWorks value chains learned techniques for assessing their investment readiness and identifying potential investors within the landscape of stakeholder finance, and they practiced making compelling investment pitches to a panel of expert judges.

Both at the Berea collaboratory—as well as in a subsequent webinar that our team presented the following year for the Wealth Creation and Rural Livelihoods national community of practice—we focused chiefly upon helping WealthWorks value chains pitch their investment opportunities to targeted investors by applying specific skills for compelling business storytelling. In this paper, we aim to provide deeper insights into those parts of the landscape of stakeholder finance that appear most relevant to WealthWorks rural place-based value chains, particularly in the South. Our aim is less to provide a comprehensive survey of place-based investment resources than to provide high-level perspectives on the kinds of investors value chain enterprises should consider as they assess their investment readiness.

Panelists providing feedback to WealthWorks value chain practitioners at the Social Entrepreneurship Collaboratory, Berea, Kentucky, September 2013.

I. What is WealthWorks?

WealthWorks is a 21st-century approach to local and regional economic development that brings together and connects a community's assets to meet market demand in ways that build livelihoods that last.

In so doing, it offers a systematic approach for local people to identify and build upon promising entrepreneurial opportunities in their region. It encourages them to convene a wide range of partners who can work together to turn those opportunities into viable enterprises that generate and capture multiple forms of wealth. It also persistently seeks to increase jobs, income, and business ownership opportunities for lower-income residents.[2]

Value chains are the core structures of the WealthWorks approach. An individual value chain is an active network of businesses, nonprofit organizations, and other stakeholders who work together to satisfy market demand for specific products or services. They take part in the value chain to meet their individual needs as well as to fulfill the shared goals of the entire network. Typically value chains have a coordinator who ensures that communication across the network is timely and inclusive of all the key partners. Because of all these factors, they can be more responsive and more innovative than traditional supply chains.

By focusing on place-based investment for resilient rural development, we build upon the many insights and ongoing learnings from the WealthWorks community of practice, as well as directly from the field, gathered from our broader assessment of investment readiness within rural value chains being developed across economically distressed rural communities in Appalachia, the Deep South, and the Arkansas and Mississippi Delta regions. The value chains we studied are quite diverse, ranging from clean energy production to local food and agriculture, from green affordable housing to sustainable forestry and wood products.

The Deep South Community Agriculture Network (DSCAN), for example, is a collaboration of six organizations in Mississippi and Alabama who are working to develop value chains for the purpose of sustaining the natural resources and improving the livelihoods of rural families in the Deep South.[3] At the close of 2013, in just one year, DSCAN's three value chains had organized 50 small minority farmers and created entry points to wholesale markets. In fact, these value chains generated more than $250,000 in sales of collard greens, turnips, sweet potatoes, and pink-eye peas to high-end restaurants, schools, and grocery stores. They also provided mentorship opportunities for area youth interested in agricultural work, helping to close inter-generational gaps in farming.

By working together in a crisis, the participants in one DSCAN value chain also discovered they could be resilient in the face of adversity. The expected purchaser for their 2014 watermelon crop suddenly decided not to buy that season's yield, chiefly because the size of the melons did not fall within its desired standards. Even so, the value chain quickly and resourcefully found alternative markets for their watermelons—and learned a valuable lesson about the need for a diversified market base.

The Arkansas Green Energy Network (AGEN) focuses on the renewable energy sector in the state's Delta region. It is developing and launching affordable micro-refineries for processing camelina, an oil-rich seed that can be grown locally, into biofuels. AGEN already has identified a local market for its biofuels, particularly among small municipalities who seek affordable biofuels for government vehicles. AGEN is working with a

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[2] For a thorough discussion of the WealthWorks approach, please visit http://www.wealthworks.org/.

[3] For more information about DSCAN, please visit http://www.deepsouthcan.org/.

local entrepreneur and value chain in the small town of DeWitt, located 90 minutes southeast of Little Rock. It has engaged local investors with a business model that benefits both local farmers, who can grow the camelina seed needed as an input for biofuels processing, and the local community. Like DSCAN, AGEN too has confronted its share of emerging challenges. Even so, the value chain approach offers a resourceful support system for identifying solutions and continuing to seize the opportunities within its biofuels value chain. Through a careful assessment of their readiness for investment, AGEN was able to identify local investors who had a stake in the value chain's success, and subsequently they attracted the attention of local and state government agencies and the Delta Regional Authority.

Even given the apparent benefits working collaboratively as a network, value chains nonetheless face challenges when seeking investment for their start-up enterprises and growing businesses. Of course, they must provide a credible business model and a fully documented business plan. They also face and at times must overcome the reluctance of some investors to finance early-stage social enterprises, especially in rural areas. Where feasible, they must strive to help banks and other investors to fully appreciate the strength and resiliency of the WealthWorks value chain approach.

Value chains also must decide whether they are seeking investment for the WealthWorks value chain itself or for a specific entity (a business, a social enterprise, or a nonprofit intermediary) within the value chain. Moreover, they also must determine how they will underwrite the ongoing role of the value chain coordinator. These decisions will greatly affect the audience to whom the value chains make their pitches for investment funds.

It is important to note, too, that not every business within a value chain—either within the WealthWorks examples cited above or, in fact, across all of the value chains observed in our study—is at the same stage of investment readiness. Nevertheless, opportunities abound for financing small businesses across the existing spectrum of investment readiness, using vehicles instruments and approaches that correspond to what entrepreneurship analyst Marjorie Kelly has termed the lifecycle of stakeholder finance.

Investment Readiness within the Lifecycle of Stakeholder Finance

Figure 1. Four Stages of Enterprise Development

Seed Stage
- Have an idea, searching for business model and initial funding.

Emerging Stage
- Proof of concept, business model developed, ownership model in mind.

Growth Stage
- Successful years of operation, experienced managment team, potential for significant growth, with appropriate corporate form.

Exit / Scale Stage
- Going to scale, selling the business, or transitioning to alternative ownership models, such as cooperatives or employee ownership.

II. Relevant Forms of Stakeholder Finance

The sources of stakeholder finance relevant to rural place-based investment range widely from individuals seeking to invest more directly in communities they care about to more sophisticated institutional investors pursuing place-based social and environmental impact as well as financial returns. We present leading ways that value chain enterprises can access emerging forms of place-based investment both from individual investors – through crowdfunding, Slow Money, and financial advisers who work with individuals – and from the most closely aligned groups of institutional investors, such as community development financial institutions, foundations, faith-based investors, and the investment consultants that advise them.

Individuals

Individual investors are increasingly becoming involved in place-based investment for a variety of different reasons. Since the financial crisis of 2008 in particular, many individuals disillusioned with Wall Street financial intermediaries and too-big-to-fail banks have started moving their money to community banks and credit unions and looking for ways to invest in Main Street businesses. Crowdfunding, Direct Public Offerings, and Slow Money are common manifestations of this trend that allow individuals to invest relatively small sums of money in more direct ways. More "sophisticated," "high-net-worth" individual investors – who are able to invest larger sums into more complex transactions – have developed numerous angel investor networks to make "impact investments" that seek social and environmental benefits as well as financial returns. For entrepreneurs in rural value chains, relying on individual "friends and family" and other individual entrepreneurs within their networks and value chains remains a tried-and-true ways of raising seed capital when they may not be ready for more institutionalized or conventional forms of finance.[4]

Slow Money

Slow Money, a concept which emerged from the Slow Food movement in 2010, takes a place-based approach to investing directly in local food systems and enterprises. Investors and entrepreneurs are encouraged to meet and interact directly as a way to personalize the financial transaction. Investors also take a "patient capital approach" to their investments, with the focus on local food systems and personal and environmental health rather than on financial returns. Slow Money financing can take a wide variety of structures, from individuals directly making loans through informal networks to investment clubs pooling individual investments together to loan funds bringing more professional management and underwriting into the financing process. Since 2010, Slow Money lenders have facilitated more than $40 million in investment to more than 400 sustainable farmers and local food entrepreneurs.[5]

Slow Money consists of a national network of local chapters and investment clubs in a variety of states, including Ohio, Missouri, Louisiana, Illinois, Maine, California, Massachusetts, Wisconsin, Colorado, and Texas. In the South, there are Slow Money groups and activities in Florida, Georgia, Kentucky, Louisiana, North Carolina, South Carolina, and Virginia. The expansion of this activity represents a potentially significant

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[4] Amy Cortese, *Locavesting: The Revolution in Local Investing and How to Profit from It* (Hoboken, NJ: Wiley & Sons, Inc, 2011); and Michael Shuman, *Local Dollars, Local Sense: How to Shift Your Money from Wall Street to Main Street and Achieve Real Prosperity* (White River Junction, VT: Chelsea Green, 2012).

[5] For more on Slow Money's origins, see Woody Tasch, *Inquiries into the Nature of Slow Money: Investing as if Food, Farms, and Fertility Mattered* (White River Junction, VT: Chelsea Green, 2010). Financial data drawn from www.slowmoney.org.

Jessica Norwood, Executive Director of Emerging ChangeMakers Network, at the Social Entrepreneurship Collaboratory, Berea, Kentucky, September 2013.

opportunity for value chains in food and agriculture. Yet challenges around commonly used structures of Slow Money complicate its ability to serve regional food systems. For example, Slow Money NC has successfully facilitated over $1 million in low-interest loans to more than 85 farmers and food entrepreneurs since its creation in 2010. However, its lending activity has been confined to the state's wealthier areas, including the counties surrounding the Research Triangle of Raleigh, Durham, and Chapel Hill, and enclaves such as Asheville. Additionally, states like Alabama and Mississippi are notably absent from the list of states where Slow Money groups have formed. This is precisely the area where the Deep South Community Agriculture Network reports a serious lack of farmer access to capital. Because Slow Money lenders tend to focus on investing locally in their own backyards – "financing our foodshed" is how Slow Money NC's Carol Peppe Hewitt describes it – poorer regions, where communities have less expendable capital, are simply not benefitting as much from this type of stakeholder finance.[6]

Emerging ChangeMakers Network (ECN) is one value chain trying to fill this gap within the Black Belt region of Alabama. ECN, led by Executive Director Jessica Norwood, has launched a network of lending groups who invest in food enterprises in the region. In partnership with the North Alabama Revolving Loan Fund, ECN created "SOUL'utions," a pilot fund which provides loans of $500-2,500 to local food enterprises and

[6] Carol Peppe Hewitt, *Financing Our Foodshed: Growing Local Food with Slow Money* (Gabriola Island, BC: New Society Publishers, 2013).

farmers. Borrowers are placed into an accelerator program, in which they develop their investment readiness and are given access to lending partners upon completion of the program.

In theory, any of the enterprises within the rural value chains constructed around food and farming, including those associated with the Central Appalachian Network and the Deep South Community Agriculture Network, could be candidates for Slow Money. But many of these agricultural value chains, such as Appalachian Sustainable Development's Appalachian Harvest program, extend across state lines. In order to access Slow Money, lending groups will need to perceive these value chains as part of their local or regional food systems. How can Slow Money move across state boundaries – to finance more regional food systems in Appalachia or the Deep South? Can investors who are concerned with the future of food and farming and who have capital to deploy begin to finance not just their foodsheds, but also food and agriculture value chains in even more distressed rural regions that may be beyond their immediate backyard? New chapters of Slow Money are emerging across these geographies, most notably in Kentucky, which played host to last year's Slow Money National Gathering in Louisville. Similarly, ACEnet, a community development loan fund in the Ohio Hill country, has been supporting Slow Money-type loans before they had a name.[7]

Crowdfunding

Many small and start-up enterprises in need of capital are increasingly turning to crowdfunding as a source of capital. Crowdfunding involves pooling resources from individuals to finance a project, usually through an online campaign. Social network sites are often used to spread the word about a project, and in traditional donation-based crowdfunding, individuals donate small amounts of money, usually in exchange for a small reward of some kind related to the success of the project. Crowdfunding has risen in popularity in recent years as entrepreneurs have begun to recognize it as a viable source of capital for small- to medium-sized projects, the most successful ones being between $1,000 and $10,000.

There are three types of crowdfunding: donation-, loan-, and equity-based platforms. Donation-based crowdfunding, described above, is the most well-known. Several online platforms have been developed to facilitate donation crowdfunding campaigns, the most popular being Kickstarter and Indiegogo. Depending on the nature of the campaign, one platform or the other may be more appropriate for a specific project. Kickstarter, for example, only offers an "all-or-nothing" campaign, which means that the project must meet the fundraising goal or receive nothing. In addition to an all-or-nothing campaign, Indiegogo provides the option of a flexible funding campaign. With flexible funding, if the project does not meet the fundraising goal, you can keep what was raised, albeit at a higher cost.

The second type of crowdfunding involves lenders providing interest-free loans to entrepreneurs seeking early-stage financing.[8] There are several platforms, similar to donation-based crowdfunding, which allow entrepreneurs to run campaigns for a start-up business or project. A popular platform is Kiva Zip, a program started by Kiva in 2011. Individuals must have a Trustee to vouch for their ability to repay a loan, generally in a two-year term. Starting out, up to $5,000 may be requested, with increased maximum amounts after successful paybacks. Unlike donation-based crowdfunding, lenders expect to get their money back, but do not expect a return on their investment. Ninety-six percent of Kiva Zip's loans have been successfully funded, for a total of $3

[7] To connect with one of the more than three dozen Slow Money networks and clubs, visit https://slowmoney.org/local-groups.

[8] There are also interest-bearing crowdfunded loans, in which the loans are not interest-free. This report discusses interest-free loans only, as these are most relevant to the audience.

million in loans. More recently, Seattle-based Community-Sourced Capital, a new crowdfunding approach to small business lending, has become a platform for food entrepreneurs to raise Slow Money-type loans in North Carolina and Virginia, as well as across the country.

Lastly, equity crowdfunding is another form of crowdfunding that is becoming recognized as a viable new investment vehicle. As opposed to donation-based crowdfunding and interest-free loans, equity crowdfunding allows individuals to invest in enterprises in exchange for equity in the business. In other words, investors expect to get their money back as well as return on their investment. While this is a highly risky investment, companies that grow enough to have a successful exit could result in high returns for their investors. Equity crowdfunding usually has much larger investments than donation-based crowdfunding, most of which are less than $100. Equity crowdfunding allows individual investments of up to $5,000, for a total crowdfunded amount of $2 million. The rules and regulations regarding equity crowdfunding have only recently emerged, so businesses considering this as an option should obtain good legal counsel. Despite its novelty, equity crowdfunding is well on its way to becoming an appealing option for many investors seeking to make direct place-based investments in Main Street businesses.

In terms of the lifecycle of stakeholder finance, crowdfunding is best suited for enterprises at the seed stage of investment readiness that are not necessarily ready for more structured or institutional forms of capital. Seed stage enterprises may not even fully exist yet, and may simply be an idea. This stage involves developing a business model in order to determine how the enterprise can function sustainably and raise capital. Donation-based crowdfunding is appropriate for this stage of investment readiness, as the individuals donating do not expect to get their money back, let alone a return on their investment, so if the business or project ends up failing, donors are not risking anything.

Crowdfunded interest-free loans could be used for enterprises in both the seed stage and the emerging stage, depending on the nature of the enterprise. Becoming eligible for interest-free loans through Kiva requires a Trustee to vouch for the enterprise. Emerging enterprises with business plans in hand would likely have this type of support and could readily apply for such loans.

Enterprises in the growth stage have a fully developed business model and are ready for market-rate investment. Equity crowdfunding may be more appropriate at this stage, as investors are hoping to get a return on their investment, and prefer to see a more developed business model that will be easier to judge whether it has the potential for a successful exit, or at least generate a return.

The WealthWorks framework can help add value, with compelling stories rooted in the kinds of social and environmental performance data value chains have tracked from their outset.

A major challenge in determining the appropriate source of capital for a particular enterprise is understanding how investment-ready the enterprise truly is. Some entrepreneurs and business owners may feel confident that their seed stage business idea is ready for traditional forms of capital, and may apply for loan funds or seek angel investors and never receive the amount of capital they need to get the business running, simply because they sought an inappropriate form of investment. Fairly evaluating the enterprise is of utmost importance in raising capital from suitable sources. While time-consuming, crowdfunding and other forms of fundraising from friends and family should be some of the first tools that entrepreneurs consider as valuable options for seed stage and emerging stage enterprises within value chains.[9]

Financial Advisers

Financial advisers working with clients with an interest in place-based investing have an important role to play in this world. Many advisers are constrained by structures within their firms. Brokers who work with large mainstream firms cannot "sell away" from their internal platforms, meaning that they must invest their client assets only in products that have been approved within their firms. Otherwise, they face potentially higher transaction costs and are unable to obtain standard commissions. Small-scale, place-based investments in rural value chains often cannot readily be approved, unless they could meet high-level due-diligence requirements. And if they did meet these requirements, not all custodians would recognize one-off investments. Only enterprises at a certain level of investment readiness within value chains could meet such high standards.

Even those advisers with flexibility and independence to do more private, smaller-scale, place-based investments appear to have few clients expressing particularly strong interest in doing so in a rural value-chain setting. Many community investments frankly have an urban tilt to them, and most investors interested in local investing live in urban population centers, where the metropolis is their backyard. This creates a structural, demographic impediment for individuals to finance rural value chains from a "local" perspective. Tapping the diaspora of individual investors who have emigrated from rural communities with which they may still feel some kind of affinity or kinship may be one way to redirect capital. But most advisers with whom we have spoken repeatedly said that much more marketing needs to be done, both to them and their clients, in order to make the emerging investment opportunities apparent to them. For individuals who want to make a socially or environmentally responsible "community investment," there are bountiful investment options that are far easier to make than those accessed with much more difficulty in distressed rural regions.

Many financial advisers with whom we have spoken nevertheless expressed real interest in making investments in the kinds of regions where WealthWorks value chains are being developed. The WealthWorks stories—particularly when they marry social and environmental impact—were repeatedly acknowledged as compelling. But due diligence hurdles would still need to be cleared, particularly related to the financial returns generated by the investment. Although many independent advisers with a strong commitment to socially responsible investing or "impact investing" repeatedly stated that they do not necessarily need to be compensated fully for the perceived higher risk associated with such small-scale place-based investments, they do need to find compelling opportunities that would lead them to choose a rural value chain investment over other more readily available alternatives. And the financial returns, even if they need not be fully market-rate in risk-adjusted terms, do need to be competitive.

Arguably, the WealthWorks framework can help add value, with compelling stories rooted in the kinds of social and environmental performance data WealthWorks value chains have tracked from the outset of their elaboration. Few of the investors with whom we have spoken have highly standardized metrics for social and environmental impact, although some of the advisers to very engaged higher-net-worth impact investors do bring higher expectations for specific impact metrics. One of the best ways for financial advisers to direct client investments into rural places can be through the intermediary of a

[9] A fuller presentation of crowdfunding strategies for WealthWorks value chains can be found in Electris, *Guide to Crowdfunding for WealthWorks Value Chains*.

community development financial institution that can meet the advisers' requirements for due diligence.

Community Development Financial Institutions

Community development financial institutions (CDFIs) have a very unique role to play in rural place-based investment. They are both prospective sources of capital for value chain enterprises and recipients of outside investment from investors seeking to build the financial capital of a value chain in which the CDFI participates. CDFIs also provide some of the easiest ways for individual investors to do place-based investment, whether through making deposits or investments.

There are four primary types of CDFIs: Community Development Banks, Community Development Credit Unions, Community Development Loan Funds, and Community Development Venture Capital. Each are similar to their non-community development counterparts, but have a specific mission and requirement to invest in underserved communities.

Community development banks and credit unions both offer traditional banking services, such as checking and savings accounts, certificates of deposit, and loans to individuals and small businesses. Unlike their non-CDFI certified counterparts, they tend to lend to higher-risk individuals and businesses, and can often make loans with somewhat concessionary terms.

Community Development Loan Funds aggregate capital from individuals and institutions and deploy it, often to specific geographies or with specific impact objectives, such as affordable housing or small business development. Community Development Venture Capital, pioneered by groups such as Kentucky Highlands Investment Corporation, already working in the WealthWorks target geographies, is a form of private equity and venture capital, making direct equity investments in businesses in underserved communities.

Approximately 30 percent of CDFIs in the country are situated in rural geographies.[10] Many CDFIs, including several involved in the WealthWorks community of practice, also serve as advocacy organizations in their areas of practice, in addition to providing financial services. For rural entrepreneurs seeking to tap capital from CDFIs, a good way to start is by developing banking relationships with CDFI banks and credit unions within their value chain's geography. CDFIs frequently collaborate within regions, so developing a financial track record with a CDFI depository institution can open doors when it comes time to seek a business loan, line of credit, or equity financing from a CDFI.

Impact Investment Firms and Institutional Investment Consultants

A growing group of investment consulting firms and family offices – such as Veris Wealth Partners, Imprint Capital, Sonen Capital, and the Threshold Group – are focusing more deeply on making impact investments. Increasing numbers of mainstream investment consulting firms, such as Mercer, Morgan Stanley, Cambridge Associates, Fund Evaluation Group, and RBC Wealth Management, are also developing capabilities to vet investments that incorporate social and environmental performance. Mainstream firms tend to have the highest expectations for benchmarked, risk-adjusted returns and a much lower tolerance for the kinds of high-transaction-cost due diligence that value chain investments would likely require. There would need to be significant demand from their clientele in order to have these kinds of firms review what might be a one-off investment. A lack of investor demand for

[10] Michou Kokodoko, *Rural CDFIs: Creating Connections to Marketplaces: A Conversation with Mary Matthews of the Entrepreneur Fund* (Federal Reserve Bank of Minneapolis, 2013).

place-based investments, therefore, can remain a major barrier. However, as with financial advisers working with individual investors, if a compelling impact story can be told, some clients may be willing to accept some concession on financial return in exchange for tangible social and environmental performance. If such demand could be generated among a firm's clients, then many independent investment consulting firms certainly have the flexibility to review private deals in community investing, making them a more promising financing option for enterprises not only in the growth and scale stages, but also in the emerging stage.

Philanthropic Foundations

Philanthropic foundations can deploy financing across a wide continuum, from grants and below-market Program-Related Investments (PRIs) to endowment investments seeking market-rate, risk-adjusted returns. Even small-scale investments can make a very large difference in rural communities, so foundations are well positioned to deploy such small-scale capital in flexible ways. However, as David Wood from Harvard's Initiative for Responsible Investment has noted, rural communities at some distance from financial centers are commonly perceived by foundations and other investors as difficult places in which to invest, due to an undersupply of investment intermediaries, community partners, and public support. Given the proliferation of community investing intermediaries based directly in the WealthWorks target geographies, however, these perceptions are, in Wood's words, "compounded by misconceptions about investment opportunities and overestimation of investment risks."[11]

With some notable exceptions, such as Tides, the F. B. Heron Foundation, and the Ford Foundation, most foundations that embrace place-based, mission-related investment tend to do so in geographies right in their backyards. Few foundations known for this kind of community investment view rural regions such as Appalachia and the Deep South as part of their backyard. Instead, they are clustered in other areas such as the Pacific Northwest, the San Francisco Bay Area, New England, and New York. Therefore, in order to "capture" foundation investments, WealthWorks value chains will need to provide a compelling story to compete with other similarly situated investments that often need to meet due-diligence criteria of investment committees and consultants. In our wide-ranging discussions with investment consultants and foundations, we have repeatedly found a strong sense of interest in exploring investments in these kinds of regions, particularly when foundations are making grants within the same geographies. The Chorus Foundation, the Jessie Smith Noyes Foundation, community foundations such as the Community Foundation of Greater Cincinnati, healthcare foundations such as HealthPath Foundation in Ohio, the Sierra Club Foundation, and the Wallace Global Fund are among many foundations with mission alignment in this respect.

Defining the "place" for place-based investment can be complicated because foundations often have sharply circumscribed definitions of their geographies of concern. Community and healthcare foundations often have very specific service areas, designated county by county. Foundations using donor-advised funds, such as community foundations and private foundations such as Tides, Triskeles, and RSF Social Finance, must respond to the highly individualized concerns of the donors themselves.

Members of the Appalachia Funders Network provide natural allies for WealthWorks value chains in Appalachia. The network's membership is very diverse, with a wide spectrum of experiences in mission-related investing, ranging

[11] David Wood, *Rural Mission Investing: The Role of Foundations in Catalyzing Social Investment Markets that Benefit Rural Communities*, More for Mission and Initiative for Responsible Investment, 2011.

from very active foundations such as Ford and the Mary Reynolds Babcock Foundation to numerous smaller private and community foundations that have yet to commit to using investment capital in close alignment with their mission. Increasingly, however, the network is giving more focused attention to the potential opportunities for place-based investment in the region, particularly through the framework of economic development through value chains.

Program-Related Investments to Move People and Places out of Poverty

The Mary Reynolds Babcock Foundation, based in Winston-Salem, North Carolina, has made program-related investments (PRIs) in community development financial institutions in order to deepen the foundation's philanthropic mission to move people and places out of poverty. PRIs earn a below-market rate of return, and as the principal is repaid, the Foundation recycles the funds for additional grants or investments. Most of the foundations PRIs range from $100,000 to $500,000, with interest rates and terms matched to the purpose and risk of the investment. The foundation tends to only make PRIs to experienced intermediaries with an existing grant relationship with the Foundation, a track record of investment, and a clear business model for repaying their loans. The Foundation has committed $8 million dollars toward its PRI program, with those investments often combined with operating or project grants to help CDFIs build their financial capacity, leverage public or private sector capital, and improve long-term sustainability.

In order to "capture" foundation investments, WealthWorks value chains will need to provide a compelling story to compete with other similarly situated investments that often need to meet criteria of investment committees and consultants.

The foundation is very active in the WealthWorks target geographies. For example, it recently made a $250,000 grant to Appalachian Community Capital, the newly launched community development intermediary aiming to raise $42 million in private capital for small business lending. It also currently has PRIs invested in numerous CDFIs that participate in the WealthWorks community of practice, including Communities United (formerly known as alt.Consulting), FAHE, MACED, and the Natural Capital Investment Fund, among others. Its sustained funding for Mountain BizWorks, a community development loan fund based in Asheville, NC, that supports small business development in western North Carolina, highlights the Foundation's approach to place-based community investment. Initially in the late 1990's, the foundation first made a grant to Mountain BizWorks, which was designed to support the organization's expansion into the western-most rural areas of North Carolina. The foundation continued to make grants to support Mountain BizWorks' small business lending operations, including a $100,000 capital grant that leveraged additional capital from the US Treasury Department's CDFI Fund. In 2006 the Foundation made a $200,000 PRI in the form of debt to expand the loan fund and to increase its self-sufficiency, while continuing to make on-going grants to support strategic planning, a CEO transition, and a comprehensive, third-party assessment of the organization's financial strength and impact performance, known as CARS. This combination of grants and a PRI over more than a decade has helped Mountain BizWorks to increase its assets from less than $2 million to more than $5 million and its annual loan originations from less than $500,000 to more than $1 million, while also leveraging an additional $575,000 in private loan capital.[12] Today investors with as little as $1,000 can invest in unsecured

[12] See Mary Reynolds Babcock Foundation's Program-Related Investment Primer and Program Related Investments.

notes of Mountain BizWorks, at interest rates yielding from 0 to 3%, depending on the tenor of the loan, which ranges from one to 10 years.

Given this history, WealthWorks value chain participants have multiple opportunities to tap into these philanthropic resources. Nonprofit organizations within value chains can turn to foundations for grant funding, while value chain businesses seeking loan support can turn to CDFIs working in their region that have benefited from the foundation's PRIs.

Faith-based Investors

Many faith-based investors have demonstrated a commitment to rural place-based investing, primarily where it results in a positive social impact. The Mennonites, Methodists and a number of Catholic congregations, among other denominations, have been historically active in the Appalachian region and the Deep South. For example, Adrian Dominicans, Circle of Mercy Congregation, and Unitarian Universalist Congregation of Asheville all invest in Mountain BizWorks, a CDFI loan fund making small business loans in Appalachian western NC (see MRBF case study above). Mercy Investment Services has provided community investments in a variety of organizations and locales, including FAHE in West Virginia and Kentucky, the Community Reinvestment Fund in Kentucky and Alabama, and Partners for the Common Good, HOPE and Southern Bancorp in Mississippi.[13]

However, despite this commitment, faith-based investors have varying perspectives on the financial returns they expect to receive from their investments. The Community Investment program of Everence Financial, formerly known as Mennonite Mutual Aid, considers taking concessionary rates of returns as part of its values-based approach to lending. Its intermediated investment model typically provides due diligence on CDFIs. The Unitarian Universalist Common Endowment Fund invests a portion of its portfolio, often 1%, in community investing funds, and is willing to accept below-market returns for these.[14] UUA's Community Investing Program also includes a mix of at- and below-market rate investments; they have noted a preference for high impact, high risk investments in affordable housing, among other areas of interest.[15] On the other hand, Wespath Investment Management, the investment arm of the United Methodist Church, pursues only market-rate, risk-adjusted returns across the investments in their Positive Social Purpose Lending Program. Many of the larger, faith-based institutional investors, especially those with retirement plan assets, have similar, more conservative investment strategies.[16] Value chain enterprises seeking to tap faith-based investment capital will therefore need to be highly attuned to the investment criteria of these different groups in order to identify suitable opportunities.

[13] Mercy Investment Services, Inc, *Investments by Location*, Last accessed Sept 2014.
[14] Unitarian Universalist Association, *Socially Responsible Investment Guidelines*, Last accessed Sept 2014.
[15] The Social Investment Forum (now US SIF: The Forum for Sustainable and Responsible Investment), *Community Investing Toolkit for the Faith Community*, (Washington, DC: Social Investment Forum, 2009), p. 17.
[16] For more information on the work that religious investors are doing around community investing, and to get involved, see the *Community Investing Toolkit for the Faith Community*.

III. Making an Appropriate Pitch for Investment

Once a social enterprise has determined its investment readiness, qualified the appropriateness of a potential investor, and clarified for itself how much investment it will seek and for precisely what purpose, then it is time for the entrepreneur to think about constructing, rehearsing, and delivering a pragmatic and effective pitch.

The ability to tell a compelling story has always supported effective marketing and salesmanship, but in the past several years, good storytelling has become widely recognized as a critical business and leadership skill. Research verifies that prospective investors, for example, expect to hear both the factual data and anecdotal narrative about a particular business opportunity woven together in an easily understood narrative.

There is a lot of speculation about why this is so, including theories about how the two sides of the human brain work together to process and act upon new information. Paul J. Zak, writing in The Harvard Business Review, for example, has explained how character-driven stories cause oxytocin levels in the brain to rise, likely resulting in more altruistic behavior. Zak, a professor of economics, psychology and management at Claremont Graduate University, affirms that this biochemical effect may result in the subject donating more money, for example, to a charitable cause associated with the story.[17]

Whatever the underlying biophysical motivation behind how human beings make decisions, the need to tell a good story has become widely accepted as an essential component of an effective business pitch. We'll examine some tips for effective storytelling in greater detail shortly.

First, however, let's catalog the different kinds of commonly used investment pitches.

The Many Forms of Investment Pitches

In actual practice, a pitch for investment can take a number of forms, including any of the following general types:

- **An Airplane Pitch**, which is highly informal and likely unexpected, arising in response to a serendipitous meeting with a potential investor who is not previously known personally;
- **An Elevator Pitch**, which is usually about 30 seconds in duration and, most likely, also in response to an unexpected meeting—although not necessarily in an actual elevator;
- **A Telephone Pitch**, also very brief and informal, which may be initiated with a prospective client as a way to introducing them to an investment opportunity and setting up a follow-up conversation or appointment;
- **A One-Pager**, providing a concise, clearly written summary that describes a potential investment opportunity and which may be left in the hands of a prospective investor for further consideration;
- **A Business Letter**, relatively concise and yet more formal, that describes a potential investment opportunity to a prospective investor and seeks a follow-up response via business letter, email, or telephone conversation;
- **A Video Pitch**, typically five to seven minutes in duration, may offer a more compelling visual way to tell a complete story about your

[17] Paul Zak, *Why Your Brain Loves Good Storytelling* (HBR Blogs, 2014).

social enterprise. At the same time, all of the elements of a video pitch must be exceptionally well organized—visually, dramatically, technically, thematically, and factually—to be effective in making a persuasive case for business investment;

- **A Five-Minute Business Pitch**, also about five to seven minutes in duration, is the classic short-form pitch that allows the entrepreneur to present his or her case for investment in a way that describes the basic elements of the business opportunity as well as customizes the face-to-face presentation to address the interests and needs of the prospective investor.
- **A Longer Business Pitch**, likely 12 to 15 minutes, often represents the entrepreneur's best opportunity to present an in-depth pitch to a prospective investor. It likely takes place face-to-face, in a formal setting, with the investor's full attention focused on a clearly articulated presentation, culminating in a formal ask, and allowing time at the conclusion for questions.
- **A Site Visit**, probably lasting at least an hour, likely takes place (or not) in coordination with a formal pitch, either before or after. It provides an informal opportunity for the prospective investor to view the enterprise and its core team as well as possibly meet other members of the larger value chain.

Obviously, two or more of these types of pitches may follow one another in sequence, setting up the opportunity for a formal pitch that culminates in a clearly articulated ask. Different types of pitches often share many of the same goals and elements in common, although they are expressed more or less thoroughly, depending upon the situation.

Goals and Elements of a Five-Minute Business Pitch

Accordingly, let's look more closely at the overall goals and key elements of the classic five-minute business pitch. For the purposes of this discussion, we will define a business pitch as one that seeks investment for a particular social enterprise rather than for an entire value chain or even a specific organization that may be part of the value chain but does not directly host or take responsibility for day-to-day business operations.

The key goals of a five-minute business pitch are to:

- Enhance the credibility of the entrepreneur, his or her social enterprise, and the value chain that supports it;
- Provide sufficient introduction to the investment opportunity that the prospective investor can begin to ask some good questions about it; and
- Affirm a mutual intention to engage in a deeper, follow-up conversation, either right away or in the near future, about making a financial investment in the social venture or in one's organization.

The key elements of an effective five-minute business pitch include:

- A concise overview of the social enterprise's core products or services;
- A description of the critical need that the enterprise fulfills in the marketplace—often called, in business terms, the enterprise's value proposition;
- The competitive advantage that this particular social enterprise enjoys relative to its existing or potential competitors;
- A description of the core team behind the product or service, including its expertise and experience. With regard to a WealthWorks

value chain, this description may extend to include a brief description of the larger network that supports the work of the enterprise;
- The ask—that is, how much investment the entrepreneur seeks over how long a period of time, as well as a summary of exactly what this investment will allow the enterprise to do;
- The social enterprise's path to profitability and steady income, demonstrating why and how the entrepreneur believes the business can be sustained successfully over time; and
- An insight into impact. How does your enterprise expect to make a difference? How does that impact align with the explicit or implicit goals of the prospective investor?

Five Tips for a More Effective Business Pitch

Creating and delivering an effective business pitch requires a commitment to research, creative storytelling, practice, refinement, and persistence. For the novice and the experienced alike, it can be useful to consider or review the following five tips that can help focus and organize an effective pitch:

- **Know the prospective investor**. Whatever type of investor, it is essential to research and understand the philosophy and goals underlying their previous and current investments. What do they want? What do they need? The answers often may be found online, especially if the investor or his or her organization publishes an annual report. If such information is not readily available, then it may be possible to engage the prospective investor or their representative in a preliminary conversation about those questions before making a formal pitch.

- **Keep the pitch simple and factual, yet compelling**. It is important to pitch the problem that the social enterprise can effectively solve. In so doing, it often is useful to tell a story that illustrates how such an approach can work and the impact that it can have in the lives of real people. Using data and hard numbers provides the evidence or social proof to back the claims made in the pitch. It is essential to use conversational, down-to-earth language while avoiding buzzwords and jargon.

- **Be prepared to listen deeply and field questions**. It is to be expected that a prospective investor will ask deeply probing questions about the social enterprise. It is always good to answer those questions as concisely as possible, taking time to speak deliberately. In those instances, however, when the entrepreneur does not immediately know the best answer to a specific question, it is appropriate to acknowledge the question, perhaps restating it to let the investor know that it has been heard, and then to let them know that the entrepreneur will research the answer and reply as soon as possible.

- **Close with a call to action**. The prospective investor expects the entrepreneur to make a very specific request for investment, providing a concrete example of the genuine difference that such investment will enable the social enterprise to accomplish. It also is appropriate for the entrepreneur to ask the investor whether they require additional information or a follow-up conversation to help them make a good decision.

- **Practice, practice, practice**. Over time, it is essential that the entrepreneur commit to learn and thoroughly understand of all his or her key talking points by heart. He or she also must be prepared to discuss any aspect of the social enterprise's business model, business plan, or supporting value chain. In fact, the entrepreneur should prepare and practice how to explain what a value chain is, what it seeks to do, and why it is a key strategic advantage.

The Golden Circle

Marketing consultant Simon Sinek has introduced and widely popularized a storytelling concept called the Golden Circle that identifies what makes inspirational leaders and their organizations—from Dr. Martin Luther King, Jr. to Steve Jobs—so influential. Sinek asserts that the underlying structure of these leaders' speeches and other communications can help anyone to design more persuasive messages.[18]

The key, Sinek says, is to begin with explaining WHY the social enterprise and its value chain are committed to addressing a particular challenge or problem. The next step is to explain HOW the social enterprise designs and delivers products and services that effectively address the problem and meet market demand. And finally, the third step is to describe WHAT the social enterprise's core products and services actually are.

Sinek believes that beginning one's presentation—or business pitch—with the underlying reasons why the social enterprise is addressing the problem will lead the prospective investor to more deeply understand and identify with the need for social impact in this particular arena. Explaining how the social enterprise will go about tackling the challenge helps the investor to feel confident in both the social enterprise's and the value chain's research and expertise. Only after these two steps provide the larger context is the prospective investor genuinely ready to appreciate the details and nuances of the particular core products and services offered by the social enterprise.

The storytelling structure implicit in Sinek's Golden Circle approach may not work for every kind of business pitch. Nonetheless, it is a useful tool for any entrepreneur to consider when constructing and rehearsing their pitches. Other useful storytelling tools and tips for business pitches are listed in Appendix 1.

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[18] For a full description of Simon Sinek's "Golden Circle" model, please view his 2010 TED Talk.

Conclusion

Across the South in some of the most distressed rural areas – from the Mississippi Delta and the Black Belt of Alabama to central and southern Appalachia – resilient forms of economic development are taking hold, in value chains focused on regional food and agriculture, clean energy, green affordable housing, culture and creative economies, sustainable wood products, textiles, and other sectors.

Entrepreneurs and community groups involved in the development of these local and regional value chains face a critical need for financing that values the social and environmental features of these efforts to generate inclusive community wealth. As we have seen, a wide-ranging eco-system of investors is emerging to provide place-based investment to businesses that can demonstrate financial viability and measurable social and environmental performance, as many participants in the WealthWorks community of practice have started to do. These investors range from individual investors and their advisers to community development financial institutions, impact investment funds, and other institutional investors, particularly from philanthropy and the faith-based investor community.

In order to access this capital, value-chain businesses will need to undertake an assessment of their readiness for investment, and then identify appropriate forms of capital that match their stage of readiness. With investors identified, value-chain enterprises will then need to put together a strong pitch and supporting materials targeted to their specific investor audience.

Even though these stakeholder forms of finance may value the wealth-creating components of value-chain businesses, this capital does not easily and organically flow into distressed rural regions. It will therefore take a concerted effort to move investment off the main road. Hopefully, this preliminary roadmap will help entrepreneurs and investors alike get off the beaten path into places where finance can play such a critical role in the durable development of resilient rural economies.

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Appendices

Appendix I: Resources and Worksheets

CHECKLIST—Goals and Elements of an Investment Pitch

Goals of the five-minute pitch

- ☐ Enhance the credibility of you, your social enterprise, and your value chain.
- ☐ Persuade your prospective investor to take action in a specific way.
- ☐ Most likely, to engage in a deeper conversation with the investor about making a financial investment in your venture or organization.

Key elements to include in a business pitch

- ☐ Your product or service
- ☐ The critical need you fill
- ☐ Your competitive advantage
- ☐ Your team—its expertise and experience
- ☐ The ask—how much, why?
- ☐ Your path to profitability and steady income
- ☐ An insight into impact

CHECKLIST—Five Tips for a More Effective Business Pitch

1. Know Your Audience

- ☐ Who are they?
- ☐ What do they want?
- ☐ What do they need?
- ☐ What do you want this audience to do?
- ☐ Besides financial capital, what might this investor also provide?
- ☐ Might there be a downside to working with this investor?
- ☐ Adapt your pitch to each prospective investor.

2. Keep It Simple, Factual, Compelling

- ☐ Pitch the problem that you solve.
- ☐ Provide a hook.
- ☐ Use data and hard numbers.
- ☐ Describe your competitive advantage.
- ☐ Describe your leadership and what qualifies your team to execute.

- ☐ Show your passion.
- ☐ Use conversational, down-to-earth language.
- ☐ Avoid buzzwords.
- ☐ Share specific, concrete details about your business.
- ☐ Weave the elements of your pitch into a story.

3. Listen Deeply, Field Questions Deftly

- ☐ If the prospective investor asks questions or makes comments, listen deeply.
- ☐ Reflect her statement back to her, letting her know that you've heard what she is saying.
- ☐ If you don't fully understand the question, ask the prospect to reframe it for you.
- ☐ When answering a question, take your time and speak deliberately.
- ☐ If you don't know the answer, let the prospect know that you will research the answer and get back to her.

4. Close with a Call to Action

- ☐ Be clear about precisely what sort of investment you are seeking for your enterprise or value chain.
- ☐ What will that investment allow you to do?
- ☐ Provide a concrete example of the genuine difference your value chain enterprise is likely to make.
- ☐ Ask for what you want to happen next—when to schedule a follow-up conversation, submit a letter of interest or a proposal.
- ☐ Ask for the prospect's business card and leave them with one of your own.

5. Practice, Practice, Practice

- ☐ Know your key talking points by heart.
- ☐ Be prepared to discuss any aspect of your business model or business plan.
- ☐ Be prepared to explain and illustrate what a value chain is, what it seeks to do, why it is a strategic competitive advantage.
- ☐ Stay relaxed, even if the prospective investor asks questions you can't answer right now.
- ☐ Practice often with friends, family, and colleagues.
- ☐ Accept that you will win some and lose some!

RESOURCE—Useful Tools for Persuasive Storytelling and Effective Business Pitches

The following links provide additional context as well as useful tools that complement the strategies and techniques described in this paper.

- *The Harvard Business Review:*
  The Irresistible Power of Storytelling as a Strategic Business Tool
  https://hbr.org/2014/03/the-irresistible-power-of-storytelling-as-a-strategic-business-tool/

- *The Harvard Business Review:*
  How to Tell a Great Story
  https://hbr.org/2014/07/how-to-tell-a-great-story/

- *Richard Branson's Five Elements of a Perfect Pitch*
  http://www.forbes.com/sites/carminegallo/2012/10/23/richard-bransons-5-elements-of-a-perfect-pitch/

  Billionaire entrepreneur Richard Branson, founder of Virgin Group and Virgin Atlantic airline, is a master marketer and pitchman. Here are his five key components of effective presentations.

- *Three Best Elevator Pitches*
  http://speakingppt.com/2012/07/26/3-best-elevator-pitches/

  Speaker coach Brian Walter shares his three best tips for crafting a compelling elevator pitch.

- *Storytelling Tips from the Moth*
  http://themoth.org/tell-a-story/storytelling-tips

  The Moth is an acclaimed not-for-profit organization dedicated to the art and craft of storytelling. It is a celebration of both the raconteur, who breathes fire into true tales of ordinary life, and the storytelling novice, who has lived through something extraordinary and yearns to share it. At the center of each performance is, of course, the story – and The Moth's directors work with each storyteller to find, shape and present it.

Appendix II: Investment Readiness Resources

This section of the appendix provides sample documents that may be required by a company seeking investment. We compiled these documents from organizations active in the regions with active WealthWorks value chains, primarily Appalachia and the rural South. These lists are by no means comprehensive nor universally applicable. However, these resources should help enterprises understand the kinds of questions they need to answer in order to assess their investment readiness before seeking outside investment.

Resource A: Due Diligence Check List
This document, created by the Southern Appalachian Fund, provides a key list of questions that an investor will want answered before investing in a company.

Resource B: Sample Business Plan
This document, developed by Adena Ventures, helps businesses to formulate a business plan.

Resource C: Investment Questionnaire
This is the questionnaire that Mountaineer Capital gives to all potential investees. In addition to the hard financial information, this document shows that potential investors will want to understand the story and the business model.

Resource A. *Sample Due Diligence Checklist*
The Southern Appalachian Fund

I. **Financial Information**
   a. **Annual and quarterly financial information for the past three years**
      i. Income statements, balance sheets, cash flows, and footnotes
      ii. Planned versus actual results
      iii. Management financial reports
      iv. Breakdown of sales and gross profits by:
         1. Product Type
         2. Channel
         3. Geography
      v. Current backlog by customer (if any)
      vi. Accounts receivable aging schedule
   b. **Financial Projections**
      i. Quarterly financial projections for the next three fiscal years
         1. Revenue by product type, customers, and channel
         2. Full income statements, balance sheets, cash
      ii. Major growth drivers and prospects
      iii. Predictability of business
      iv. Risks attendant to foreign operations (e.g., exchange rate fluctuation, government instability)
      v. Industry and company pricing policies
      vi. Economic assumptions underlying projections (different scenarios based on price and market fluctuations)
      vii. Explanation of projected capital expenditures, depreciation, and working capital arrangements
      viii. External financing arrangement assumption
   c. **Capital Structure**
      i. Current shares outstanding
      ii. List of all stockholders with shareholdings, options, warrants, or notes
      iii. Schedule of all options, warrants, rights, and any other potentially dilutive securities with exercise prices and vesting provisions.
      iv. Summary of all debt instruments/bank lines with key terms and conditions
      v. Off balance sheet liabilities
   d. **Other financial information**
      i. Summary of current federal, state and foreign tax positions, including net operating loss carryforwards
      ii. Discuss general accounting policies (revenue recognition, etc.)
      iii. Schedule of financing history for equity, warrants, and debt (date, investors, dollar investment, percentage ownership, implied valuation and current basis for each round)

II. **Products**
   a. **Description of each product**
      i. Major customers and applications
      ii. Historical and projected growth rates
      iii. Market share
      iv. Speed and nature of technological change

v. Timing of new products, product enhancements
vi. Cost structure and profitability

III. **Customer Information**
a. **List of top 15 customers for the past two fiscal years and current year-to-date by application**
(name, contact name, address, phone number, product(s) owned, and timing of purchase(s))
b. **List of strategic relationships**
(name, contact name, phone number, revenue contribution, marketing agreements)
c. **Revenue by customer**
(name, contact name, phone number for any accounting for 5 percent or more of revenue)
d. **Brief description of any significant relationships severed within the last two years.**
(name, contact name, phone number)
e. **List of top 10 suppliers for the past two fiscal years and current year-to-date with contact information**
(name, contact name, phone number, purchase amounts, supplier agreements)

IV. **Competition**
a. **Description of the competitive landscape within each market segment including:**
i. Market position and related strengths and weaknesses as perceived in the market place
ii. Basis of competition (e.g., price, service, technology, distribution)

V. **Marketing, Sales, and Distribution**
a. **Strategy and implementation**
i. Discussion of domestic and international distribution channels
ii. Positioning of the Company and its products
iii. Marketing opportunities/marketing risks
iv. Description of marketing programs and examples of recent marketing/product/public relations/media information on the Company
b. **Major Customers**
i. Status and trends of relationships
ii. Prospects for future growth and development
iii. Pipeline analysis
c. **Principal avenues for generating new business**
d. **Sales force productivity model**
i. Compensation
ii. Quota Average
iii. Sales Cycle
iv. Plan for New Hires
e. **Ability to implement marketing plan with current and projected budgets**

VI. **Research and Development**
a. **Description of R&D organization**
i. Strategy
ii. Key Personnel
iii. Major Activities
b. **New Product Pipeline**
i. Status and Timing
ii. Cost of Development

iii. Critical Technology Necessary for Implementation
iv. Risks

VII. **Management and Personnel**

a. **Organization Chart**
b. **Historical and projected headcount by function and location**
c. **Summary biographies of senior management, including employment history, age, service with the Company, years in current position**
d. **Compensation arrangements**
    i. Copies (or summaries) of key employment agreements
    ii. Benefit plans
e. **Discussion of incentive stock plans**
f. **Significant employee relations problems, past or present**
g. **Personnel Turnover**
    i. Data for the last two years
    ii. Benefit plans

VIII. **Legal and Related Matters**

a. **Pending lawsuits against the Company**
(detail on claimant, claimed damages, brief history, status, anticipated outcome, and name of the Company's counsel)
b. **Pending lawsuits initiated by Company**
(detail on defendant, claimed damages, brief history, status, anticipated outcome, and name of Company's counsel)
c. **Description of environmental and employee safety issues and liabilities**
    i. Safety precautions
    ii. New regulations and their consequences
d. **List of material patents, copyrights, licenses, and trademarks**
(issued and pending)
e. **Summary of insurance coverage/any material exposures**
f. **Summary of material contacts**
g. **History of SEC or other regulatory agency problem, if any**

Adena Ventures

[Insert Date]

Prospect: [Company name]
[Address]
[City, State, Zip]
[Phone]
[Fax]
[Email]
[Contact person]

[Please try to keep responses to the space provided]

Date, Place & Type of Incorporation	
Capital Raised	
Sources of Funds	
Cash on Hand	
Financial Need	
Number of Employees	
Employer Identification No.	
SIC Code	

Business Description:

Industry:
Size: [global/domestic sales for most recent year]
Opportunity: [what is the annual growth rate in the industry?]

Company History: [Please provide a brief narrative description of your company's history including significant milestones. To the extent that they are available, please provide financial data at right.]

(in $000s)	**2002**	**2001**	**2000**
Gross Revenue			
Sales Growth			
COGS			
Gross Profit			
Operating Expense			
EBIT			
Additional financial data for prior fiscal year only (in $000s)			
Total Assets			
Shareholder Equity			
Net after-Tax Profit (Loss)			
Retained Earnings (Deficit)			
Tax data for prior fiscal year (in $000s)			
	Federal	State	Local
Income			
Employee payroll withholdings			

Strategy:

Competition:

Key Alliances:

Competitive Advantage:

Projection Summary:

(in $000s)	Year 1	Year 2	Year 3	Year 4	Year 5
Sales					
Sales Growth					
COGS					
Gross Profit					
Operating Expense					
EBIT					

Management:

Board of Directors:

Professional Advisors: [including but not limited to legal, accounting, and technical advisors]

Risks:

Exit Strategies: [if Adena Ventures invests in your company, how will we exit our investment? Owner buyback? Merger/acquisition? Sale to third party? Initial public offering?]

Use of Proceeds:

Sources	Amount (in $000s)	Uses
		Working capital or inventory purchase
		Plant modernization or leasehold improvement
		Acquisition of all or part of an existing business
		Consolidation of obligations
		New building or plant construction
		Acquisition of machinery or equipment
		Land acquisition or dwelling construction
		Marketing activities
		Research & development
		Other (please specify)

Note: Adena Ventures will be more interested in financing some of these categories than others.

Operational Assistance Needs: [Please provide a brief discussion of the types of operational assistance your company would like to receive – at no cost – that Adena Ventures and our strategic partners could provide. For guidance regarding these services, please refer to www.adenaventures.com]

Examples of acceptable operational assistance include, but are not limited to:

- writing or assisting in the preparation of business plan
- legal assistance relating to business formation or reorganization (but not litigation)
- recruitment of executives
- creation of Internet capability
- engineering or other technical services to create or enhance production or distribution of products or services

- creation of customized accounting or information systems active participation in negotiation with financial institutions (but not negotiation relating to the sale of the business or a refinancing that would provide a basis for Recipient to exit its investment; and only if such activity conforms to the standards for conducting business with SBA, as outlined in 13 C.F.R. Part 103, if applicable

Adena Ventures is funded in part by a grant from the U.S. Small Business Administration (SBA) (**Grant # SBAHQ-02-G-0001**). SBA's funding is not an endorsement of any products, opinions, or services. All SBA funded programs are extended to the public on a nondiscriminatory basis.

Resource C. *Investment Questionnaire*

Mountaineer Capital

Company Name:		Date Incorporated	
Address:		Corp. Entity Type i.e. (C Corp)	
City:		Industry	
State, Zip:		SIC/NAICS Code	
Phone:		Product/Process	
FAX:		Amount Requested	
Web Site:			
Contact:			
Email:			

1. Any Foreign Operations? Yes _____ No _____

2. Does the Company's tangible net worth exceed $18 MM? Yes _____ No _____

3. Does the Company's average Net Income for last 2 years exceed $6 MM? Yes ______ No ______

BUSINESS DESCRIPTION

1. Describe Company's products or process: (Elevator pitch – How will company address business opportunities and what is the value proposition for the target customer?)

2. Describe Company's History and Strategy:

Personnel

1. List Executive Management Team

Position	Name	Age	Background
Additional Comments			

2. Advisors

	Company	Contract	Contact Info
Accountant			
Attorney			
Bank			
Other			

MARKET

1. Describe the Market you'll sell to, i.e. its size, growth opportunities, drivers, geographic, etc.:

2. Describe the Competition and your product's advantage/disadvantages

3. Describe the General Market – How you plan to price, manufacture, distribute, market

4. List Primary Customers and Suppliers

FINANCIAL Total amount to be raised and amount committed from current investors
What is your economic model (how do you make money?)

1. Historical/Projections Summary (.000)

	20__	20__	20__	20__	20__
Gross Revenue					
CGS					
Gross Profit					
Operating Expenses					
Net Income					
EBITDA					

2. Sources/Uses

Sources of Funds	Amount

Uses of Funds	Amount

3. Exit Strategies

Describe the Company's Strategy for Future Liquidity – time frame, source, expected multiples, etc.

wealthworks

Appendix III: Other Place-Based Investment Resources

Business Alliance for Local Living Economies (BALLE): Tools and Resources: BALLE is a leading network of entrepreneurs, communities, investors, and funders creating local economies that work for all. [https://bealocalist.org/tools-resources/]

Mary Reynolds Babcock Foundation Program-Related Investment Primer: A brief summary of how and when the Mary Reynolds Babcock Foundation uses PRIs to advance its mission. [http://mrbf.org/sites/default/files/docs/resources/pri_primer.doc]

F.B. Heron Foundation: The F.B. Heron Foundation's Knowledge Center offers the foundation's reports and research on Mission Investing. [http://fbheron.issuelab.org/research/]

Harvard Initiative for Responsible Investment: The Initiative for Responsible Investment, based at Harvard University's Hauser Center for Civil Society, provides research on the state of the field and best practices in mission investing for foundations and other institutional investors. [http://hausercenter.org/iri]

Community Development Financial Institutions Fund: This website provides research reports and other information about CDFIs and funding available through the CDFI Fund of the US Treasury. [http://www.cdfifund.gov/]

Community Development Venture Capital Alliance: This is a network for the field of community development venture capital investing (CDVC). CDVC funds provide equity capital to businesses in underinvested markets, seeking market-rate financial returns, as well as the creation of good jobs, wealth, and entrepreneurial capacity. CDVCA promotes the field by combining advocacy, education, communications, and best-practice dissemination through conferences and workshops. CDVCA makes its expertise available to CDVC funds by providing consulting services and technical assistance. [http://cdvca.org/]

Global Impact Investing Network: The GIIN is a not-for-profit organization dedicated to increasing the scale and effectiveness of impact investing. Impact investments are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return. [http://www.thegiin.org/]

Mission Investors Exchange: Mission Investors Exchange is where foundations and philanthropic innovators exchange ideas, tools, and experiences to increase the impact of their capital. [http://www.missioninvestors.org/]

US SIF: The Forum for Sustainable and Responsible Investment: US SIF is the US membership association for professionals, firms, institutions and organizations engaged in sustainable, responsible, and impact investing. US SIF and its members advance investment practices that consider environmental, social and corporate governance criteria to generate long-term competitive financial returns and positive societal impact. [http://www.ussif.org/]

Confluence Philanthropy: Confluence Philanthropy is a non-profit network of over 300 private, public, and community foundations. They build capacity and provide technical assistance to enhance the ability of foundations to align the management of assets with organizational mission to promote environmental sustainability and social justice. [http://www.confluencephilanthropy.org]

Opportunity Finance Network: OFN is the leading national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across America. [http://ofn.org]

Appendix IV: Community Development Financial Institutions in WealthWorks Geographies

Community Development Venture Capital

Ariel Economic Development Fund, LLC
Cleveland, Ohio
www.arielventures.com

Kentucky Highlands Investment Corporation
London, Kentucky
www.khic.org

MetaFund Corporation f.k.a. Oklahoma MetaFund CDC
Oklahoma City, Oklahoma
www.metafund.org

New Orleans Startup Fund, Inc
New Orleans, Louisiana
www.neworleansstartupfund.org

Adena Ventures
Athens, Ohio
www.adenaventures.com

Meritus Ventures
London, Kentucky
www.meritusventures.com

Advantage Capital Partners
Huntsville, Alabama
www.advantagecap.com

Enhanced Capital Partners
New York, New York
www.enhancedcapital.com

Southern Appalachian Fund
London, Kentucky
www.southappfund.com

SJF Ventures
Durham, North Carolina
www.sjfventures.com

Natural Capital Investment Fund
Shepherdstown, West Virginia
www.conservationfund.org

Mountaineer Capital, LP
Charleston, West Virginia
www.mountaineercapital.com

WV Jobs Investment Trust
Charleston, West Virginia
www.wvjit.org

Community Development Credit Unions

Tuscaloosa FCU
Tuscaloosa, Alabama
www.tuscaloosacu.org

Phenix Pride FCU
Phenix City, Alabama
www.phenixpridefcu.org

NRS CD FCU
Birmingham, Alabama
www.nrsfcu.org

FOGCE Federal Credit Union
Eutaw, Alabama

Demopolis Federal Credit Union
Demopolis, Alabama
www.demopoliscreditunion.com

Singing River FCU
Moss Point, Mississippi
www.srfcu.org

Hope Credit Union
Utica, Mississippi
www.hopecu.org

Citizens Choice FCU
Natchez, Mississippi
www.citizenschoicefcu.org

Self Help Credit Union
Durham, North Carolina
www.self-help.org

Appalachian Community Federal Credit Union
Gray, Tennessee
www.myacfcu.org

The United FCU
Morgantown, West Virginia
www.tufcu.org

Community Development Loan Funds

Communities Unlimited
f.k.a. alt.Consulting
Fayetteville, Arkansas
www.communitiesu.org

Arkansas Capital Relending Corporation
Little Rock, Arkansas
www.arcapital.com

Community Resource Group, Inc.
Fayetteville, Arkansas
www.crg.org

FORGE, Inc.
Huntsville, Arkansas
www.forgeonline.com

Southern Bancorp Capital Partners
Arkadelphia, Arkansas
www.southernpartners.org

Access to Capital for Entrepreneurs
Cleveland, Georgia
www.aceloans.org

Albany Community Together, Inc.
Albany, Georgia
www.albanycommunitytogether.com

Atlanta Micro Fund
Atlanta, Georgia
www.atlantamicrofund.com

Center for Financial Independence & Innovation
Decatur, Georgia
www.thecfii.org

Columbus Housing Initiative
Columbus, Georgia
nwcolumbus.org

Community Housing Capital
Decatur, Georgia
www.CommunityHousingCapital.org

Community Redevelopment Loan & Investment Fund, Inc.
Atlanta, Georgia
www.andpi.org/crlif

Georgia Cities Foundation
Atlanta, Georgia
www.georgiacitiesfoundation.org

Small Business Assistance Corporation
Savannah, Georgia
www.sbacsav.com

Southwest Georgia United Empowerment Zone, Inc.
Vienna, Georgia
www.swgau.org

Community Ventures Corporation, Inc.
Lexington, Kentucky
www.communityventurescorporation.org

Federation of Appalachian Housing Enterprises, Inc.
Berea, Kentucky
www.fahe.org

Frontier Housing, Inc.
Morehead, Kentucky
www.frontierhousing.org

Human/Economic Appalachian Development Corporation
Berea, Kentucky
www.headcorp.org

Kentucky Habitat for Humanity
Louisville, Kentucky
www.kyhfh.org

Mountain Association for Community Economic Development, Inc.
Berea, Kentucky
www.maced.org

Pine Mountain Community Development Corporation
Benham, Kentucky

Southeast Kentucky Economic Development Corporation
Somerset, Kentucky
southeastkentucky.com

A Shared Initiative, Inc.
New Orleans, Louisiana
www.asharedinitiative.org

Blueprint Investment Fund
New Orleans, Louisiana
www.blueprintfund.org

Community Development Capital
New Orleans, Louisiana
www.cdcapital.org

Louisiana Community Development Capital Fund, Inc.
Baton Rouge, Louisiana

Neighborhood Housing Services of New Orleans, Inc.
New Orleans, Louisiana
www.nhsnola.org

NEWCORP Business Assistance Center
New Orleans, Louisiana
www.newcorpbac.net

Red River Valley BIDCO, Inc.
Shreveport, Louisiana

Southern Mutual Financial Services, Inc.
New Iberia, Louisiana
www.southernmutualfinancial.org

Hope Enterprise Corporation
Jackson, Mississippi
www.hope-ec.org

MS Gulf Coast Renaissance Corporation
Gulfport, Mississippi
www.msgcrc.com

Small Business Capital Fund of Mississippi, Inc.
Jackson, Mississippi
www.sbcf-ms.org

Gateway Community Development Fund, Inc.
St. Louis, Missouri
www.gatewaycdfi.com

Great Rivers Community Capital
St. Louis, Missouri

International Institute CDC
St. Louis, Missouri
www.iicdcstl.org

Greensboro Community Development Fund
Greensboro, North Carolina

Mountain BizWorks
Asheville, North Carolina
www.mountainbizworks.org

Mountain Housing Opportunities Loan Fund
Asheville, North Carolina
www.mthousing.org

North Carolina Comm. Dev. Initiative Capital, Inc.
Raleigh, North Carolina
www.ncinitiative.org

Self-Help Ventures Fund
Durham, North Carolina
www.self-help.org

The Sequoyah Fund, Inc.
Cherokee, North Carolina
www.sequoyahfund.org

Carolina Small Business Development Fund
f.k.a., The Support Center
Raleigh, North Carolina
www.thesupportcenter-nc.org

ACEnet Ventures
Athens, Ohio
www.acenetworks.org

Cincinnati Development Fund
Cincinnati, Ohio
www.cincinnatidevelopmentfund.org

Common Wealth Revolving Loan Fund
Kent, Ohio
www.commonwealthinc.org/common-wealth-revolving-loan-fund

Economic and Community Development Institute (ECDI)
Columbus, Ohio
www.ecdi.org

Finance Fund Capital Corporation
Columbus, Ohio

Greater Cincinnati Microenterprise Initiative, Inc.
Cincinnati, Ohio
www.gcmi.org

Neighborhood Development Services, Inc.
Ravenna, Ohio
www.ndsohio.org

Neighborhood Housing Services of Hamilton, Inc.
Hamilton, Ohio
www.butlercounty-nhs.org

Neighborhood Housing Services of Toledo, Inc.
Toledo, Ohio
http://nhstoledo.org

New Entrepreneurs Opportunity Fund
Ashtabula, Ohio
www.ashtabulaneof.org

Northwest Ohio Development Agency
Toledo, Ohio
www.nodatoledo.org

Ohio Capital Finance Corporation
Columbus, Ohio

Village Capital Corporation
Cleveland, Ohio
www.clevelandnp.org

Cherokee Nation Economic Development Trust Authority, Inc.
Tahlequah, Oklahoma

Choctaw Home Finance Corporation
Hugo, Oklahoma
www.choctawhomefinance.web-loans.com

Citizen Potawatomi Community Development Corporation
Shawnee, Oklahoma
www.potawatomi.org

Osage Financial Resources
Pawhuska, Oklahoma
www.osagefinancial.org

Tulsa Economic Development Corporation
Tulsa, Oklahoma
www.TEDCnet.com

Business Carolina, Inc.
Columbia, South Carolina
www.bcilending.com

Charleston Citywide Local Development Corporation (LDC)
Charleston, South Carolina
www.charlestonldc.com

CommunityWorks
Greenville, South Carolina
www.communityworkscarolina.org

South Carolina Community Loan Fund
NORTH CHARLESTON, South Carolina
www.sccommunityloanfund.org

Southern Association for Financial Empowerment
Aynor, South Carolina
www.safecdfi.org

Affordable Housing Resources, Inc.
Nashville, Tennessee
www.ahrhousing.org

Chattanooga Neighborhood Enterprise, Inc.
Chattanooga, Tennessee
www.cneinc.org

Knoxville Area Urban League
Knoxville, Tennessee
http://www.thekaul.org

Southeast Community Capital Corporation DBA Pathway Lending
Nashville, Tennessee
www.pathwaylending.org

The Housing Fund, Inc.
Nashville, Tennessee
www.thehousingfund.org

United Housing, Inc.
Memphis, Tennessee
www.uhinc.org

ACCION Texas, Inc.
San Antonio, Texas
www.acciontexas.org

Affordable Homes of South Texas, Inc.
McAllen, Texas
www.ahsti.org

Azteca Community Loan Fund
San Juan, Texas
www.aclf-cdfi.org

Brazos Valley CDC, Inc.
Bryan, Texas
www.bvahc.org

Businesses Invest in Growth, Inc.
Austin, Texas
www.bigaustin.org

CEN-TEX Certified Development Corporation
Austin, Texas
www.bcloftexas.org

El Paso Collaborative for Community and Economic Development
El Paso, Texas
www.ep-collab.org

El Paso Credit Union Affordable Housing, LLC
El Paso, Texas
epcuah.com

HomeBase Texas
Austin, Texas
www.homebasetexas.org

Houston Business development, Inc.
Houston, Texas
www.hbdi.org

Neighborhood Housing Services of Dimmit County, Inc.
Carrizo Springs, Texas
www.nsdcinc.com

Neighborhood Housing Services of San Antonio, Inc.
San Antonio, Texas
nhsofsa.org

Neighborhood Housing Services of Waco, Inc.
Waco, Texas
www.nw-waco.org

PeopleFund
Austin, Texas
www.peoplefund.org

Rio Grande Valley Multibank Corporation
Brownsville, Texas
www.rgvmultibank.com

Sustainable and Livable Communities, LLC
Pearland, Texas
www.slc-fund.com

Texas Mezzanine Fund, Inc.
Dallas, Texas
www.tmfund.com

The Real Estate Council Community Fund
Dallas, Texas
www.recouncil.com

William Mann, Jr. Community Development Corporation
Fort Worth, Texas
www.wmcdc.com

Business Seed Capital, Inc.
Roanoke, Virginia
www.tapintohope.org

Capital Impact Partners
Arlington, Virginia
www.capitalimpact.org

ECDC Enterprise Development Group
Arlington, Virginia
www.entdevgroup.org

Lynchburg Community Loan Fund
Lynchburg, Virginia
www.lndf.org

Neighborhood Housing Services of Richmond, Inc.
Richmond, Virginia
www.nhsofr.org

People Incorporated Financial Services
Abingdon, Virginia

Piedmont Housing Alliance
Charlottesville, Virginia
www.piedmonthousingalliance.org

REDC Community Capital Group, Inc.
Richmond, Virginia
www.redccommunitycapital.org

Southeast Rural Community Assistance Project, Inc.
Roanoke, Virginia
www.southeastrcap.org

Virginia Community Development Fund
Richmond, Virginia
www.vacdc.org

Community Works in West Virginia, Inc.
Charleston, West Virginia
www.communityworkswv.org

Natural Capital Investment Fund, Inc.
Shepherdstown, West Virginia
www.ncifund.org

The Center for Rural Health Development, Inc.
Hurricane, West Virginia
www.wvruralhealth.org

Woodlands Community Lenders
Elkins, West Virginia
www.wclwv.org