

THE IMPACT

I N V E S T O R

A Publication of Community Capital Management, Inc.

Spring 2015 Newsletter

Financing Rural Development: Untapped Potential, Unmet Market, Ample Opportunity

The Council of Development Finance Agencies (CDEFA) is a national association dedicated to the advancement of development finance concerns and interests. The article below is written by guest contributors Toby Rittner, President & CEO, and Katherine Sims, Program Coordinator, at the CDEFA.



For the past several decades, development finance has migrated to population centers and major metropolitan areas. Understandably, there is more opportunity and greater capacity in metro areas. In the past three years, however, the emergence of the rural development finance market has shown considerable progress. Once considered a far too difficult endeavor, rural development has taken on a new life with renewed interest from banks, lending institutions, impact investors and, in particular, the federal government.

The primary focus of rural development today is in three basic areas – infrastructure, energy and food/agricultural systems. The federal government and some of the leading rural lending institutions are aggressively pursuing projects. In July 2014, the U.S. Department of Agriculture (USDA) and CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the country, announced the creation of a \$10 billion public-private partnership fund for rural infrastructure. The U.S. Rural Infrastructure Opportunity Fund marks one of the largest federal/private commitments to financing rural projects in decades and is a sure sign that rural financing has become mainstream.

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The 2015 Spring issue of *The Impact Investor* (f/k/a *The Mission-Based Investor*) focuses on the topic of rural community development finance. The newsletter features an article by guest contributors Toby Rittner and Katherine Simms at the Council of Development Finance Agencies (CDEFA). Also included is information on Community Capital Management's (CCM) \$100 million initiative to invest in bonds financing rural community development, spotlight on two CCM fixed income impact investments financing rural community development initiatives, and our spring/summer conference schedule.

CCM to Invest \$100 Million in Bonds Financing Rural Community Development

According to a recent report from the United States Department of Agriculture (USDA), the U.S. economy is now in its sixth year of recovery from the Great Recession of 2007-09. While its performance remains weak in some respects, this is especially true in rural areas. Urban employment now exceeds pre-recession levels and rural employment remains well below its 2007 peak.

Over the last year, CCM has participated in many discussions, at conferences and with clients, on how we can channel more investments to support rural communities. As a leader in identifying fixed income

impact investments that are responsive to local community development needs, CCM is excited to announce its new initiative to invest \$100 million in bonds financing rural community development initiatives. A new report on the initiative is now available for download on CCM's website at www.ccmfixedincome.com.

The 9-page report covers opportunities and challenges in rural community development, why investments in these areas are critical, and examples of CCM's investments supporting rural community development.



VISIT WWW.CCMFIXEDINCOME.COM TO:

- View CCM's new impact video "Revitalizing America: Bond Investing Beyond Bricks and Mortar"
- Download a copy of CCM's 2014 Annual Impact Report
- Listen to a replay of CCM's webinar on fixed income impact investing



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Another trend is seeking private equity investment to catalyze financial resources and greater capacity in rural areas. The Rural Business Investment Company (RBIC) encourages private investment in infrastructure projects in rural America. It allows the USDA to facilitate private equity investments in areas of interest including agriculture-related businesses, broadband and infrastructure, advanced energy production, local and regional food systems, and improved farming technologies.

The USDA also establishes and supports several revolving loan funds through a variety of loan and grant programs to assist with small business development. These loans help rural small businesses in a variety of ways including the purchase of equipment, real estate, working capital, and expansions. Knowing which type of financing tool to use for the appropriate project or rural-based business is key in helping rural communities see greater investment.

The USDA has also partnered with the Council of Development Finance Agencies

(CDFA) to increase development finance education and resources for USDA's internal staff. The partnership will help to promote USDA funding and other financing best practices for rural communities to CDFAs' network of development finance stakeholders. As part of the partnership, CDFAs will host three Rural Project Marketplaces throughout the year to connect rural projects with funding and financing expertise. The Rural Project Marketplace will help facilitate and leverage private investment in projects throughout rural America and will give these communities opportunities to learn about a broader set of development finance programs and tools.

Across the country, rural communities are seeking creative approaches to improve and strengthen their economies by taking advantage of assets like traditional Main Streets, alternative energy, and food and agricultural industries. The importance and focus of project finance is crucial to build appropriate and effective tactics for establishing long-term economic development in rural communities. Rural financ-

ing opportunities are developing daily in every county, in every state, and it is vital to surface and capture these creative approaches for rural communities. Once considered a far too difficult endeavor, the rural development focus is now in a context of broader market activity in its mission and impact.

Sources:

CoBank News Release

<http://www.cobank.com/~media/Files/Searchable%20PDF%20Files/Newsroom%20Financials/News%20Releases/News%20Releases%202014/CoBank%20USDA%20Investment%20Fund.pdf>

Rural Opportunity Investment Conference

<http://www.usda.gov/wps/portal/usda/usdahome?navid=investmentconference>

USDA FAQ

<http://www.usda.gov/documents/Rural-Infrastructure-Opportunity-Fund-FAQ.pdf>

USDA Ops

<http://www.usda.gov/wps/portal/usda/usdahome?navid=OPPORTUNITIES>

CCM Spring/Summer 2015 Conferences:

Impact Capitalism Summit • April 21-22, Chicago, IL

Hear David Sand, Chief Investment Strategist of CCM, speak on a fixed income panel. Visit with David and Jamie Horwitz, Director of Marketing at CCM, at the conference which is one of the largest gatherings of family offices and foundations taking a portfolio approach toward impact investing.

2015 U.S. SIF Annual Conference • May 4 – 6, Chicago, IL

Visit with Alyssa Greenspan, President and Chief Operating Officer of CCM and U.S. SIF Board Member, and David Sand, Chief Investment Strategist of CCM, at the 2015 conference. The conference offers a unique opportunity to network with leaders of sustainable, responsible, and impact investing.

NFMA 32nd Annual Conference • May 12-15, Las Vegas, NV

Visit with Barbara VanScoy, Co-Founder and Chief Impact Investment Officer at CCM, and Julie Egan, Portfolio Manager at CCM and NFMA Board Member, at the NFMA 32nd annual conference.

Clinton Global Initiative (CGI) America 2015 • June 8-10, Denver, CO

Visit with David Sand, Chief Investment Strategist of CCM, at the CGI America conference. CGI America brings together leaders from the business, philanthropic, NGO, and government sectors to develop solutions for economic growth, long-term competitiveness, and social mobility in the United States.

Financial Advisor Impact Investing Conference • July 12, Denver, CO

Visit with Andy Shafter, Investment Strategist at CCM, at the 4th annual Financial Advisor Impact Investing Conference. Leaders from the impact investing industry will share their success stories and explain how seeking alpha doesn't necessarily have to come at the expense of social and environmental impact.

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SPOTLIGHT ON CCM FIXED INCOME IMPACT INVESTMENTS FINANCING RURAL COMMUNITY DEVELOPMENT INITIATIVES

Mexia Gardens, Texas

Mexia Gardens is a Low Income Housing Tax Credit property in Limestone County, Texas. Mexia Gardens was allocated Low Income Housing Tax Credits in 2010 by the Texas Department of Housing and Community Affairs. Of the 80 units, 100% of the units are restricted to residents with incomes at or below 60% of Area Median Income. Mexia Gardens resides in a census tract designated as “Distressed or Underserved”.

The criteria for distressed geographies under the Community Reinvestment Act (CRA) enable a careful targeting of rural middle-income tracts that are most in need of revitalization or stabilization. An activity revitalizes or stabilizes a qualifying distressed geography if it helps to attract new, or retain existing, residents or businesses.

The regulation also permits examiners to give consideration to activities undertaken in geographically remote and underpopulated areas, where basic needs are unmet. Some rural communities – although mid-

dle income and not necessarily in distress – have such small and sparse populations that they have difficulty financing the fixed costs of essential community needs, including infrastructure and community facilities.

State of Mississippi

The State of Mississippi General Obligation Bonds were issued to finance economic development projects, including but not limited to:

- The funding of grants, loans, and loan guarantees through the Mississippi Rural Impact Fund (RIF). The RIF, administered by the Mississippi Development Authority (MDA), is designed to assist and promote businesses and economic development in rural areas by providing grants and loans to rural communities and loan guarantees to rural businesses. Eligible projects under the RIF must have a direct connection to creating jobs. All projects funded should create a minimum of ten net new full-time jobs. From July 1, 2009 through Fiscal Year 2012, Rural Impact awards resulted in 1,158 jobs.¹



In the United States, the Census Bureau classifies a rural area as a town with fewer than 1,000 people per 2.6 square kilometers (square mile), and surrounding areas with fewer than 500 people per 2.6 square kilometers (square mile).

- Financing costs incurred for the purpose of performing research on biomass usage in the production of renewable crude oil at Alcorn State University and the Sustainable Energy Research Center on the campus of Mississippi State University, pursuant to the provisions of the Sustainable Energy Research Act. Alcorn State University is located in a non-metropolitan, moderate-income geography. Mississippi State University is located in a non-metropolitan, middle-income geography within a census tract designated as “Distressed or Underserved”.

- Funds to finance workforce training through State Institutions of Higher Learning and Community and Junior Colleges in the State and Workforce Investment Network job centers in the State to meet workforce training needs not met by other resources, in the amount of \$2,000,000 pursuant to the Workforce Training Act. The Mississippi Workforce Training Act seeks to provide quality education and training for the citizens of Mississippi to obtain the skills needed to be more productive and have an improved quality of life.



Rural community development encompasses a range of approaches and activities that aim to improve the welfare and livelihoods of people living in rural areas.

The securities identified and described herein are for illustrative purposes only and their selection was based upon non-performance criteria, such as the security's social and/or environmental attributes.

¹<http://www.mississippi.org/assets/docs/library/incentives-report.pdf>



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Visit www.ccmfixedincome.com to
see CCM's new website design!



CCM recently launched its new website which we feel is more closely aligned with the firm's strategic vision for growth and expansion. We hope the new website offers visitors a cleaner, clearer, and easier-to-navigate experience. Please contact Jamie Horwitz at jhorwitz@ccmfixedincome.com with any feedback.



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