

THE MISSION-BASED

I N V E S T O R

A Publication of Community Capital Management, Inc.

Spring 2009 Newsletter

Q&A PART 2

Imprint Capital: Developing An MRI Strategy

IMPRINT capital advisors
catalyzing capital for impact

Imprint Capital Advisors specializes in developing and executing mission-driven investment strategies for leading foundations, family offices, individuals, and their trusted advisors. Their services range from strategy development to portfolio execution to transaction structuring. Imprint applies its services across asset classes, interest areas, and return profiles.

Part I of the Q&A With Imprint Capital appeared in the Fall 2008 issue of The Mission-Based Investor.

Where are we today in the life cycle of mission-related investing? Has it truly come of age, or can we still expect to see significant growth?

As it stands today, not more than 10% of assets under professional management can be considered “mission-related.” That said, the industry has matured significantly over the past ten years, gaining more sophisticated investors, stronger niche and mainstream managers, and an increasingly diverse array of investment options across asset classes and issues.

You can consider the growth of Community Capital Management’s assets over the past decade a barometer for the development of the industry as a whole. Keep in mind, though, that uptake of MRI strategies by investors and the wallet-share those strategies have with investors is still relatively modest and has room to grow.

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In the next few issues of The Mission-Based Investor, we’ll be highlighting different regions all over America, covering the latest progress in community and economic development, environmental programs, and small business mobilization. In this issue we examine initiatives to build the local agricultural economy in the Appalachian region of the Eastern United States.

Investing in a Sustainable Economy: Appalachia

The picturesque beauty of the Appalachian landscape belies persistent and widespread poverty. As recently as 1990, in some areas more than one in four people lived in poverty. In recent years, however, the region’s economy has grown by leaps and bounds. Government and non-profit initiatives to kick-start the region’s industries have worked. In addition, significant institutional and individual investment in infrastructure, housing, and economic development – particularly related to the agricultural industry – have contributed dramatically to the recent turnaround.

The Region

Appalachia is a relatively narrow swath of geography stretching from southern New York State through the northern areas of Mississippi and Alabama, comprising a mostly mountainous and largely rural region. Only two major cities, Pittsburgh, Pa. and Knoxville, Tenn., lie entirely within Appalachia, and the region contains few intermediate-size cities. For this reason, approximately 42% of the region’s population resides in rural areas.

The area has a tradition of strong

Community Capital Management’s Impact in Appalachia*

5,000 Affordable Rental Housing Units

500 Home Mortgages for Low- to Moderate Income Families

\$6.5 Million in Affordable Healthcare Facilities

\$5.3 Million in Economic Development Programs Including Brownfield Redevelopment, Child Care Services and Neighborhood Revitalization

\$9.8 Million in Job Training and Job Creation Programs

\$107 Million in Statewide Homeownership and Downpayment Assistance Programs**

**Approximate figures; as of 12/31/08*

***Statewide Homeownership impact represents cumulative total for all states located within the Appalachian Region, inclusive but not limited to the counties in Appalachia*

family values and a reliance upon craft-making industries, mining, and agriculture. In keeping with the region’s agricultural heritage and the high priority many here place on family and community, a large number of local farms have been operated by the same family for generations. These farms often produce tobacco, corn, tomatoes, apples, and peaches.

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AGRICULTURE IN APPALACHIA

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In the last few decades, accompanying a resurgence of academic and literary interest in the region, the economy has begun to diversify to include services, tourism, and real estate development.

Preserving Traditions

As this diversification has taken place, organizations like the Appalachian Sustainable Agriculture Project (ASAP) and the North Carolina Cooperative Extension have pushed to preserve the region's agricultural heritage.

ASAP, a non-profit, community-based collaborative created to support rural farms, works to create and develop new markets for local produce; sustain the region's agricultural tradition; improve access to fresher, healthy food for the region's residents; and help local farmers maintain their livelihood.

Like ASAP, the North Carolina Cooperative Extension also supports local farmers. It promotes a program called Western North Carolina Agricultural Options (AgOptions), funded by the North Carolina Tobacco Trust Fund Commission. The program awards grants to farmers to help them expand or diversify their businesses, helping contribute to the longer-term viability of many farms. As well, it has allowed farmers to experiment with new agricultural technology and expand into new – often more profitable – agriculture-related business lines.

Case Study: The Success of Firefly Farm

Two of those farmers can attest to the financial and social value of these initiatives.

Firefly Farm, located on the South Toe River near Celso, N.C. is a small-scale organic farm owned by Scott Paquin and Elizabeth Gibbs.



Firefly Farm, a small-scale organic farm in Celso, North Carolina.

The farm grows a wide variety of organic heirloom vegetables including arugula, tomatoes, potatoes, peppers, garlic, lettuce, summer and winter squash. The farm also produces cut flowers and herbs, and its small flock of hens produce about ten dozen eggs per week. Recently, the owners began planting blueberries and are developing an apple orchard. Mr. Paquin and Ms. Gibbs sell their produce at local restaurants, grocery stores, farmers'

markets, and community-supported agriculture programs.

Thanks to the AgOptions program, the farm was able to expand the range of its organic vegetable offerings and help purchase basic equipment like a flame weeder, backpack sprayer, and materials to build hoop houses. In 2008, the farm added a herd of natural grass-fed Devon beef cattle, a heritage breed which will attract agro-tourists to the farm.

Firefly Farm has also benefited from ASAP's programs. Last year ASAP helped launch a new farmer's market in Asheville that has served as an important outlet for the farm's products. In addition, ASAP's promotion of the Mountain Farm & Garden Tour brings visitors and potential customers to Firefly Farm, which recently ventured into the agro-tourism market. In fact, this fall, Firefly Farm plans to expand its agro-tourism venture by hosting a dinner onsite serving its homegrown produce and beef.

The Bottom Line

Investment in Appalachia and its farming infrastructure can have far-reaching impact on local communities and the people living there. Financial assistance to small-scale agricultural operations such as Firefly Farm has a multiplying effect that contributes to economic development on a larger scale. Such assistance creates and retains jobs and expands Appalachian residents' access to affordable, healthy foods.

ABOUT COMMUNITY CAPITAL MANAGEMENT

- Founded in 1998
- Institutional fixed income money manager (Mutual Fund & Separately Managed Accounts)
- Approximately \$925 million in assets under management (as of 12/31/08)

Annualized Performance as of 12/31/08

	CORE FIXED COMPOSITE (GROSS OF FEES)	BARCLAYS CAPITAL AGGREGATE BOND INDEX
1-Year	5.31%	5.24%
5-Year	4.93%	4.65%
7-Year	5.68%	5.36%
Since Inception (8/30/99)	6.28%	6.24%

COMMUNITY CAPITAL MANAGEMENT'S SPOTLIGHT ON MISSION-RELATED INVESTMENTS IN APPALACHIA

Nantahala Street Apartments & King Drive Apartments

In Asheville, North Carolina citizens with disabilities now have two new options for affordable housing.

A recent investment by Community Capital Management helped finance two rental properties designed to facilitate independent living for disabled people. Both projects were developed by the Western North Carolina Housing Partnership (“WNC”) and are managed by Liberty Corner Enterprises.

One of the projects, WNC Nantahala Street Apartments, is located near the University of North Carolina Campus, and offers eleven rental units, ten of which receive Section 8 assistance. The other complex, WNC King Drive Apartments, located in a census tract where nearly a quarter of the residents live under the poverty level, has eight units, all of which receive Section 8 assistance.



Community Capital Management's investments helped expand the availability of affordable housing for disabled citizens in Asheville, N.C.

Allegheny County Redevelopment Fund

The Allegheny County Economic Development Fund (EDF) was created to help establish new industries and businesses in the southwest Pennsylvania county and to assist existing business with expansion efforts. Since 1995, the EDF has created or retained about 6,360 jobs through \$43.8 million in investments in local companies. Many of these investments fulfill pressing tangible needs in the County. One example: the EDF provided a loan to a minority business enterprise which opened a grocery store in an area that had lacked a grocery store for years.

A recent investment by Community Capital Management helped fund the EDF which will help support more critical development needs in Allegheny County and help sustain – and even grow – its economy.

Western North Carolina Housing Partnership and Liberty Corner Enterprises

Many of the mission-related investments Community Capital invests in have affiliations with organizations like the Western North Carolina (“WNC”) Housing Partnership and Liberty Corner Enterprises. The WNC Housing Partnership was created in 1988 by the six western Lead Regional Organizations to develop affordable housing for older adults in the western part of the state. In 1993 the Partnership was incorporated as a 501(c)(3) nonprofit organization. At that time, the organization's purpose was expanded to include developing affordable housing

for other special populations as well as older adults. The Partnership promotes quality affordable housing development in Western North Carolina.

Like WNC Housing Partnership, Liberty Corner Enterprises (“LCE”) services Western North Carolina and is the property manager for many of their affordable housing properties. LCE is a non-profit agency providing services and support to individuals with developmental disabilities and specializes in serving adults with co-occurring mental illness.

“Investments that direct capital to properties like WNC Nantahala Street Apartments and WNC King Drive Apartments not only help to expand

the supply of affordable housing but can also support organizations like WNC Housing Partnership and LCE that prove critical to the economic development of the region as a whole,” said Barbara VanScoy, executive vice president and senior portfolio manager for Community Capital Management. “Therein lies the intrinsic benefit in a double bottom line investment strategy like mission-related investing – you can simultaneously achieve financial return and advance the goals of community and economic development.”



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Q&A WITH IMPRINT CAPITAL

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What changes are needed to propel the space forward even further?

To make mission-related investing more attractive to institutional investors, the industry needs a broader spectrum of investment opportunities that can absorb a larger amount of capital.

Tempting individual investors to invest their money in mission-related initiatives requires not only informing them about their options, but also providing incentives for them to do so. One incentive might be to offer a tax break on investment returns from mission-related investments, like the Netherlands do. That strategy has helped channel individual investors' capital into socially-oriented investment funds.

As the strategy evolves, what kinds of missions do you see organizations address through their MRI programs?

Well, the "usual suspects" in terms of

missions targeted through MRI are community development across the U.S. and developing economies and environmental sustainability. But recently, we've seen more interest in specialized areas like non-profit finance, education, and the empowerment of women and girls. We've also begun seeing some innovative efforts to find capital-efficient ways to address specific missions. Those initiatives often end up more closely resembling social investment banking—performing financial transactions with high social impact—than simple portfolio management or manager selection.

Where do you see leaders in the MRI space finding investments and creating value?

Ironically, we've seen some interesting work in the MRI space from commercially-minded, return-oriented investors. Pension funds and family offices have been particularly successful at translating their investment goals into the MRI space in a creative, constructive, and profitable manner.

Community Capital Management, Inc. is a Florida-based investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. The Core Fixed Income Composite is comprised of all actively managed fixed-income accounts managed by Community Capital Management that invest mainly in investment grade securities with community development as the primary purpose. The Composite assets of December 31, 2008 were \$844.4 million, which represented 91.7% of the firm's total assets. Returns are calculated in U.S. dollars. Community Capital Management has received a firm-wide GIPS® Verification for the period August 30, 1999 through December 31, 2008. In addition, the Core Fixed Income Composite has received a Performance Examination for the same time period. Community Capital Management claims compliance with the Global Investment Performance Standards (GIPS®).

To receive a complete list and description of Community Capital Management's composites and/or presentation that adheres to the GIPS® standards, contact Alyssa Greenspan, CFA at 877-272-1977 or agreenspan@ccmfixedincome.com, or write Community Capital Management: 2500 Weston Road, Suite 101, Weston, Florida 33331. The Community Investment Composite was renamed the Core Fixed Income Composite in March 2008. Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value. The results portrayed included the reinvestment of dividends, interests and other earnings. The index information herein does not reflect the impact of fees; you can not invest directly in an index.