The background of the entire page is a photograph of three young plants with bright green leaves growing out of dark, rich brown soil. The plants are positioned at different heights, with the tallest one on the right and two smaller ones to its left. The background is a soft, out-of-focus green, suggesting a natural, outdoor setting. The overall tone is positive and growth-oriented.

2016 – 2021

IMPACT REPORT

Impact capital and business coaching for:
Job-creating small businesses, placemaking
real estate projects, and community facilities.



STRONG ROOTS. SMART BUSINESS.

Three Roots Capital was created to address the chronic need for investment capital in central and southern Appalachia. 3Roots supports small businesses, entrepreneurs, real estate projects, and communities in economically challenged areas throughout the region.

When I originally developed the concept of 3Roots, the basic idea was inspired by an appreciation for how the root system of a plant enables the plant to access the important nutrients (water, fertilizer, etc.) that feed the plant and enable it to thrive and grow. Capital, coaching, and connections are important factors that help businesses succeed and grow. I want 3Roots to be an organization that helps companies and projects access what they need for growth and success in ways that are analogous to the way a plant's root system feeds the plant.



3Roots had less than \$100,000 of net assets on its balance sheet when the company opened for business in 2016. Since then, we've raised more than \$100 million, which has enabled us to establish multiple pools of capital for lending and investing. Funds from those pools of capital have been deployed to support businesses and projects that create jobs and deliver goods and services throughout our region. The pages that follow include information about the impacts 3Roots has made in its first five years of operations.

Finally, and most importantly, collaboration is a critical element of what we do, and we pride ourselves on being good partners. We believe a willingness and ability to collaborate is a differentiator. We truly value and appreciate the individuals and organizations that collaborate with us to provide the capital, coaching, and connections that feed the businesses and projects we have supported over the course of our first five years.

A handwritten signature in black ink, appearing to read "Michael" followed by a stylized surname.

STATISTICS
[as of 06/30/2021]



\$75.4M

CAPITAL DEPLOYED



612,412

SQUARE FEET DEVELOPED

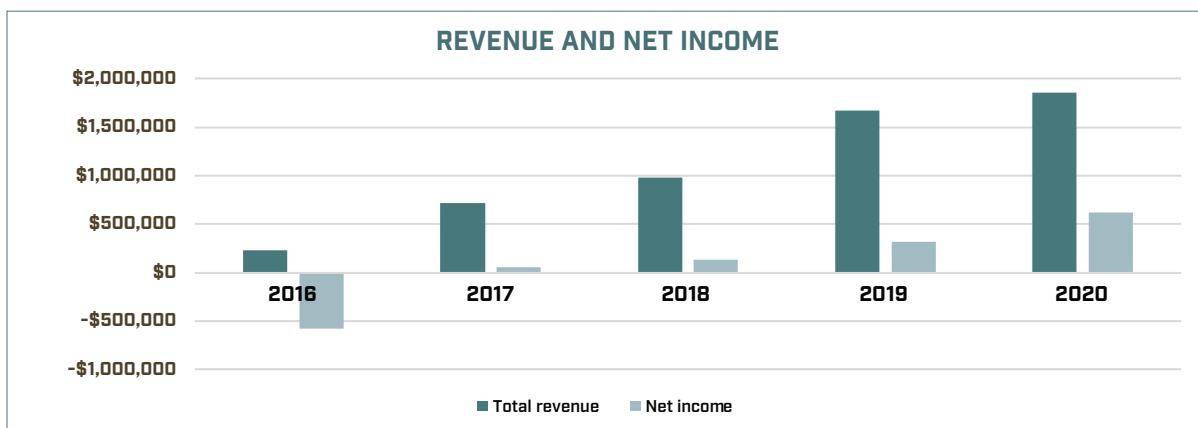
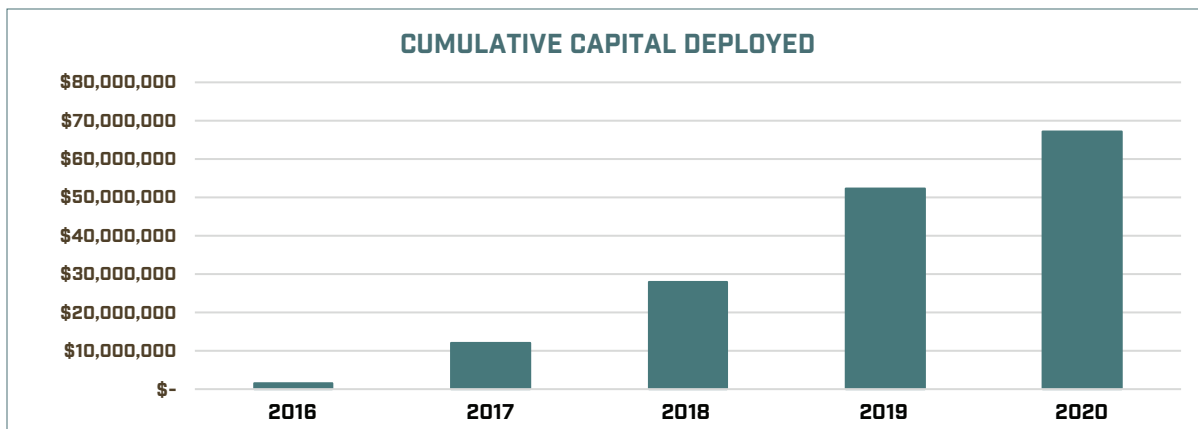
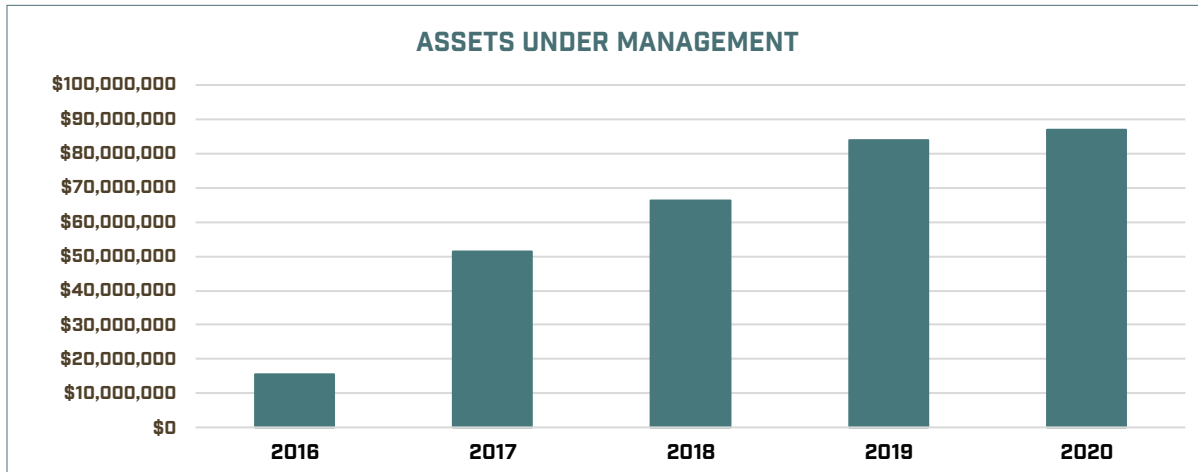


1,575

JOBS CREATED/RETAINED

FINANCIAL PERFORMANCE

Impacting communities as a financial institution requires raising capital, deploying capital, and productively managing financial resources.



THREE ROOTS CAPITAL: CAPITAL, COACHING, AND CONNECTIONS

Chartered as a 501(c)3 nonprofit, Three Roots Capital (3Roots) is an innovative finance company that provides loans and equity investments to businesses and real estate projects in East Tennessee and Appalachia. 3Roots is certified by the United States Department of the Treasury as a Community Development Financial Institution (CDFI) and as a Community Development Entity (CDE).

MISSION

3Roots has an education and community development mission supporting access to capital and related activities to stimulate economic growth throughout Tennessee and the Appalachian region, with an emphasis on the creation of jobs and commercial goods and services in underserved communities.

PRODUCTS AND SERVICES:



LOANS



OPPORTUNITY ZONE PROJECTS



INVESTMENTS



TECHNICAL ASSISTANCE,
MENTORING, BUSINESS COACHING



NEW MARKETS AND OTHER
TAX CREDIT TRANSACTIONS



NETWORKING AND CONNECTIONS
TO SUPPLEMENTAL RESOURCES

“OVER THE YEARS, I’VE LEARNED THAT THERE ARE CERTAIN LENDERS WHO ARE FRIENDLY TO ENTREPRENEURS IN RURAL AREAS OF THE COUNTRY AND THOSE WHO ARE NOT. 3ROOTS IS THE FORMER. IT’S GREAT TO HAVE A STRATEGIC PARTNER WHO UNDERSTANDS THE UNIQUE NEEDS OF A RURAL MANUFACTURING CORPORATION.”

— J.C. Egnaw, Chairman and Chief Executive Officer, Outdoor Venture Corporation

CAPITAL

As an innovative finance company, 3Roots provides loans and investments to operating businesses and real estate projects in East Tennessee and the broader central and southern Appalachian region. 3Roots has many financing tools in its toolbox, including senior loans, junior debt, a variety of convertible debt structures, and multiple forms of equity. Because 3Roots has a variety of available financing products, 3Roots is able to utilize the most appropriate financing product to best fit the needs of the business or project being financed.

CORE LENDING PROGRAM

During the first five years of operations, 3Roots' core lending program was the primary mechanism to deploy capital. Over that period, 3Roots had a total of 42 loans on its balance sheet. These loans ranged in size from \$15,000 to \$8,661,868 with an average loan size of \$1,800,000. 55% of these loans were made to small businesses and 45% have supported real estate projects. 3Roots used funds borrowed from bank partners for the majority of these loans, and 3Roots appreciates the support and confidence of its bank partners.

LOAN HIGHLIGHTS [as of 6/30/21]

**87% IN HIGH POVERTY
CENSUS TRACTS**

98% IN APPALACHIA

40% ARE \$50,000 OR SMALLER

33% IN RURAL AREAS

40% IN OPPORTUNITY ZONES

**“THE 3ROOTS TEAM UNDERSTANDS THE TYPES OF LENDING
WE WANT TO PURSUE. THEY BRING THE RIGHT KIND
OF RELATIONSHIPS TO THE TABLE. IT’S BEEN AN IDEAL
PARTNERSHIP FROM THE BEGINNING.”**

— Jimmy Dalton, Chief Credit Officer,
SouthEast Bank

CAPITAL

3Roots provides loans and investments directly to companies and real estate projects. When a senior loan is not the most appropriate financial product for a company or project, 3Roots can reach into its toolbox to pull out a different financial product that best fits the circumstances.

Innovative Pool of Capital:

3ROOTS CAPITAL IMPACT FUND

Launched in January 2020, 3Roots created a pool of capital for equity investing and lending with a focus on high social impact. 3Roots is one of the few CDFIs with the capability and experience to make equity investments. In addition to equity investments, 3Roots makes venture debt investments, subordinated loans, and senior loans to small businesses and real estate projects that generally are not bankable. 3Roots' track record shows deploying capital to these companies tends to create a greater impact, with relatively more jobs created per dollar deployed than more traditional, bank-type lending. The 3Roots Capital Impact Fund is capitalized with funds that are not sourced from bank partners.

“3ROOTS IS AN EXTREMELY VALUABLE RESOURCE IN OUR COMMUNITY. WE’RE EXCITED TO CONTINUE OUR RELATIONSHIP AND LOOK FOR THOSE OPPORTUNITIES TO ENGAGE THEM AS WE FINANCE OUR PROJECTS HERE AT PARTNERS.”

— Randy Jenkins, Chief Financial Officer and Financial Strategist, Partners Development

Evergreen, Seed-Stage Venture Capital:

TENNESSEED FUND

Launched in August 2019, the TennesSeed Fund is an evergreen, seed-stage, proof of concept venture capital fund investing in companies throughout Tennessee. The Fund is managed by TennesSeed Partners, which is a collaboration of 3Roots, Meritus Capital, and Innova Memphis, Inc. To date, the Fund has made three Tennessee investments in Active Energy Systems of Oak Ridge, Entac Medical of Memphis, and SmartRIA of Knoxville.



TennesSeedFund.com

**EACH \$1 INVESTED OR LOANED FROM THESE FUNDS
HAS BEEN LEVERAGED AN AVERAGE OF 120 TIMES**

COACHING

As part of its mission, 3Roots is committed to education and community development efforts surrounding access to capital and other activities that stimulate the economy throughout East Tennessee and greater Appalachia.



Nurturing a New Business:

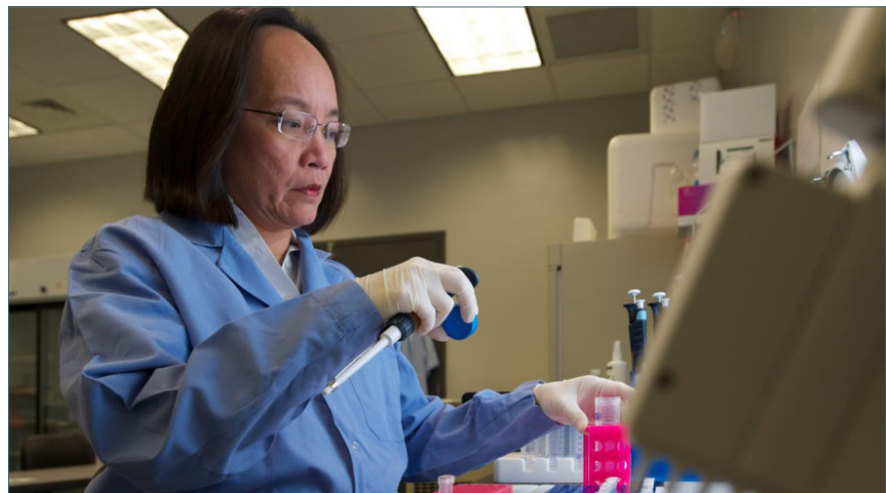
FAMILIAR FACES HOME CARE

In 2020, 3Roots met and began to mentor Cameron Gregory. As a result of that collaboration, Cameron founded and is now the CEO of Familiar Faces Home Care (FFHC). FFHC is a minority-owned business based in Knoxville and Chattanooga. 3Roots helped FFHC form its business strategy, develop its revenue model, and perform a detailed “buy versus build” analysis. In addition to startup coaching, 3Roots provided critical seed capital and met a practical need by providing the company with its first desk.

Notable Investment:

NELLONE THERAPEUTICS

In October 2020, 3Roots made an investment in Oak Ridge, Tennessee-based NellOne Therapeutics, an early-stage biopharmaceutical company pioneering advances in regenerative medicine. In addition to capital, 3Roots is providing technical and operational assistance to support the company. 3Roots is proud to support a business that is a licensee from Oak Ridge National Laboratory (ORNL), founded by an ORNL researcher, and is minority- and woman-owned.



“IT’S BEEN A PRIVILEGE TO WORK WITH THE 3ROOTS TEAM AND GRADY OVER THE YEARS. MOST INVESTORS MIGHT BE WARY OF WORKING WITH AN EXECUTIVE WHO IS SO COMMITTED TO PUBLIC SERVICE AND HIS FAITH. I’M GRATEFUL THAT GRADY AND HIS TEAM UNDERSTAND MY DESIRE TO HAVE A POSITIVE IMPACT IN THE WORLD AROUND ME THROUGH MY WORK.”

— Bill Malkes, Chief Executive Officer,
NellOne Therapeutics

CONNECTIONS

3Roots has well-established relationships with bank partners and other organizations throughout its service area. To help fulfill its mission, 3Roots provides essential connections to capital sources and service providers.



Notorious Prison Turned Tourist Attraction:

BRUSHY MOUNTAIN

In Morgan County, Tennessee, Brushy Mountain State Penitentiary operated from 1986 until its closure in 2009. In 2018, Brushy Mountain re-opened as a tourist attraction, featuring a museum, restaurant, music venue, moonshine distillery and gift shop thanks to the support of 3Roots and other partners. 3Roots made three loans totaling \$150,000, and connected the operating partner, Pete Waddington, with a bank partner for additional financing, which helped open the facility.

“IT’S NOT AN EASY FEAT TO TRANSFORM A FORMER PRISON INTO A TOURIST ATTRACTION IN RURAL TENNESSEE. 3ROOTS SAW THE POTENTIAL OF WHAT I WANTED TO ACCOMPLISH AND HELPED MOVE ME OVER THE FINISH LINE. I CAN’T SAY ENOUGH GREAT THINGS ABOUT THOSE GUYS. I WILL ABSOLUTELY WORK WITH THEM AGAIN.”

— Pete Waddington, Operating Partner, Brushy Mountain

USDA Rural Microentrepreneur Assistance Program (RMAP):

SOUTHEASTERN PACKAGING TECHNOLOGIES

In 2018, 3Roots provided Oak Ridge, Tennessee-based Southeastern Packaging Technologies with a \$50,000 loan through the U.S. Department of Agriculture’s RMAP. Chief Executive Officer Bryan Crosby used the loan to buy tooling for their injection molding equipment to help grow his small business. 3Roots also helped facilitate the introduction of the company to a subsequent equity investor.



“IT’S BEEN A PLEASURE WORKING WITH 3ROOTS BECAUSE THEY KNOW THIS SPACE BETTER THAN ANYONE. THEY SERVE A MEANINGFUL ROLE IN PROVIDING NECESSARY ACCESS TO CAPITAL FOR ENTREPRENEURS IN RURAL EAST TENNESSEE.”

— Bryan Crosby, Chief Executive Officer, Southeastern Packaging Technologies

COLLABORATION

3Roots pursues its mission by collaborating with stakeholders in the communities where 3Roots operates.



EDA Grant for work in
Knoxville Opportunity Zone:

UT RESEARCH PARK

In December 2020, the Economic Development Administration of the U.S. Department of Commerce awarded a \$645,600 grant to 3Roots to support a \$807,000 collaborative project focused on driving and attracting investment to the University of Tennessee Research Park at Cherokee Farm. The project, located in an Opportunity Zone in Knoxville, Tennessee, is a collaboration between 3Roots and Cherokee Farm Development Corporation.

Notable Loan and New Markets Tax Credit Project:

MODEL MILL

In 2018, 3Roots began supporting the Model Mill redevelopment project in Johnson City, Tennessee. In addition to making multiple direct loans to the project, 3Roots provided technical and operational assistance to the project sponsor, Summers-Taylor, Inc. These efforts facilitated the use in 2019 of New Markets Tax Credits (NMTCs) as a financing mechanism for the project. Total financing for the project amounted to \$19.5 million, with 3Roots providing \$10.6 million.



“3ROOTS HELPED US AT EVERY STAGE OF THIS COMPLEX PROJECT. AT THE BEGINNING OF THE PROJECT, 3ROOTS PROVIDED THE BRIDGE LOAN TO GET US GOING. IN THE MIDDLE, THEY CONNECTED US TO NEW MARKETS TAX CREDIT EXPERTS TO ATTRACT THE INVESTMENTS NEEDED, AND IN THE END, 3ROOTS PROVIDED THE LEVERAGE LOAN IN THE FINAL PROJECT NMTC FINANCING. WE ARE ECSTATIC TO HAVE 3ROOTS AS A PARTNER ON THIS PROJECT.”

— Grant Summers, President, Summers-Taylor



THREE ROOTS CAPITAL STAFF

Grady Vanderhoofven, Founder, President, and Chief Executive Officer

Chris Miller, Chief Financial Officer

Melissa Muendel, Director of Research and Reporting

Linda Nyholm, Operations Manager

Jeff Ault, Controller

Dennis Corley, Business Development and Community Relationships Manager

2021 BOARD OF DIRECTORS

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Fred Tompkins, Distinguished Professor Emeritus, The University of Tennessee

Grady Vanderhoofven, Founder, President & CEO, Three Roots Capital

Marianne Wanamaker, Executive Director, Howard H. Baker Jr. Center for Public Policy,
The University of Tennessee, Knoxville

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Ray Moncrief, President & COO, Outdoor Venture Corporation

Bill Pollard, Chief Executive Officer, BrightBridge Capital

Kerwin Tesdell, President, Community Development Venture Capital Alliance

BANK PARTNERS



“IT HAS BEEN MY PLEASURE TO GROW BOTH A WORKING AND PERSONAL RELATIONSHIP WITH THE STAFF AT THREE ROOTS CAPITAL OVER THE LAST 5 YEARS. THEY HAVE MADE SEVERAL GOOD INTRODUCTIONS TO US OVER THIS TIME AND ALSO HAVE A GOOD UNDERSTANDING OF WHAT PROJECTS ARE A GOOD FIT WITH OUR BANK. I LOOK FORWARD TO WORKING WITH THEM IN THE YEARS TO COME.”

— Bryan Kilday, Vice President,
Commercial Lender, Renasant Bank

FUNDING PARTNERS





STRONG ROOTS. SMART BUSINESS.

3ROOTSCAPITAL.ORG