



2023

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 (3Roots) was created as a means to address the chronic need for capital to support small businesses and impactful projects in central and southern Appalachia. 3Roots supports small businesses, entrepreneurs, real estate projects, and communities in economically challenged areas throughout the region.

The original concept for 3Roots 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 allow it to grow and thrive. Capital, coaching, and connections are important factors that help businesses grow and succeed. 3Roots was created to help 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.



In the past seven years, 3Roots has grown total assets to approximately \$140 million, has deployed more than \$133 million via loans and investments, and has supported dozens of small businesses and projects that have created jobs and produced positive economic and social impacts in communities in the region. 3Roots has created multiple pools of capital for lending and investing, and funds from those pools of capital have been deployed to address a spectrum of needs and opportunities throughout East Tennessee and the wider region. 3Roots has deployed capital, provided coaching, and facilitated connections to a variety of complementary and supplementary resources to support small businesses, start-up companies, non-profits, and real estate development projects ranging from affordable housing to manufacturing and industrial facilities to retail and commercial space to new corporate headquarters to development of a university research park. The pages that follow include information about some of the impacts 3Roots has made in many of the communities in which we have invested.

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 growing number of small businesses and projects we support.

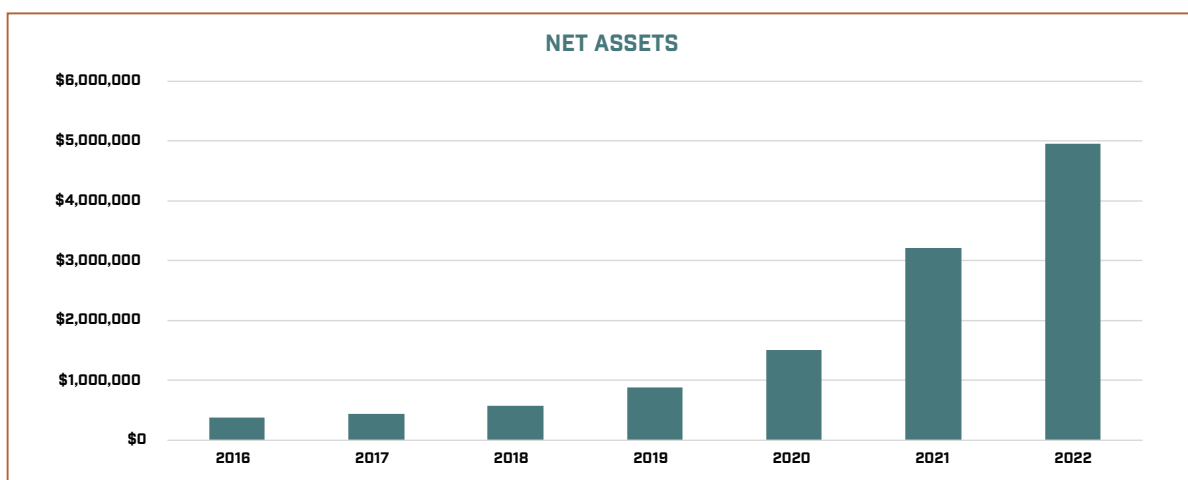
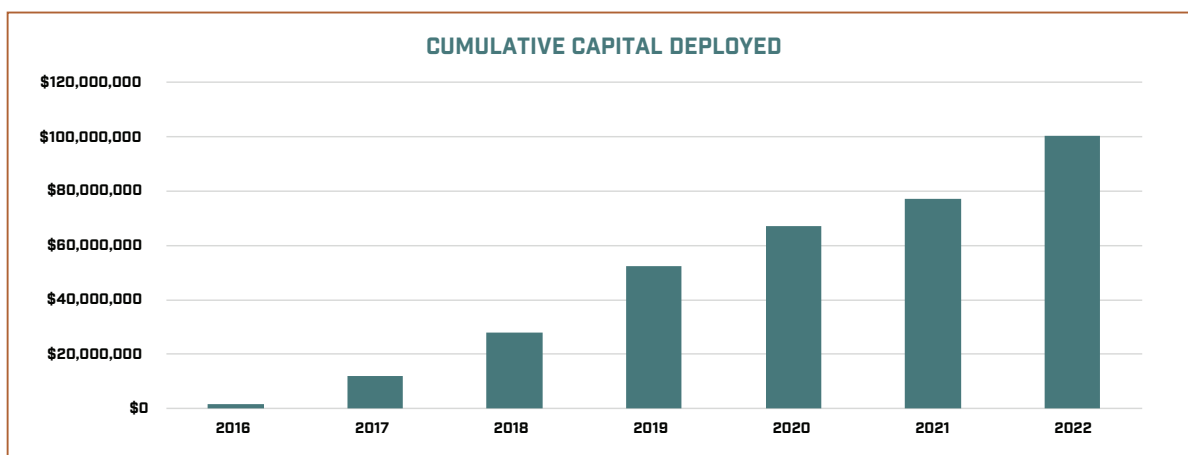
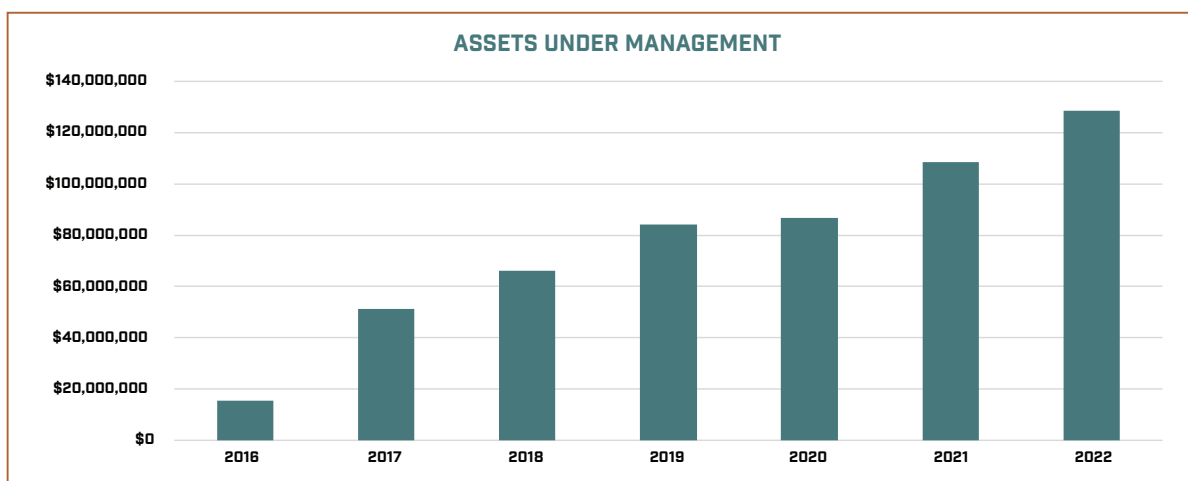
A handwritten signature in black ink, appearing to read "Muellegger".

STATISTICS
[as of September 2023]



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 TAX CREDITS
AND OTHER TAX CREDIT
TRANSACTIONS



NETWORKING AND CONNECTIONS
TO SUPPLEMENTAL RESOURCES

“Access to capital has been identified as a significant barrier for local small businesses and entrepreneurs. We are appreciative of any organization helping owners to overcome that obstacle. I am thankful for the contributions being made by companies like Three Roots Capital that continue to drive regional economic prosperity.”

— Mike Odom, President and CEO, Knoxville Chamber

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, subordinated loans, 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 small business or project being financed.

\$33.7M OF PRIVATE CAPITAL RAISED IN 2022, MAKING IT THE MOST SUCCESSFUL FUNDRAISING YEAR IN COMPANY HISTORY

In 2022, 3Roots raised \$33.7 million from six bank partners, making it the organization's most successful fundraising year. With these additional funds, 3Roots is better positioned to support small businesses and projects in low- and moderate-income and rural communities in East Tennessee and the Appalachian region.



\$45 MILLION ALLOCATION OF NEW MARKETS TAX CREDITS

In September 2023 The U.S. Department of the Treasury's CDFI Fund awarded \$5 billion in New Markets Tax Credits to 102 Community Development Entities nationwide. 3Roots was one of two recipients in Tennessee to receive \$45 million in tax credit allocation from the NMTC Program.

- **MORE THAN \$65M TOTAL CAPITAL RAISED FOR LENDING AND INVESTING IN THE 20 MONTHS ENDING JUNE 2023.**
- **30% OF ALL LOANS MADE HAVE BEEN \$50,000 OR LESS**
- **100% OF LOANS AND INVESTMENTS HAVE BEEN TO SMALL BUSINESSES**
- **98% OF ALL DOLLARS DEPLOYED HAVE BEEN IN LOW AND MODERATE-INCOME AREAS OR RURAL AREAS**

COACHING

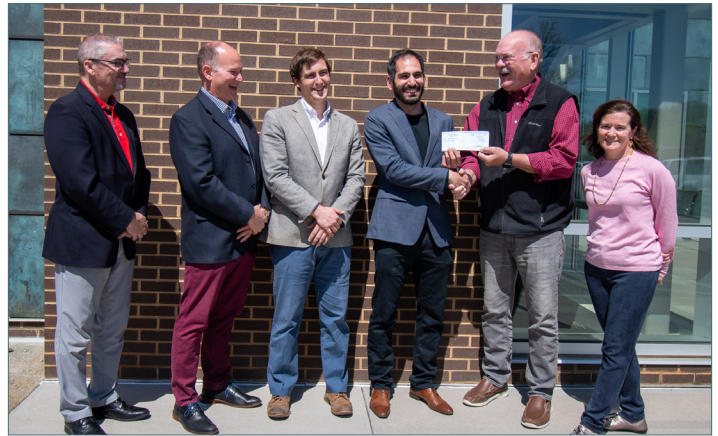
As part of its mission, 3Roots is committed to education and community development efforts surrounding access to capital and other activities that stimulate the economy throughout East Tennessee and greater Appalachia.

CONTINUAL SUPPORT OF SMALL BUSINESSES AND ENTREPRENEURS

3Roots is an enthusiastic supporter of small businesses through deploying high-impact loans, equity, and equity-like capital and providing high-value technical assistance.



The Houndry – Oak Ridge, Tennessee



Shift Thermal – Oak Ridge, Tennessee

12 STARTUPS SUPPORTED SINCE 2017



5,500 HOURS INVESTED IN OPERATIONAL AND TECHNICAL ASSISTANCE TO SMALL BUSINESSES AND COMMUNITY ORGANIZATIONS

“3Roots stepped in and gave us a traditional commercial real estate loan with a fantastic rate, a business loan to help us consolidate some liabilities, and additional capital for the slower winter season. They also helped — and are still helping — us learn more about our industry trends and how to forecast our finances month by month.”

— Fallon Houser, Founder, The Complete K9

CONNECTIONS

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



2023 PINNACLE BUSINESS AWARD RECIPIENT

The Knoxville Chamber recognized 3Roots as the recipient of the 2023 Pinnacle Business Award in the Small Business Excellence category. The annual Pinnacle Business Awards, presented by Pinnacle Financial Partners, celebrate regional business excellence, honoring outstanding professionals in nine categories for their contributions to the greater Knoxville economy. The Knoxville Chamber Board of Directors selects winners. More than 80 companies were nominated for 2023 recognition.

RELATIONSHIPS WITH 15 LOCAL AND REGIONAL BANKS

CBBCBank

Citizens
BANK

CITIZENS
NATIONAL
BANK

Coffee County
Bank

First Bank
& Trust Company
Member FDIC

FIRST
HORIZON

FIRST
NATIONAL
BANK
OF TENNESSEE

Pinnacle
FINANCIAL PARTNERS

Planters
Bank

REGIONS

RENASANT
BANK

SouthEast
bank

TNBANK

TRUIST

United
COMMUNITY BANKS, INC.

STATS

- **6 NEW BANK PARTNERS SINCE 2021**
- **MORE THAN 12 CO-INVESTORS:** VENTURE CAPITAL FUNDS, STRATEGIC INVESTORS, ANGEL INVESTOR GROUPS, AND INDIVIDUAL ANGEL INVESTORS
- **FACILITATED INTRODUCTIONS** FOR BORROWERS AND PORTFOLIO COMPANIES TO INVESTORS, BANKS, LEGAL AND ACCOUNTING FIRMS, ENGINEERING RESOURCES, EXECUTIVE RECRUITERS, SMALL BUSINESS DEVELOPMENT CENTERS, AND OTHER SERVICE PROVIDERS

BRINGING IT ALL TOGETHER:

COLLABORATION

Sometimes, 3Roots can offer all of its “three roots” for small businesses, projects, and communities. In this way, 3Roots can collaborate with stakeholders to maximize impact in the communities where it operates.



Tom Rogers, President, UTRP

\$25.5M INVESTED IN THE DEVELOPMENT OF UT RESEARCH PARK

Since 2019, 3Roots has financed four innovation-based companies affiliated with the University of Tennessee or UT Research Park. In addition, 3Roots has partnered with multiple banks and has provided more than \$25.5 million of direct financing for real estate development projects valued at more than \$55 million in aggregate at the Park, including the new Innovation South building and the Nursing Scholars Program Facility in the Innovation North building.



UT Research Park

“The science and collaboration happening at Cherokee Farm is shaping the future of Tennessee’s economy. We are at a time of incredible momentum and productivity at the UT Research Park, and none of it would be possible without partners like Three Roots, who share our mission to make life and lives better for all Tennesseans.”

— Donde Plowman, Chancellor, UT Knoxville

BRINGING IT ALL TOGETHER: COLLABORATION

“We’re proud to work on a project that helps the university and UTRP offer tremendous opportunities for researchers, professors, students and private partners to do work that drives impact in their industries. Between rising interest rates and other challenges, without Three Roots, this project wouldn’t have been economically feasible. Grady is somewhat of an innovator in this space. We’re proud to work with Three Roots on this project.”

— Jimmy Dalton, Chief Credit Officer, SouthEast Bank

PROJECT COLLABORATORS AND PARTNERS



“Three Roots has provided value in two primary ways: Helping finance building projects and providing important seed capital for some of our most promising Spark Innovation Center clients. We’ve established some significant momentum, and Three Roots has been a great strategic partner in making this happen.”

— Tom Rogers, President and CEO, UT Research Park

THREE ROOTS CAPITAL STAFF



Grady Vanderhoofven
Founder, President, and
Chief Executive Officer



Chris Miller
Chief Financial Officer



Dennis Corley
Director of Small Business
Lending and Investing



Jeff Ault
Controller



Anderson Olds
Portfolio and
Reporting Analyst



Kim Krebs
Loan and Investment
Administrator

2023 BOARD OF DIRECTORS

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

Marianne Wanamaker, Dean, Howard H. Baker Jr. School of Public Policy and Public Affairs

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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



3Roots Founder, President and CEO Grady Vanderhoofven with Tennessee Lt. Gov. Randy McNally, UT Knoxville Chancellor Donde Plowman, and 3Roots Board Chairman David Bradshaw

GOVERNMENT PARTNERSHIPS



COMMUNITY MEMBERSHIPS



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