



The Columbia River remains a vital channel for west coast shipping

5

Conceptual Financial Plan

NHA REVENUE STRATEGY

It is SBEC's intention to utilize the NHA funds to develop a capital pool that will be used to create a heritage-focused revolving loan fund (RLF). SBEC has demonstrated a solid track record of prudent, efficient, strategic and mission-based management of scarce public and private resources.

SBEC has a demonstrated ability to leverage its funds through strong partnerships with both public and private entities and has a solid track record of taking the funds it has been granted and using them to leverage further funding at a level as high as 3:1.

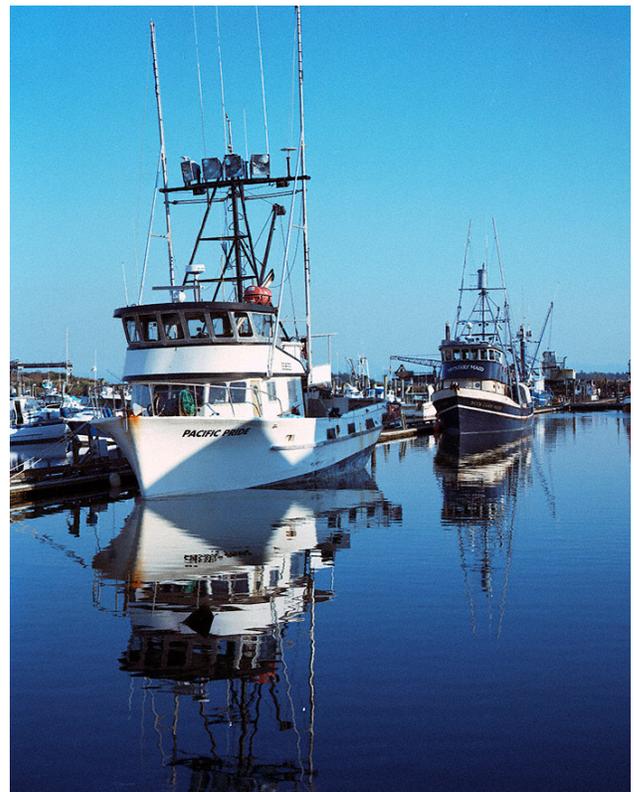
SBEC proposes to utilize NHA funding to directly leverage additional capital on a 2:1 ratio to build up a ten to fifteen million dollar capital pool. This will be accomplished by seeking additional funding from foundations, historic preservation agencies and other community investors in the Columbia-Pacific region. The capital pool of an RLF can be re-deployed multiple times, providing a sustainable model for preserving the heritage in the region and promoting heritage livelihoods.

How It Would Work

Following a community-based process to develop a management plan for approval, SBEC will request federal appropriations to begin building a NHA related revolving loan fund. For this model to work most efficiently and effectively, a greater level of federal funding will be requested initially because the more seed funding SBEC has in the beginning, the easier it will be to get an entity, such as a private foundation, to match that funding. Once SBEC has matched the initial funding amount, it can then approach other

foundations or banks and borrow against the matched funding at a low rate which gives SBEC the ability to begin lending these funds at a reasonable rate. These lending fees and the returned loan payments go back into the fund to be used again.

The larger the initial investment, the more quickly SBEC can build up a capital pool that will be large enough to sustain itself. At adequate levels, the outstanding loan payments will be enough both to replenish the fund and provide an adequate stream of income to the program to support its overhead. Once that is achieved, the RLF program will be self-sustaining.



Boats at Astoria docks

FINANCIAL PROJECTION

SBEC’s history in this region provides them a unique opportunity to launch a new NHA with sufficient operational capacity and, more importantly, the trust needed to operate across municipal, county, and state boundaries. Many of the partnerships and collaborations required to launch a successful NHA effort are already in place.

Additionally, SBEC has high credibility with both public and private funders at the local, regional, and national level. This credibility and previous track record demonstrates an ability to leverage a diverse range of resources for NHA investments. If the NHA designation is secured, detailed financial projections will be developed as part of the management planning process.

Anticipated Core Operating Budget

It is anticipated that the core operating budget will average \$200,000 to \$250,000 per year. Core operations would include overhead costs, travel, and staff salaries/benefits. Additional marketing and project related needs and costs may be identified during the management planning process. It is SBEC’s intent to deploy a seasoned professional team in support of the NHA. The team would include a designated program staff position, senior and associate lenders, and program staff from SBEC’s Indian Country Initiative and Community Seafood Initiative. Additionally senior management would be deployed in both the planning and implementation. SBEC has stated it is not their intent to silo the NHA activities internally but rather

integrate NHA activity into their overall approach in order to take advantage of operational efficiencies.

SBEC’s intent is to develop an NHA revolving fund of between 10 million to 15 million dollars. Return on investments in heritage related projects will be the primary basis of future earnings. Over the first few years of operation SBEC will be looking for operational support from the NPS mixed with program grants from regional foundations. SBEC also plans to secure state support from Oregon and Washington.

For capitalization of the NHA revolving fund, SBEC proposes a minimum corpus of 5 million dollars from federal appropriation that would be used to leverage additional capital from private and other public sources in the form of grants and loans (Program Related Investments). A summary of this model is shown below.

Given this approach, it is believed the core operating functions of the NHA could be self-sustaining within a five to seven year period and result in investments of over 10 million dollars in the local economy. Additional resources sought after this period would be for growth, specific investments, or future project opportunities.

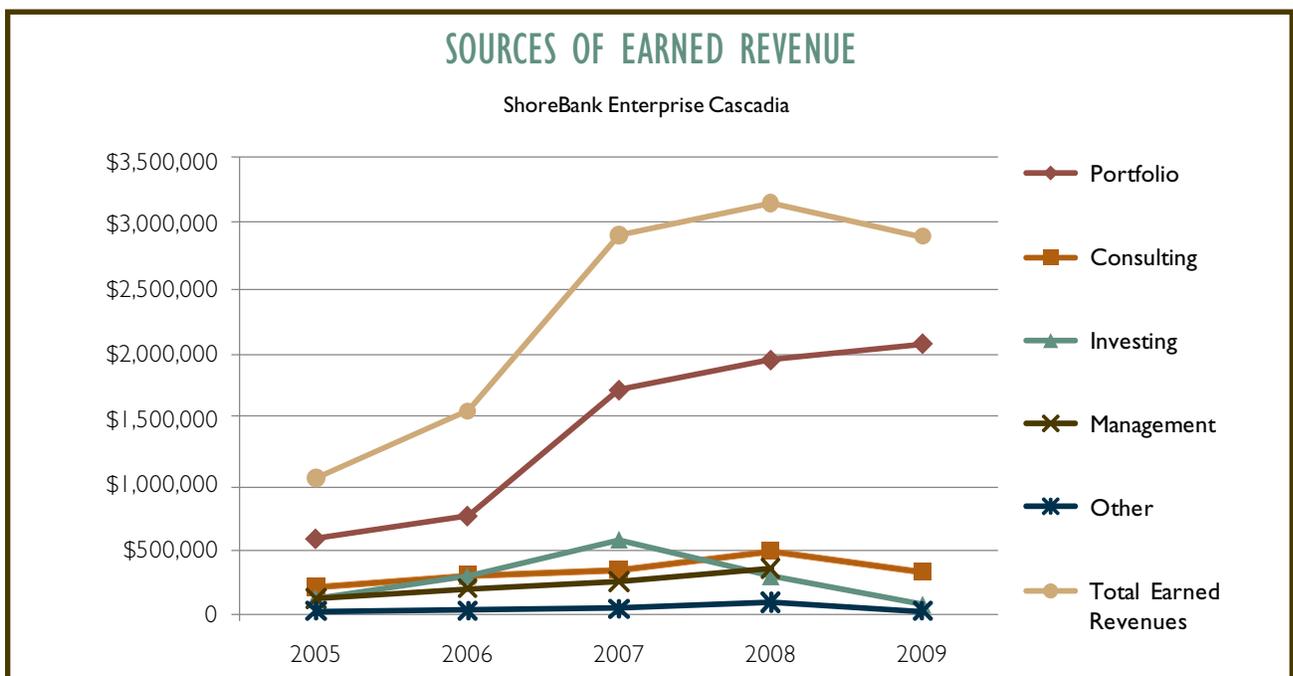
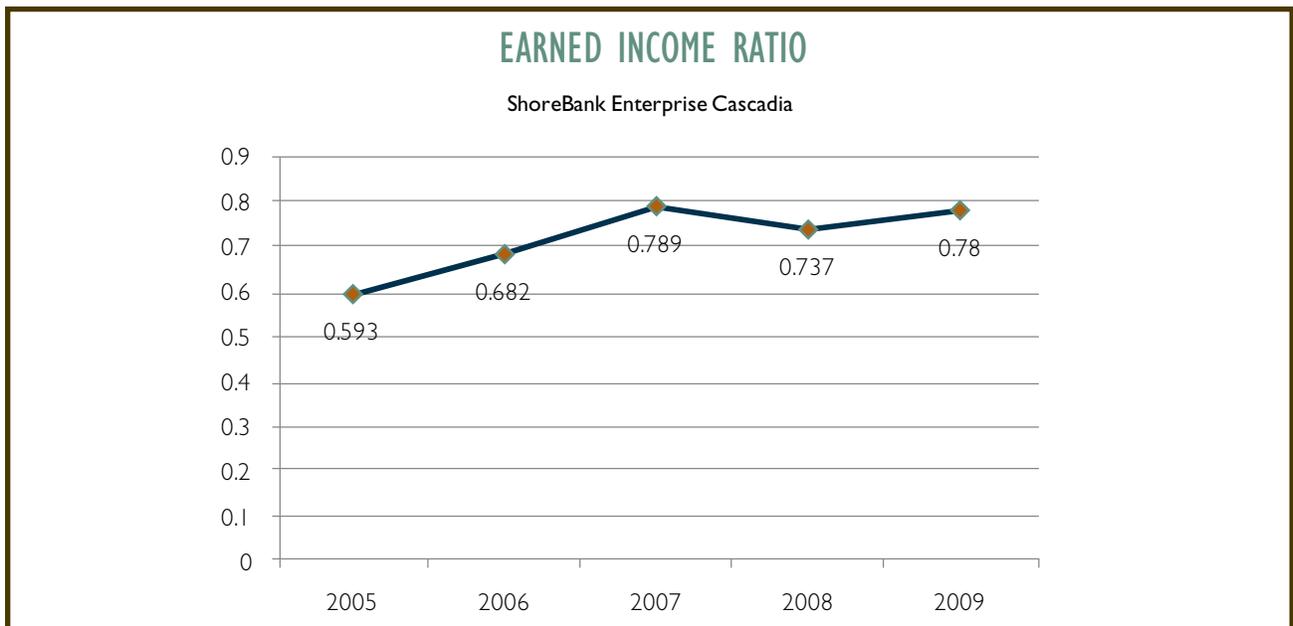
If the level of appropriation projected above is not available, the model proposed would still be capable of meeting its self-sufficiency goals over a longer period of time. It is estimated a \$400,000 annual appropriation would extend timeframe for achieving self-sufficiency to approximately 15 years.

TABLE 5.1: FUNDING MODEL SUMMARY

Federal Appropriation	\$5,000,000 (over a 5 year period)
Match Funds Leveraged - Grants	\$2,000,000 (over a 5 year period)
Match Funds Leveraged - Loans	\$8,000,000 (over a 5 year period)
Investments in NHA related economy	\$2,500,000 to \$3,000,000 per year
Operating Costs	\$200,000 to \$250,000 per year
Marketing/Project Costs	Limited - Unknown
Self-Sufficiency	5 to 7 years (dependent on rate of appropriation)

LONG TERM SUSTAINABILITY STRATEGY

SBEC believes that supporting the majority of its operating costs with earned revenue is a prudent strategy for any non-profit. The profit making activity that SBEC enables with its loans is confined to the activity of its borrowers. It means that jobs and wealth are being created in communities. Profitable business activity is an excellent measure of the economic health and vitality of a community. SBEC is proud to support business and civic endeavors that can attract and repay capital so that the capital can be reapplied to other new endeavors in the future. The following graphs illustrate SBEC's ability to generate earned income.





Aerial view of Astoria, Oregon, where the Columbia River meets the Pacific Ocean

This same model can also prove sustainable for the operations of the NHA. Providing heritage-targeted capital and receiving repayment of that capital, will enable SBEC to sustain the funding necessary for operations and to re-lend it for new heritage area endeavors. This model will enable SBEC to provide support to the NHA long beyond the closing of congressionally authorized funding.

COMPARISON OF SBEC'S FINANCIAL STRATEGY FOR THE COLUMBIA-PACIFIC NHA TO TRADITIONALLY-RUN NHAS

As illustrated earlier, SBEC has an NHA financial strategy that should allow it to become self-sufficient by the end of the NHA authorization period. In order to illustrate the benefits of this strategy, it may help to compare this approach to the traditional ways that NHAs have been managed.

Traditionally, an NHA coordinating entity uses the federally authorized funds to leverage additional funds and then allocates those funds mostly for heritage area promotion and small grants. The goal of this model is to preserve the heritage of an area by increasing economic development within the region through indirect means. The idea being that by promoting

a region with nationally significant heritage, more people will visit bringing more money into the economy, thereby increasing economic opportunities.

Small grants are used to distribute funds for projects such as trail-building, signage, and festivals that are geared towards increasing tourism. This model is not sustainable without the continued authorization funds seed money. When those federal funds end, the coordinating entity often finds it difficult to continue raising funds for their operations and some coordinating entities may not be able to survive.

Direct Investment Approach

The solution is to develop a sustainable way for a coordinating entity to be able to generate earned income from its activities, thus returning money to the organization. This allows the entity to be run in a more self-sufficient manner and, thus, be less reliant on grant funds to operate. If preserving the heritage of a region through supporting the local heritage economies is the primary goal, then a more fiscally-sound way of operating is to invest directly in those economic sectors that support and preserve the heritage of the area. This can be accomplished through a revolving loan fund approach that focuses investing in those economic sectors that preserve the historic fabric of the region.

For instance, this could include investing in the preservation of a historic building and renovating it for modern uses; or supporting a local fisherman's business that allows him to continue his way of life; or re-tooling timberland for the new economy by focusing on sustainable timber certification. These investments generate revenue that can repay a loan, which allows the money to return to the lending pool for future investments. At the same time, those investments are also helping to directly preserve the historic fabric of the region. This direct investment strategy lends itself well to preserving the heritage of a region and still allows the tourism sector to capitalize on the authentic, living heritage in the region. Creating a place where locals in heritage livelihoods can prosperously live, will attract visitors to come and connect to that living heritage.

CAPABILITY

Throughout its existence, SBEC has developed strong partnerships with local businesses, non-profit organizations and private foundations as well as local, state and federal government agencies. Through its programs such as the Consumer Seafood Initiative, Indian Country Initiative, and Lower Columbia Hispanic Initiative, SBEC has shown that it has the ability to identify a need in the region and develop a comprehensive program to address that need through innovative strategies and partnerships. This same approach will be applied to the NHA program. The following examples demonstrate the success that SBEC has achieved.

ShoreBank Enterprise Cascadia was a recipient in 2009 of a one million dollar grant from U.S. Department of the Treasury's Community Development Financial Institutions (CDFI) Fund, to provide affordable financial products and services to low income communities and populations. Financial Assistance awards allow the CDFI Fund to achieve economic and community development impact by investing in CDFIs that demonstrate the financial and managerial capacity to provide affordable financial products and services to low-income communities and populations.

In 2008, SBEC was honored by Oregon Governor Ted Kulongoski with a Governor's Sustainability Award in the non-profit category. The award program recognizes sustainable practices in government and the private sector. As part of the selection process, applicants were required to demonstrate a commitment to sustainability that goes beyond compliance with regulatory requirements. The judges noted that SBEC demonstrated sustainability practices in the following areas:

- Energy efficiency, renewable energy, water efficiency
- Agriculture or food related practices
- Ecosystem conservation and/or restoration
- Waste management
- Procurement
- Built environment
- Social equity categories



Willapa Bay oyster processing



Kite surfing at Fort Stevens State Park

Innovation in blending economic opportunity with social and environmental benefits is one reason that SBEC was invited to participate in the Clinton Global Initiative that took place in New York in September, 2009. One of the ‘Action Areas’ that was targeted in 2009 was “Financing an Equitable Future.” The notion is that financial institutions need to do a better job of integrating social returns with financial returns. SBEC was invited to CGI based on an innovative program in Portland, Oregon, to bring

better energy efficiency to the older housing stock, in partnership with the City of Portland and the utility companies that service the area. The Clean Energy Works Program allows homeowners to receive an energy efficiency audit of their homes and secure loans from SBEC to implement measures designed to address the inefficiencies identified in the audits. The loan repayments come to SBEC from the utility companies through a reduction in the homeowners’ utility bills. The program is an example of how innovative thinking in financing can bring about social and environmental benefits and at the same time generate jobs and promote an emerging green industry. This same type of thinking will help SBEC generate new ways to leverage NHA funds to preserve the heritage of the region and develop economic resilience.

SBEC was named one of two national finalists in its category in 2009 for the prestigious Wachovia NEXT Awards for Opportunity Finance in partnership with the John D. and Catherine T. MacArthur Foundation. The awards recognize excellence among financial institutions that responsibly serve low-income and low-wealth people and communities and were established to spotlight how CDFIs increasingly benefit our nation’s economy. SBEC was honored to be a finalist and recognized as one of the top CDFI’s in the country.



Lightship Columbia facing the Columbia River Maritime Museum



SBEC Astoria office located in the historic Hanthorn Cannery, see on right

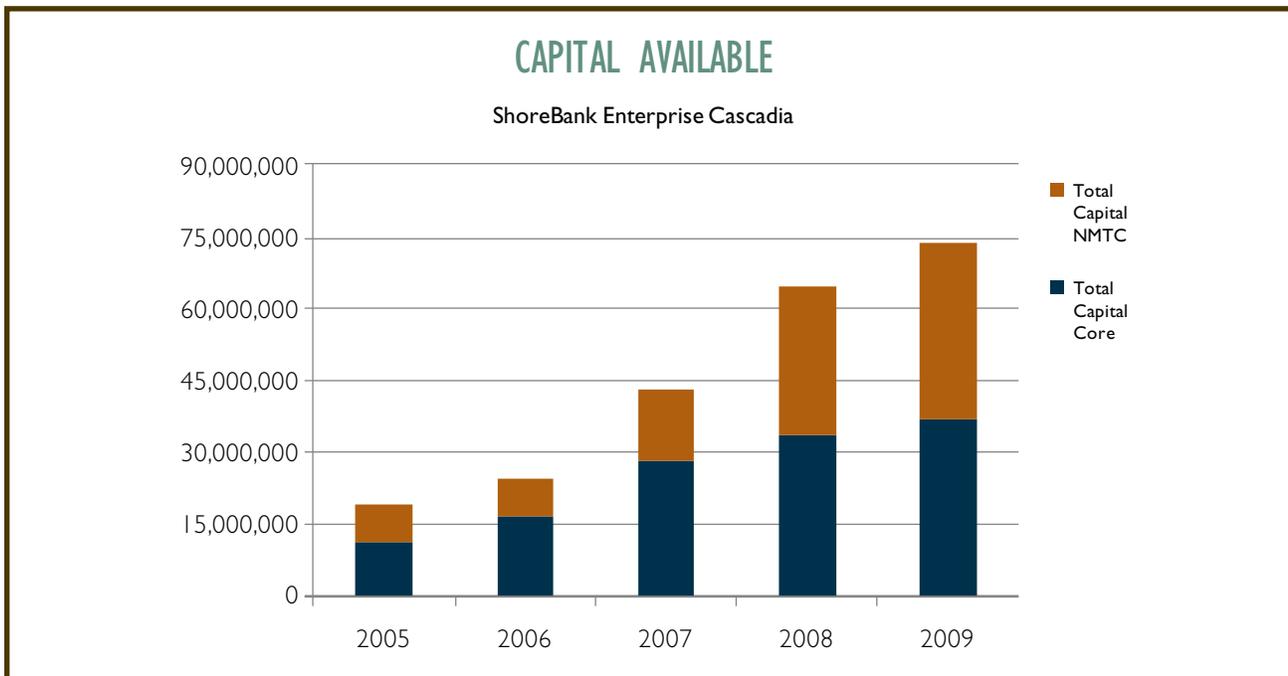
SBEC was selected as one of thirty semi-finalists for the Collaboration Prize, given by the Lodestar Foundation, in association with the Arizona-Indiana-Michigan (AIM) Alliance. The Collaboration Prize included a cash award of 250,000 dollars presented to the most successful collaboration in the non-profit sector, in an effort to increase non-profit efficiency. SBEC was recognized for their merger of two CDFIs. ShoreBank Enterprise Pacific and Cascadia Revolving Fund merged to leverage the strengths of both organizations. Because of the unique nature of the non-profit financial industry, the newly merged organization developed rigorous new measures of impact and efficiency. Loan production, the organization's main output, grew from 6.5 million dollars to 16 million dollars in the first year after the merger. As a merged organization, ShoreBank Enterprise Cascadia delivers greater impacts on the economic, social and environmental health of rural and urban communities in the Pacific Northwest.

SBEC received an Impact Performance Rating of "AAA," and a Financial Strength and Performance Rating of "2." CARS™, the CDFI Assessment and Ratings System, is the only comprehensive, third-party assessment of a CDFI's impact performance and financial strength and performance. CARS™ helps investors assess CDFIs that match their social objectives and risk parameters. A CARS™ assessment includes past performance, current financial position, and risk factors in the future. Ratings are based on five years of historical performance. CARS™ analyses are conducted by experienced professionals who are experts in underwriting CDFIs. Rating assessments are based on an on-site examination including:

- A comprehensive analysis of financial and programmatic information,
- An extensive review of loan files and risk management systems, and
- In-depth interviews with management and board members.

Impact Performance Rating “AAA”. A CDFI in this group has clear alignment of mission, strategies, activities, and data that guides its programs and planning. The CDFI presents data that clearly indicates that it is using its resources effectively to achieve positive impacts related to its mission. It has processes and systems that track output and outcome data on an ongoing basis, and it can provide data showing positive changes in the communities or populations being served. This CDFI uses its data on an ongoing basis to adjust strategies and activities in line with its desired impact.

Financial Strength and Performance Rating of “2”. A CDFI in this group is fundamentally sound. It exhibits solid financial strength, performance, and risk management practices relative to its size, complexity and risk profile. Challenges are well within the board of directors’ and management’s capabilities to address and resolve, and there is a willingness to continue to strengthen performance. The CDFI is stable and capable of withstanding fluctuations in its operating environment.



Willapa Bay oyster cleaning station

ABILITY TO MANAGE FEDERAL GOVERNMENT FUNDS

Historically SBEC has used federal dollars as a part of its funding mix. As of September 30, 2008, SBEC's lending activities assets were \$31,664,000, of which \$6,003,000 or 18.9 percent was derived from government sources: \$3,435,000 from the CDFI Fund in the form of both debt and equity grants and \$2,568,000 through four Intermediary Relending Program (IRP) Awards from the USDA. In addition SBEC was awarded a combined FA and TA Grant in 2008 in the amount of \$1,065,000. SBEC's outstanding ability to track and manage its capital has allowed it to earn the trust of its funders and thereby continuously receive federal funds year after year. These examples show that SBEC has a proven track record of managing government funds prudently, efficiently, and sustainably.

TRACKING PERFORMANCE

As mentioned, SBEC's philosophy "What gets measured, gets done" will be used to develop specific NHA-focused performance measures to track the impacts on the preservation of the natural, cultural, historic and scenic resources within the heritage area. Impact measures, similar to SBEC's current triple-bottom line model, will be developed. This will create a system of measurable accountability for the coordinating entity's activities within the NHA.

An integral part of the management planning process will be community involvement in the development of impact measures that matter. SBEC measures both business and mission performance by using the "balanced scorecard" approach. The balanced scorecard is a strategic planning and management tool used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of an organization by improving internal and external communications and monitoring organization performance against strategic goals. This approach emphasizes the relationship between sustained positive impact and disciplined, responsible stewardship of financial resources.



Trolley in Astoria

Using the balanced scorecard approach, there are many ways to measure the performance of a national heritage area. Economic development can be tracked using indicators such as heritage-focused job growth, the generation of jobs that either help preserve heritage or the historic economies of the region (i.e. in fishing, farming, and forestry). This may include supporting the development of a historic preservation guild that establishes that region as a hub of historic preservation knowledge and expertise or the development of green jobs, such as weatherization contractors that help preserve the historic homes and buildings of the area while promoting energy efficiency.

Another economic development indicator may measure the increase of funds into the region, as a result of the NHA, to support the growth of heritage-focused small business or heritage tourism.

The NHA scorecard will include tracking the partnerships developed with other local public and private entities, as well as the NPS units located within the NHA boundary or utilize other mission-based outputs. Other indicators of preserving the natural, cultural, historic and scenic resources will be developed during the management planning process.