Dear Investors and Donors,

With your support, the Center is actively investing in 8 communities across the Northern Forest. We now own 13 properties (with an option on a 14th) and are supporting dozens of projects to attract and retain young people and enhance forest stewardship. Combined, our current multi-million-dollar investments will create all high-quality rentals, miles of trails, better internet access, and positive momentum in the communities we serve.

At a time when interest rates rose steeply, we are grateful to you for recognizing the unparalleled total return your capital secures – in both financial terms and as community benefits.

Throughout 2023, Center staff helped communities tackle persistent problems, raised funds, managed property redevelopment, and supported key community improvements, including recreation access, broadband expansion, sewer system project management, and workforce development. We're grateful for the close collaboration of local, state, and regional partners in all that we do.

In 2023, we reached a major milestone with the Millinocket Housing Initiative, our initial impact investment fund, with the sale of one of our renovated properties. The new owners are locals rooted in the outdoor recreation industry and they bought the house with deed covenants to ensure it remains a year-round, owner-occupied home.

The combination of six years’ rental income and the sale achieved the financial return that met the promise we made to investors, while also inspiring capital improvements on other properties. We repaid all loans to this fund that matured in 2023, and we’re delighted that most of those investors chose to reinvest in the Northern Forest Fund.

Similarly, the Lancaster Main Street Fund is performing well. The PJ Noyes building is fully occupied, housing six families and a local food market, and generating income while also catalyzing significant downtown improvements. While no loans to this fund matured in 2023, we fully repaid $2.7 million of bridge financing.

Across the region the need for housing is startlingly acute; our funds alone cannot resolve this crisis. Where we stand apart is in providing integrated capital – from your investments and donations – to catalyze investments in projects that increase the odds for success: attracting young people, strengthening local businesses, and enhancing a sense of place. This is long-term work, but we’re excited by what we’ve already seeing and hearing in our communities.

We closed out 2023 with $22.3 million in integrated capital in the Northern Forest Fund, an increase of $6.6 million for the year. We feel the urgent need to reach our goal of $30 million to fully capitalize the Fund by the end of 2024. With sufficient capital at the ready, we can leverage grants and other funds and move confidently forward on the many projects needed in our communities.

Thank you for your trust, investment, and partnership in the Northern Forest Fund, and for all we’ve achieved together in 2023.

Rob Riley  Laurel Will
President  Director of Finance

All three of the Center’s impact investment funds are performing well, delivering anticipated financial returns while advancing community revitalization. The Center’s Finance and Investment Review committees support staff in Fund management and placement of investments in identified focal communities. The Center’s Audited Consolidated Financial Report is available upon request.

## INTEGRATED FUNDS FINANCIAL REPORT

<table>
<thead>
<tr>
<th></th>
<th>Northern Forest Fund</th>
<th>Lancaster Main Street Fund</th>
<th>Millinocket Housing Initiative</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of fund launch</td>
<td>2021</td>
<td>2018</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>Total loans committed to fund</td>
<td>14,000,000</td>
<td>1,685,000</td>
<td>1,000,000</td>
<td>16,685,000</td>
</tr>
<tr>
<td>Total loans in hand</td>
<td>12,557,000</td>
<td>1,685,000</td>
<td>1,000,000</td>
<td>15,242,000</td>
</tr>
<tr>
<td>Investment deployed to building projects</td>
<td>4,801,061</td>
<td>1,685,000</td>
<td>1,000,000</td>
<td>7,286,061</td>
</tr>
<tr>
<td>Gifts and grants deployed to building projects</td>
<td>0</td>
<td>2,232,273</td>
<td>205,000</td>
<td>2,437,273</td>
</tr>
<tr>
<td>Bridge financing secured and repaid</td>
<td>N/A</td>
<td>1,700,000</td>
<td>N/A</td>
<td>1,700,000</td>
</tr>
<tr>
<td>Total interest paid</td>
<td>252,000</td>
<td>86,561</td>
<td>91,281</td>
<td>429,842</td>
</tr>
<tr>
<td>Loans repaid</td>
<td>N/A</td>
<td>N/A</td>
<td>325,000</td>
<td>325,000</td>
</tr>
<tr>
<td>Date rental operations began</td>
<td>8/1/2022</td>
<td>9/1/2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net rental income</td>
<td>N/A</td>
<td>45,405</td>
<td>183,283</td>
<td>228,738</td>
</tr>
<tr>
<td>Property sales net proceeds</td>
<td>N/A</td>
<td>N/A</td>
<td>138,000</td>
<td>138,000</td>
</tr>
<tr>
<td>Income from cash management</td>
<td>144,711</td>
<td>31,706</td>
<td>0</td>
<td>176,417</td>
</tr>
</tbody>
</table>

**NOTES:**

A) Gifts and grants into Northern Forest Fund building redevelopment projects will be capitalized when the buildings are occupied. No buildings fully funded by the Northern Forest Fund were in service as of 12/31/2023.
B) No loans to the Northern Forest fund had matured as of 12/31/2023.
C) No investment loans to the Lancaster Main Street Fund had matured as of 12/31/2023.
D) Cash not yet deployed into projects is managed in high yield savings accounts, short-term CDs, and US Treasury bills.

## NORTHERN FOREST FUND FOCAL COMMUNITIES

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**Tupper Lake**

“The project proposed by the Northern Forest Center is exactly the kind of investment that is needed in Tupper Lake. As an employer in the community, we have experienced the challenges of our new and prospective young employees seeking quality housing in the area. We know first-hand how important new rentals will be in helping us to attract and retain talented young people for our staff.”

– Hillarie Logan-Duchene, Deputy Director, The Wild Center

**HOUSING:** Secured a Glens Falls-based architectural firm to bring mass-timber design to our Park Street properties. Reviewed preliminary concepts that enhance the overall project, align with Tupper Lake’s Downtown Revitalization Initiative, and will create at least 9 high-quality housing units in the town’s gateway.

**PARTNERSHIP:** Helped the town secure more than $10 million in state and federal funding for local priorities including Downtown Revitalization, broadband expansion, and recreation improvement.

**RECREATION:** Led an effort to get multiple state agencies to work with local stakeholders to ensure that plans for the rail-trail extension connect seamlessly to the business district in the Junction.

**ECONOMIC GROWTH:** Advocated for the Oval Wood Dish redevelopment project, supporting project communications, and contributing to commercial space redevelopment concepts.

**CAPACITY BUILDING:** Developed tools to help communities address regional housing issues through the guidebook *A Place to Start: Adirondack Housing Resources*, focused webinars, and affinity group convenings. Hosted multiple webinars and other information sessions for more than 150 attendees.

**Volunteers eagerly helped empty the buildings we acquired and set up a ‘free’ yard sale to get the items to people who could use them.**

**Elizabethtown**

“The Hale House project is significant not just for the Elizabethtown Social Center but for the entire community. The Center brings a high level of professionalism, dedication to our common goals, and the ability to make wonderful things happen!”

– Arin Burdo, Executive Director, Elizabethtown Social Center

**HOUSING:** Continued due diligence to potentially acquire and redevelop the historic Hale House and Law Library currently owned by the Elizabethtown Social Center. The property is adjacent to recreational amenities, within easy walking distance of downtown employers and businesses, and is a wonderful connection to the town’s past and future as a growing hub attracting younger residents.

Purchased a vacant half-acre lot at 7573 Court Street in July. Design plans are on hold pending the town’s development of a municipal sewer system. Once built, the Court Street project will provide a mix of uses, including some residential apartments.

**POSITIVE TREND:** Several miles of new recreation trails and a trail hub built in recent years. Local special events – such as the Otis Mountain Get Down – are drawing thousands to the community.

**PARTNERSHIPS:** Managed the Adirondack Community Recreation Alliance with deep partnerships in Elizabethtown. This group views outdoor recreation as a community development tool and has articulated a set of beliefs, provided grants, and advocated for public support for its efforts. Learn more at https://www.adkrec.org.

**CAPACITY BUILDING:** Led many aspects of the local municipal wastewater project, which aims to fund and build the community’s first centralized system. This project has languished for decades, but Center facilitation has generated momentum. If successful, the project has the potential to unlock commercial and residential development opportunities in the hamlet.
St. Johnsbury

“Vermont’s workforce shortages and lack of housing have particularly impacted rural communities. More housing means critical workers like nurses, teachers, and first responders will be able to find homes in the communities they serve, and businesses will be able to hire more staff. By leveraging our state’s strong balance sheet, St. Johnsbury is poised to reap the economic benefits for years to come.”

— Vermont State Treasurer Mike Pieciak

HOUSING: Began redevelopment of the historic, 15,000-square-foot property at 560 Railroad Street. The project will create new, high quality apartments and two storefront commercial spaces, one of which will be leased by Catamount Arts for an artist-in-residence and studio program.

POSITIVE TRENDS: The number of elementary and middle school students in St. Johnsbury rose 6.3% from 2022 to 2023.

CAPACITY BUILDING: Augmented area capacity by coordinating the “getNEKedVT” campaign to promote Vermont’s Northeast Kingdom and providing financial and technical assistance to a multi-town lodging study to guide strategic investment in visitor hospitality capacity.

LONGTERM CAPACITY BUILDING OUTCOME: Financial support in 2020/21 from the Center to the Northeastern Vermont Development Association to help build readiness for broadband access laid the groundwork for a regional broadband plan. This foundation helped participants secure $65 million for broadband build-out in 55 NEK communities.

RECREATION: Advanced recreation development in St. Johnsbury and surrounding towns by:
• Offering stewardship grants to rebuild and improve recreational trails;
• Supporting trail building and improvements in the St. Johnsbury Town Forest;
• Leading an effort to rekindle NEK Gravel to serve local and visiting cyclists.

In addition to property redevelopment in downtown St. Johnsbury, the Center has helped improve recreation resources and opportunities in town and surrounding communities.

Newport

RECREATION: Helped create a bold vision to expand Newport’s many outdoor recreation assets. Enhancements call for a warming hut for Memphremagog Trails, support for a community sailing center, improved snowmobile access to the downtown area, and an online hub for information about outdoor activities.

Completed a wayfinding design project for the Memphremagog Greenway; new signs will be installed in the spring.

CAPACITY BUILDING & ECONOMIC GROWTH: Worked closely with Newport City Downtown Development to execute Downtown Innovation Gatherings, update Newport’s marketing and its promotions strategy, and facilitate a Bi-national Tourism Group.

“Vermont’s workforce shortages and lack of housing have particularly impacted rural communities. More housing means critical workers like nurses, teachers, and first responders will be able to find homes in the communities they serve, and businesses will be able to hire more staff. By leveraging our state’s strong balance sheet, St. Johnsbury is poised to reap the economic benefits for years to come.”

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“The Northern Forest Center has provided expert counsel and significant financial support in at least five key areas to support Newport’s amazing progress over the last two years related to improving our recreational resources and local economy. They helped us put together a $456,000 proposal for a collaborative Outdoor Recreation initiative that involved 11 different organizations. It’s like having a highly competent adjunct staff of experts at our fingertips.”

— Rick Ufford-Chase, Director, Newport City Downtown Development
HOUSING: Completed the first full year of rental operations at the Parker J. Noyes building. The storefront and six apartments have been fully occupied, providing expanded availability of local food and quality living space for community members. The Center’s project catalyzed redevelopment of adjacent buildings for additional housing units.

POSITIVE TRENDS: The Center’s $3.9-million redevelopment of the dilapidated Main Street building has contributed to several very positive trends in Lancaster, including:
- 14% increase in first-floor Main Street occupancy;
- 3.1% increase in population under the age of 45.

RECREATION: Supported the Lancaster Conservation Commission to expand recreation opportunities in the Town Forest, located just 1 mile from downtown. Completed plans for 2+ miles of new trail to be built in 2024, providing access and enjoyment while protecting an important wetland.

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CAPACITY BUILDING: Completed the year-long facilitation of a broadband committee to evaluate existing service and made recommendations to the town to secure federal infrastructure funds to improve broadband internet access for residents and businesses. Also helped design and launch a new website for Lancaster as the final component of a rebranding and marketing effort.

HOUSING: Nearly completed architectural plans for redeveloping the historic Gehring House into eight apartments. The building is on 10 acres, just a half-mile from downtown, close to the elementary school, and adjacent to year-round recreation trails. Developed a site design concept for the undeveloped 7.8 acres for potential buildout in future phases.

RECREATION: Continued to support the Mahoosuc Way – bringing businesses, leaders, residents, and visitors together to use the best principles of sustainable tourism in the Bethel region’s approach to recreation and tourism.

CAPACITY BUILDING: Secured a $1.2-million federal grant to help high school students in western Maine explore career opportunities in the region, with an emphasis on natural resource-based industries, including wood products, outdoor recreation, and hospitality and tourism. Continued to support digital equity, leading to securing $5.6 million in support for broadband expansion and $450,000 in funding for digital equity and inclusion work in Oxford County. Also helped Bethel and four other towns to eliminate barriers to housing development through building code revisions.

“The lack of middle-income housing is challenging the Bethel region to reach its full economic potential. I’m pleased to be part of the Northern Forest Fund as it invests in the renovation of Bethel’s Gehring House to create a viable solution to this challenge.”

– Robin Zinchuk, Retired Executive Director, Bethel Area Chamber of Commerce
Greenville

“We are tremendously grateful for the Northern Forest Center’s investment in financially attainable workforce housing in Greenville and their long-term partnership with us to enhance economic prosperity in our region.”

— Margarita Contreni, President, Moosehead Lake Region Economic Development Corporation

HOUSING: Reached agreement to buy 5 acres on Spruce Street from the Moosehead Lake Region Economic Development Corporation to develop much-needed housing. Facilitated infrastructure improvements and a new housing overlay for the district (see below) to improve development opportunities. Began working with the town and partners to develop a concept for up to 25 units of housing using mass timber.

POSITIVE TREND: From 2021 to 2022, the population of 25 - 34-year-olds rose 8% and the population of 35 - 44-year-olds rose 10%.

CAPACITY BUILDING: Secured $1 million in grant funds from the Northern Border Regional Commission to enable the town to expand its sewer and water system on Spruce Street. The upgrades are an essential precursor to housing development. In addition, helped the town create a zoning overlay that allows for multi-generational housing development to help meet the community’s needs.

ECONOMIC GROWTH: Continued assistance for destination development in Greenville and the Moosehead Lake area, helping businesses focus on developing high-quality experiences for visitors.

RECREATION: Helped the Moosehead Outdoor Alliance improve public communication and stewardship of a rapidly-growing mountain bike trail network.

Millinocket

HOUSING: Completed the first resale of a renovated property — confirming market demand for improved housing — and repaid all matured investments. The Millinocket Housing Initiative was our first use of impact investing to support community revitalization, and its performance has proven that our model works. Rentals have achieved 92% occupancy and property investments have catalyzed improvements elsewhere in town.

POSITIVE TREND: Between 2016 (the year before our first investment) and 2022, the median sale price of a home in Millinocket rose 194% to $106,250. We are proud to have partnered with Millinocket to test and prove our investment concept!

MORE HOUSING: Purchased 196 Penobscot Avenue using capital from the Northern Forest Fund. We’re creating 5 high-quality apartments and renovating two storefronts, one of which will serve as a welcome and visitor center for Wabanaki Public Health & Wellness.

CAPACITY BUILDING: Worked with local towns and partners to create a recreational wayfinding plan for the Katahdin region. Also provided financial assistance to enable a local nonprofit to complete architectural designs and plans for a new mixed-use commercial building in the heart of downtown Millinocket.

RECREATION: Worked with local stakeholders to develop a regional outdoor recreation investment strategy to help guide the Katahdin region toward its vision of a vibrant outdoor recreation economy.

ECONOMIC GROWTH: Provided financial support to a local nonprofit to assess market opportunities for a modular housing manufacturing business using Maine wood products almost exclusively.

“Millinocket’s future depends on organizations and companies willing to invest in our community, especially downtown. The Northern Forest Center is setting an example for others and making downtown Millinocket a more appealing place to invest, live, and work.”

— Peter Jamieson, Town Manager, Millinocket, Maine
OPTIONS TO INCREASE YOUR IMPACT

Consider the following opportunities to increase your investment in Northern Forest communities:

**Donate your interest payment:** You can donate your interest payment to the Center as a charitable gift, which may help minimize your tax liability.

**Donate your loan:** At any time during your loan term, you may donate your loan principal to the Center as a charitable gift.

**Include your investment in your estate planning:** A simple addendum in your estate plans can ensure that your investment will convert to a donation in the event something happens to you during the term of the loan.

**Tell a friend:** If you know potential donors or investors, please let them know about the Northern Forest Fund. An introduction is available at https://nfcenter.org/NFF.

Please contact Lila Thorne (lthorne@northernforest.org) if you are interested in any of these options to increase your impact. Thank you!

INVESTMENT REVIEW COMMITTEE

Since 2022, our Investment Review Committee has played an extremely important role in vetting potential property acquisitions and in improving our overall acquisition processes. Members of the committee share their expertise in business, social impact investing, innovative finance, and more.

We thank the members of the committee for their continued service and for helping to make us better at this work at every stage.

An asterisk indicates committee members who also serve on the Center’s Board of Directors.

- **Celina Adams***
  Owner, Celina Adams Consulting

- **Peter Bergh**
  Partner, Prince Communications

- **Tabitha Bowling***
  SCOUT Co-Founder & Entrepreneur

- **Joy Bueschen***
  Co-Owner, Turning Page Farm

- **Ela Chapin**
  State Representative, Vermont

- **Lucas Jensen***
  Owner, Tree House Hardwoods & Millshop

- **Terry Large**
  Retired, Energy Company Executive

- **Mary McBryde**
  Consultant, Long Haul Conservation Advisors

- **Robert McConnaughey**
  Senior Vice President, Investor Relations
  Advisory and Community Impact,
  Corbin Advisors

- **Charlie Niebling***
  Forest / Consultant

- **Sean Ross***
  Managing Director, Lyme Timber Company

- **Peter Schwab**
  Senior Portfolio Manager, Impax Asset Management / Pax World Fund

- **Pauliina Swartz**
  Principal, Banking on Green

- **Jim Tibbetts**
  Former CEO, First Colebrook Bank

- **Tim Volk***
  Strategic Advisor, KSV