

CNote



ANNUAL IMPACT REPORT 2022

GENERATING IMPACT

CNote is a women-founded and women-led technology platform focused on closing the wealth gap through financial innovation. A certified B Corp, CNote empowers corporations, institutions and individuals with a simple, effective way to invest in under-resourced communities at scale. CNote facilitates streamlined fixed income and insured cash investments from aligned investors into impact-driven community financial institutions across the country.

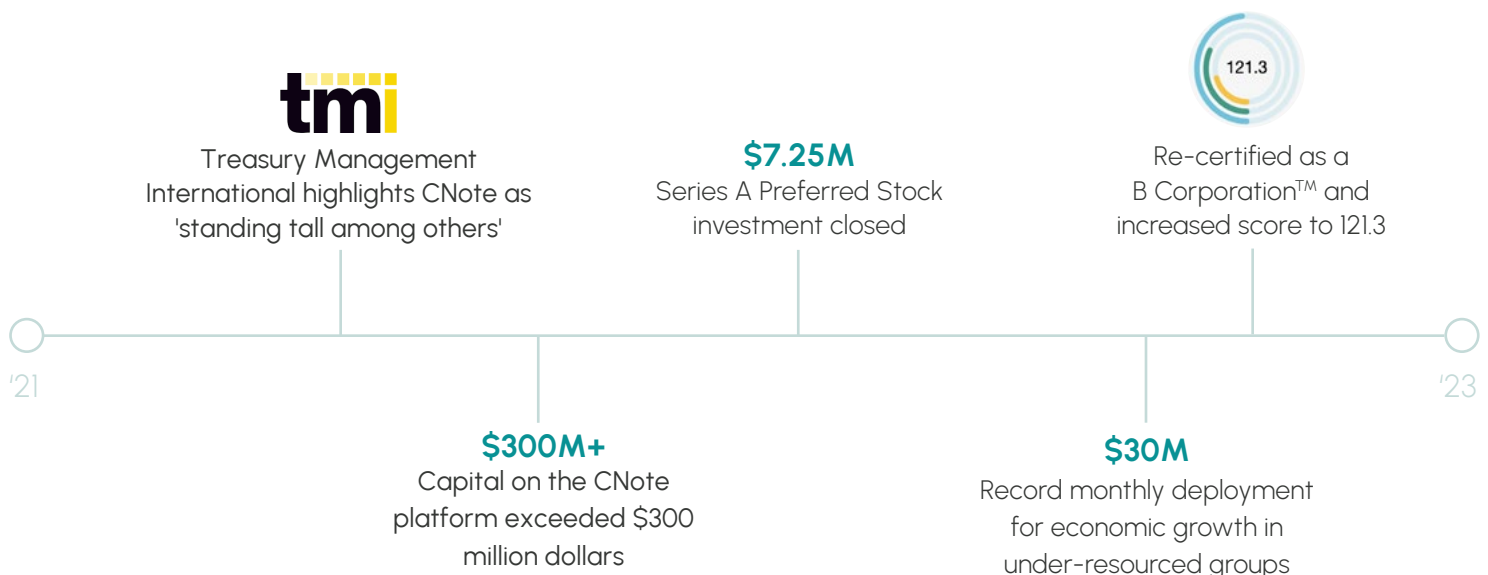


These financial institutions, lauded as economic first responders, advance economic equality, racial justice, gender equity and climate change initiatives as part of their core mission to work with Black, Indigenous, and people of color (BIPOC) and low- to moderate-income (LMI) communities neglected by traditional finance.

2022: A look at the year behind us

2022 was a year for continued growth, innovation, and efficiency. We celebrated deployment milestones where we not only saw a record amount committed by enterprise clients, but moved capital into communities in record time.

A year punctuated with pivotal hires on our engineering and community finance teams, a B Corp re-certification, and the closing of a successful funding round, 2022 was a testament to our team, our technology, and the deep need that continues to exist for access to affordable capital.



Equity investors join CNote's mission

In a historically challenging period to raise venture funding, CNote closed an oversubscribed \$7.25 million Series A Preferred Stock investment round in September of 2022. CNote's successful raise is an indication that founders with a compelling business model and a commitment to impact can attract supporters regardless of market conditions. Read more about the funding round [here](#).

Ever-deepening impact commitment leads to B Corporation™ re-certification

After completing the rigorous application process, CNote was re-certified as a B Corporation™, a company that uses the power of business to solve social and environmental problems, at the close of 2022. This certification demonstrates that CNote meets high standards of verified performance, accountability, and transparency across various areas of the company. Read more about the re-certification [here](#).

CNote's Investor Network

CNote believes that everyone should have the opportunity to invest in positive, measurable social impact. With that in mind, our team has developed the technology platform that gives corporations, foundations, and individuals a simple, low-risk way to support in-need and under-resourced communities with cash and fixed income investments.

For individuals, impact investing often requires large dollar amounts and can be difficult to understand. CNote's platform allows for transparency and ease, while providing a simple way to monitor and track how investments are making a difference in communities.

For foundations and corporate investors, understanding where and how to create scale, maintain portfolio diversification, and meet board or donor-mandated ESG and impact initiatives at the same time can be a challenge. CNote brings decades of expertise and works with these investors to streamline fully-insured and scalable community investments through one platform.

"Being a B Corporation™ is more than just a label," said CNote's Director of Impact Evaluation, Tamra Thetford. "It's a way of doing business that reaffirms our commitment to remaining accountable to all of our stakeholders. We're proud to be part of this movement, and we'll continue to be thoughtful and intentional in creating sustainable impact for years to come."



FIXED INCOME

CNote's fixed income solutions allow both business and individual investors to support targeted impact initiatives while diversifying their portfolios.

Investments in CNote's Flagship Fund, Wisdom Fund, and Custom Notes support CDFI (community development financial institutions) loan funds that offer affordable and accessible credit to help entrepreneurs start and grow small businesses, provide families with affordable housing options, and expand access to healthcare, education and other community resources.



Flagship Fund

Flagship Fund is an impact investment opportunity that provides both individuals and corporations a seamless way to align their capital with the causes and communities they care about.



Wisdom Fund

Wisdom Fund is a fixed income solution designed to give accredited investors the opportunity to improve capital access for women of color (WOC).



Custom Notes

Customizable notes allow companies to invest in a portfolio of CDFI loan funds selected to meet their impact-aligned goals and improve their performance on ESG and DEI measures.

Fixed Income impact stats for 2022

69%

of loans originated to BIPOC borrowers

72%

of loans originated to low- to-moderate income (LMI) communities

69%

of loans originated to women-led businesses

1,819

jobs created/retained

8,666

jobs created/retained since inception

Some of CNote's Custom Notes offerings

Disability and Racial Equity Custom Note

People with disabilities and their families face wide-spread disparities in household income, employment rates, and financial wellness; disparities that are widened for people with disabilities who are BIPOC. CNote's investments support financing for affordable and adaptive housing, small businesses, and community facilities for people with disabilities, their families, and BIPOC communities.



\$16M deployed to nine CDFIs to support disability and racial equity

369 Affordable housing units created/retained

1,015 Education/Childcare slots created or retained

330 Jobs created or retained

Native-Led Community Finance Custom Note

Many Native communities lack access to financial institutions, workforce development opportunities, and critical infrastructure crucial to a thriving economy. CNote's investments provided Native CDFIs with affordable capital to support lending to Indigenous communities for small business, homeownership, credit building, debt consolidation and payday alternatives, as well as to assist with land acquisition for commercial development and to strengthen tribal communities and sovereignty.



100% of loans to Native borrowers

97% of borrowers receive technical assistance in addition to loan capital

611 average credit score for borrowers

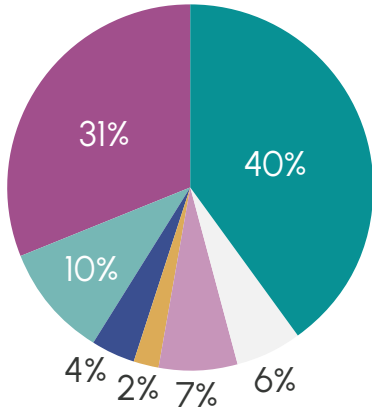
CNOTE BORROWER SPOTLIGHT

The Disability Opportunity Fund (DOF) is a CDFI that provides financing, technical services, and policy advocacy to increase access to appropriate and affordable housing and related services for people with disabilities throughout the United States. DOF recently completed construction on the Schoolhouse Hotel in White Sulphur Springs, West Virginia, the world's first fully accessible hotel. Read more about their work [here](#).

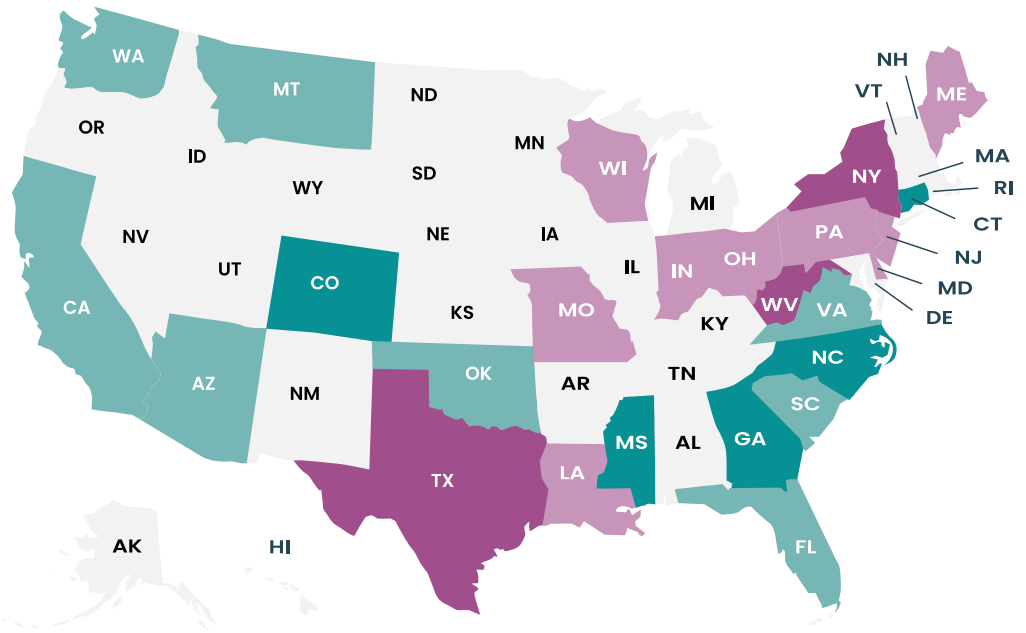


The Indian Land Capital Company (ILCC) is a Native-owned, certified Native-led CDFI providing alternative loan options to Native Nations for tribal land acquisition and economic development projects. ILCC provided the Cheyenne River Buffalo Company \$3M to purchase a local slaughter facility and associated real estate, which allowed the company to increase the size of its herd and scale production to meet demand from local restaurants and butchers.

CNote's Fixed Income Deployments



- Affordable Housing
- Comm. Real Estate
- Comm. Facilities
- Intermediary Relending
- Consumer
- Microenterprise
- Small Business



Loans Outstanding

- <\$500K
- \$500K-\$1.49M
- \$1.5M-2.99M
- \$3-5M
- >\$5M

Revolutionizing capital access for women of color with the Wisdom Fund

The Wisdom Fund (WF) is a fixed income vehicle that increases capital access and lending for WOC small business owners. It was co-created with CDFIs to bring new thinking, experimentation, and sustainable solutions to drive wealth creation. As of December 31st, 2022 the Wisdom Fund has provided extensive capital and business development services to help grow and sustain businesses:

100%

of loans have been originated to WOC

69%

of loans have been originated to LMI women

96%

of borrowers received business development services in addition to loan capital

1,398

jobs were created or retained in businesses supported by WF loans



Despite being the fastest growing group or demographic of business owners, WOC continue to face significant barriers to success including discrimination, lack of funding, and lack of supportive business networks. Because of this, small business owners are frequently undercapitalized. In 2021, CNote partnered with Impact Experience on a Human Centered Design (HCD) research effort to better understand the institutional and personal barriers that women of color borrowers face. CNote shared the HCD research findings with Wisdom Fund CDFIs that quickly got to work identifying how they could improve their products and services for women of color borrowers going forward. Together, Wisdom Fund members achieved great things.

In an initial survey, WF members indicated that 78% were already offering at least one of the critical products or features identified in the HCD research as supportive of lending. **A year later, 100% of members had added an additional product, feature, or service.**

- **77%** adjusted their product features by raising loan limits, lowering interest rates, or reducing collateral requirements.
- **69%** added a new product such as a line of credit, a credit building loan, or real estate acquisition financing products.

Read a full update on the Wisdom Fund [here](#).

WISDOM FUND BENEFICIARY SPOTLIGHT

How Terri-Nichelle Bradley is bringing Black representation to Target's toy aisles

After learning more about how underrepresented groups often fall through the cracks of the STEAM pipeline — the educational pathway for students in the fields of science, technology, engineering, arts, and mathematics — Terri-Nichelle Bradley wanted to help. She decided to start Brown Toy Box, an educational play-kit company that makes toys to get BIPOC kids excited about STEAM careers. Despite challenges, Terri-Nichelle's company flourished. However, to keep up with demand, including an opportunity from the Target Corporation to stock every one of its stores, Terri-Nichelle sought help. She worked with Access to Capital for Entrepreneurs (ACE), a CDFI that works across Georgia, to fund the first \$500,000 loan Terri-Nichelle needed to secure the inventory for 1000s of Target store placements and get started.



Read the full story of her success [here](#).

IMPACT CASH®

CNote's Impact Cash is a cash management solution that provides clients a single management point for deposits targeting social impact. Deposits are deployed with a network of impact-driven depository institutions that support BIPOC and LMI communities and individuals, as well as women entrepreneurs. Impact Cash deposits are offered at no-cost to impact-driven banks and credit unions to help them meet the changing needs of their supportive lending activities; such as small business lending, affordable housing programs, and safe and affordable consumer lending products.

Impact Cash stats for 2022

53%

toward lending to BIPOC borrowers

61%

toward lending to LMI communities

62%

of branches in under-resourced areas

Depository Institution Leadership

- **44%** of management women
- **51%** of management BIPOC

Impact Diligence

CNote leverages technology and our team's expertise in the community finance industry to reduce the friction points to impact investing. One area of focus is performing diligence on community banks and credit unions to assess their finances and impact and to identify those that are the strongest fit for corporate deposits through the Impact Cash program.

CNote's proprietary diligence system utilizes an impact framework that was developed with extensive input from across the impact-driven bank and credit union sector. Support from the W.K. Kellogg Foundation allowed CNote to conduct in-depth interviews with banks and credit unions, trade associations, consultants and other stakeholders to refine the framework which covers the following six impact categories.

1 Addressing Community Social and Environmental Challenges

2 Serving Under-resourced Groups

3 Community Integration

4 Responsive and Responsible Products and Services

5 Promoting Diversity, Equity and Inclusion

6 Financially Sustainable

IMPACT CASH DEPOSITORY SPOTLIGHT

How First Southwest Bank is helping community banks become better banks

First Southwest Bank (FSWB) is a CDFI bank that has been serving the San Luis Valley in Colorado for more than 100 years. In early 2022, La Plata County approached FSWB to see if they could help keep the residents of Westside Mobile Home Park in their homes. Westside's owners wanted to sell the mobile home park, and the prospective buyer had a history of raising rents.



La Plata County, a local business association and the residents had raised capital for the initiative. Lastly, FSWB stepped up to finance the **remaining \$3.5 million** needed to purchase the property. In the end, the residents' offer was accepted by the owners, and the co-op officially took over ownership in late April 2022. Read the full story [here](#).



FROM CNOTE'S CO-FOUNDERS



From investors activating their capital for social impact, industry allies partnering to build new and innovative solutions to persisting racial and wealth disparities, and the community financial institutions providing vital resources to under-resourced groups — we saw our impact-driven network make inspiring progress toward closing the wealth gap in 2022.

To join CNote's investors in creating a more equitable future with the corporate balance sheet, we decided to invest our corporate cash to deepen the firm's own commitment to impact last year. CNote's funds were deposited with banks and credit unions that participate in Impact Cash that support low-income and BIPOC groups through sustainable community development.

As shared with us by our depository and lending partners, after seeing a steep increase in the need for affordably priced capital across communities as a result of raising interest rates, our work together is timely and making a difference now more than ever. We are so grateful to have you on this journey with us and strengthened knowing what can be achieved together.

Catherine Berman and Yuliya Tarasava

CEO and COO

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