

CNote®



ANNUAL IMPACT REPORT 2023



IMPACT SPOTLIGHT

CNOTE BORROWER SPOTLIGHT

Meet Flywheel Development, The Company Striving To Create Sustainable Communities In Washington D.C.

Locus Bank has created the reputation for itself as being the “first in” on high-impact community projects that other lenders decline or refuse to do. Those projects fall into one of four lending areas: small business, real estate, clean energy, and healthy food.

One of their high impact, clean energy investments was Flywheel Development, a leading sustainable development company. To date, Flywheel Development has built over 49 solar projects in the District of Columbia and nearby Maryland. Many of the projects are part of the D.C. Department of Energy and Environment’s Solar for All program, which aims to bring the benefits of solar energy to 100,000 low- to moderate-income families throughout the District of Columbia.

In fall 2021, Flywheel Development received its first loan from Locus Bank for a portfolio of Solar for All projects. This financing included both a five-year loan from Locus Bank and a 12-year loan from DC Green Bank. The relationship didn’t end there. Both Flywheel Development and Locus Bank enjoyed working together so much that a year later, the two closed financing on Flywheel’s Solar for All 2022 portfolio of projects – getting them off the ground and onto the grid. Additionally, over the course of the past year, Locus Bank has helped to connect Flywheel Development with other customers that the CDFI works with, helping to establish new relationships in the community.

For co-founders Jessica and John at Flywheel Development, it’s these kinds of mission-aligned partnerships that keep them pushing toward a more sustainable future.

“We can’t do this work alone,” said Jessica. “You can do more when you partner with people, have a larger vision, and put a team together to do it. We understand the importance of those relationships, and so does Locus Bank. We couldn’t do this important work without them.”

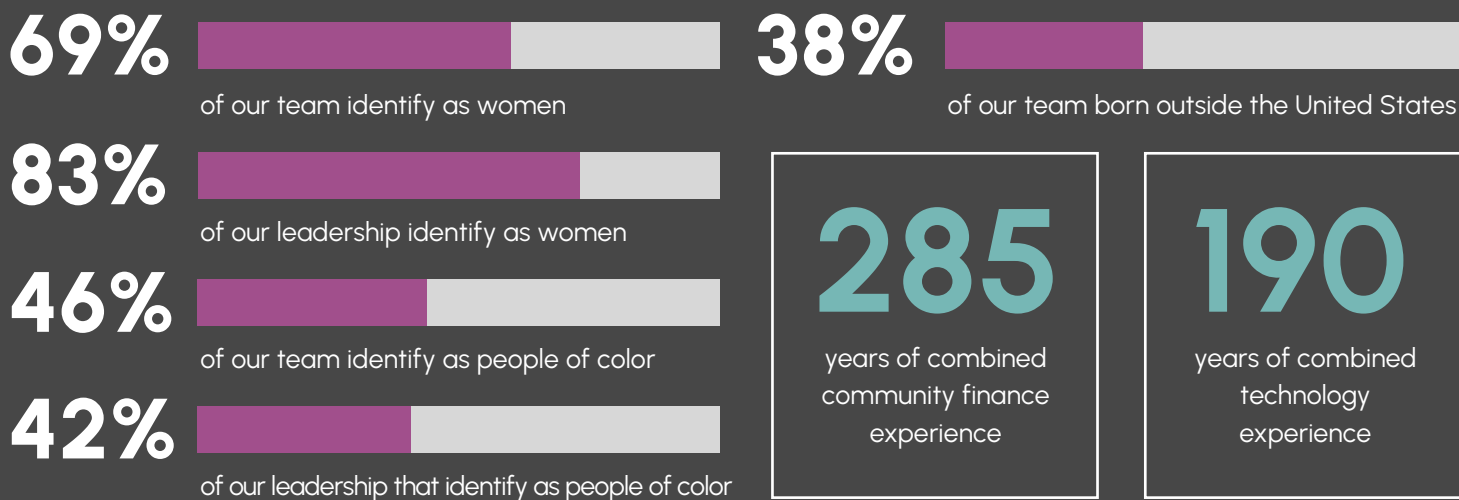
Read the full story [here](#).



GENERATING IMPACT

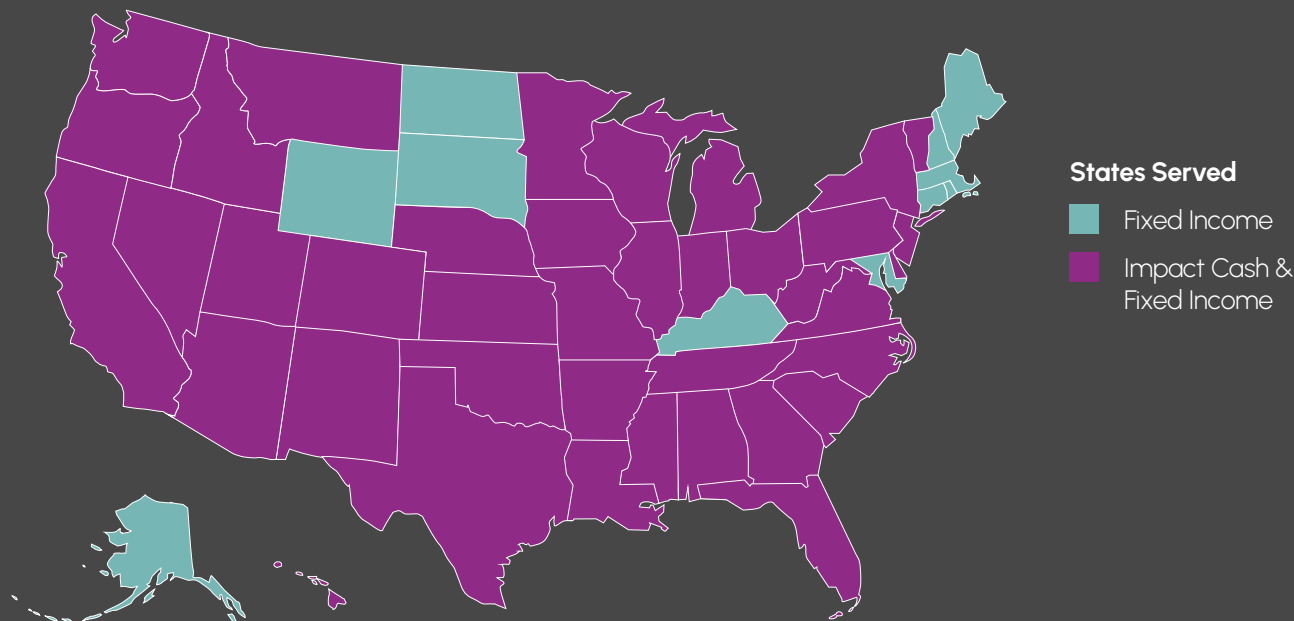
As a certified B Corporation and a Delaware public benefit corporation, CNote has a purpose of advancing economic and social justice by unlocking access to impact investments. We seek to build a more inclusive economy by driving capital to under resourced groups via impact-driven financial institutions that are on the front lines of supporting community needs. CNote builds solutions to make sustainable change by incorporating community voice and the values of co-creation into all aspects of our work.

2023 Firm Overview:¹



CNote's Network of Financial Institution Partners Expands

CNote was pleased to dramatically expand our network of community financial institution partners in 2023. CNote supports the full community finance ecosystem by making fixed income investments in CDFI Loan Funds and partnering with impact-driven banks and credit unions through the Impact Cash[®] program.



Innovative Partnerships for Inclusion: Netflix's Journey with CNote

Netflix's partnership with CNote exemplifies how innovative financial strategies can align with deep commitments to diversity, equity, and inclusion (DEI), serving as a beacon for corporations aiming to weave social impact into their operational fabric. Leveraging a \$20 million investment, Netflix adopted a dual-strategy approach, combining a custom, \$16M fixed income note focused on racial equity and disability loans with \$6M in Impact Cash® deposits. Their tailored engagement was designed to meet the operational, risk management, and social objectives they were targeting.

This collaboration, highlighted in Netflix's public Environmental, Social, and Governance (ESG) report, reveals a multifaceted impact: funds deployed through Impact Cash®, targeting social impact across diverse sectors, have supported collective lending for over \$1.9 billion in auto loans, over \$4.2 billion in commercial loans and over \$1.5 billion in housing loans. Meanwhile, Netflix's custom loan has directly funded transformative initiatives, including businesses focused on serving or employing individuals with disabilities, the development of accessible and supportive housing projects, and financing for essential home improvements that boost health, comfort, and safety, alongside clean energy upgrades.

Netflix's initiative reflects a harmonious blend of operational excellence and impactful investment, setting a distinguished example of how tailored financial solutions can amplify corporate and enterprise social impact efforts. Through this partnership, Netflix not only achieved its DEI goals but also paved the way for sustainable, community-focused growth, marrying financial ingenuity with a profound commitment to societal betterment.

Read about one of the CDFI loan funds included in Netflix's Racial Equity and Disability Custom loans [here](#).



FIXED INCOME SOLUTIONS

CNote's fixed income solutions allow both institutional and individual investors to fund targeted impact initiatives while diversifying their portfolios. Investments in CNote's Flagship Fund, Wisdom Fund, and Custom Notes support CDFI loan funds that offer affordable and accessible financial products. These products help entrepreneurs start and grow small businesses, provide families with affordable housing options, and expand access to healthcare, education and other community resources.

CNOTE BORROWER SPOTLIGHT

How Jayme Murray is Creating Food Sovereignty for the Cheyenne River Sioux Tribe

At the helm of the Cheyenne River Buffalo Company is Jayme Murray, a sixth generation rancher on Cheyenne River. In July of 2019, a golden opportunity presented itself which Jayme knew they couldn't pass up: a local slaughter facility and associated real estate property went on sale on the border town of the reservation.

To begin, the Cheyenne River Buffalo Company explored some traditional lenders. Jayme put together a pitch and a business plan, which the lending teams did not even look at. Eventually, Jayme found and received \$3M in financing from the Indian Land Capital Company (ILCC), a Native-owned CDFI that provides alternative loan options to Native Nations for tribal land acquisition and economic development projects.

With time, Jayme has seen skyrocketing demand from domestic organizations as large as the Department of Defense and internationally from companies in the Middle East and Singapore. Jayme's motivation still ran deeper than just the growth of the company.

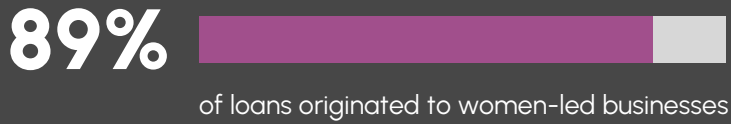
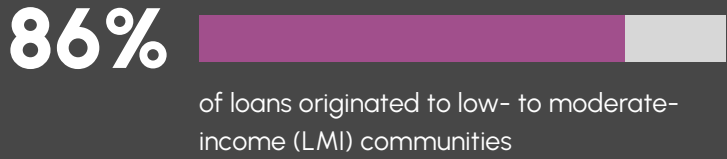
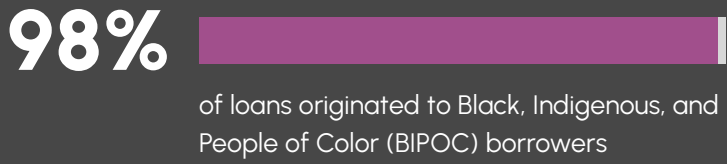
"At the end of the day our goal would truly be to make our buffalo and locally sourced beef products available to all of our people. If we could do that, that would be a success."

We have visions of being the premier meat company in the world, and we have the story; I mean, this animal is closer to us than to anyone else. I think there's room for us to continue to grow and continue to be a resource to other tribes. It feels like the potential for growth just keeps reaching further and further."

INDIAN | LAND
CAPITAL COMPANY



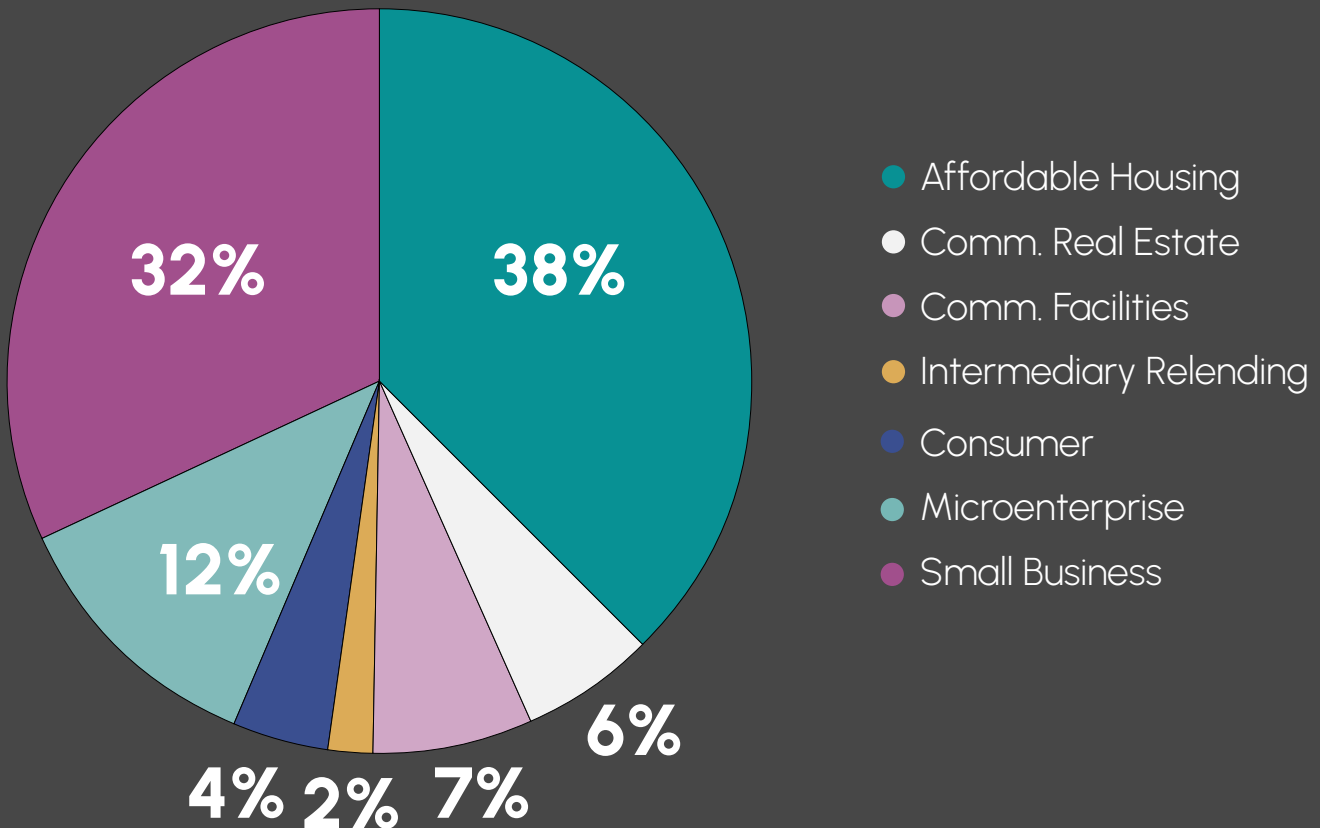
CDFI loan funds used fixed income capital from CNote investors to support the following lending activity in 2023:



Loans originated since 2017 have resulted in:



CNote's Fixed Income Deployments



Wisdom Fund Updates

The Wisdom Fund (WF) is a fixed income vehicle that provides access to low-cost, flexible capital for women of color (WOC) entrepreneurs. It was co-created with CDFIs to bring new thinking, experimentation, and sustainable solutions to drive wealth creation. In addition to capital that directly supports entrepreneurship, CDFI loan funds in the Wisdom Fund portfolio participate in the Wisdom Fund Collaborative, which provides peer learning opportunities and occasional grant support.

CNOTE BORROWER SPOTLIGHT

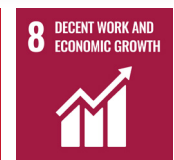
Meet Cortaiga Collins, Whose Quest For Quality Childcare Led Her To Open Her Own Small Business

Cortaiga Collins never anticipated becoming an entrepreneur, let alone founding an early childhood education center. But after the birth of her second child, she faced the daunting task of finding a daycare she trusted. Disappointed by her options, Cortaiga left her job at a city government agency to create a childcare solution focused on quality.

Cortaiga, a single mother of two, opened Good Shepherd Preschool and Infant/Toddler Center. Her mission: to elevate childcare standards and equip children for success. However, navigating permits, licenses, and funding proved overwhelming. While a \$35,000 grant helped, it wasn't enough.

Enter Justine PETERSEN, a CDFI committed to empowering low-to-moderate-income families. With their support, Cortaiga secured additional capital, enabling Good Shepherd's successful launch. As demand soared, Cortaiga expanded, opening a second location with Justine PETERSEN's backing. A few years later, Cortaiga's vision culminated in a \$2.5 million state-of-the-art childcare center. Justine PETERSEN once again played a pivotal role, helping Cortaiga consolidate her centers under one roof.

When asked about the future of Good Shepherd Preschool and Infant/Toddler Center, Cortaiga doesn't just share her dreams for her small business, she shares her dreams for her community. Through her more than two decades of working with children in her community, Cortaiga has learned that it's not just children who need care — it's entire families. That led her to launch a nonprofit called Foundation for Strengthening Families to help families rise above poverty through education. The organization not only provides early childhood education programs but also offers adult education classes on various topics, including health and wellness, and financial literacy.



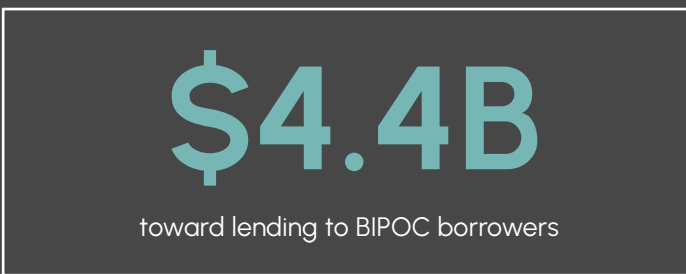
"I never knew that this journey would take me to where I am and where I'm going," Cortaiga said. "I'm just a former single mom who wanted a safe place to take her kid. Now, I'm in uncharted waters with this space. It's scary and exciting, but you know what they say: 'if you build it, they'll come.' I'm counting on them coming."

Read the full story [here](#).

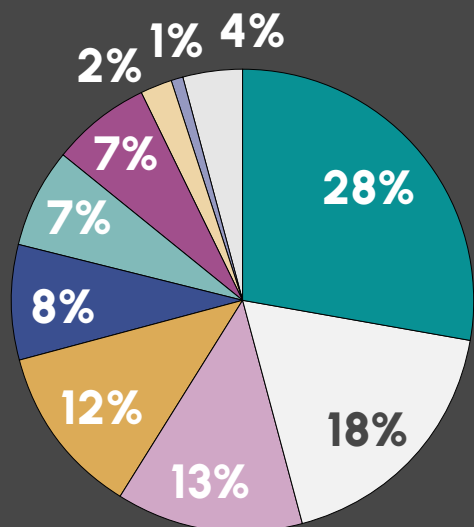
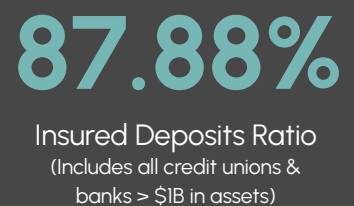
IMPACT CASH[®]

Impact Cash is a cash management tool designed to help clients achieve their impact objectives through secure, FDIC/NCUA-insured deposits. It offers a strategic alignment with yield and liquidity goals for clients while advancing positive societal change. The platform facilitates deposit placement across a network of impact-driven banks and credit unions that champion impact in areas like climate change mitigation, women's economic empowerment, small business development, and affordable housing via their supportive lending and innovative programs.

Impact Cash Program institutions used deposits to support their overall lending activity. In 2023, institutions reported:



Impact Cash Program's Financial Performance as of Q4 2023:²



- Financial Inclusion & Education
- Decent Work and Economic Growth
- Racial Equity
- Affordable Housing
- Sustainable Cities & Communities, Community Revitalization & Resilience
- Poverty Reduction
- Reduced Inequalities: Gender Equity, Rural Communities, Immigrants and Refugees, Underprivileged Families
- Affordable and Clean Energy, Climate Justice
- Access to Healthcare
- Other

CNOTE BORROWER SPOTLIGHT

How Comunidad Latina Federal Credit Union Is Empowering Undocumented Immigrants to Achieve Financial Stability

Comunidad Latina Federal Credit Union was started in 2006 with the mission to serve its community “by offering unique, empowering, affordable financial services with compassion, care, and dignity” to individuals who aren’t documented and who don’t have a social security number. Approximately 98% of Comunidad Latina’s members are undocumented.

Despite Comunidad Latina’s small team and limited resources, the credit union is able to offer high-impact products to its community. One such product is its Share Secured Loans program, which the credit union adopted from, and tailored to, its community’s practices. Tandas are rotating savings and credit associations (ROSCA) popular in many countries around the world, including throughout Latin America.

Comunidad Latina is frequently invited to lead financial literacy classes and workshops to youth and adults in Santa Ana, many of whom have never had a bank account. During their six-week classes, Azul and her team strive to empower participants with skills, knowledge, and awareness about their financial goals and wellness so that they can achieve financial stability. The classes cover topics like credit, savings, and budgeting, but Comunidad Latina also encourages participants to think about how their values align with their financial decisions.

Read the full story [here](#).



“We do these classes wanting people to have financial stability and the financial freedom that they need and want,” said Azul Sanchez, CEO of Comunidad Latina Federal Credit Union. “If that means they’re going to open a membership at the credit union up the street or at a bank, that’s okay. I just want community members to be equipped with the tools that they need to be able to be successful.”

Responsive and Responsible Products and Services

CNote’s impact framework, developed to assess and report on the positive impact made by community financial institutions (CFIs), includes a key category: **“responsive and responsible products and services.”** This category helps us assess the ways CFIs help solve financial challenges in the underserved communities they assist by adapting products and services to respond to their borrower’s unique needs. CFIs offer a wide range of responsive and responsible products including:

Credit builder loans: borrowers with a low or no credit score can access a small dollar loan that reports repayment activity to the credit bureaus to help the borrower establish or improve their credit score.

Microbusiness loans: these business loans under \$50,000 are often too small for many institutions to provide but offer critical access to safe and affordable credit for new small business owners.

Affordable housing programs: ranging from financing for multi-family development to the purchase of a single-family home for a first time homeowner, CFIs provide downpayment assistance grants, education on the home-buying process, and loans for developers focused on building and rehabbing affordable rental housing.

FROM CNOTE'S CO-FOUNDERS

Reflecting on the past year, 2023 compelled us to innovate and persevere. Despite the tumult of the SVB Bank crisis and the looming challenges of yield instability and inflation, we remained steadfast in our commitment to our investor communities and the financial institutions serving those most in need.

Among our proudest achievements in 2023 was the exponential growth of our Impact Cash initiative. After the number of participating depository partners more than doubled, we witnessed firsthand the urgent demand for capital supporting frontline lenders in communities. This growth not only reaffirms our belief in the transformative power of corporate balance sheets but also demonstrates our unwavering dedication to driving positive change. Notably, 96% of our expanding portfolio partners reported receiving impact investor capital for the first time.

Building on the lessons learned in 2023, we are eager to explore new avenues to engage impact-aligned corporations and deepen our support for mission-driven depositories.

Another significant achievement from the year was witnessing the impactful work of the CDFI loan funds supported through CNote's Flagship Fund and Wisdom Fund. These institutions broke down lending barriers, introduced pioneering products, and maintained affordability and accessibility, particularly during times of crisis. To continue attracting mission-aligned capital, we increased the rates of Flagship Fund and Wisdom Fund to 4% and 3%, respectively. This move not only aims to inspire further investment in an inclusive economy but also ensures that impact platforms like CNote are recognized as vehicles for mission-aligned investors seeking to align their capital with social causes to do so without tradeoffs.

As we stand poised on the threshold of a new year, we are acutely aware of the profound responsibility inherent in our mission. We extend our deepest gratitude to every one of you who has journeyed alongside us thus far. Your unwavering support fuels our determination and emboldens us to reach ever greater heights.

With sincerest gratitude,
Catherine Berman and Yuliya Tarasava

Click here to view the [CNote Impact Glossary](#)
For more information email info@mycnote.com

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¹ This information was gathered through a voluntary survey of CNote's team in February 2024 which includes both employees as well as contractors.

² CNote tracks and monitors institutional and financial metrics (for internal purposes only) as reported on a quarterly basis in Impact Cash participating bank and credit union call report data, published by the FDIC and NCUA respectively.

Institutional Age Average: the average age (in years) of each institution as of 2022.

Capitalization: This calculation measures an institution's core capital against its total assets to reflect the bank or credit union's ability to safeguard against potential losses and protect depositor's interests.

Net Charge Off Rate: This metric assesses the proportion of outstanding loans that a bank or credit union deems uncollectible compared to its total loan portfolio, providing insights into the quality of its lending practices and its resilience to loan defaults.

Insured Deposits Ratio: This indicator measures the portion of an institution's deposits covered under FDIC or NCUA insurance, reflecting the institution's financial stability and reliability in safeguarding depositor funds.