

Quarter Two 2020

CNote Quarterly Impact Report





Letter from CNote's CEO

As communities grapple with the pressure of rising COVID-19 cases and a much-needed recognition of persistent racial injustice, we have seen organizations and individuals alike step up to the plate. Communities activated in support of each other is a silver lining to this unprecedented time, but there is still much to be done not only to achieve racial justice, but to support those most impacted by the medical and economic fallout of the coronavirus pandemic.

In particular, we have seen low- to moderate-income communities bear the brunt of financial strain, and communities of color bear the brunt of negative health outcomes. On top of that, federal aid continues to largely neglect them. Our longstanding commitment to invest in vulnerable communities around the country has gained a special meaning in times like today.

With the aim of driving more capital to our CDFI partners as they respond to this crisis, we conducted a stress test on CNote's portfolio of CDFIs to evaluate their resilience in light of rapidly changing financial conditions. We've determined that CNote's portfolio of CDFIs can maintain adequate liquidity and meet their net asset ratio covenants even if they experience as much as a 50% loss in interest and 50% loss in principal over the next 12 months. At its worst, CDFI losses reached 30% in the 2008-2009 financial crisis. This suggests CNote's portfolio of CDFIs are well-positioned to navigate these economic uncertainties. This conservative stress test did not account for the unprecedented federal and state assistance programs.

It is time for us to step up and do more to support CDFIs and the great work they're doing across America.

Thank you all for your continued support of CNote and our mission of closing the wealth gap, especially through hard times. Please feel free to share this update with friends, colleagues and business partners. If there's ever anything myself or my team can do for you, please email me at cat@mycnote.com

Wishing you good health and wellbeing,

A handwritten signature in black ink that reads "Catherine Berman". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Catherine Berman
CNote CEO

Snapshot impact this quarter

49%

dollars to women-led businesses (WLB)

56%

dollars to businesses led by people of color

42%

dollars in LMI communities

351

Jobs Created / Maintained

*CNote's Quarterly Reports have a one-quarter lag on impact data. This is because we report data received directly by our CDFI partners and that data does not come in real-time.

CNote Updates



The widespread economic fallout and negative health outcomes associated with the COVID-19 Pandemic are putting immense pressure on small businesses. Community lenders (CDFIs) offering fair, responsible rescue financing and technical assistance to help small businesses at this time are increasingly facing immense capital needs. CNote has pushed out [The Rapid Response Fund](#), a new product to help CDFIs, our trusted partners of choice, get emergency capital into these communities and we urge every investor to find ways to support these proven lenders.

The economic situation facing the U.S. is actually one CDFIs are uniquely qualified to address. These institutions are on the front lines of the COVID-19 economic response and have a history of weathering crises. To that end, we continue to work to drive more attention and capital to the CDFI industry. CNote recently hosted a [webinar with the Silicon Valley Community Foundation and others](#) that you can watch on demand. It highlights ways foundations and CDFIs can collaborate to respond to this crisis. Additionally, this press coverage highlights CNote's role in the broader community finance ecosystem: [Community Development Lenders Turning to Fintech for a Boost During Crisis](#).



Meet Mountainside Community Cooperative, the residents that leveraged capital access and coaching to make affordable housing a reality.

For three quarters of the year the small town of Camden, Maine is home to less than 5,000 people. However, when the summer months roll around the colony's population triples as tourists and out-of-state summer residents come to enjoy its scenic coastline access.



When property in Camden became increasingly high demand as a result and a robust short-term vacation rental industry grew, home prices and rents increased as well. For many permanent residents, this popularity left few, if any, truly affordable housing options. For Margaret Jones moving back to the idyllic town of her youth after 30 years, buying in Camden was no longer feasible and renting was unsustainable. Like approximately 22 million other Americans Margaret decided to buy a manufactured home. She ended up renting a plot in Mountainside Park, one of two manufactured housing communities in Camden.

When Mountainside's owners began looking to sell the park, residents worried. Manufactured home parks are enticing to investors because they offer a reliable annual rate of return: usually 4% or higher. Big investors, often profit-driven and based out-of-state, are [gobbling up these parks across the country](#) and rarely care about those living in these long-established communities. Some investors either dramatically increase rents or they evict renters and redevelop the land.

Fortunately, Mountainside's owner didn't want to sell to an outside investor. Instead, he called the [Genesis Fund](#), a CNote CDFI partner. Since 1992, the Genesis Fund has been working to develop and support affordable housing and community facilities across Maine, mainly by providing both financing and technical assistance to increase the supply of affordable housing. In this case a cooperative development specialist at the [Cooperative Development Institute's](#) (CDI) New England Resident Owned Communities (NEROC) program was brought on board to help the Mountainside residents preserve and protect their homes by collectively purchasing and securing the rights to the land under them.

Financing from CDFIs like the Genesis Fund is often essential to making these deals work, because traditional banks may be hesitant to finance an inexperienced member-owned cooperative making such a large purchase.

Now named Mountainside Community Cooperative, the strictly 55-and-over community operates the park. More importantly, they own the land. Better yet, because rents in resident-owned communities are proven to remain stable, residents have the comfort knowing that they'll never be forced out because of redevelopment, evictions, or rent spikes.



Thank you for reading.

If you have any questions or would like to inquire about partnering with CNote, please email info@mycnote.com

This update includes certain “forward-looking information” including projected financial performance of our CDFI partners. These statements are not guarantees of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties. Although such forward-looking statements are based upon what we believe are reasonable assumptions, actual results may differ materially. We undertake no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change except as required by applicable securities laws.

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