



**PRIVATE PLACEMENT MEMORANDUM FOR
“FLAGSHIP FUND”
ADJUSTABLE-RATE PROMISSORY NOTES
ACCREDITED INVESTORS**

Dated for reference purposes only: December 22, 2023

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR SOLICITATION OF AN OFFER TO BUY. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THIS OFFERING OR THE SECURITIES OR DETERMINED IF THIS MEMORANDUM IS TRUTHFUL OR COMPLETE.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS, ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM OR OTHERWISE PURSUANT TO THE OFFERING DOCUMENTS.

THE INVESTMENT DESCRIBED HEREIN INVOLVES A HIGH DEGREE OF RISK OF LOSS. SEE RISK FACTORS IN “*RISK FACTORS*” AND THROUGHOUT THE MEMORANDUM.

CAPITALIZED TERMS USED IN THIS MEMORANDUM BUT NOT ELSEWHERE DEFINED HEREIN SHALL HAVE THE MEANINGS SET FORTH ON EXHIBIT A.

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NOTICES

General Notices to All Investors

INVESTMENT IN THIS OFFERING INVOLVES A HIGH DEGREE OF RISK, AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. SEE “RISK FACTORS.”

ONLY INFORMATION OR REPRESENTATIONS CONTAINED IN THE OFFERING DOCUMENTS, INCLUDING THIS MEMORANDUM, MAY BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY IN CONNECTION WITH THIS OFFERING. INVESTORS ARE CAUTIONED NOT TO RELY UPON ANY INFORMATION NOT EXPRESSLY SET FORTH IN THE OFFERING DOCUMENTS. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM IN CONNECTION WITH THE OFFER BEING MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THE PLATFORM IS NOT A PART OF, AND IS NOT INCORPORATED INTO, THIS MEMORANDUM, AND SHOULD NOT BE CONSIDERED PART OF THE OFFERING DOCUMENTS.

THE INFORMATION PRESENTED IS AS OF THE DATE SET FORTH ON THE COVER PAGE HEREOF UNLESS ANOTHER DATE IS SPECIFIED, AND NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE HEREUNDER SHALL CREATE ANY IMPLICATION THAT THERE HAVE BEEN NO CHANGES IN THE INFORMATION PRESENTED SUBSEQUENT TO SUCH DATE(S).

THE STATEMENTS CONTAINED HEREIN ARE BASED ON INFORMATION BELIEVED TO BE RELIABLE. NO WARRANTY CAN BE MADE AS TO THE ACCURACY OF SUCH INFORMATION OR THAT CIRCUMSTANCES HAVE NOT CHANGED SINCE THE DATE SUCH INFORMATION WAS SUPPLIED. NEITHER THE COMPANY NOR ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES, OR OTHER AGENTS ASSUME ANY RESPONSIBILITY FOR THE INACCURACY OF THE INFORMATION CONTAINED HEREIN. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, INVESTMENT, OR TAX ADVICE. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR ADVISORS AS TO LEGAL, INVESTMENT, TAX, AND RELATED MATTERS CONCERNING AN INVESTMENT BY SUCH PROSPECTIVE INVESTORS IN THE COMPANY. COMPANY, ITS RESPECTIVE MANAGERS, OFFICERS AND OWNERS AND ANY OTHER REPRESENTATIVE OF ANY OF THE FOREGOING DO NOT ASSUME ANY RESPONSIBILITY FOR ECONOMIC, LEGAL OR TAX ADVICE CONCERNING THIS INVESTMENT, OR THE ECONOMIC, LEGAL OR TAX CONSEQUENCES OF THIS INVESTMENT TO ANY INVESTOR. NO REPRESENTATION OR WARRANTY IS MADE AS TO WHETHER THE EXTENT TO WHICH, THE INTERESTS CONSTITUTE A LEGAL INVESTMENT OR A SUITABLE INVESTMENT FOR THE PROSPECTIVE PURCHASER.

Jurisdictional Notices

NOTICE TO RESIDENTS OF ALL STATES: IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. PURCHASERS SHOULD BE MADE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NOTICE TO FLORIDA RESIDENTS ONLY: IF THE SECURITIES ARE SOLD TO, AND ACQUIRED BY, FIVE OR MORE FLORIDA RESIDENTS IN A TRANSACTION EXEMPT UNDER SECTION 517.061 OF THE FLORIDA SECURITIES ACT, EACH FLORIDA INVESTOR MAY HAVE THE RIGHT TO WITHDRAW HIS, HER, OR ITS INVESTMENT WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION MADE BY SUCH INVESTOR, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THIS MEMORANDUM TO SUCH INVESTOR, WHICHEVER OCCURS LATER. EACH INVESTOR ELECTING TO EXERCISE SAID RIGHT SHALL SUBMIT A WRITTEN NOTICE TO THE COMPANY AT THE ADDRESS SPECIFIED IN THIS MEMORANDUM PRIOR TO THE EXPIRATION OF THE TIME PERIOD PROVIDED UNDER THE ACT CLEARLY AND UNEQUIVOCALLY INDICATING INVESTOR'S DESIRE TO WITHDRAW HIS, HER OR ITS INVESTMENT IN THE SECURITIES.

NOTICE TO NEW YORK RESIDENTS ONLY: THIS MEMORANDUM HAS NOT BEEN REVIEWED BY THE ATTORNEY GENERAL OF THE STATE OF NEW YORK PRIOR TO ITS ISSUANCE AND USE. THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Cautionary Note Regarding Forward-Looking Statements

A WARNING ABOUT FORWARD-LOOKING STATEMENTS

The term "forward-looking statements" means any statements, including financial projections, that relate to events or conditions in the future. Often, forward-looking statements include words like "we anticipate," "we believe," "we expect," "we intend," "we plan to," "this might," or "we will." The statement "We believe interest rates will rise" is an example of a forward-looking statement.

Forward-looking statements are, by their nature, subject to uncertainties and assumptions. The statement "We believe interest rates will rise" is not like the statement "We believe the sun will rise in the East tomorrow." It is impossible for us to know exactly what is going to happen in the future, or even to anticipate all the things that could happen. Our business could be subject to many unanticipated events, including all the things we talk about in "Risk Factors".

Consequently, the actual result of investing in the Company could (and almost certainly will) differ from those anticipated or implied in any forward-looking statement, and the differences could be both material and adverse. We do not undertake any obligation to revise, or publicly release the results of any revision to, any forward-looking statements, except as required by applicable law.

GIVEN THE RISKS AND UNCERTAINTIES, PLEASE DO NOT PLACE UNDUE RELIANCE ON ANY FORWARD-LOOKING STATEMENTS.

COMPANY OVERVIEW

CNote Group, Inc., a Delaware public benefit corporation (“CNote”, the “Company”, “us” or “we”) is a women-led business on a mission to close the wealth gap through financial innovation. Using the power of technology and a community-first framework, CNote enables individuals and institutions to efficiently invest locally at scale in fixed income and deposit solutions that advance economic equality, financial inclusion, racial justice, gender equity, affordable housing, education, community development, and climate change initiatives. With the aim of closing the wealth gap, CNote’s fixed income and depository solutions provide a diversified and scalable way to support job creation, small business growth, affordable housing development, and lasting economic growth in underserved communities across the United States, through relationships with community finance organizations (“CFOs”), primarily Community Development Financial Institutions certified by the U.S. Department of the Treasury’s CDFI Fund (“CDFIs”).

We use the majority of investors’ capital to provide loans to CDFIs, which organizations are certified by the CDFI Fund, and which, in turn, directly provide loans to underserved segments of the population. CNote has made loans to 40 CFOs since inception, in the aggregate principal amount of \$118 million and received a total of approximately \$47 million in payments

The Company is now conducting this offering to make available for purchase the Notes by accredited investors, as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act (hereinafter, “accredited investors”). The Company aims to deploy the proceeds of this offering to CFO partners that make loans to underserved segments of the population in an effort to close the financial inequality gap, and provide community resources (the “Offering”), including loans that support minority-owned and women-owned businesses, affordable housing, community development, climate initiatives, and community facilities such as early child care centers and rehabilitation facilities. The Notes are subject to the terms and conditions set forth in the Offering Documents. See “*About the Offering*” for more information.

Background on CDFIs

CDFIs were created by the Riegle Community Development and Regulatory Improvement Act of 1994 to promote economic development in distressed urban and rural communities. Financial institutions that wish to become CDFIs must meet specified eligibility criteria, such as demonstrating that their primary mission is to promote community development by serving economically distressed people and places. Over the last nearly three decades, CDFIs have grown to become an approximately \$222 billion industry with more than 1,300 certified CDFIs nationwide, making loans to borrowers such as schools, community centers, affordable housing developments and minority- and women-owned businesses. In recent years CDFIs have gained significant prominence, owing to the pivotal role they played in supporting communities during the COVID-19 pandemic through, among other things, a special allocation of lending capital in the Paycheck Protection Program and Health Care Enhancement Act of 2020. While the CDFI industry has garnered increased attention, it remains crucial for CDFIs to have access to a variety of capital sources to sustain their operations and fulfill their mission effectively.

To receive certification by the U.S. Department of the Treasury, CDFIs, which are typically non-profit community lenders, must demonstrate a strong commitment to financial performance and community impact. Based on a 2021 report by the Opportunity Finance Network (“OFN”), the national association for CDFIs, 280 CDFIs who participated in the survey created or maintained over 2,600,000 jobs, started or expanded more than 696,000 businesses, and supported the development or rehabilitation of more than 2,300,000 housing units and more than 13,600 community facility projects.

CFOs, including CDFIs, raise capital from a variety of sources, including but not limited to financial institutions, government agencies, religious institutions, foundations, and individuals, but rely primarily on institutional investors such as banks and foundations. The Company believes there is an opportunity for individual investors to support these vital community lenders.

ABOUT THE OFFERING

The Offering, the terms of which are described in the Offering Documents, consists of the sale and issuance of the Notes. See “Risk Factors” and the other information in this Memorandum and documents incorporated by reference for factors that should be considered before deciding to invest in the Offering. Investors should be prepared to hold their Notes to maturity.

Restricted Securities

The Offering is being conducted pursuant to certain exemptions from registration under the applicable rules of the Securities Act, and specifically Rule 506(c) of Section 4(a)(2) thereunder. As such, the Notes have not been registered under the Securities Act nor under applicable state securities laws and may not be sold or transferred unless such Securities are subsequently registered under the Securities Act and such state securities laws or an exemption from such registration is available.

Eligible Investors

The Notes shall only be offered to and purchased by accredited investors. As required under the Securities Act, the Company may, as a condition to the sale and issuance of a Note to any purchaser, take reasonable steps to verify that all purchasers of the Notes are “accredited investors” as defined under Rule 501 of Regulation D promulgated under the Securities Act. Such steps may include, but are not limited to, review of purchasers’ tax returns and forms, statements of banks and securities holdings, and consumer reports.

Summary of Key Terms of the Notes

The Notes are subject to certain terms with respect to accrual of interest, repayment of the Notes, and other terms specified in the Notes and the Subscription Agreement. The key terms of the Notes are summarized below and are further described in the Notes and the Subscription Agreement. In the event of any conflict between the summary contained herein, on the one hand, and the terms of the Notes or the Subscription Agreement, on the other hand, the terms of the Notes or the Subscription Agreement, as applicable, shall govern.

Interest rate	4% per year, commencing on the Accrual Date (as defined in the Notes).
Maturity date	All principal and accrued interest will be due on the date 30 months following the date of issuance.
Payment	Payment on the Notes (principal and interest) is dependent on the Company’s receipt of payment on the underlying loans made to our CDFI partners (the “Underlying Loans”). As such, the interest and/or principal of the Notes may be partially reduced or eliminated in the event that the Company does not receive full payment on the Underlying Loans. The Company is not obligated to make any payments of principal or interest until maturity.
Early Withdrawal Requests	Each calendar quarter an Investor may, by giving 30 days’ notice to the Company, elect to receive a payment no greater than 10% of the outstanding principal. However, the Company may limit such requests depending on available funds.
Prepayment	The Company is permitted to pre-pay the Notes at any time. Payments will first be applied to accrued interest, then to outstanding principal.

Transferability	The Notes may not be transferred without the Company’s written consent.
Manner of Payment	Payments by the Company will be made by ACH transfer to an account designated by the Investor.

INVESTORS ARE UNSECURED CREDITORS, NOT STOCKHOLDERS

When you purchase a Note you become a creditor of the Company, not a stockholder. Among other things, you have no right to vote or participate in the management of the Company, nor any statutory right to review the Company’s books and records.

FORM AND CUSTODY

Notes will be issued by a computer-generated program on our Platform and electronically signed by the Company in favor of the investor. The Notes will be stored by the Company and will remain in the Company’s custody for ease of administration. Except during periodic system maintenance, investors may view their Notes through their online dashboard.

OPPORTUNITY TO “ROLL OVER” INVESTMENT

Upon the maturity of a Note, the Investor might be given the opportunity to purchase a new Note with all or a portion of the proceeds of the existing Note. Any such purchase would be on the same terms new investors are purchasing Notes at the time and would be subject to the availability of an exemption from registration, whether Regulation D or another exemption.

Issuance of the Notes

We issue the Notes in a series of Closings (as defined in the Subscription Agreement), which occur as soon as reasonably practicable after the Company has obtained commitments from investors. We refer to the date on which a Closing occurs as the “Closing Date.” Once an investor completes the subscription process and commits to purchase the Notes (either manually via the execution of the Subscription Agreement and the Note, or electronically via the CNote Platform when such functionality becomes available on the CNote Platform), and subject to the Company’s verification of such investor’s status as an accredited investor, an investor is deemed to have committed to invest at the next Closing. Until a Closing is scheduled, an investor may modify the amount of the Notes the investor elects to purchase. On the Closing Date, the investor shall ensure that the principal amount of the investors’ Note(s) has been transferred to CNote, except that if the investor subscribes for the Notes via the CNote Platform, funds will be drawn from the investor’s bank account. The Notes begin to accrue interest on the date when the funds are deployed with CDFIs, as more fully described in the Notes.

Use of Proceeds

The Company’s aim is to have the funds generated from this Offering lent to CFO partners that will originate loans to underserved segments of the population to support economic equality, including, minority-owned and women-owned businesses, affordable housing, community development, climate initiatives, and community facilities such as early child care centers and rehabilitation facilities.

Tax Consequences

Prospective investors are urged to consult their own tax advisors regarding the tax consequences of purchasing, owning, and disposing of the Securities in light of their personal investment circumstances.

How to Invest

To invest in the Notes, investors must have a CNote account created and verified, sign the Subscription Agreement and the Note and have sufficient funds in their bank account to complete an investment.

ABOUT THE COMPANY

CNote is a women-led public benefit corporation. Our Certificate of Incorporation states that our public benefit is “to advance greater economic and social justice for underserved communities by unlocking access to impact investments.” Using the power of technology and a community-first framework, CNote enables individuals and institutions to efficiently invest locally at scale in fixed income and deposit solutions that advance economic equality, financial inclusion, racial justice, gender equity, and climate change initiatives. With the aim of closing the wealth gap, CNote’s fixed income and depository solutions provide a diversified and scalable way to support job creation, small business growth, affordable housing development, and lasting economic growth in underserved communities across the United States, mainly through relationships with CFOs, primarily CDFIs. From inception through June 30, 2023, we have offered approximately \$118 million in loans to CFOs, and our clients have made approximately \$190 million in deposits with CFOs. CNote’s goal is to leverage its online platform to (1) make loans to CFOs, which in turn lend to under-resourced communities; and (2) help clients open interest-bearing deposits, called Impact Cash®, at CFOs.

Components of Our Business

Our business has two principal components:

- *Lending Business:* We lend money directly to CFOs, using the capital we raise from investors. The Company has made loans to 40 CFOs since inception, in the aggregate principal amount of \$118 million and received a total of approximately \$47 million in payments. The Company makes a profit on the difference between the interest it charges to CFO borrowers and the interest it pays to investors.
- *Depository Business:* We provide proprietary data about CFOs to clients, which rely on our data to open interest-bearing accounts at CFOs. Since inception, our clients have made approximately \$190 million in such deposits. The Company earns fees for providing this service.

To support its loan operations and services, the Company developed proprietary servicing and portfolio management technology, designed an underwriting process for CFO borrowers, and created a database of aggregated historical data on the CFO sector. To evaluate the impact of CFOs’ activities, the Company developed a proprietary impact reporting framework and impact reporting management system. The Company is exploring broader commercial applications for its software and data. The Company believes the wider use of technology in the impact investing and community finance sector can result in more efficient, timely capital deployment, and more targeted impact in underserved communities around the country.

CNote has been certified as a “B Corp” by B Lab, a non-profit company that measures a company’s social and environmental performance. B Lab provides certification based on:

- *Accountability:* Directors must consider the company’s impact on all shareholders.
- *Transparency:* B Corps must publish and make public a report of their social and environmental performance; this report is assessed by a neutral, third-party standard.
- *Performance:* B Corps must attain a minimum score on the B Impact Assessment test and recertify every two years.

Loans to CFOs

From inception through June 30, 2023, the Company has made loans to 40 CFOs in the aggregate principal amount of \$118 million and received a total of approximately \$47 million in payments. At any given time, we are in discussions with 1-5 additional CFOs regarding possible lending relationships. We plan to expand our pool of potential borrowers to include not just CDFIs but also other mission-driven institutions,

including community development corporations and green banks, that use innovative and responsive products and services to support under-resourced communities.

Currently, the majority of the loans made by CFO borrowers go to minority-owned and women-owned businesses, affordable housing, and community facilities such as early child care centers and rehabilitation facilities. To fund our loans to CFOs, we raise capital from investors, as we are doing in this Offering. We offer fixed-income investments to institutional, accredited, and non-accredited investors. Accredited investors can invest in offerings under SEC Regulation D, while non-accredited investors can invest in offerings under Regulation A.

Under our business model for our loans, we generate revenue by retaining the difference between the interest rate we charge the CFO borrowers and the interest paid to our investors. The interest rates we charge our CFO borrowers and the interest rates of CNote fixed income investments are reviewed by management, in view of a variety of macroeconomic and market conditions, including the federal interest rate environment, fluctuations in the cost of capital averages for CFOs, and the economics facing the Company. We also consider the competitiveness of CNote loans as compared to rates offered by other loan products in the marketplace.

Our credit policy targets potential community finance organization borrowers with high creditworthiness and a stable financial position. In order to borrow from CNote, potential community finance organization borrowers must display characteristics indicative of a healthy loan portfolio and a durable financial position. We review financial and portfolio variables like repayment rates, loan delinquencies, loan loss reserves, credit enhancements and guarantees, team and board composition, lending and operational policies among others. Additionally, our community finance organization borrowers are required to provide audited financials and impact data about their operational and lending activities.

The loans we make to community finance organization borrowers are full recourse to the community finance organization borrowers and are not reliant on proceeds from the loans each community finance organization makes. The loans to community finance organization borrowers are not amortizing. Community finance organization borrowers make payments through electronic bank payments. We are currently legally authorized to lend in 46 states plus the District of Columbia as a non-bank commercial lender.

Currently, our loans to CFOs have two layers of support. First, most of our loans are made to CFOs with loan products that are affiliated with, or participate in, federal and state programs, that offer guarantees and/or loan loss reserve support for repayment. Second, our loans are full recourse to the borrower.

We conduct three levels of diligence on every potential borrower, including the following:

- 1) **Peer Review** – We review data generated about CDFIs by AERIS[®], the national rating agency for the CDFI industry, and available through OFN, the national membership association for CDFIs. AERIS prepares in-depth reports on CDFIs' financial performance which are relied upon by major banks and government entities. OFN maintains the deepest base of knowledge of CDFI trends, challenges and performance over the last three decades.
- 2) **CNote Review** – CNote conducts its own assessment of each potential borrower's historical financial performance and social impact. This process includes, among other things, a review of the potential borrower's financial and portfolio performance, audited financial statements, lending and operational policies, composition of the executive team and the board, and strategic plan, as well as interviews with the leadership team, board members and clients. If the potential borrower is not a CDFI, CNote will verify that the community finance organization (a) serves at least one community that commonly faces discrimination (such as low-to-moderate income, BIPOC, or disabled communities, or individuals with no or low credit scores), (b) offers responsive products to the target underserved community (such as microbusiness, credit builder,

affordable housing, and/or energy-efficiency loans), and (c) can report impact data about their operational and lending activities to CNote.

- 3) **Third-Party Review** – CNote’s risk management approach incorporates third-party oversight through borrower references for each potential CFO borrower, including an assessment of the organization’s lending process and their responsiveness to geographic and product specific needs within the community. Additionally, CNote maintains an investment committee composed of CNote management as well as individuals with expertise in the community finance industry, and with no ties, financial or otherwise, either to us or to the potential borrower. This investment committee provides tertiary, third-party assessments of potential borrowers, including specific risks to be identified. Service on the investment committee is fully voluntary and is not compensated.

We will only enter into a lending relationship with a potential CFO borrower after satisfactory completion of our due diligence review. Prospective borrowers must provide us with relevant data about their organization’s financial health (including audited financial statements), organizational capacity, business volume and projected growth, product line, loan portfolio performance, credit enhancements, and social impact. As a part of the underwriting process, utilizing the proprietary risk matrix, CNote evaluates the set of indicators across chosen categories to develop a comprehensive risk assessment of the applicant. Depending on where a CFO falls within a category, it is assigned a risk rating score aligned to a set rubric, which is then weighted and blended with other category risk rating scores to form a composite risk rating score. The group of factors in the financial health and portfolio quality categories represent the largest weighted areas of this composite score. The factors range from qualitative like assessment of reporting and operational practices as well as quantitative like net assets, self-sufficiency, net charge off rate among others. CFOs with the score above average (average is determined based on the historical data analysis) are considered for investment. Our management team continuously monitors the operational and lending activities of our borrowers, including the health of their loan portfolios.

Our diligence process typically takes four to six weeks. Currently, we offer CFO borrowers term loans of different maturity and varied amounts defined during the underwriting process. Based on the results of our analysis, we are able to determine the terms of the loan to be made to a CFO borrower, including the principal amount, interest rate, and term. CNote’s assessment of the CFO’s creditworthiness, the size of the CFO, the number of banking products, general economic environment and competition for capital are principal factors, among others, that are considered in the determination of the amount, interest rate and term of the loan. Our loans are typically made in the form of a master promissory note, which allows the CFO to make multiple requests for advances. If a borrower makes a request for an additional loan amount, we will re-evaluate the borrower in accordance with our underwriting process. In addition, we conduct reviews on at least a quarterly basis. If the results of our analyses differ, the borrower may receive different financial terms on subsequent draw downs. Currently, we do not require our loans to have any minimum principal amount, and, while there is no set maximum loan amount either, we consider a borrowers’ loan request in light of the actual and anticipated demands of other borrowers, as well as our goal of diversifying our loans.

We service our loans in-house. As of June 30, 2023, total loans outstanding to 36 CDFIs were comprised of 203 loans, with balances ranging from \$25,000 to \$5,000,000. The loans have maturity dates ranging from July, 2023 through November, 2029 and bear interest at 1.5% to 4.5% per annum.

Depository Business

With respect to cash deposits using CNote’s technology platform, called Impact Cash[®], the Company coordinates with a third-party custodial agent to assist clients with opening interest-bearing deposits at community finance depository institutions located in the United States. Generally, to be eligible for CNote’s Impact Cash[®] network, depository institutions are (1) classified as well-capitalized pursuant to federal statutory net worth categories, by the Federal Deposit Insurance Corporation (“FDIC”) with respect to banks, and by the National Credit Union Administration (“NCUA”) with respect to credit unions, as

applicable, and (2) certified as a CDFI, qualified as a Minority Deposit Institution (“MDI”), hold a Low-Income Designation (“LID”), or otherwise act as a proven mission-driven depository institution that has a history of positively serving and supporting underserved communities, including communities designated as low- and moderate-income minority communities via U.S. Census Tract data and third-party data analysis.

Impact Cash® deposits include certificates of deposits with terms of generally between six to 24 months and bearing interest at prevailing market interest rates, and money market accounts with variable rates of interest. Balances are insured by the FDIC or the NCUA, as applicable, in an amount up to \$250,000. Clients receive a quarterly report describing the positive social impact of their deposits at community finance depository institutions, including such information as how many loans the depository institutions have outstanding, the percentage of depository institution assets deployed as loans, the percentage of depository institution branches in low- to moderate-income, distressed, or majority-minority communities, and the number of jobs created or maintained by loans and/or projects financed by the depository institutions.

Under our business model for Impact Cash®, we generate revenue by charging our clients a service fee. The service fee we charge varies based on the total amount to be deposited by the client and the level of customization requested by the client with respect to impact areas and geographic themes for the placement of their deposits.

We also earn servicing fees for consulting work on behalf of foundations and other institutions, and for customization for institutional clients of CNote’s technology originally built for its internal underwriting and monitoring of community finance organizations. The consulting work leverages CNote’s knowledge, expertise and technology in identifying and underwriting community finance organizations as well as monitoring and reporting on their financial and impact performance.

Technology & Relations

CNote believes it is uniquely poised to grow in the community finance industry, given its industry expertise, relationships, technology and go to market strategy.

Although CDFIs have been in existence for nearly 30 years, CDFIs have largely operated as a business-to-business industry. There are over 1,300 CDFIs across the country of varying sizes, geographic make-ups and product lines. The CDFI Fund reports that CDFIs’ assets total over \$222 billion. Though their specific areas of focus vary, all CDFIs share a primary mission of providing fair and responsible capital to segments under-served by traditional financial institutions, such as women- or minority-owned businesses, as well as community facilities and affordable housing. Each year, CDFIs must be re-certified by the CDFI Fund, which helps ensure they continue serving the communities they intend and maintain strong financial performance.

While single CFOs have tried to reach individual investors, few have done so successfully. The majority of CFOs, many of whom are non-profits, do not have the marketing, legal, or technology budgets or expertise to effectively address individual investors and depositors.

CNote is excited to change this dynamic through technology and outreach. From inception through June 30, 2023, we offered approximately \$118 million in loans to CFOs, and our clients made approximately \$190 million in deposits with CFOs. By continuing to forge relationships with key CFOs, inclusive of the national industry of CDFIs, community banks, and credit unions, CNote is developing a scalable technology solution that will enable CFOs to access capital from individual and institutional investors and depositors. Furthermore, in addition to connecting CFOs with new sources of impact-aligned debt capital and deposits, CNote provides the industry as a whole with increased visibility. In turn, this will help CFOs to enhance their operational capacity as well as expand their recognition with partners and borrowers.

Regulation

The Company operates as a nonbank, commercial lender. Most states do not require us to obtain licenses for our commercial lending activities, as currently structured. We are currently legally authorized to lend in 46 states plus the District of Columbia as a non-bank commercial lender. As a lender we are generally subject to the lending laws of our home state of California and possibly the home state of the borrower. We maintain a dialogue with regulators in states in which we operate and strive to run our business within the bounds of the law and the principles of fairness and goodwill.

Management

Catherine Berman

Ms. Berman co-founded CNote and has served as our President and Chief Executive Officer and a member of our Board of Directors since June 2016. Before launching CNote, Ms. Berman served as Managing Director of Charles Schwab, one of America's leading financial services businesses. At Schwab, Ms. Berman led a strategy division focusing on the future of financial services. Prior to Schwab, Ms. Berman maintained a host of management positions including Senior Vice President of Astia (venture capital), Strategy & Operations Manager at Deloitte Consulting, LLP (management consulting) and Vice President of Evins Communications, LLC. Her international work experience spans from India to Israel with extensive work in Central and South America. Her last startup, Global Brigades, grew into a multi-million dollar firm in less than four years and is now the world's largest student development firm. Ms. Berman graduated magna cum laude from Boston University and received her MBA from the University of Oxford where she founded the Oxford Women in Business Network.

Yuliya Tarasava

Ms. Tarasava co-founded CNote and has served as our Chief Operating Officer, Treasurer, Secretary and a member of our Board of Directors since the Company's inception. Ms. Tarasava began her career conducting intensive quantitative research on new market opportunities and designing investment solutions across asset classes for AMG Funds—a \$75 billion asset firm providing access to boutique investment strategies. Ms. Tarasava then went on to Summit Rock Advisors, a \$10 billion OCIO firm, where she developed and implemented the firm's proprietary analytics and risk management framework. Most recently, she worked with a high-growth financial services company in Kenya where she led both product development and scale strategy efforts working directly with the company's chief executive officer. Her prior experience also includes creating an investment education portal in Russia and providing pro-bono consulting for non-profits and startups around the world. Ms. Tarasava graduated magna cum laude from Belarusian State University and received her MS in Finance from Fairfield University.

Abhijeet Roy

Mr. Roy is a seasoned technology executive with over 22 years of experience in the finance and technology industries. Previously, Mr. Roy was the CTO of Coinberry, a crypto trading platform where he led the strategy and development of a safe, secure and convenient platform for trading cryptocurrencies. Prior to that, he worked as a technology executive at Mastercard, where he built new and innovative solutions to leverage data as a strategic asset. Before his work at Mastercard, Mr. Roy was at MicroStrategy where he led the development of a modern analytics and reporting platform with the mission to spread 'intelligence everywhere'. As the head of engineering for the company's industry-leading mobile platform, he grew the team and launched new products that pushed the boundaries of product capabilities based on customer needs. Mr. Roy holds an MBA with focus on Strategic Management and a Master's degree in Engineering.

Aimeelene Gaspar

Ms. Gaspar is a serial entrepreneur with deep domain expertise in financial services and technology. In addition, she offers her time and expertise to fellow founders through her work at Village Capital with their FinTech Forward program as an advisory board member. Her path from finance to technology culminated in becoming a product management executive with over 20 years of experience at large financial services companies, and startups such as Broadridge and Yodlee. Ms. Gaspar was listed as one of the NYC Fintech Women Inspiring Fintech Females of 2020 and is a current member of Professional Business Women of California. Ms. Gaspar graduated from the University of Illinois at Urbana-Champaign with a Bachelor of

Science Degree in Finance and completed a Masters of Science Degree in Integrated Design, Business and Technology from the University of Southern California.

Candice Carr

Ms. Carr has over 20 years of diversified experience providing expert counsel as a trusted advisor on a broad range of business legal issues to principals, entrepreneurs, and executives, as well as early-stage and high-growth businesses. Ms. Carr's legal practice has focused primarily on corporate law and transactions, litigation management, intellectual property, mergers and acquisitions, and employment law. Ms. Carr received a J.D. from Golden Gate University School of Law, and a B.A. from San Francisco State University.

RISK FACTORS

As used in this "Risks Factors" section, any reference to the words "you," "your," or words of similar import shall mean the prospective investor to whom this Overview has been provided. Investing in the Notes is speculative and involves a high degree of risk. Before deciding whether to invest, you should consider carefully the risks and uncertainties described below and the terms of the Subscription Agreement and the Notes. If any of the following risks actually occurs, the Company's business, financial condition, results of operations, and prospects could be adversely affected. As a result, the value of the Notes could decline, and you could lose part or all of your investment.

BUYING NOTES IS SPECULATIVE AND INVOLVES SIGNIFICANT RISK, INCLUDING THE RISK THAT YOU COULD LOSE SOME OR ALL OF YOUR MONEY. THIS SECTION DESCRIBES WHAT WE BELIEVE ARE THE MOST SIGNIFICANT RISK FACTORS AFFECTING THE COMPANY AND ITS INVESTORS. THE ORDER IN WHICH THESE FACTORS ARE DISCUSSED IS NOT INTENDED TO SUGGEST THAT SOME FACTORS ARE MORE IMPORTANT THAN OTHERS.

YOU MIGHT LOSE YOUR MONEY: When you buy a certificate of deposit from a bank, the federal government (through the FDIC) guarantees you will get your money back up \$250,000 per banking institution. Buying our Notes is not like that at all. The ability of the Company to make payments to you depends on several factors, including some beyond our control. Nobody guarantees that you will receive payments, and you might lose some or all your money.

THE NOTES ARE UNSECURED AND NOT GUARANTEED: The Notes are not secured by any collateral and not guaranteed by anyone (other than the Company itself). That means that if the Company defaults, Investors would not be able to look to any specific assets of the Company or to any other party for repayment, and the claims of Investors would be subordinate to the claims of secured lenders.

OUR LOANS TO CFOs ARE ALSO UNSECURED AND UNINSURED: Similarly, our loans to CFOs are also unsecured. If a CFO defaults we will have to stand in line with other unsecured creditors. Nor do we carry insurance on our loans.

LACK OF DIVERSIFICATION: Although the Company is trying to expand its pool of borrowers, to date it has loaned money to only 40 CFOs. Each of those CFOs has, in turn, a finite and limited number of customers/borrowers. As a result, our risk is more concentrated than it would be with a larger pool.

CREDIT RISK OF THE CFO BORROWERS. We make loans to CFOs, which in turn make loans in the communities underserved by traditional financial institutions. Although our operations seek to diversify exposure by investing in a variety of CFOs, if the CFOs are unable to collect on their loans and are unable to make payments required by the terms of our loans to them, we may be unable to make payments required by the terms of the Notes.

OUR DUE DILIGENCE PROCESS MIGHT PROVE TO BE INADEQUATE: Although we perform significant due diligence on prospective borrowers, due diligence is as much an art as a science and cannot guarantee that

our borrowers will repay their loans. For one thing, there is simply no way to review every possible factor. For another thing, information could be hidden from us, either intentionally or unintentionally. Finally, it is possible that we would reach incorrect conclusions from the information presented to us.

THE NOTES MAY BE CALLED BY THE COMPANY: Although the Notes have a stated maturity of 30 months, the Company may “call” them at any time, meaning the Company may pre-pay the outstanding principal and interest and cancel the Note. This means an Investor would not earn the stated rate of interest for as long as the Investor might have expected when buying the Note.

YOUR RIGHT TO DEMAND PAYMENT BEFORE MATURITY IS SUBJECT TO LIMITS: Each calendar quarter an Investor may, by giving notice 30 days prior notice to the Company, elect to receive a payment no greater than 10% of the outstanding principal. However, the Company may limit such requests depending on available funds.

RISK OF REGULATION: Changes in laws or regulations or the regulatory application or judicial interpretation of the laws and regulations applicable to us could adversely affect our ability to operate in the manner in which we currently conduct business or make it more difficult or costly for us to originate or otherwise make additional loans, or for us to collect payments on loans by subjecting us to additional licensing, registration, and other regulatory requirements in the future or otherwise. A material failure to comply with any such laws or regulations could result in regulatory actions, lawsuits, and damage to our reputation, which could have a material adverse effect on our business and financial condition and our ability to originate and service loans and perform our obligations to investors and other constituents. Further, if it were determined that we had not complied with all applicable laws and regulations, it could make us unable to enforce a loan obligation and/or make us liable for damages. Similarly, regulations promulgated under the Community Reinvestment Act, if altered or repealed, could materially affect CFOs, and their access to capital.

RISK OF WEAKENING ECONOMY: Uncertainty and negative trends in general economic conditions in the United States and abroad, including significant tightening of credit markets, historically have created a difficult environment for companies in the lending industry. Many factors, including factors that are beyond our control, may have a detrimental impact on our operating performance. These factors include general economic conditions, the political climate, unemployment levels, and interest rates, as well as events such as natural disasters, acts of war, terrorism, pandemics, and catastrophes. The small business borrowers served by our borrowers may be more sensitive to these macroeconomic factors.

COMPETITION: We face potential competition from a variety of sources, including newly-formed companies and existing lenders. Competition in the financial technology sector is intense, and we may be unable to compete against other players in the financial technology sector (such as Lending Club, Funding Circle, and Prosper), commercial banks (such as Bank of America and Wells Fargo), and community banks and credit unions. Our competitors, especially banks, have substantially more resources than we do and spend millions of dollars on marketing. If we are unable to attract investors, clients, partners, or repeat partners, our results of operations will be adversely affected.

NEED TO ATTRACT AND RETAIN QUALIFIED PERSONNEL: Competition for highly skilled personnel, especially engineering and data analytics personnel, is extremely intense, and we could face difficulty identifying and hiring qualified individuals in many areas of our business. We may not be able to hire and retain such personnel at compensation levels consistent with our compensation and salary structure. Many of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In particular, candidates making employment decisions, specifically in high-technology industries, often consider the value of any equity they may receive in connection with their employment. Any significant volatility in the value, or the perceived market value, of our stock after any offering may adversely affect our ability to attract or retain highly skilled technical, financial, marketing, or other personnel.

In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements and the quality of our services and our ability to serve our customers could diminish, resulting in a material adverse effect on our business.

WE HAVE A HISTORY OF LOSING MONEY: In our fiscal year ended December 31, 2022, we had a net loss of approximately \$2.4 million. We might not be profitable for the foreseeable future. If we are unable to obtain or maintain profitability, we will not be able to attract new investors, compete, or maintain operations.

WE HAVE A LIMITED OPERATING HISTORY: We have a limited operating history in an evolving fintech industry that may not develop as expected. Assessing our business and future prospects is challenging in light of the risks and difficulties we may encounter. These risks and difficulties include our ability to:

- Increase the number and volume of our loans;
- Increase the number of our borrowers;
- Improve the financial terms for our borrowers;
- Develop new products and services;
- Compete with other companies;
- Navigate economic conditions and fluctuations in the credit market;
- Manage growth;
- Develop technology systems;
- Adopt new technologies, such as artificial intelligence;
- Maintain financial controls;
- Attract and retain qualified personnel; and
- Expand our business into adjacent markets.

WE RELY ON OUR MANAGEMENT TEAM: We rely on our management team and need additional key personnel to grow our business, and the loss of key employees or inability to hire key personnel could harm our business. We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees.

WE HAVE A SMALL NUMBER OF EMPLOYEES, EACH OF WHOM IS IMPORTANT TO OUR SUCCESS, AND EACH OF WHOM CAN LEAVE AT ANY TIME: We have only 20 full-time employees. Each of them plays a significant role in our success. Our team covers the following functional duties: engineering and programming, sales and marketing, finance and credit, legal and regulatory, and administration and operations. The loss of any of our employees could have a material adverse impact on our operations. Additionally, because each employee plays such a critical role in a company of this size, any instances of human error or exercises of poor business judgment could negatively impact our company. Our success depends on our continuing ability to attract, develop, motivate, and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. Our executive officers and other employees are at-will employees, which means they may

terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business could be materially and adversely affected.

WE WILL REQUIRE MORE CAPITAL: Even if we raise the full amount we are trying to raise in this Offering, we will need more capital. There is no guarantee that we will be able to raise all the capital we need on terms that make financial sense, or at all. If we fail to raise the capital we need, our business will suffer and could ultimately fail.

OUR RISK MANAGEMENT EFFORTS MIGHT NOT BE EFFECTIVE: We could incur substantial losses, and our business operations could be disrupted if we are unable to effectively identify, manage, monitor, and mitigate financial risks, such as credit risk, interest rate risk, liquidity risk, and other market-related risk, as well as operational risks related to our business, assets, and liabilities. To the extent our models used to assess the fiscal responsibility and performance of our borrowers do not adequately identify potential risks, the risk profile of such borrowers could be higher than anticipated. Our risk management policies, procedures, and techniques may not be sufficient to identify all of the risks we are exposed to, mitigate the risks that we have identified, or identify concentrations of risk or additional risks to which we may become subject in the future.

OUR ALLOWANCE FOR LOAN LOSSES MIGHT PROVE INADEQUATE: We have established a loan loss reserve of approximately 1% of the principal amount of loans outstanding, which may not be adequate.

RISKS OF REPUTATIONAL DAMAGE: We depend heavily on our relationships and our reputation to attract borrowers and large financial institutions, many of whom we reach through word of mouth. If for any reason our reputation is damaged it could have a significant adverse effect. We could also face difficulty in attracting additional investors and raising capital.

RISKS ARISING FROM PERSONAL INFORMATION: We receive, collect, process, transmit, store and use a large volume of personally identifiable information and other sensitive data from investors and potential investors. There are federal, state, and foreign laws regarding privacy, recording telephone calls, and the storing, sharing, use, disclosure, and protection of personally identifiable information and sensitive data. Specifically, personally identifiable information is increasingly subject to legislation and regulations to protect the privacy of personal information that is collected, processed, and transmitted. Any violations of these laws and regulations may require us to change our business practices or operational structure, address legal claims, and sustain monetary penalties, or other harms to our business.

RISKS FROM USING THIRD PARTIES: We currently use third-party service providers, such as Dwolla, to handle many components of our operations. These service providers may themselves rely on third-party data center hosting facilities. The continuous availability of our service depends on the operations of these service providers, on data facilities, on a variety of network service providers, on third-party vendors, and on data center operations staff. In addition, we depend on the ability of our third-party providers to protect the facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts, and similar events. If there are any lapses of service or damage to the facilities, we could experience lengthy interruptions in our service as well as delays and additional expenses in arranging new service providers and services. Even with current disaster recovery arrangements, our business could be harmed.

WE DO NOT HAVE A BACKUP LOAN SERVICER: Currently we service all of our loans and do not have a backup outside servicer. Loan servicing is an increasingly regulated industry, with various federal and state laws governing the collection of consumer and small business loans, and none of our employees currently devote all of their time to our loans as their time is divided among many responsibilities. Should we go out of business, the lack of an available servicer could cause delays in obtaining payments from borrowers.

FUTURE SECURITIES COULD HAVE SUPERIOR RIGHTS: The Company might issue securities in the future that have rights superior to the rights associated with the Notes. For example, the Company could issue a class of debt securities that are secured by assets of the Company.

THE NOTES ARE UNSECURED OBLIGATIONS OF THE COMPANY

If we are unable to make payments required by the terms of the CNote Notes, you will have an unsecured claim against us. CNote Notes are, therefore, subject to non-payment by the Company in the event of our bankruptcy or insolvency. In an insolvency proceeding, there can be no assurances that you will recover any remaining funds. Moreover, your claim may be subordinate to that of our senior secured creditors, if any, to the extent of the value of their security interests. In the event the Company does not have sufficient capital available to repay the outstanding CNote Notes, holders of CNote Notes would be general unsecured creditors of the Company and would rank equally with other unsecured creditors of the Company. Any payments made to the Company's unsecured creditors would be made pro rata among all such other unsecured creditors, including the Holders of the CNote Notes after all senior secured creditors.

RISKS OF INVESTMENT COMPANY ACT: We do not believe we will be deemed to be an "investment company" under the Investment Company Act of 1940 because we do not intend to hold or trade securities. If we were deemed an "investment company" we may be subject to certain restrictions on our operations and the issuance of CNote Notes, and may have imposed upon us certain burdensome requirements, including registration as an investment company, adoption of a specific form of corporate structure, and reporting, recordkeeping, voting, proxy, compliance policies and procedures, as well as additional disclosure requirements. Additionally, as Regulation A is not available to companies that are investment companies registered under, or required to be registered under, the 1940 Act, in the event that we were deemed to be an investment company, the offering, and the CNote Notes sold pursuant to this offering, may be invalidated.

CHOICE OF VENUE: By purchasing a Note, Investors consent to the jurisdiction of the state courts located within San Francisco County, California, near the location of the Company's principal office in Oakland, California. Investors located outside the State of California may have difficulty bringing any legal claim against us due to geographic limitations and may find it difficult and costly to respond to claims. This choice of forum provision may limit a holder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, a court could find this provision to be inapplicable or unenforceable in respect of one or more of the specified types of actions or proceedings, which may require us to incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

THIS EXCLUSIVE FORUM PROVISION WOULD NOT APPLY TO SUITS BROUGHT TO ENFORCE A DUTY OR LIABILITY CREATED BY FEDERAL SECURITIES LAWS OR ANY OTHER CLAIM FOR WHICH THE U.S. FEDERAL COURTS HAVE EXCLUSIVE JURISDICTION.

MANDATORY ARBITRATION AND CLASS ACTION WAIVER: By purchasing a Note, Investors consent to (i) resolve all disputes, controversies and claims through binding arbitration instead of through the court system, and (ii) waive the right to participate in any class action or joint arbitration. Arbitration could be less beneficial to you than litigation in courts (although it is generally impossible to know that in advance), and the inability to participate in a class action could be disadvantageous to you. For example, it might not be economically feasible for you to bring a case on your own.

THESE PROVISIONS WOULD NOT APPLY TO SUITS BROUGHT TO ENFORCE A DUTY OR LIABILITY CREATED BY FEDERAL SECURITIES LAWS.

LIMITS ON TRANSFERABILITY: There are several limitations on your ability to sell your Note:

- Notes may not be transferred with the Company’s consent, which may be withheld in the Company’s sole discretion.
- There is no public market for the Notes and such a market is unlikely to develop.
- The Company does not intend to list the Notes on a national securities exchange or interdealer quotational system.
- Securities laws could limit your ability to sell your Notes.

Consequently, you should be prepared to hold your Note until maturity.

RISK OF FAILURE TO COMPLY WITH SECURITIES LAWS: The Company has previously sold securities relying on the exemption under Rule 506 of Regulation D issued by the Securities and Exchange Commission as well as Regulation A. In all cases, we have relied on the advice of securities lawyers and believe we qualify for the exemption. If we did not qualify, we could be liable to penalties imposed by the federal government and state regulators, as well as to lawsuits from investors.

WE ARE NOT SUBJECT TO THE CORPORATE GOVERNANCE REQUIREMENTS THAT APPLY TO COMPANIES LISTED ON A NATIONAL EXCHANGE: Companies whose securities are listed on a national stock exchange (for example, the New York Stock Exchange) are generally subject to a number of rules about corporate governance that are intended to protect investors. For example, the major U.S. stock exchanges require listed companies to have an audit committee made up entirely of independent members of the board of directors (*i.e.*, directors with no material outside relationships with the company or management), which is responsible for monitoring the Company’s compliance with the law. As of the date of this Offering Statement, neither the Notes nor any other securities of the Company are listed on a national exchange, and it is likely that our securities will never be listed on a national exchange. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of a national exchange.

BREACHES OF SECURITY: It is possible that our systems would be “hacked,” leading to the theft or disclosure of confidential information you have provided to us. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched, we and our vendors may be unable to anticipate these techniques or to implement adequate defensive measures.

THE FOREGOING ARE NOT NECESSARILY THE ONLY RISKS FACTORS
PLEASE CONSULT WITH YOUR PROFESSIONAL ADVISORS

FINANCIAL INFORMATION

Audited Financials for the fiscal year ending December 31, 2022 can be viewed here:
<https://www.sec.gov/Archives/edgar/data/1683145/000121465923006285/partii.htm>

Unaudited Financials for the fiscal semiannual period ending June 30, 2023 can be viewed here:
<https://www.sec.gov/Archives/edgar/data/1683145/000121465923012647/cng9252311sa.htm>

EXHIBIT A – DEFINITIONS

As used in this Memorandum, the following capitalized terms shall have the meaning set forth below:

“**CDFI partner**” means a Community Development Financial Institution with which the Company has a contractual relationship.

“**CNote**,” “**Company**,” “**us**,” “**our**,” and “**we**” mean CNote Group, Inc., a Delaware corporation.

“**Investment Products**” means the debt investment products available to our investors via the Platform, including the Notes.

“**Memorandum**” means this confidential Private Placement Memorandum, as amended from time to time.

“**Notes**” or “**Securities**” mean the Promissory Note made available to prospective investors as part of this Offering, in the form attached hereto as Exhibit B.

“**Offering**” means the private offering, sale, and issuance of the Notes, as contemplated hereby, pursuant to Rule 506(c) of Regulation D promulgated under the Securities Act.

“**Offering Documents**” means this Memorandum, the Notes, and the Subscription Agreement.

“**Platform**” shall mean www.mycnote.com or such other website provided by the Company for investors to purchase the Notes.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Subscription Agreement**” means the Subscription Agreement attached hereto as Exhibit C.

EXHIBIT B - FORM OF PROMISSORY NOTE

CNOTE GROUP, INC.

PROMISSORY NOTE

THIS ADJUSTABLE RATE PROMISSORY NOTE (THE “NOTE”) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER ANY STATE SECURITIES LAWS. THIS NOTE IS SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED, SOLD, RESOLD, OFFERED FOR SALE OR RESALE, PLEDGED OR HYPOTHECATED (COLLECTIVELY, “TRANSFERRED” OR, A “TRANSFER”) IN THE ABSENCE OF A REGISTRATION OR QUALIFICATION WITH RESPECT TO THIS NOTE UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL SATISFACTORY TO THE BORROWER (AS DEFINED BELOW) THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THIS NOTE MAY NOT (EXCEPT IN CERTAIN LIMITED CIRCUMSTANCES) BE TRANSFERRED WITHOUT THE CONSENT OF THE BORROWER, WHICH MAY BE WITHHELD IN THE BORROWER’S SOLE DISCRETION.

THIS NOTE IS NON-RECOURSE TO THE ASSETS, FUNDS AND ACCOUNTS OF THE BORROWER OR ANY OF ITS AFFILIATES, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR STOCKHOLDERS EXCEPT TO THE EXTENT OF PAYMENT ACTUALLY RECEIVED ON CDFI LOANS (AS DEFINED BELOW).

FOR PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THIS NOTE IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT (“OID”) BECAUSE THE BORROWER IS NOT UNCONDITIONALLY OBLIGATED TO PAY INTEREST ON THE NOTE AND PAYMENTS ON THE NOTE ARE MADE ONLY IF PAYMENTS ARE RECEIVED BY THE BORROWER ON THE CDFI LOANS. THE ISSUE PRICE OF THE NOTE IS THE STATED PRINCIPAL AMOUNT BELOW, AND THE ISSUE DATE IS THE EFFECTIVE DATE. UPON REQUEST, THE BORROWER WILL PROMPTLY MAKE AVAILABLE TO THE LENDER THE EXPECTED PAYMENT SCHEDULE, THE AMOUNT OF OID AND THE YIELD TO MATURITY OF THE NOTES HELD BY THE LENDER.

PRINCIPAL:

EFFECTIVE DATE:

SERIES:

Borrower: CNote Group, Inc., a Delaware corporation (the “Borrower” or “CNote”)

Lender: The investor listed on the signature page hereto (the “Lender”)

1. PROMISE OF PAYMENT.

FOR VALUE RECEIVED, the Borrower hereby promises to pay to the Lender in U.S. dollars an amount equal to the principal sum shown above (the “Principal”) and the Interest (as defined in Section 2), as set forth below and subject to the conditions and limitations on payment described below (according to the Payment Schedule (as defined below)).

The Lender shall be entitled to payments as described below based on the payments actually received by the Borrower on underlying loans that the Borrower makes from time to time to its Community Development Financial Institution partners (each, a “CDFI Loan” and, collectively, the

“CDFI Loans”). In the event that collections of principal and interest on the CDFI Loans do not, in the aggregate, yield enough revenue (a “Shortfall”) to pay principal and interest on all Notes issued and outstanding by the Borrower as of the date thereof, Interest first and then Principal second on this Note shall be reduced proportionately by the pro rata portion of the Shortfall which this Note comprises relative to all Notes issued and outstanding by the Borrower as of the date thereof. For the avoidance of doubt, the Borrower shall have no obligation to the Lender, and the Lender shall have no recourse against the Borrower, in excess of such adjusted Amount Owed as set forth in this Section 1. This Note shall be designated to be part of a Series of Notes issued by the Borrower on the date hereof.

2. INTEREST.

Beginning with the date (_____) that the Principal has been applied to a CDFI Loan (the “Accrual Date”), this Note shall bear interest according to the terms of this Section 2 (the “Interest”).

(a) Unless otherwise adjusted pursuant to Section 2(b) or 2(c), the rate of Interest shall be four percent (4%) per annum (the “Interest Rate”).

(b) Notwithstanding anything in this Note to the contrary, the Interest Rate shall be subject to adjustment, from time to time, at the discretion of the Borrower to reflect any changes to the interest rate on the CDFI Loans; provided, however, that the Interest Rate shall not be less than the minimum rate allowed by applicable law as of the date of such adjustment. Any adjustments shall be made on a Series-wide basis.

(c) Any unpaid Interest (together with the Principal, the “Amount Owed”) shall be compounded monthly.

3. PAYMENT OF PRINCIPAL AND ACCRUED INTEREST.

(a) Unless prepaid pursuant to Section 4, accelerated pursuant to Section 5, or earlier withdrawn pursuant to Section 6, the Amount Owed, subject to the adjustment described in Section 1, shall be due and payable to the Lender according to the following schedule (the “Payment Schedule”):

(i) Upon at least one calendar month’s prior notice, the Lender may elect to receive the Interest on a monthly basis, in which case the Interest shall be due every successive calendar month after the Accrual Date until the Note is paid in full.

(ii) The Note shall roll over on the same terms every thirty (30) months after the Accrual Date unless the Lender notifies the Borrower in writing at least one calendar month prior to the end of the initial or a subsequent thirty (30) month term that the Note is then due and the Amount Owed thereunder is then payable, in which case, the Note’s maturity date (the “Maturity Date”) shall be the last day of the then applicable thirty (30) month term of the Note; provided, however, that, there shall be no penalty for payment by the Borrower of the Amount Owed within ten (10) business days after the Maturity Date for purposes of effecting a transfer or delivery of money to the bank account designated by the Lender.

(iii) If the Lender does not make the election described in Section 3(a)(i), the Amount Owed shall be due on the Maturity date.

(b) All U.S. dollar amounts used in or resulting from the calculation of the Amount Owed shall be rounded to the nearest cent (with one-half cent being rounded upward).

4. PREPAYMENT.

The Borrower shall have the right, in its sole discretion, at any time and from time to time, to prepay the Amount Owed, in whole or in part, without the need to provide advance notice. There shall be no premium or penalty for prepayment pursuant to this Section 4 of the Amount Owed.

5. ACCELERATION OF NOTE.

The Lender may declare this Note immediately due and payable upon the occurrence of any of the following events: the insolvency of the Borrower, the commission of any act of bankruptcy by the Borrower, the execution by the Borrower of a general assignment for the benefit of creditors, the filing by or against the Borrower of any petition in bankruptcy or any petition for relief under bankruptcy laws for

the relief of debtors and the continuation of such petition without dismissal of a period of thirty (30) days or more, or the appointment of a receiver or trustee to take possession of any property or assets of the Borrower.

6. WITHDRAWAL OF AMOUNT OWED BY THE LENDER.

At any time prior to repayment of the Amount Owed, including prior to the Maturity Date, provided that sufficient funds are available to the Company through the liquidity provided by CDFI Loans, the Lender may withdraw up to ten percent (10%) of the Amount Owed (unpaid Interest together with the Principal) in each fiscal quarter according to the terms of this Section 6 (each, a “Withdrawal Request”), subject to the terms of this Section 6 below.

(a) A Withdrawal Request for any given fiscal quarter must be submitted at least thirty (30) calendar days prior to the last day of the fiscal quarter, either via the Lender’s CNote account page available at www.mycnote.com or by email to support@mycnote.com. Any Withdrawal Request submitted less than thirty (30) calendar days prior to the last day of the fiscal quarter shall be applied to the following quarter. The Withdrawal Request must clearly identify the Lender and the withdrawal amount.

(b) The Borrower shall honor any Withdrawal Request timely submitted pursuant to Section 6(a) by transferring the requested amount to the bank account designated by the Lender no later than ten (10) business days after the end of the fiscal quarter.

(c) For the avoidance of doubt, it is agreed that fiscal quarters shall end on March 31, June 30, September 30, and December 31 of that respective year.

(d) Withdrawal Requests are subject to the receipt of available funds from CDFI Loans and other available cash to the Company. Withdrawal Requests are subject to reduction on a pro rata basis among all requested withdrawals from the Series of which this Note forms a part.

7. COMPLIANCE WITH SECURITIES LAWS.

The Lender represents and warrants to the Borrower that the Lender: (i) has sufficient knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of its investment in this Note; (ii) is able to protect its interests and fend for itself in the transaction contemplated by this Note; (iii) has the ability to bear the economic risks of its investment; (iv) is acquiring this Note for the Lender’s own account for investment and not with a view to, or for sale in connection with, any distribution thereof, nor with any present intention of distributing or selling the same; and (v) is an “accredited investor” as defined in Rule 501 of Regulation D promulgated under the Securities Act.

8. DISPUTE RESOLUTION.

The parties hereto agree to resolve any dispute related to or arising out of this Note according to the dispute resolution procedures set forth in the “Binding Arbitration”, “Class Action Waiver”, and “Exceptions to Arbitration” sections of the CNote Terms of Use available at www.mycnote.com (the “CNote Terms”), which terms are incorporated by reference herein.

Although the Lender will be subject to the arbitration provisions of the CNote Terms, the arbitration provisions do not preclude the Lender from pursuing claims under the U.S. federal securities laws in federal courts. THE ARBITRATION PROVISIONS OF THE CNOTE TERMS ARE NOT INTENDED TO BE DEEMED A WAIVER BY THE LENDER OF THE COMPANY’S COMPLIANCE WITH THE U.S. FEDERAL SECURITIES LAWS AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER. THE ARBITRATION PROVISIONS OF THE CNOTE TERMS DO NOT APPLY TO CLAIMS BROUGHT UNDER THE EXCHANGE ACT AND SECURITIES ACT.

THE WAIVER OF THE RIGHT TO CLASS ACTION CONTAINED IN THE CNOTE TERMS IS NOT INTENDED TO BE DEEMED A WAIVER BY THE LENDER OF THE COMPANY’S COMPLIANCE WITH THE U.S. FEDERAL SECURITIES LAWS AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER. THE CLASS ACTION WAIVER PROVISION OF THE CNOTE TERMS DOES NOT APPLY TO CLAIMS BROUGHT UNDER THE EXCHANGE ACT AND SECURITIES ACT.

9. GOVERNING LAW; VENUE.

(a) This Note shall be governed by the laws of the State of California, without regard to conflict of law provisions. In the event that the dispute resolution procedures in Section 8 are found not to apply to a given claim, any judicial proceeding will be brought in the state courts of San Francisco County, California. Both parties hereto consent to venue and personal jurisdiction there.

(b) THIS EXCLUSIVE FORUM PROVISION WOULD NOT APPLY TO SUITS BROUGHT TO ENFORCE A DUTY OR LIABILITY CREATED BY THE SECURITIES ACT, EXCHANGE ACT OR ANY OTHER CLAIM FOR WHICH THE U.S. FEDERAL COURTS HAVE EXCLUSIVE JURISDICTION.

10. MISCELLANEOUS.

This Note shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither parties hereto may assign its rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of the other party, except that the Borrower may assign this Note in its entirety, without consent of the Lender, to its parent, subsidiary, or affiliate or in connection with a merger, acquisition, corporate reorganization, or sale of all or substantially all of its assets. This Note and the CNote Terms set forth the entire agreement and understanding of the parties hereto relating to the relationship between the Lender and the Borrower and supersedes all prior or contemporaneous discussions, understandings, and agreements, whether oral or written, between the parties hereto relating to the subject matter of this Note. No terms in this Note may be changed except by an amendment or separate agreement executed in writing by an authorized representative of both parties hereto. Failure by either party hereto to enforce its rights under this Note shall not be deemed to constitute a waiver of its rights to enforce the same or any other provision under this Note. No waiver shall be effective unless made in writing and signed by an authorized representative of the waiving parties hereto. If one or more provisions of this Note are held to be unenforceable under applicable law, such provision shall be excluded from this Note, and the balance of the Note shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

[Remainder of the page intentionally left blank; signature page follows.]

THE PARTIES HERETO HAVE READ AND UNDERSTOOD THE TERMS OF THIS NOTE AND AGREE TO THEM AS OF THE EFFECTIVE DATE WRITTEN ABOVE.

THE BORROWER:

CNote Group, Inc.

By:

Name:

Title:

THE LENDER:

Name: _____

(Signature)

Name of Authorized Representative (if an Entity):

Address:

EXHIBIT C - FORM OF SUBSCRIPTION AGREEMENT

SUBSCRIPTION AGREEMENT

Date:

CNote Group, Inc.
2323 Broadway
Oakland, CA 94612

Ladies and Gentlemen:

The undersigned investor (“Investor”) hereby tenders this Subscription Agreement (the “Agreement”) in connection with such Investor’s purchase, in accordance with the terms hereof, of a promissory note or notes in substantially the form attached hereto as Exhibit A (the “Notes”) from CNote Group, Inc., a Delaware corporation (the “Company”).

1. Subscription. Subject to the terms and conditions hereof, Investor hereby irrevocably subscribes for Notes in the amount set forth on the signature page hereto, which is payable as described in Section 2. 2. Acceptance of Subscription and Issuance of Notes. The Company shall have the sole right, at its sole and absolute discretion, to accept or reject this subscription, in whole or in part, for any reason.

(a) Investor will not be deemed to have purchased any Notes unless and until such time as all of the following conditions have occurred: (i) this Agreement and such other documentation as may be requested by the Company has been duly and validly executed by Investor, delivered to the Company and accepted by the Company, and (ii) the purchase price for the Notes has been delivered pursuant to instructions provided by the Company.

(b) Investor agrees to pay to the Company the aggregate purchase price for the Notes in the amount set forth on the signature page attached hereto by (i) check payable to the Company, (ii) bank or wire transfer in readily available funds in accordance with the Company’s instructions, (iii) cancellation of indebtedness of the Company or (iv) any combination of the foregoing.

3. Representations, Warranties and Covenants of Investor. Investor hereby represents and warrants to the Company::

(a) Investor acknowledges that the Notes (i) have not been registered under the Securities Act of 1933, as amended (the “Securities Act”) or under the securities, “blue sky” or other similar laws of any state in the United States of America (“State Securities Laws”), and (ii) will be subject to restrictions on transfer as set forth in this Agreement, the Notes, the Securities Act, and any other documentation requested by the Company;

(b) Investor will not sell, transfer, pledge, donate, assign, mortgage, hypothecate or otherwise encumber (each a “Transfer”) the Notes unless (i) the Company is reasonably satisfied that any such Transfer complies with all applicable securities laws, (ii) the Company consents in writing to any such Transfer, and (iii) any buyer, transferee, pledgee, donee or assignee, respectively, shall agree in writing to be bound by the terms hereof prior to any such Transfer. Any such recipient of the Notes is referred to herein as a “Transferee”, and the Transferee shall be entitled to the benefits of this Agreement and to enforce this Agreement against the Company as if the Transferee were Investor;

(c) Investor acknowledges that there is no public market for the Notes, that no market may ever develop for them, and that they have not been approved or disapproved by the Securities and Exchange Commission or any governmental agency;

(d) Investor hereby acknowledges (i) receipt and careful review of this Agreement and the exhibits hereto (collectively referred to as the “Offering Materials”), and (ii) that Investor has not relied on any information or representations with respect to the Company or the purchase of the Notes (including, without limitation, any information available on the Company’s website) other than the Offering Materials and any written information delivered specifically to Investor by Company’s management in response to a request for information by Investor;

(e) Investor recognizes that (i) an investment in the Notes involves the risk of loss including, without limitation, the principal of the Note, and (ii) no assurance or guarantee has or can be given that an investor in the Company will receive a return of his, her or its capital or realize a profit on Investor’s investment;

(f) Investor (i) is an “accredited investor” as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act; (ii) is a sophisticated investor with such knowledge and experience in financial and business matters that he, she, or it are capable of evaluating the merits, risks and suitability of investing in the Notes; (iii) is able to bear the economic risks of an investment in the Notes, including an entire loss of such investment; and (iv) that he, she or it will not experience personal hardship if such a loss occurs;

(g) Investor is purchasing the Notes solely for his, her or its own account for investment, not for the account of any other person, and not with a view to, or for, any resale, distribution or other transfer thereof;

(h) Investor acknowledges that the Company makes no representation as to the merits of an investment in the Notes, and that the Company has not provided the Investor with any legal, business, tax or other advice in connection the offering or its potential purchase of the Notes;

(i) Investor acknowledges that with respect to any forecasts, projections of results and other forward looking statements and information provided to Investor as part of the Offering Materials, such statements were prepared based upon assumptions deemed reasonable by the Company at the time of preparation. There is no assurance that such statements will prove accurate, and the Company has no obligation to update such statements;

(j) None of the money used to purchase the Note was derived from or related to any activity that is illegal under United States law, and Investor is not on any list of “Specially Designated Nationals” or known or suspected terrorists that has been generated by the Office of Foreign Assets Control of the United States Department of Treasury (“OFAC”), nor is Investor a citizen or resident of any country that is subject to embargo or trade sanctions enforced by OFAC; and

(k) Investor has not entered into any agreement to pay any broker’s or finder’s fee to any person with respect to this Agreement or the transactions contemplated hereby.

4. Limitation of Liability. THE COMPANY WILL NOT BE LIABLE TO YOU FOR ANY LOST PROFITS OR SPECIAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES, EVEN IF INVESTOR NOTIFIES COMPANY OF THE POSSIBILITY OF SUCH DAMAGES. COMPANY’S MAXIMUM LIABILITY SHALL BE THE AMOUNT OF THE NOTES. THE FOREGOING LIMITATION OF LIABILITY DOES NOT APPLY TO CLAIMS ARISING UNDER THE FEDERAL SECURITIES LAWS.

5. Electronic Delivery. Investor consents to electronic delivery of all documents, notices, and other

information, including but not limited to tax documents. You will contact us by email at support@mycnote.com. We will contact you by email at the email address you provided the Company. Either of us may change our email address by notifying the other. Any notice will be considered to have been received on the day it was sent by email, unless the recipient can demonstrate that a problem occurred with delivery.

6. Survival. All representations, warranties and covenants contained in this Agreement shall survive the acceptance of the subscription by the Company and the consummation of the subscription.

7. Waiver, Amendment. Neither this Agreement nor any provisions hereof shall be amended or waived except either (a) with the written consent of the Company and the holders of a majority of the principal amount of Notes then outstanding or (b) in a writing by the party or parties against whom such amendment or waiver is sought to be enforced.

8. Successors and Assigns. The provisions of this Agreement shall be binding upon and accrue to the benefit of the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

9. Governing Law. This Agreement is to be construed in accordance with and governed by the internal laws of the State of California without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the parties.

10. Entire Agreement. This Agreement and the Notes constitute the entire agreement between the parties regarding the subject matter contained herein and supersedes all prior or contemporaneous agreements, representations and understandings of the parties.

11. Counterparts. This Agreement may be executed in two or more facsimiles and/or counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, Investor has executed this Subscription Agreement on the date first written above. By signing below, the undersigned represents that she/he/it is an authorized representative of the Investor with the full power to execute this Agreement on behalf of the Investor and to bind the Investor hereunder.

IF AN INDIVIDUAL:

Signature of Investor

Address of Investor:

Print Name

State of Residency

IF AN ENTITY:

Signature of Authorized Representative

Address of Entity:

Print Name

Entity Name

State of Principal Place of Business

CONSIDERATION TO BE DELIVERED:
Dollar amount of Notes subscribed for:

SUBSCRIPTION ACKNOWLEDGED AND ACCEPTED:

CNOTE GROUP, INC.

By: _____

Name: _____

Title: _____