

CNote®



QUARTERLY
IMPACT
REPORT
Q2 2024



IMPACT SPOTLIGHT

CNOTE BORROWER SPOTLIGHT

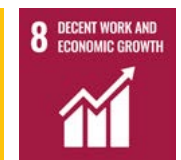
Three Generations of Innovation and Sustainability: Michele Davidson of FTS Lighting Services

FTS Lighting Services, led by Michele Davidson, exemplifies a commitment to sustainability and innovation. As a third-generation, Women-Owned Business, FTS offers comprehensive lighting, recycling, and electrical services, including energy-saving analysis and retrofit installations. The company's legacy dates back to Michele's grandfather, who invented a rejuvenating machine for fluorescent tubes in the 1940s, and her grandmother, who led the business from the early 1950s.

Facing a decline in return business with the rise of long-life LEDs, Michele pivoted towards sustainability initiatives, expanding into markets like EV car charging. In her effort to network and build the brand, Michele was introduced to Pacific Community Ventures (PCV), a CDFI loan fund in CNote's Flagship Fund portfolio dedicated to providing capital and business advisory services to underserved small businesses.

Connecting with PCV's Business Advising program offered Michele invaluable support. Weekly meetings with her advisor helped her build business acumen and navigate a changing business landscape. In 2023, amidst economic uncertainty, Michele applied for a Good & Green loan through PCV. This strategic move provided essential capital, enabling Michele to allocate resources toward working capital, marketing initiatives, and expanding her team. The funding positioned FTS to compete for new contracts involving energy-efficient lighting installations, as California building owners prepare to comply with the State's upcoming mandate. Michele also hired new employees from the State of California WorkForce Program, reflecting her commitment to community empowerment. Michele's journey underscores the transformative impact of strategic partnerships and mentorship, highlighting her resilience and how community actors can come together to make a positive change for the environment and the communities FTS serves.

Read the full story [here](#).



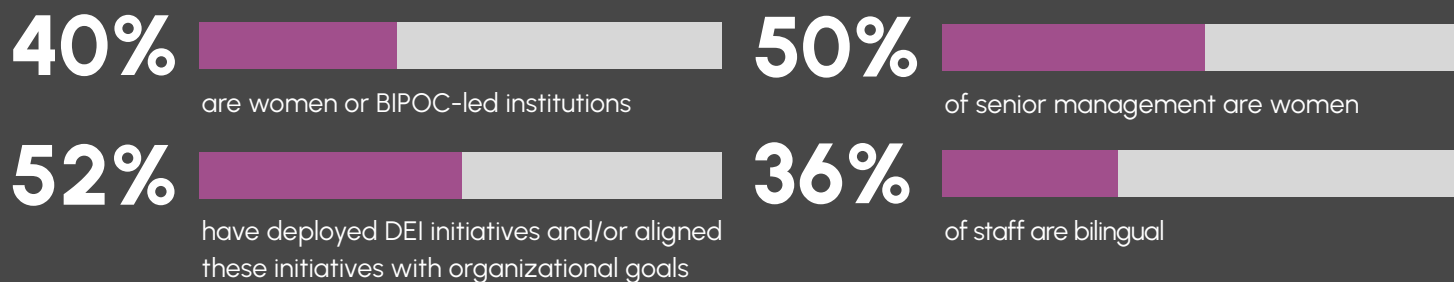
GENERATING IMPACT

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

Assessing Impact Through Diversity, Equity, and Inclusion

CNote's impact framework, developed to assess and report on the positive impact made by community financial institutions (CFIs), includes a key category: "diversity, equity and inclusion." This category looks at how CFIs consider and promote diversity, equity, and inclusion as part of the governance of their institution. We track how institutions improve on stated DEI goals over time and seek institutions with diverse board and management teams and those working to integrate DEI initiatives into their strategic plan and goals.

CNote's impact-driven bank and credit union partners:



These figures stand in stark contrast to the overall financial services industry. According to Deloitte, women occupy **only 18% of C-suite positions globally in financial services**, a number projected to struggle to reach 25% by 2031. Furthermore, while 60% of organizations report having a DEI strategy, **only 28% hold C-suite executives accountable for progress** against these strategies. This underscores CNote's substantial commitment to diversity and inclusion, highlighting significant progress in areas where the broader industry continues to face challenges.



CLIENTS WITH HEART

Climate and Green Financing is essential as it addresses the disproportionate impact of climate change on underserved communities. These communities often lack access to affordable, climate-friendly financing options that could lower energy costs, enhance resilience, and promote renewable energy and efficiency efforts. Mission-driven financial institutions are stepping up to fill this gap with responsive and affordable green financing solutions, ensuring all communities can benefit from the transition to a sustainable future.

In April 2024, CNote introduced Climate Cash™, designed to transform idle cash in conventional bank accounts or money market funds into a force for environmental good. By placing deposits into a network of mission-driven banks and credit unions via Climate Cash, corporations and institutions:

- Deploy cash to combat climate change especially the impact on underserved communities.
- Advance sustainability goals with a transparent and accountable method.
- Safeguard every dollar deposited with FDIC or NCUA insurance.
- Earn competitive returns with flexible terms.

Climate Cash™ supports initiatives like installing affordable solar power in low-income communities, funding energy-efficient appliances and green building upgrades, and providing financing for electric vehicles. This approach represents a significant opportunity to scale impact in communities and for the planet. In 2023, a subset of CNote's depository network originated over \$150 million in green financing loans. Currently, over 350 CDFI, credit union, and MDI lenders offer green lending products, with more establishing new programs daily. As more investors embrace this model, its scalability and impact potential grow.

Climate Cash™ was designed with corporations pioneering climate finance. We've been excited to see that large, sustainability-focused companies have already stepped in to use the deposit solution to pursue their net-zero commitments and combat climate change, demonstrating their commitment to environmental sustainability and social justice.



FIXED INCOME SOLUTIONS

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

CNOTE BORROWER SPOTLIGHT

Empowering Women Entrepreneurs: OurPlace Residential Services and Meda

Over their careers as inpatient nurses, Murwo Elmi, Ikraan Abdulle, Farhia Abdulahi, and Faiso Abdulle saw patients repeatedly struggle after discharge due to a lack of community support. In 2017, these Somali-born nurses decided to address this problem by creating OurPlace Residential Services, a community space fostering healing, independence, and stability. Their goal was to provide marginalized patients with long-term, stable homes and comprehensive community support.

However, securing the capital necessary to acquire and renovate an apartment building was a significant challenge. Multiple banks turned them away due to insufficient collateral and capital. Their breakthrough came when they connected with Patrick Pariseau at the Metropolitan Economic Development Association (Meda), a Minneapolis-based CDFI dedicated to supporting BIPOC entrepreneurs.

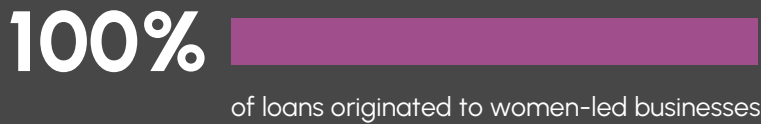
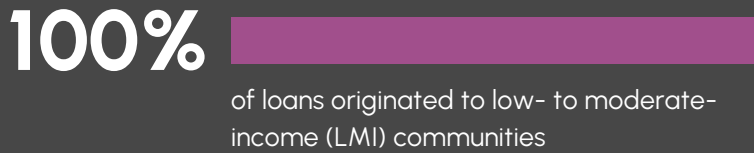
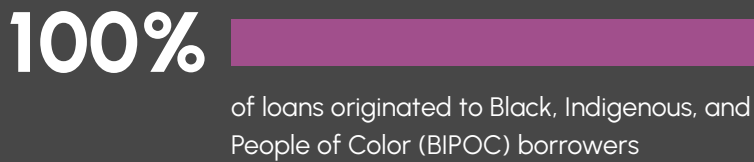
Meda's creative lending philosophy and commitment to community revitalization made them an ideal partner. Meda placed less emphasis on traditional credit scores and more on the character and scalability of the business. They located a promising apartment building and provided the financial support needed for its acquisition and renovation. Thanks to Meda, OurPlace Residential Services is on track to open its building to its first 14 clients later this year. The team has already grown to 15 direct support staff members, with plans to expand further. Their long-term goal is to eliminate housing instability and homelessness by replicating their model across the Twin Cities metropolitan area.

"OurPlace Residential Services will continue to rely on and collaborate with community partners like Meda," said Murwo. "We couldn't have done it without Meda taking that chance on us. They made this happen."



Read the full story [here](#).

CDFI loan funds used fixed income capital from CNote investors to support the following lending activity in Q1 2024:



Loans originated since 2017 have resulted in:



CDFIs and Climate Action: Transforming Communities with the Greenhouse Gas Reduction Fund

CDFI loan funds have been pivotal in advancing climate finance. As of 2023, 55% of CDFIs were operating green lending programs, underscoring their role in promoting sustainable development and environmental stewardship. This effort is set to expand significantly with the introduction of the Greenhouse Gas Reduction Fund (GGRF), a \$27 billion federal initiative under President Biden's Inflation Reduction Act and managed by the EPA. The GGRF aims to finance projects that reduce greenhouse gas emissions and air pollution, particularly in low-income and disadvantaged communities.

The GGRF includes the Clean Communities Investment Accelerator (CCIA), which focuses on capacity building and technical assistance, providing financial resources to help community lenders effectively deploy clean energy projects.

- Includes comprehensive training, market analysis, and development of new financial products tailored to clean energy projects. Also supports pre-development activities such as site and building assessments, design and engineering support, and more.
- Ensures community lenders receive the necessary training and resources to expand their green lending capabilities, fostering sustainable community development.

To enable an equitable transition, it's crucial to ensure that climate finance directly benefits communities on the ground. By harnessing the momentum of climate finance, CDFIs can drive tangible change in people's lives, creating economic opportunities for families and investing in infrastructure focused on those often left out or left behind.

Key Grantees Focused on this effort include:

Opportunity Finance Network (OFN) and **Inclusiv** were awarded \$2.29 billion and \$1.87 billion, respectively to provide capital and capacity building to their networks of community finance entities, including CDFIs and credit unions.

Justice Climate Fund: Awarded \$940 million, to deliver clean energy-focused capital and capacity building to a national network of community lenders.

Appalachian Community Capital (ACC): Awarded \$500 million to establish the Green Bank for Rural America, investing in coal, energy, underserved rural, and Tribal communities.

Native CDFI Network: Awarded \$400 million to address capital access challenges in Native communities.

Wisdom Fund Updates

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

In April of 2024 CNote fielded a survey of Wisdom Fund Collaborative members to assess the collaborative goals listed below. The goals were rated relevant or very relevant by 100% of respondents indicating a continued strong support for the Wisdom Fund's work.

- Increase capital access and deployment to women of color
- Increase the number of "better designed" products for women of color borrowers
- Support the hypothesis that lending to women of color presents no greater risk to lenders and investors

CNote is proud to welcome **AltCap**, a CDFI Loan Fund headquartered in Kansas City, Missouri into the Wisdom Fund. AltCap's mission is to be a catalyst for investment in capital and resource starved communities in Kansas and Missouri through the delivery of accessible and innovative financial products, targeted small business and economic development programming, and the development of strategic partnerships that promote equitable and inclusive economic growth.



AltCap is focused on serving under-resourced communities and business owners including BIPOC, LMI and women. In its 17 years of community development finance experience, AltCap has deployed nearly \$30MM in capital to job-creating small businesses and catalytic real estate development projects.

AltCap has a culture of innovation in order to remain responsive to the underserved borrowers and communities it serves, including women of color entrepreneurs. A major barrier for women of color entrepreneurs accessing capital remains collateral requirements (**as documented in CNote's earlier research**). AltCap has a history of piloting product types and features that address the lack of collateral for women of color entrepreneurs.

IMPACT CASH®

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

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

\$7B

toward lending to BIPOC borrowers

\$10B

toward lending to LMI communities

72%

of assets deployed in community as loans

61%

of branches in under-resourced areas

CNote's Sustainability and Climate Impact Cash

\$200M

in green financing since January 2023

40%

offer green financing or natural disaster lending

CNOTE PARTNER SPOTLIGHT

Energy Efficiency Loans: Helping Low-Income Vermonters Save Money and Combat Climate Change



In July 2023, Vermont faced catastrophic flooding, leaving many low-income residents struggling with uninsured damages. Opportunities Credit Union, with its motto “we don't say ‘no,’ we say ‘when,’” stepped in to help. As a certified Community Development Financial Institution (CDFI), Opportunities Credit Union has been dedicated to improving the financial stability of community members across Vermont for 35 years, offering innovative and affordable loan programs.

For over 15 years, Opportunities Credit Union has worked with partners like Vermont Energy Investment Corporation to deploy energy improvement loans. One significant partnership is with Efficiency Vermont's Efficiency Excellence Network, which helps offer Home Energy Loans. These loans provide up to \$20,000 in financing for heating and home efficiency upgrades, with interest rates as low as 0% APR based on a sliding scale. The quick loan application process and additional rebates make these loans beneficial for low-income Vermonters.

Opportunities Credit Union also offers energy-efficient appliance loans, Citizenship Loans, BIPOC business loans, and electric bike loans, all with interest rates as low as 0%. These zero-interest loans are made possible through grant dollars accessible to the credit union as a CDFI. This unique position allows Opportunities Credit Union to receive and administer grant dollars, cementing its reputation as both a community financial institution and a grant recipient institution.

In the aftermath of the Great Vermont Flood of 2023, Opportunities Credit Union continues to establish new collaborations to deploy loans for energy improvements. This effort helps Vermonters rebuild to be more impervious to future floods and lower their energy costs. The CDFI's flood response deepened its commitment to addressing climate change while serving low-income individuals. It's also one of the reasons why the credit union became a CNote Climate Cash™ partner.

Read the full story [here](#).



“At Opportunities Credit Union, all of the home improvement loans we’ve made in recent history have been for energy improvement,” said CEO Kate Laud. “Low-income people aren’t trying to be the first to have geothermal wells or solar panels; they’re trying to save money. That’s what leads them to energy efficiency—that’s what leads them to us.”

Mastering Impact Storytelling: Insights from CU Impact 2024



At CU Impact 2024, Matthew Stratford, CNote's Marketing Manager, led a session titled "Engage, Connect, Grow: The Art of Impact Storytelling." This session highlighted the importance of storytelling for mission-driven depositories, focusing on how narratives can shape perceptions and drive engagement. While the conference targeted a credit union audience, Matt's insights are relevant for all impact-driven banks and credit unions aiming for growth.

Matt emphasized that effective impact storytelling helps members and prospective members remember a financial institution accurately, guiding them toward the products and services that best meet their needs. He encouraged attendees to start small and gradually build their storytelling efforts, noting that even modest beginnings can be valuable. Additionally, he stressed the importance of strategically distributing stories through various channels to maximize reach and impact. Key Grantees Focused on this effort include:

Impact storytelling helps credit unions build their brand and foster deeper connections with members. Sharing tangible stories of member support communicates the institution's mission and values effectively.

Attendees were advised to begin with simple efforts like member testimonials, which can evolve into detailed stories about specific benefits, customer journeys, and the credit union's overall impact.



Utilizing various platforms—such as email campaigns, impact reports, websites, landing pages, SEO-optimized blog posts, printed materials, and social media—ensures stories reach the intended audience. Tailoring content to the audience and desired outcomes enhances engagement and visibility in the community.

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

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

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

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

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

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

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