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Dear Friends and Colleagues:

This report summarizes Living Cities Blended Catalyst Fund’s (“BCF” or the “Fund”) activities during its seventh year of operations, from July 1, 2021, through June 30, 2022 (FY22).

We thank you for your support and are excited to explore and share lessons learned as our portfolio continues to mature. The BCF portfolio is a truly beautiful collection of investments that work to test innovative investment approaches to address the racial wealth gap, shift power within capital systems, and achieve better outcomes for all people in U.S. cities. The latter half of the BCF investments focus on seeking to close racial wealth gaps, specifically by lending to organizations and intermediaries that are:

1. Managed and/or owned by people of color,
2. Finding alternative ways to create income and wealth-building opportunities for people of color, primarily by providing increased access to capital, or
3. Building the ecosystem for entrepreneurs and fund managers of color.

Additionally, the Living Cities Catalyst Funds were named to the ImpactAssets 50 (IA50), an impact investing showcase featuring fund managers that deliver social, environmental, and financial returns, for the eleventh consecutive year in March 2022. The IA50 is the first open-source, publicly published database of exceptional impact investing fund managers. Living Cities has been included in the IA50 every year since IA50’s inception.

We look forward to connecting with many of you virtually during our Annual Risk Rating meeting on November 17, 2022. In the meantime, we appreciate your commitment to the Blended Catalyst Fund and the communities we serve. Please feel free to contact us if you have any questions or comments.

The Living Cities Blended Catalyst Fund Team

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**FUND STRUCTURE**
Structured Debt Fund

**VINTAGE YEAR**
2015

**BLENDED CATALYST**

**FUND SIZE**
$36.9MM

**COMMITTED CAPITAL**
$33.5MM

**DEPLOYED CAPITAL**
$25.28MM

**GEOGRAPHY**
National

**PURPOSE**
Further the mission of Living Cities

**LEVERAGE RATIO**
14.5x

---

Our $25.28MM of investment dollars deployed has leveraged 14.5x in additional capital, or $366.24 million.

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**DOLLARS DEPLOYED BY SECTOR**

- Real Estate/Housing ($9.50MM)
- Small Business ($9.95MM)
- PE/VC ($2.75MM)
- Employee Ownership ($500K)
- Pay for Success ($2.58MM)

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**Dollars Deployed by Geography**

- Dollars Deployed by State
  - $14,683,056.07
  - $11,183,056.07

---

56% of dollars deployed into investments focused on specific geographic areas (cities or states)
Impact Infographics

11th year named to Impact Assets 50

58% of investments committed to BIPOC fund managers or BIPOC led organizations

63% of AUM of investments deployed by borrowers to BIPOC founded/led companies or into BIPOC communities

Metrics reported are based on internal analysis and borrower reporting. These metrics reflect performance as of 6/30/2022. Qualitative data was collected from borrower reporting and from borrowers themselves. While our investments are a crucial portion of our borrowers’ financing, it is important to note that this impact was not financed solely by our capital, and we do not take credit for the full impact reported in this report. As part of our data collection process, we include a request for demographic data. The categories included in BIPOC include: Asian or Asian American, Black or African American, Hispanic/Latinx American, Middle Eastern/North African, Native American/American Indian/Alaskan Native, Native Hawaiian/Pacific Islander, and Multi-racial or multi-ethnic. We acknowledge and reinforce that race, ethnicity, and gender are singular elements of identity, and not all people of the same race, ethnicity, or gender have the same lived experiences.

Percentage of transactions with co-investors who have not previously invested alongside Living Cities (target: 75%)

Percentage of transactions with co-investors who have not previously invested in the way they are investing (target: 25%)

Percentage of transactions involving public sector partners (target: 25%)

225+ UNDERLYING INVESTMENTS

950+ JOBS CREATED

3,800+ PEOPLE PROVIDED WITH SOCIAL SERVICES
INVESTMENT OVERVIEW & INNOVATION:

1863 Ventures Fund I is a nationally focused hybrid fund that seeks to close the “friends and family” financing gap for high-growth, early-stage businesses founded by entrepreneurs of color by providing flexible, culturally competent, non-extractive capital.

1863 Ventures is a nonprofit based in Washington, D.C. founded by Melissa Bradley and Art Stevens that has created a series of business development programs that have scaled nationally over the past five years. It has collected data on how best to support entrepreneurs of color, built deep relationships with founders across the country, and sought to understand what capital gaps exist in the market.

1863 explores the use of an alternative investment structure, Revenue-Based Financing, or RBF, which is a promising substitute for venture capital and bank loans. RBF is a non-dilutive alternative funding model that mixes some aspects of debt and equity, and that can be acquired quickly and repaid based on monthly or annual recurring revenue. RBF is structured as a loan, but returns are tied directly to the company’s performance, which is more like equity. There is no dilution of ownership and control, and the structure of the loan incentivizes investors to help the company grow.

IMPACT UPDATE:

1863 Venture Fund I has made over $2 million of investments to date across 13 portfolio companies. The portfolio contains a combination of debt, equity, and RBF investment structures. The current portfolio is 100% Black or African American owned businesses, 92% of businesses are women-owned. Since 1863’s investments, these portfolio companies have grown by hiring additional FTEs, raising more funds, and expanding service offerings among other achievements.

Using lessons learned so far, 1863 has expanded portfolio management capabilities to better serve their investees and assist with strategy in the wake of COVID-19. Portfolio companies have access to 1-on-1 curated supported through bi-weekly meetings with the Operations Partner at the Fund. Comments from investees in the latest impact report show 1863 is a valued partner for both their capital and technical assistance contributions to these firms.
INVESTMENT OVERVIEW & INNOVATION:

The Blackstar Stability Distressed Debt Fund (the “Fund”) is a joint-venture partnership between Blackstar Real Estate Partners and Stability NW, LLC. The Fund seeks to promote wealth creation for people of color through homeownership, and to undo the harm of predatory lending practices and products which have rendered such wealth accumulation by these groups difficult.

The investment thesis of the Fund is to purchase nonperforming loans and predatory contract-for-deed (“CFD”) assets at a discount, with the intent to restructure the assets into conventional, market-rate, performing mortgages. The restructuring allows the individual homeowner to equitably participate in the residential mortgage market in a manner that promotes wealth creation. The Fund plans to hold the mortgages for up to 12-18 months; once they have been seasoned, the Fund will sell the performing mortgages in the open market as its exit strategy.

IMPACT UPDATE:

The Fund seeks not only to achieve attractive risk-adjusted returns, but also to stabilize families and neighborhoods by facilitating the ownership of affordable single-family housing, keeping families in their homes, and attacking predatory lending practices.

As of June 2022, the Fund had converted 59 CFDs into traditional mortgages and holds 90 CFDs and lease-to-own agreements that it is in the process of converting. These figures far exceed the 50 CFD purchases and conversions the Fund originally targeted. The Fund has originated 64 mortgages in total, with average monthly payment reductions for homeowners of 29%, and has transferred $2.0 million of equity to homeowners. Furthermore, the Fund has forgiven more than $79,000 in late fees and arrearages, which equates to an average of 3% of new mortgage balances. These substantial figures offer homeowners the potentially transformative impact of both short-term monthly budget savings and long-term wealth accumulation.

In addition to its core activities, over the past year, the Fund has piloted a deferred maintenance program focused on repairs and replacements needed to originate new mortgages or to address safety issues, such as roofing, plumbing, siding, and electrical systems, further empowering low-income homeowners to stay in their homes.

The Fund continues to have success fundraising and had a fund size of $45.3M as of 6/30/2022 ($35.3M above the initially anticipated raise) with additional equity investments anticipated to close during the second half of 2022.
INVESTMENT OVERVIEW & INNOVATION:

In April 2017, the Blended Catalyst Fund closed a $2.5MM loan to Reinvestment Fund (RF) for the Central Baltimore Future Fund (CBFF), formerly the Baltimore Homewood Community Partners Initiative Development Fund. The CBFF is a $10MM debt pool on RF’s balance sheet used for loans that advance the work of Living Cities’ Baltimore Integration Initiative by financing revitalization projects in ten Baltimore neighborhoods near Johns Hopkins’ Homewood Campus.

CBFF advances the Baltimore Integration Initiative’s goal for all anchor institutions in Baltimore to implement economic inclusion policies and practices. The Baltimore Integration Initiative, led by the Baltimore Integration Partnership (BIP), was launched in 2011. It supports anchor institutions so that they are able to develop policies and practices that prioritize inclusive local hiring. The BIP has further refined its goal to connect low-income Baltimore residents, who are predominately African American, to economic opportunity. CBFF-funded projects, which incorporate inclusive hiring and hiring goals, will deliver results for the BIP.

IMPACT UPDATE:

To date, CBFF has made loans to eleven projects totaling almost $10 million. The Fund targets small commercial and non-profit use projects including single-family housing and mixed-use commercial spaces for arts and theater, mental health services, and co-working.

Construction is complete for all investments and nearly 15% of all construction costs were directed to MBE contractors. The projects have created a total of 17 home-ownership units, 203 rental units, 46,000 square feet of retail space, and 159,000 other mixed-use square feet.

The Fund has been able to support the Central Baltimore neighborhoods in other ways as well throughout the investment period. During the COVID-19 pandemic the Fund was patient with its capital allowing some borrowers to defer payments and rework terms as appropriate. The Fund’s flexibility during this time ensured that projects were to weather the storm and finish development. The explicit focus on Central Baltimore has allowed the Fund manager, Reinvestment Fund to deepen relationships in the area and build strong partnerships with other local institutions especially as it pertains to business development.
INVESTMENT OVERVIEW & INNOVATION:

The ChicagoTREND Corporation ("TREND") is a benefit corporation which catalyzes, accelerates, and finances strategic commercial development to strengthen communities. Co-founded in 2016 by Lyneir Richardson and Robert Weissbourd, the firm seeks to drive inclusive growth by working with investors, developers, and local leaders to identify and facilitate development that move overlooked and undervalued neighborhoods forward.

TREND’s investment thesis is principally focused on strategic commercial real estate investments in underserved communities of color, in which it seeks to partner with a range of community stakeholders to understand the challenges, opportunities, and priorities of the communities in which it works.

The loan from BCF supports the acquisition of community shopping centers in partnership with Black entrepreneurs and will catalyze a significant community development initiative of TREND to directly address the racial wealth gap in America.

IMPACT UPDATE:

As of June 2022, TREND has acquired two urban shopping centers using the loan from BCF – one in a rapidly gentrifying neighborhood of Chicago and the other in a low-income neighborhood of Baltimore.

Through its investment in the shopping center in Chicago, TREND will work to preserve quality commercial space for local businesses. With the shopping center in Baltimore, TREND’s initial focus was on improving the experience for shoppers and residents in the area, which it accomplished in part with a $100,000 grant. TREND is now working to attract beneficial tenants to the shopping center to improve retail amenities available to local residents.

TREND financed the purchase of the Baltimore property in part through a unique capital structure that brought 123 Black, local, and other small impact investors into the ownership structure with a 49% ownership interest. These smaller investments both create pride in the community and the opportunity for small-dollar investors to financially benefit through stewardship of the property.
INVESTMENT OVERVIEW & INNOVATION:

BCF made a $2.5MM loan to CNote’s Wisdom Fund in November 2020. CNote is an Oakland, CA-based women-owned fintech company and impact investing platform launched in 2016 by co-founders Catherine Berman and Yuliya Tarasava. CNote is focused on creating impact through new financial products built in collaboration with CDFIs and aligned investors to bring greater financial opportunity and equality to overlooked and underserved communities.

The Wisdom Fund (the “Fund”) is a managed account at CNote that functions as both a capital source and a learning collaborative to CDFIs focused specifically on lending to women of color. The structure, created based on CDFI feedback, allows CNote to scale as needed, by raising capital on a rolling basis and deploying it as soon as they receive it. For CDFIs, receiving capital as they need it provides flexibility, the ability to control costs, and better operational insight.

The Fund makes senior, general obligation loans to its CDFI partners which have been intentionally sought out for being in regions with the fastest growing number of women-led businesses and include organizations such as TruFund, based out of New York; LIFT Fund, based out of Texas; Carolina Small Business Development Fund, based out of North Carolina; and CDC Small Business Finance, based out of California.

A key element of the Wisdom Fund lies in the collaborative learning and data-sharing function of the partnership. The Wisdom Fund provides members with an opportunity to aggregate data across multiple entities to identify gaps and collectively solve for the fact that less than 5% of small business lending dollars flow to women, despite the fact that women have proven to have higher repayment rates and stronger financial performance than their male counterparts.

IMPACT UPDATE:

CNote’s fintech platform and ability to aggregate capital, particularly from nonaccredited retail investors, have made it a unique firm and capital source in the market. In June 2021, PayPal announced a $135MM deposit into mission-driven financial institutions and management funds that help underserved communities of colors to fight barriers to economic equity, including CNote’s Wisdom Fund. With this influx of low-cost capital to the Fund, BCF was repaid in full in September 2021.
INVESTMENT OVERVIEW & INNOVATION:
The BCF investment to the Denver Supportive Housing Social Impact Bond Initiative (“Denver SIB”) aims to break the pernicious homelessness-jail cycle by providing permanent affordable housing and intensive case management to chronically homeless individuals.

During project development, analysis of city data demonstrated that a number of chronically homeless individuals in Denver were getting arrested eight or more times each year and engaged in a perpetual homelessness-jail cycle. In total, the City of Denver estimated it spends ~$7.3MM a year on serving individuals caught in the homelessness-jail cycle without helping them achieve a better quality of life.

Denver SIB was the first Pay for Success transaction in the U.S. structured without any subordination, which was interpreted as evidence of the market’s increasing comfort with the PFS structure. The transaction has become a leading example of the effectiveness of permanent supportive housing in breaking the homelessness-jail cycle, and how cities and counties can utilize innovative cross-sector partnerships to make permanent housing more widely available to their constituents.

IMPACT UPDATE:
Based upon the success level of the project, as evaluated by Urban Institute, the City of Denver ultimately paid out $9.64MM in success payments in 2021, representing a $1.04MM return on their investments – including a $5.10MM payment for the jail days trance, which BCF was invested in. The project provided promising evidence that it helped participants get and stay in housing performing in line with expectations and consistent with past research.

In 2018, the City of Denver finalized a contract to scale the Denver SIB efforts to house an additional 75 participants. This is particularly notable because it is the first project domestically to be taken up directly by the government partner. One of the critical questions with PFS is whether or not next steps will be taken after the project to institutionalize any positive impacts. The purpose of a PFS project is often to mitigate the risk to government by providing a proof of concept for a specific intervention. The fact that the City of Denver is willing to pay directly for the wrap-around services needed to implement permanent supportive housing—prior to final outcomes being evaluated—is noteworthy, and provides a model for other cities, counties, and states involved with PFS to follow.
Investment Profile

Detroit Community Loan Fund

INVESTMENT OVERVIEW & INNOVATION:

The Detroit Community Loan Fund (“DCLF” or the “Fund”) is a $2MM pool of capital that provides loans to small and growing businesses that are largely owned by entrepreneur of color in Detroit. The Fund provides micro-loans ($5,000 to $50,000) to enterprises in underserved neighborhoods that typically do not have access to capital that have operated for less than three years and startups with less than $100,000 in annual revenue.

The BCF loan to the Fund builds on Living Cities’ past Integration Initiative in Detroit attempting to provide capital to entrepreneurs, small businesses, and social ventures deemed “high-risk”. The Detroit Development Fund, a nonprofit CDFI established in 1996, manages the DCLF.

The Fund requires eligible borrowers to have a mentoring or technical assistance relationship with DCLF, another community lender, or partnering technical assistance provider to aid in assessing the true level of risk for these borrowers, which the fund partners believe is lower than what is perceived.

IMPACT UPDATE:

During the pandemic, DCLF focused on seeking opportunities to have a greater understanding of the barriers and needs of the aspiring entrepreneur, enhance customer relationships, and provide the tools necessary for customer sustainability, growth, and success.

In this process, DCLF focused its efforts on building microbusiness capacity and infrastructure to support long term business sustainability through technical assistance to businesses in the pipeline and post-loan coaching to existing borrowers. The Fund has provided over 260 hours of inhouse pre-application assistance to over 50 entrepreneurs and over 60 hours of direct inhouse post-loan coaching to 28 borrowers. The Fund has averaged $850K of loan activity to small businesses – 98% to minority owned businesses and 70% to women of color owned businesses.

Due to the unforeseen impacts of COVID-19, DCLF’s deployment pace significantly decreased due to their increased focus on portfolio management given the small business concentration of their lending portfolio. As DCLF adjusted to meet the needs of its borrowers coming out of the pandemic, BCF was repaid in full in November 2021.
**INVESTMENT OVERVIEW & INNOVATION:**

The Domestic Small Cap Pay for Success Fund I (the “PFS Fund”) originates senior loans in Pay For Success (“PFS”) projects across the U.S. that support the scaling of promising policy interventions. PFS projects combine private capital and philanthropic funds to pursue specific social impact outcomes, with return on investment increasing based on the achievement of pre-determined program success targets. The PFS Fund focuses on making investments in “small cap” transactions under $10MM.

At origination, the PFS Fund was intended to serve as a proof-of-concept to help Reinvestment Fund (“RF”) establish a track record and show a demand for such a fund among investors who are new to PFS or impact investing. In addition, as it was the first fund of its kind at the time, the PFS Fund sought to create efficiencies, and potential scale, in the PFS market. Until the PFS Fund’s creation, layers of capital in PFS transactions had been sourced on a deal-by-deal, investor-by-investor basis, creating elongated capital raising cycles and high transaction costs. By organizing capital, the PFS Fund has the potential to mitigate these inefficiencies that make it difficult for the PFS market to grow.

**IMPACT UPDATE:**

To date, the PFS Fund has committed over $7MM to five PFS projects supporting the chronically homeless, decreasing recidivism, and creating sustainable agricultural practices. Three of the projects, which have since been repaid, successfully provided social services to approximately 650-700 people in California.

One of the PFS Fund’s current investments, which closed in September of 2021, is in a Ready to Work Project. This project provides supervised work experience, housing and case management for trainees who are chronically homeless, and may have been previously incarcerated, struggle with drug abuse, or struggle with mental health. As of 6/30/2022, the program has had a total of 50 trainees enrolled and 10 graduates.

The other current investment in the PFS Fund’s portfolio creates sustainable agriculture through the sale of carbon credits. As of 6/30/2022, the borrower has reduced CO2 emissions by 15,749 metric tons, reduced nitrogen runoff by 423,980 pounds, and reduced phosphorus runoff by 18,815 pounds.

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**INVESTMENT TYPE**
- Subordinate loan

**BLENDED CATALYST FUND INVESTMENT**
- $2,000,000

**GEOGRAPHY**
- United States

**PURPOSE**
- Social services, recidivism & chronic homelessness

**YEAR OF INVESTMENT**
- 2017

**EXPECTED IMPACT**
- Investment in four Pay For Success projects
INVESTMENT OVERVIEW & INNOVATION:

Fortis Capital (the “Fund”) is a newly created non-profit lender created in conjunction with the City of Minneapolis (“City”) to increase access to debt on reasonable terms for small and growing businesses owned by entrepreneurs of color. The Fund will purchase non-recourse participations in loans originated by local banks, CDFIs, and other lenders.

The Fund is based on a pre-existing program in Minneapolis, the “2% Loan Program,” which is administered through the City of Minneapolis’s Department of Community Planning and Economic Development. By operating under broader eligibility standards than the City financing program, the Fund is expected to expand the credit box to reach those not served well by existing capital programs.

IMPACT UPDATE:

Fortis Capital is focused on supporting businesses owned by entrepreneurs of color, who, as research has demonstrated, have more difficulty accessing capital than their white peers. Access to capital is not evenly distributed. Entrepreneurs of color face a legacy of structural racism when seeking startup and expansion capital for their small businesses and are less likely to have a network of high-net-worth individuals that they can leverage. This capital gap, amongst many other factors, contributes to the staggering disparities in income and wealth for people of color. This is true nationally, and in Minneapolis as well.

The Fund was established to increase capital access to small businesses in Minneapolis, to increase jobs created or retained, and to improve overall community well-being. The Fund focuses on low-income, high-poverty areas of Minneapolis, including the federally designated Promise Zone in North Minneapolis and Opportunity Zone designated tracts.

Supported by BCF and subordinate financing from the City, the Fund has closed on six loans to six different borrowers since its founding, providing over $1MM to small businesses in the Minneapolis area. Of the funds deployed, 92.6% have gone to Black-owned businesses and 62.8% have gone to woman-owned businesses. These loans will help create an estimated 94 jobs, along with retaining an estimated 98 jobs. To date, loans have supported a commercial construction company, the purchase and rehab of a commercial storefront by a salon business, and the rehab of a bar and restaurant space that will reopen under a new owner.
Founders First Capital Partners, Inc.

**INVESTMENT OVERVIEW & INNOVATION:**

Founders First is a San Diego-based accelerator and investment firm co-founded and led by Kim Folsom, a Black woman, with the mission to increase the number of diverse founder-led businesses generating over $1MM in revenues, creating quality jobs, and increasing wealth in underserved, urban communities.

To achieve these goals, Founders First offers a revenue-based investment platform alongside an advisory services and education component supported by its affiliated non-profit. The RBI platform, also known as revenue-based financing (RBF), provides flexible, non-dilutive growth capital in the form of three to five-year RBI notes, with a 1.5x to 2x cap payback of principal and 5% royalties until the cap is achieved.

At origination, Founders First had a commitment from Community Investment Management for a $100 million credit facility but needed to raise growth capital in order to scale to fully deploy the credit facility.

**IMPACT UPDATE:**

In November 2021, Founders First closed an $11 million Series A round welcoming several high-profile philanthropic organizations such as the W.K. Kellogg Foundation and Pivotal Ventures, a Melinda French Gates company. The Series A closing has allowed Founders First to expand their operations including the addition of new staff members.

As of May 2022, Founders First had closed 22 revenue-based financing deals with 28 additional in underwriting. The portfolio businesses have seen a 65% growth in revenue since investment. These businesses have also created 417 jobs, 52% of which are premium wage jobs. Founders First’s investment has allowed businesses to attract additional capital, raising a total of $26 million across the total portfolio. Founders First’s investees are gaining national attention as well. Three Founders First portfolio companies were named to the 2021 Inc 5000 list which highlights the fastest growing private companies in the U.S.

As of June 2022, more than 89 companies have completed Founders First’s growth accelerator programs. Founders First is also completing the second year of their regional job creator grant program. This program recognizes revenue-generating, diverse-led companies across the 5 regions where Founders First operates.
### INVESTMENT OVERVIEW & INNOVATION:

In October 2020, the Blended Catalyst Fund (BCF) closed a $1MM loan as the lead investor in ICA’s $10MM capital raise. ICA is an Oakland, CA-based 501(c)(3) and Community Development Financial Institution (CDFI) formed in 1996. The organization’s mission is to accelerate high-growth small businesses owned by women and people of color to close racial and gender wealth gaps. ICA accomplishes this by providing 1) advisory services to businesses, primarily through its accelerator program, and 2) convertible note and equity financing to early and growth-stage businesses.

In terms of intended impact, approximately $8MM, or 80%, of ICA’s investments will be allocated toward businesses with annual revenues of at least $500K that are led by or have a workforce comprised primarily of women and people of color; have strong potential for profit and growth; and demonstrated an intention to provide fair and equitable compensation, benefits, and wealth-sharing opportunities for employees.

### IMPACT UPDATE:

Since inception $5.3MM has been deployed out of the $10MM capital pool. In 2021, ICA invested $3.9MM into small businesses. 96% of these investees are owned by women or people of color. ICA has over 800 workers employed with their capital invested as of December 2021. Investments include a convertible note into a Latina-led specialty premium roasted coffee and caffeinated water business and an equity investment into a white-led bread and pastry supplier to grocery stores which primarily hires individuals who cannot find employment because of a previous criminal record into their bakery operations. Portfolio companies saw a 39% increase in revenue and 13% wage growth. ICA has also grown its internal capacity this year, adding four new positions to their team.

ICA has a new product called Seed Capital, a $50,000 investment in early-stage companies that are graduates of The Lab at ICA, which is designed to fill the “friends and family” equity financing gap many small businesses face.

ICA also created a brand-new investment tool in 2021. The ICA Impact Note is designed to help entrepreneurs prioritize the social impacts of their business, such as good jobs, workforce diversity, and employee wealth creation. As companies meet the social-impact milestones they set, investors return equity ownership percentages back to the investees. To magnify impact, ICA has made the Impact Note an open-source investment vehicle. This will allow other capital providers to access the structure of the Note and modify to fit their investment fund.

<table>
<thead>
<tr>
<th>INVESTMENT TYPE</th>
<th>Senior unsecured loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLENDED CATALYST FUND INVESTMENT</td>
<td>$1,000,000</td>
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<tr>
<td>GEOGRAPHY</td>
<td>Bay Area, CA</td>
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<tr>
<td>PURPOSE</td>
<td>Small Business</td>
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<tr>
<td>YEAR OF INVESTMENT</td>
<td>2020</td>
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<tr>
<td>EXPECTED IMPACT</td>
<td>$8MM or 80% of all ICA’s capital invested in minority owned businesses</td>
</tr>
</tbody>
</table>

2022 BCF ANNUAL REPORT – ICA (fka Inner-City Advisors/Fund Good Jobs) | Page 18
Impact Ventures III (City Light)

INVESTMENT OVERVIEW & INNOVATION:
Impact Ventures III ("IV3") is a $57.4MM venture capital impact investment fund that invests in early-stage social enterprises addressing urban issues related to education, safety and sustainability. IV3 is the third fund managed by City Light Capital, a New York-based firm that is led by Managing Partner Josh Cohen and is dedicated to generating both strong financial returns and measurable social impact.

IV3 typically makes initial investments between $1-3MM in the Series A round of its portfolio companies. It also offers smaller investments through its “City Spark” program into pre-Series A companies. City Light deploys these $50,000 seed investments in businesses that it believes are Series A candidates but are still too early for a larger investment, increasing its reach and impact into earlier stage companies.

IMPACT UPDATE:
IV3 invests in companies where there is a direct relationship between financial outcomes and measurable social impact. In reviewing its potential portfolio companies, it identifies who the primary beneficiaries are of its portfolio companies’ products and services which may include Medicaid recipients, seniors, and/or low-wage hourly workers.

Through Q1 of 2022, IV3 has invested $46.6MM in 27 companies, including eight full investments and 19 City Spark investments. In Q1 of 2022, City Light has increased its focus in the environmental sector for its investments, which is now a top sector for its portfolio along with healthcare solutions. Some of the major successes within the portfolio consist of an on-demand mental health coaching service, solar companies with innovative business models, and a rapid response fleet of qualified EMT’s that can be called before calling 911.
Investment Overview & Innovation:

In December 2020, BCF made a loan commitment of $750K to Jacmel Growth Partners, LLC ("Jacmel"). Founded in 2016, Jacmel is a BIPOC-owned private investment firm which promotes employee empowerment by ensuring fair pay, enhancing employee benefits, and providing professional development opportunities at portfolio companies. At underwriting, Jacmel intended to launch its first formal investment fund, which was anticipating a targeted raise of $100MM to further the investment thesis tested by its earlier individual investment activities. Jacmel had previously conducted its investment activities on a project-by-project basis, with each transaction capitalized by varying equity and debt sources.

Jacmel offered an opportunity to explore supporting a diverse fund manager working to raise a private equity fund. Traditional capital markets channels have proven difficult for diverse fund managers to access despite having professional experience and credentials equal to that of their non-diverse peers, or even greater.

Impact Update:

In the fall of 2021, Jacmel's fund received an anchor investment from a leading global asset management firm. The Blended Catalyst Fund's loan worked to catalyze Jacmel's fundraise providing capital to support the standup of the fund and was fully repaid back to the Blended Catalyst Fund in early 2022.
INVESTMENT PROFILE & INNOVATION:

In January 2017, the BCF closed a $650,000, six-year equity investment in Common Class shares as an anchor investor in the Massachusetts Pathways to Economic Advancement Pay for Success (PFS) Project (“MA Pathways”). MA Pathways was the first PFS initiative in the nation to be focused exclusively on workforce development. The project raised $12.43MM from 40 investors: $9.94MM (80%) in Class A Preferred interests and $2.49MM (20%) in Common Class interests. MA Pathways was the first PFS project that brought in investors through Donor Advised Funds (DAFs), with 16 of the project’s 40 investors participating via DAFs.

MA Pathways strives to improve economic outcomes and provide better quality of life for a diverse population of approximately 2,000 English language learners (ELLs) living in low-income neighborhoods in the greater Boston area. In answer to the demand for quality English language skill and workforce services, Jewish Vocational Services (JVS) is providing program participants with increased access to vocational English classes, skills training, and better jobs through a tiered intervention program. To accommodate varying language levels, personal resources, employment objectives, and educational goals among program participants, JVS is serving project participants through four program tracks: Rapid Employment, Occupational Skills Training, English for Advancement, and Bridges to College. The multi-track approach makes it possible for MA Pathways to serve more people than we have seen in past PFS projects while still providing targeted support to program participants.

IMPACT UPDATE:

MA Pathways’ outcomes greatly exceed expectations. BCF was fully repaid in 2020 and received the final outcomes report in 2021. MA Pathways was a first-of-its-kind project serving as a blueprint for PFS projects in workforce development and solidified the Commonwealth of Massachusetts’s commitment to workforce development for adult learners.
Mission Driven Finance Advance

INVESTMENT OVERVIEW & INNOVATION:

Mission Driven Finance (MDF) is a San Diego-based firm, co-founded by David Lynn and Lauren Grattan in 2015, that works to close capital gaps in order to close opportunity gaps. Mission Driven Finance's place-based strategies invest in small businesses, social enterprises, and nonprofits that deliver critical services, create paths to quality jobs, and lead inclusive economic development.

MDF created the Advance Fund to address these inequities in access to capital for entrepreneurs of color in the San Diego-region MDF defines success as how well they are building assets in the community, in addition to assets under management.

MDF has developed new underwriting methodologies that are more equitable when it comes to assessing entrepreneurs of color who have historically been denied access to capital. This new methodology incorporates a private equity approach and character-based lending in place of FICO scores and assets to ensure that MDF is not re-creating or perpetuating a model in which people who have historically faced barriers in access to capital hit the same wall with MDF. MDF places equal weight on a business’s leadership, expected financial performance, and impact.

IMPACT UPDATE:

The Advance Fund has disbursed more than $11 million across 31 portfolio companies. As of March 2022, 12 borrowers in the portfolio have successfully repaid 13 loans since the fund's inception, with many of them advancing to traditional financing, allowing Advance to redeploy funds to increase impact. Of the funds deployed, 22% went to nonprofits, 56% to companies owned or led by women, and 75% to companies owned or led by people of color. The fund has successfully targeted the San Diego Area, with 88% of the principal value of outstanding loans in San Diego or Imperial counties of California.

Investments in the Advance portfolio include a loan to a tech company working to construct 140 electric vehicle charging stations in California to increase accessibility to lower- and middle-income communities where residents are often renters with less reliable access to charging stations.
Investment Profile

Native Community Capital

INVESTMENT OVERVIEW & INNOVATION:
In March 2021, BCF made a $500K loan to Native Community Capital ("NCC"), a Native-led Community Development Financial Institution (CDFI) serving Native communities across New Mexico and Arizona with a mission to advance tribal self-determination by working as a lender and honest broker for unlocking capital resources necessary to build tribal economies. NCC’s vision is that private sector capital shall be as readily accessible and in use on tribal lands for housing, community development, and economic development as in any non-Indian community.

NCC is the result of three previously separate organizations agreeing to operate as one. NCC formed in summer 2019 through a corporate merger as a strategy to make more significant investments in tribal economies.

NCC is working with Native Women Lead, founded in 2017 and dedicated to revolutionizing systems and inspiring innovation by investing in Native women-led businesses, to provide growth capital to Indigenous women-owned businesses in New Mexico & Arizona. NCC also boasts a growing residential construction loan portfolio and prioritizes financing for Native home mortgages.

IMPACT UPDATE:
Through its lending, NCC, and its partners, like Native Women Lead, aim to help close the racial wealth gap by providing individuals with access to affordable, culturally competent loans. Through the loans that NCC makes, borrowers can start or scale businesses; buy homes on non-tribal land or rehabilitate existing homes on tribal land, which helps build wealth and stability.

Due to unforeseen delays following the 2019 merger and BCF’s deployment timeline, the commitment to NCC has gone unfunded. As it presently stands, BCF will have no exposure to NCC.
INVESTMENT OVERVIEW & INNOVATION:

NewCorp, a New Orleans-based Community Development Financial Institution, piloted the BuildNOLA Mobilization Fund (“BuildNOLA”) to catalyze the participation of disadvantaged business enterprises (“DBEs”) in government infrastructure projects. BuildNOLA on-lends to minority-owned contracting businesses who have been awarded contracts by the City of New Orleans, but have difficulty accessing the capital required to fulfill those contracts.

These projects, many of which are focused on major storm repairs and infrastructure improvements, can be profitable but require contractors to fund project costs prior to payment. Through BuildNOLA, DBEs gain access to funds to bridge the receipt of project fees, allowing DBEs to meaningfully participate in the city’s major infrastructure projects.

IMPACT UPDATE:

BuildNOLA is focused on supporting DBEs managed by entrepreneurs of color and seeks to partially address the capital gap for people of color by providing increased access to capital.

BuildNOLA has been highly successful, with 27 DBE subcontractors benefiting from the program. The $8M Fund has recycled nearly 2x since its start in 2020, with no payment defaults. NewCorp hopes to reach $20 million of annual deployment through BuildNOLA and is considering expansion of the program across Louisiana to support the success of highly capable DBEs who would otherwise be held back because of inadequate access to capital.

Due to adjustments in BuildNOLA’s deployment strategy given the quickly recycling nature of BuildNOLA, the need revolving capital, and BCF’s deployment timeline, the commitment to NewCorp has gone unfunded. As it presently stands, BCF will have no exposure to NewCorp.
**INVESTMENT OVERVIEW & INNOVATION:**

Passbook Ventures ("Passbook") is a Washington, DC-based early-stage venture capital firm founded in 2020 by Chinedu Enekwe and Mark Fleming. The BIPOC-owned firm believes companies must have a global strategy embedded in their DNA to maintain a competitive advantage in their respective sectors. The firm seeks to identify markets in which technology is creating efficiencies globally. Passbook Ventures is committed to supporting enterprises led by immigrants and people from underrepresented communities whose lived experience informs their work.

**IMPACT UPDATE:**

Backed by BCF’s working capital commitment, Passbook Ventures generated $2.3 million of investor commitments in its initial fundraising round. It continues to work toward additional fundraising, but as it presently stands, the BCF commitment will go unfunded as the required $10 million minimum raise was not reached. Once its capital raise is concluded, Passbook Ventures plans to invest in early-stage, consumer-focused fintech and commerce companies that provide people access to opportunities that empower their lives. With a double bottom line focus, it will generate commercial, risk-adjusted returns while increasing access to capital for diverse founders.

Due to unforeseen fundraising delays and BCF’s deployment timeline, the commitment to Passbook has gone unfunded. As it presently stands, BCF will have no exposure to Passbook.
INVESTMENT OVERVIEW & INNOVATION:

In March 2021, BCF made a $500K loan to Project Equity Fund II LLC (“Employee Ownership Catalyst Fund” or the “Fund”), which is managed by Project Equity. Project Equity was founded in 2014 in the San Francisco Bay Area by Alison Lingane and Hilary Abell and is a national leader in the movement to harness employee ownership to maintain thriving local business communities and to address income and wealth inequality.

The Fund targets businesses throughout the U.S. with 25-50+ employees, majority workers of color, that want to transition to employee ownership but need capital to finance the transition and transaction. Employee ownership has the potential to create a pathway to economic mobility and wealth creation in sectors or jobs for workers of color who may not have had that opportunity otherwise.

The Fund provides a revolving pool of capital for financing employee ownership, which can take many forms. Business owners may set up an Employee Stock Ownership Plan or create an Employee Ownership Trust or worker-owned cooperative.

IMPACT UPDATE:

The Fund has several companies under review for the employee ownership lending program. Thus far the Fund has deployed one loan to The Local Butcher in Berkeley, CA. The company provides locally sourced and sustainable meat to the local community. The company’s founders decided to exit the business and sell to a core group of employees.

Project Equity provided both financing to support the transition and hands on consultation to coach employees and the former owners through the process. The transition was completed in nine months, fully remote due to COVID-19 concerns. Post-transition The Local Butcher Shop has joined Project Equity’s Thrive program. Thrive is a two-year program for newly-transitioned companies. Project Equity offers further consultation and training to ensure the business remains successful in its new form and employee-owners are supported.
Propeller Social Venture Fund

**INVESTMENT OVERVIEW & INNOVATION:**

Propeller is a New Orleans-based incubator and accelerator that has worked to grow and support entrepreneurs tackling New Orleans’ most pressing social and environmental disparities since 2009. Its Social Venture Fund (“SVF”) was co-created with Foundation for Louisiana (“FFL”). SVF is a managed account at FFL, who acts as BCF’s borrower and is the lender, asset manager, and fund manager. Propeller supports pipeline generation, underwriting, and is the primary source of technical assistance to SVF borrowers.

SVF was created to fill a financing gap in the New Orleans capital ecosystem by providing affordable loans from $25,000 to $100,000 and technical assistance to entrepreneurs of color who are seeking to grow their early-stage businesses. Ultimately, the Fund hopes to better prepare entrepreneurs of color and emerging small businesses to graduate into the formal banking system through services such as training, mentoring, and access to networks for funding, customer acquisition, and government programs.

**IMPACT UPDATE:**

SVF has made 12 loans to 10 borrowers totaling $630,000. Borrowers include an educational services provider serving over 1,500 local students annually, as well as construction-related businesses, food and beverage producers, and a fitness center. All borrowers are minority-owned businesses and 38% are women-owned businesses. As of 6/30/2022, the loans provided by the fund have created 5 permanent jobs in New Orleans in addition to bringing new retail amenities and local food products to market, increasing the quality of life in New Orleans neighborhoods.

On August 29, 2021, Hurricane Ida struck Louisiana, impacting all of SVF’s borrowers due to the severe damage in the area. Propeller has been assisting borrowers in handling the loss or damage of infrastructure and has allowed many borrowers to defer payments while they work to reopen their businesses and return to normal operations. SVF’s role as a patient, social impact-focused lender helped limit the economic damage of the storm to its borrowers, providing a critical support in a difficult time.
In November 2016, the BCF committed a $3.5MM subordinate loan to the $21MM Regional Equitable Development Initiative Fund (REDI), which was established to support the development and preservation of affordable housing around transit sites in the Puget Sound region in Washington State. REDI was developed to fill a gap in the market for affordable housing developers in the region who have had trouble competing for the acquisition and/or development of sites, particularly given the region’s ambitious $25BN transit plan, which has caused a continued increase in the cost of land around transit centers. Through REDI, qualified developers can access longer-term, flexible financing to effectively compete for key properties in designated geographic locations.

The REDI Fund represents a unique collaboration of multiple public agencies, including the State of Washington; the City of Seattle; King, Pierce, and Snohomish Counties; ARCH (A Regional Coalition for Housing, a partnership of 16 member governments in East King County); and the Puget Sound Regional Commission (PSRC), all of which contributed staff time and financial resources toward development of the Fund. Local governments used limited public resources to attract private capital to ultimately leverage five private dollars for every one public dollar.

**IMPACT UPDATE:**

REDI has provided acquisition financing to eight project loans for housing and mixed-use developments throughout the Puget Sound region in Washington state. In total, these loans are expected to finance the creation of 1,091 units of housing, of which ~86% (941) are expected to be affordable housing units, as well as at least 22,000 square feet of space for organizations serving community needs.

Three projects have repaid including:

- 112 units in Tukwila across from the light rail station, 88% of units restricted to 0-50% area median income (AMI) tenants
- 100 studio units of permanent supportive housing for the disabled and formerly homeless in Seattle
- 125 units in Kirkland with 100% of units restricted to 51-80% AMI tenants
INVESTMENT OVERVIEW & INNOVATION:

In December 2016, the BCF closed a $500,000 loan into the Salt Lake County REACH PFS Project, a $6.05MM initiative. The REACH Project addresses the revolving door of the criminal justice system by providing comprehensive services to reduce recidivism for those most likely to re-enter the Salt Lake County jail or Utah State prison system. To serve these individuals, First Step House (FSH), a local non-profit, is implementing a holistic, community-based treatment model called the REACH program, an acronym that stands for Recovery, Engagement, Assessment, Career and Housing. REACH incorporates services and treatments to address criminogenic needs, such as substance abuse treatment and employment support, as well as non-criminogenic needs, such as short-term housing and ongoing case management.

By using REACH, PFS project partners expect to see 1) a decrease in recidivism, defined as a reduction in the number of statewide arrests, days in county jail and days in state prison, as well as 2) an increase in employment among enrolled participants, defined as number of quarters employed, over a six-year period. Salt Lake County will make outcomes payments to investors on these metrics based on a Randomized Control Trial evaluation conducted by Utah Criminal Justice Center.

The REACH project ensures incentives among project partners are financially aligned by allowing First Step House to share in the success fees earned if the project hits target impact. Before the REACH Project, it was not common practice for service providers to share in the upside of PFS projects.

IMPACT UPDATE:

The Year Four Evaluation Report for the REACH project indicates that the project is continuing to perform well. Payable metrics include statewide arrests, incarceration days, and employed quarters. The evaluation report outlines the success observed in the project so far and whether payable targets for each metric were met. The treatment group has been outperforming the comparison group on all three metrics and evaluators determined that treatment had a statistically significant effect on these results. These measures indicate that the treatment employed within the REACH project is having a positive impact on individuals enrolled.
## INVESTMENT OVERVIEW & INNOVATION:

The UP Community Fund LLC (the “Fund”) is a $19MM structured debt fund which provides loans to small and medium sized enterprises that are primarily owned by people of color in the Southeast United States. While small to medium sized businesses have difficulty accessing credit overall, this is particularly true for businesses that are owned by people of color. The access to credit gap is particularly acute for black business owners.

The Fund seeks to fill this gap by providing flexible capital in the form of loans ranging from $250K to $2MM to businesses owned by entrepreneurs of color. The capital is to be supplemented by technical assistance that increases borrowers’ capacity and mitigates credit risk. It primarily targets the Southeast, where, as a region, social and economic disparity, and low economic mobility – symptoms of structural inequity – are most pronounced in the U.S.

The Fund is managed by UPC Management Company, a wholly owned subsidiary of Charlotte, North Carolina based Urban Advisors. Led by David Sharp, Urban Advisors is a black-owned impact investment consulting firm focused on solving economic inequality for communities and people of color.

The Fund differentiates itself from traditional lenders via two key aspects: loan structure flexibility and technical assistance. The Fund works with borrowers to create loan and capital structures that best achieve the borrowers’ goals while limiting risk taken by the Fund. Additionally, the technical assistance provides the Fund with ongoing visibility into the activities of each borrower, improves borrower performance, and acts as a risk mitigant to the Fund.

## IMPACT UPDATE:

Due to the unforeseen impacts of COVID-19 around small business capital needs and supporting the Fund’s current loan portfolio through the pandemic, UP Community will not be drawing the commitments from its second close lender base which included the Blended Catalyst Fund. As it presently stands, BCF will have no exposure to the Fund with its commitment going unfunded.

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<tr>
<th>INVESTMENT TYPE</th>
<th>Senior unsecured loan &amp; Subordinate unsecured loan</th>
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</thead>
<tbody>
<tr>
<td>BLENDED CATALYST FUND INVESTMENT</td>
<td>$1.6MM Senior loan $1MM Subordinate loan</td>
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<td>GEOGRAPHY</td>
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<td>PURPOSE</td>
<td>For on-lending to small to medium sized enterprises</td>
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<td>YEAR OF INVESTMENT</td>
<td>2019</td>
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<tr>
<td>EXPECTED IMPACT</td>
<td>$250K - $2MM loans to small and growing businesses in blue-collar industries</td>
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**INVESTMENT OVERVIEW & INNOVATION:**

Founded by first time fund managers Julie Lein and Clara Brenner, Urban Innovation Fund I (UIF) has aggressively targeted high growth companies with high impact products and services that address pressing urban challenges across a range of sectors. While the market coverage of UIF is broad, the technologies that UIF invests in are relatively narrow in focus, including mobile platforms, data analytics, web-based marketplaces, and social media technologies. These technologies are creating the opportunities for new business models that did not previously exist. UIF is focused on the subset of these innovations that can have impact across broad urban populations. UIF Fund I is a $24.5MM venture capital impact investment fund to which the Blended Catalyst Fund (BCF) committed $500,000 in May 2016.

At origination in 2016, UIF was unique in that it: 1) Was owned and operated by an all-women team, 2) Focused on urban challenges and supporting innovations that could impact a broad set of populations, 3) Was one of few VC funds that intentionally focused on providing financial resources to overlooked entrepreneurs.

**IMPACT UPDATE:**

Several of UIF’s portfolio companies have had an exciting year. One portfolio company, Ethic, is a sustainable, tech-driven asset manager that has grown from $2M in assets under management in 2017 to $2B in 2022. Ethic has assisted its clients to reduce the carbon footprint of their investment portfolios by 56K metric tons. Additionally, UIF has achieved the following impact metrics with its portfolio:

- Geographic Impact: headquarters in 18 cities, 7 U.S. states, and 4 countries
- Founder Diversity: 77% of companies have a woman and/or person of color on the founding team; 51% have an immigrant on the founding team
- Board Diversity: 64% of companies have a woman and/or person of color on their board
- Financial Performance: $1.9B enterprise value created; $409M capital raised
- Job Creation: 400 full-time jobs created
- Sustainable Development Goals: mapped investments to 15 of the 17 SDGs

UIF has successfully raised two more funds since BCF’s investment in Fund I. Urban Innovation Fund II launched in 2019 and raised $44 million. Urban Innovation Fund III closed its $100 million raise in early 2022.
**Investment Profile**

## WEPOWER Elevate/Elevar Capital

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<tr>
<th>INVESTMENT TYPE</th>
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<tr>
<td>BLENDED CATALYST FUND INVESTMENT</td>
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<td>GEOGRAPHY</td>
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<td>EXPECTED IMPACT</td>
<td>Increase access to capital, rate of business survival, &amp; the number of family-sustaining wage jobs in 20 portfolio companies</td>
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### INVESTMENT OVERVIEW & INNOVATION:

In March 2021, BCF made a $500,000 loan to WEPOWER’s Elevate/Elevar Fund (“E/E Growth Fund”). WEPOWER is a St. Louis, Missouri based community empowerment organization and accelerator founded in 2018 by a woman of color, Charli Cooksey. WEPOWER has a mission to activate community power to re-design education, economic, health and justice systems to be equitable for all. WEPOWER accomplishes this through three ways—first, by building authentic relationships; second, through policy advocacy and empowering community members to influence systems through elected office; and third, through catalyzing the creation of community wealth through investment in high potential Black and Latinx companies.

WEPOWER provides coaching and advisory services to its borrowers, something they believe is important to ensure success from both a financial and impact perspective. They are also involved in various initiatives to strengthen the capital landscape for entrepreneurs of color in St. Louis, which is aligned with BCF’s priorities in terms of lending to borrowers who are supporting the development of the entrepreneurial ecosystem for founders of color. The E/E Growth Fund particularly focuses on offering revenue-based financing, an atypical financing structure that sizes loan payments to revenue generated, increasing access to capital for startup and growth-phase ventures with uncertain cash flows.

### IMPACT UPDATE:

WEPOWER launched the E/E Growth Fund in August 2021 and has a pipeline of over $1.1MM of potential investments spanning the manufacturing, retail, restaurant, transportation, technology, and educational services industries. The Fund recently approved its first investment, which will support an e-commerce platform with the potential to expand market access for additional businesses within WEPOWER’s ecosystem, creating the opportunity to deepen the impact of its investment program beyond the investee itself. They are currently working on hiring their first Director of Investments, which is a key capacity-building step for the Fund.
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