Living Cities

LIVING CITIES BLENDED CATALYST FUND

Annual Report

JULY 1, 2020 – JUNE 30, 2021

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Blended Catalyst Fund Investor Letter

October 29, 2021

Dear Friends and Colleagues:

This report summarizes Living Cities Blended Catalyst Fund's ("BCF" or the "Fund") activities during its sixth year of operations, from July 1, 2020, through June 30, 2021 (FY21).

During this fiscal year, the BCF Team fully committed the Fund as of March 31, 2021 reaching 26 investments totaling $33.5MM. The latter half of the BCF investments have been aligned with the iterated investment thesis we articulated in 2018, which was to focus on closing racial wealth gaps, and specifically to lend to organizations and intermediaries that are:

(1) Managed and/or owned by people of color.

(2) Finding alternative ways of creating income and wealth-building opportunities for people of color, primarily by providing increased access to capital. This includes entities that have created alternative underwriting methodologies to create a more inclusive credit box; that are providing more flexible capital, with different types of terms and through alternative fund structures; and that are providing advisory services, technical assistance, and other types of support to entrepreneurs of color.

(3) Building the ecosystem for entrepreneurs and managers of color.

We thank you for your support and are excited to begin to explore and share lessons learned as our portfolio continues to mature.

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 tenth consecutive year in February 2021. 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.

Key highlights of the BCF's activities from the start of the past fiscal year can be found on the following pages.

The Living Cities Blended Catalyst Fund Team

Demetric Duckett, Managing Director, Capital for the New Majority

Thaddeus Fair, Assistant Director, Fund Manager

Lee Summerell, Investment Associate

Tiffany Eng, Investment Associate

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Impact Infographics

Overall, at the Fund level, BCF's investments have enabled

68,728+

PEOPLE PROVIDED WITH SOCIAL SERVICES

2,639+

EARLY-STAGE INVESTMENTS OR LOANS IN

1,172

UNITS OF HOUSING DEVELOPED

218,000

SQUARE FEET OF COMMUNITY & COMMERCIAL SPACE WAS CREATED THROUGH THIS FUND

91

PART-TIME JOBS WERE CREATED

759

FULL-TIME JOBS CREATED

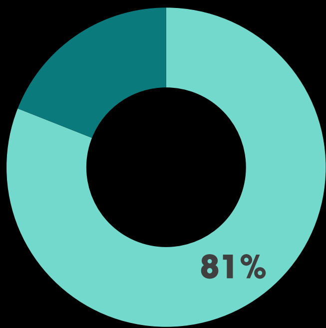
41

In total, 41 transactions were greenlit during BCF's origination period. Of those 41, 29 received final credit approval and 26 have closed.

Our $33.5MM of investments has leveraged $235MM to date, or 7.0X

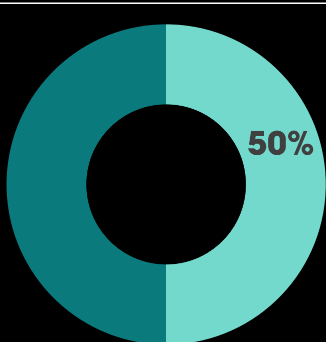
$235 Million

Impact Infographics



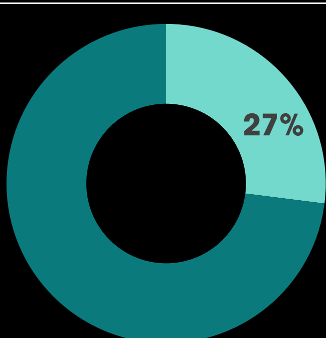
81%

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



50%

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



27%

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

100+

60+

Over the life of BCF, the investment team has had over 100+ speaking engagements/ presentations and produced 60+ pieces of content in conjunction with our partners

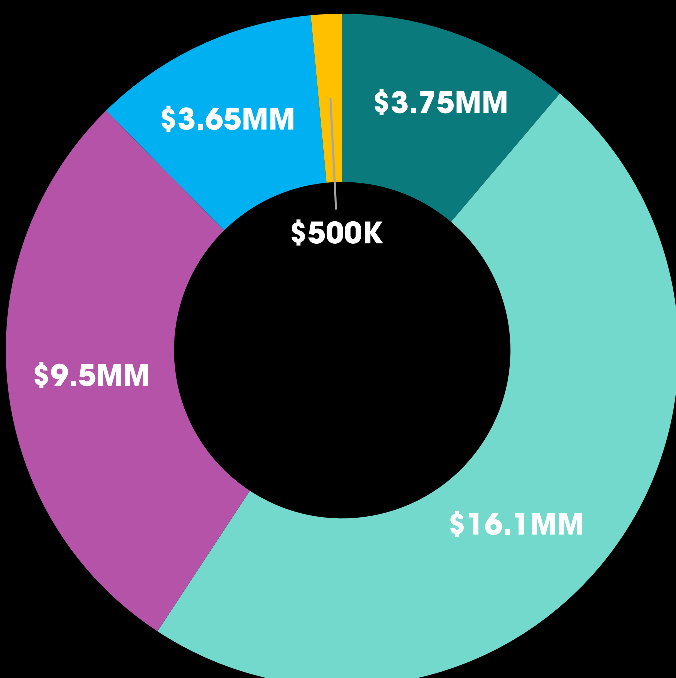
10th

Named to Impact Assets for tenth consecutive year

IMPACTASSETS

21 LOANS +
5 EQUITY INVESTMENTS

LOANS BY SECTOR



- Real Estate/ Housing = ($9.5MM)
- Small Business = ($16.1MM)
- PE/VC = ($3.75MM)
- Employee Ownership ($500K)
- Pay for Success ($3.65MM)

Existing Investment Profiles

Existing Investment Profile

1863 Ventures

TOTAL COMMITMENT: $1MM

LOCATION SERVED: United States

ISSUE AREA: Small business

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
October 2020	Senior unsecured loan	August 2025

OVERVIEW

In October 2020, the Blended Catalyst Fund (BCF) closed a $1MM loan to 1863 Ventures Fund I ("1863" or the "Fund"), a nationally focused hybrid fund created by 1863 Ventures Managing Partner, Melissa Bradley and General Partner, Art Stevens 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 D.C. based nonprofit founded by Melissa and Art that has created a series of business development programs that have scaled nationally over the past five years. Through the work of 1863 Ventures, Melissa and Art have observed, and validated through their own pilot portfolio, that if entrepreneurs of color can access capital that appropriately aligns with their business trajectory, then the odds of efficient scale and growth can dramatically increase, permanently changing the trajectories of these businesses.

While 1863 Ventures has been very successful over the past five years, Melissa and Art noticed that, despite their best efforts utilizing traditional capital institutions, that their entrepreneurs were still facing barriers accessing sufficient growth capital due to a combination of factors – systemic racial inequities, mismatched capital required to help the business scale, and being too early-stage for traditional sources. White entrepreneurs with businesses in the early and growth stages are typically able to turn to their friends and family network to raise capital, but many founders of color do not have this option.

As a result, Melissa and Art launched 1863, which aims to validate, build, and scale an investment strategy that fills the friends-and-family gaps for entrepreneurs of color through its targeted $10MM hybrid fund. The Fund is capitalized with a mix of equity and debt and is built on the foundation of 1863 Venture's high-quality reputation, brand, pipeline, content, and staffing. The Fund advances the mission of 1863 Ventures, which is to generate $100BN in new wealth by and for entrepreneurs of color in the next ten years.

IMPACT

1863 intends to invest in early and growth-stage companies affiliated with 1863 Ventures that can generate cashflow and profitability in the near-term because they have customer validation and traction, demonstrate a significant market opportunity and ability to generate revenue, and can scale and maintain a coachable leadership team. In addition, the company must have 50% New Majority Entrepreneur (NME) ownership and/or leadership, defined as a representative from a community that has been historically marginalized – e.g., race, gender, sexual orientation, with preference given to entrepreneurs of color.

The uniting theme across portfolio investments is that each must demonstrate an opportunity for quality job growth and community wealth creation for people of color. The team is also identifying companies with an opportunity to use technology to scale. They are focusing on supply chain businesses, which have sufficient cash flow to meet the targeted profile of businesses 1863 aims to serve and to meet pent up, and growing, demand for supplier diversity. 1863 believes there is a significant market opportunity for the Fund in this space as traditional sources of capital are non-existent for these businesses and they have the potential to generate significant returns for investors.

Existing Investment Profile

$2.95MM
TOTAL FUND GROWTH

500+
HAS WORKED WITH 500+ ENTREPRENEURS

$1.4MM
IN INVESTMENTS IN 7 COMPANIES

The Fund is intentionally sector-agnostic as they have observed that many entrepreneurs of color's are driven by local issues, as they are solving for needs in their community that others have overlooked. 1863 wants to retain the flexibility to be responsive to changing needs. However, based on current regional economic trends they have observed and their own track record, 1863 expects to make investments in the following sectors: beauty, food services, financial services, tech, and tech enabled, particularly related to smart cities and healthcare; professional services; and construction and related sectors.

INNOVATION

1863 explores the use of an alternative investment structure in a couple of ways, which is a BCF learning priority, as we believe new types of loan products and structures are needed to close racial wealth gaps. 1863's own research of the 500+ entrepreneurs they have worked with demonstrates that some NMEs have considered taking on loans from payday lenders, which typically cost 8x the original loan amount once repaid, while CDFIs can take up to six months to process a loan and often only meet 50% of capital need required.

These capital gaps led 1863 Ventures to raise a fund, after building its business development programs for the past five years and choose to utilize Revenue-Based Financing, or RBF, which is a promising alternative to venture capital and bank loans. As a result of the difficulties in accessing capital, people of color, on average, pay more to start a business, facing higher costs for everything from access to capital to building a team. Lack of access to long-term affordable debt means entrepreneurs of color require more outside equity to get to scale, diluting their ownership, control, and wealth creation opportunity.

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. However, the emphasis is on growth, not an exit opportunity, which better aligns the investor and entrepreneur, as they both are incentivized to focus on growing revenue. The unique element is that payments are flexible. Companies pay a percentage of customer cash payments, so they rarely suffer liquidity issues or miss payments. RBF is a relatively new form of funding for tech companies and small- to medium-sized businesses.

1863 is a hybrid fund, capitalized with a combination of debt and equity, which is something many in Living Cities' networks have indicated an interest in exploring. However, hybrid fund structures like the ones 1863 Ventures is building are uncommon due to difficulties in raising capital from traditional, mainstream investors, so there has not been much opportunity to learn about the potential for such a fund. If successful, this approach could be replicated and scaled.

Existing Investment Profile

Blackstar Stability Distressed Debt Fund

TOTAL COMMITMENT: $3MM

LOCATION SERVED: United States

ISSUE AREA: Homeownership and predatory lending

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
June 2020	Senior secured loan	May 2025

OVERVIEW

The Blackstar Stability Distressed Debt Fund ("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.

With a successful fund raise of $24MM ($14MM above the initially anticipated raise), the Fund has two different types of assets in focus nationally: (1) Single-family, residential mortgages, most of which are both non-performing loans (NPL) and "underwater" – meaning these homeowners owe more on their mortgages than their homes are actually worth, e.g., their homes have negative equity value. (2) Single-family residential assets which are encumbered by contract for deed (CFD) contracts, a predatory mortgage product historically targeted almost exclusively at low-income borrowers of color in urban neighborhoods in the United States.

The investment thesis of the Fund is to purchase NPL and CFD assets at a discount, with the intent to restructure both assets into 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.

The Fund is sponsored by Blackstar Real Estate Partners ("Blackstar"), who provided an initial equity investment of $300K. Blackstar is focused on investments in domestic markets which qualify as Opportunity Zones. Through a variety of market-driven strategies, the firm's focus is on creating, owning, and operating exceptional places that make a difference in communities and deliver strong returns. Over two decades, the firms' principals have executed over $8 billion of real estate transactions in major urban markets.

IMPACT

Underwater mortgages (NPLs) are not evenly distributed among homeowners. Unsurprisingly, they are more concentrated among less expensive homes and in neighborhoods of color. A 2017 Zillow study shows that homes in black neighborhoods are twice as likely to be underwater as homes in white neighborhoods. That study showed that in Census tracts where the majority of residents are black, the negative equity rate at the end of 2016 was 20%, while in tracts where most residents are white, the rate was 9.9%.

A Contract for Deed (CFD) is a legal agreement for the sale of property in which a buyer takes possession and makes payments directly to the seller, but the seller holds the title until the full payment is made. The buyer makes a down payment and then monthly installment payments—but accrues no equity along the way. The seller holds the deed and retains the equity while the buyer remains responsible for the monthly payments as well as the payment of taxes, insurance, and repairs. CFDs are marketed to buyers who don't typically qualify for traditional lending options and can be appealing because of their speed and simplicity. Nonetheless, CFDs have been recognized as financially risky – for both sellers and buyers – and have been used for exploitation, particularly in communities of color.

Existing Investment Profile

$24MM
SUCCESSFUL FUND RAISE

15x
INCREASE IN NET WORTH OF IMPACTED FAMILIES

118
CFDs ACQUIRED TO DATE

The Fund acquired a pool of 118 CFDs in October 2020 with the plan to restructure and originate mortgages that provide affordable homeownership and allow residents to stay in their homes. This first pool of CFDs was purchased at 52% of par value with a blended interest rate of 9.99% and an average of 20 years in remaining maturity. In conversion, the newly structured mortgages have an interest rate of 5.5% to 6.5% and a maturity schedule of 15 to 30 years. Less than a year since these assets were acquired, the Fund has converted 17 CFDs, sold 4 vacated properties, and received a full payoff for 1 CFD.

This transaction exposes BCF to the homeownership market, which remains the largest driver of wealth creation in the U.S. and provides support to fund managers of color.

INNOVATION

BCF made several investments that increase income for people of color, but fewer deals that explicitly focus on wealth creation. The Fund focuses on the acquisition of predatory mortgage products that have almost exclusively been targeted at low-income borrowers of color and have proved to be obstacles in wealth generation and destabilizers of communities of color.

In perhaps its most innovative thesis, the Fund will purchase CFDs when they are available at a discount, targeting those that are performing. Once they have title to the deed, the Fund will work with the individual homeowner to create a mortgage that makes sense for current market conditions and that makes sense for the homeowner's ability to pay, allow the homeowner to develop a track record of payment under the mortgage, and then resell the mortgage in the secondary market. This creates an actual ownership opportunity for the family and a chance to build equity.

By purchasing and restructuring these NPL and CFD products, the Fund will help to stabilize local communities by preventing potential foreclosures. This will allow families to remain in their homes, children to remain in local schools, will foster family stability, and will provide homeowners with the potential to rebuild their wealth.

Existing Investment Profile

Central Baltimore Future Fund

INVESTEE: Reinvestment Fund

TOTAL COMMITMENT: $2.5MM

LOCATION SERVED: Baltimore, MD

ISSUE AREA: Commercial real estate, community revitalization

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
April 2017	Senior unsecured loan	September 2025

OVERVIEW

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.

The 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

The Baltimore market remains strong for the type of projects CBFF has been supporting. To date, CBFF has made loans to eleven projects totaling almost $10 million. The Fund has been targeting smaller commercial and non-profit use projects including mixed use for commercial, spaces for arts and theater, mental health services and co-working; and single family housing. The projects created a total of 19 for-sale properties, 200 rental units, 46,000 square feet of retail, and 150,000 square feet of other mixed uses.

Additionally, since CBFF is focused on the Central Baltimore neighborhoods and not on the most popular market-rate sub-markets, they have had the opportunity to be targeted about the use of the program. They have been able to find and support arts-focused users across several product categories; neighborhood retail / commercial development (in various stages of project development); and some residential uses but focused on neighborhood-strengthening homeownership opportunities.

A lot of CBFF's success to date has been due to strong partnerships. This is true on the business development and lead generation side, where many of CBFF opportunities have come through partner funders or organizations. It is also true on the project management and finance side. CBFF has adeptly partnered with others, including those providing financing and those providing technical assistance and soft financial support.

Existing Investment Profile

$10MM	200	150,000
SUCCESSFUL FUND RAISE	RETAIL UNITS	SQ. FEET OF SPACE FOR MIXED USES

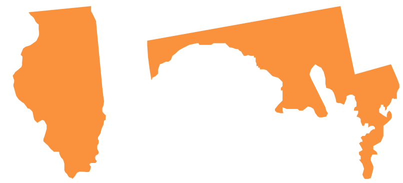
INNOVATION

CBFF marks a step forward for a key partner, Johns Hopkins University (JHU), in terms of realizing progress on its commitments to racially equitable and local hiring. JHU's work to become a better community anchor was driven, tested, and refined by the BIP, a Living Cities partner and grantee. JHU was influenced by new thinking about university-community relations and the power of a community anchor driven strategy to foster local economic development and shared prosperity. Through BIP, JHU learned from a collaboration of ten other Baltimore anchor institutions that helped reduce political and technical barriers and gathered best practices to change its own inclusion policies and practices.

Furthermore, CBFF is incorporating lessons learned from the first round of the Integration Initiative (2011-2013) and previous investment with TRF in Baltimore. Without intentional focus on who benefits from residential and commercial development, the benefits do not always go to the most in need and hardest to serve. This transaction has equitable hiring targets, a metric that we will use to evaluate the success of the investment.

Existing Investment Profile

ChicagoTREND



TOTAL COMMITMENT: $500K

LOCATIONS SERVED: Chicago, IL and Baltimore, MD

ISSUE AREA: Commercial real estate

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
March 2021	Senior secured loan	May 2025

OVERVIEW

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 moves overlooked and undervalued neighborhoods forward.

TREND's investment thesis is centered around acquiring community shopping centers in partnership with Black entrepreneurs and promoting community development that addresses the racial wealth gap in America. At its inception, TREND was envisioned as a centralized resource for diverse real estate developers, retailers and community development organizations seeking to understand the trajectories of urban neighborhoods and invest in profitable retail and other commercial development that strengthens them.

IMPACT

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.

This investment fits with BCF's prioritization of investing in fund / investment managers of color. A hypothesis engendered by BCF is that diversifying capital decision-makers will ultimately diversify who receives capital since people tend to invest in people who look like them. We believe that investing in fund managers of color means that more entrepreneurs of color will receive capital.

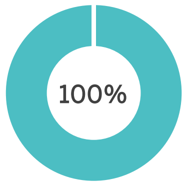
Additionally, TREND is testing a capital structure that offers local community members the opportunity to invest in property and benefit financially from having an ownership stake. TREND's Walbrook Junction Shopping Center is co-owned in partnership with 132 Black, local, and other small impact investors who make up 49% of the ownership interest.

Living Cities believes that this type of lending program will contribute proof points towards a national model which could be scaled more broadly and can help to galvanize capital markets participation for fund managers of color and for investment opportunities driven by their local communities.

INNOVATION

The loan from BCF will be used to facilitate TREND's investment thesis to acquire 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.

Existing Investment Profile

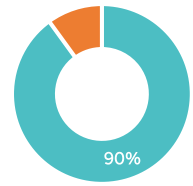


100%

BIPOC CONTRACTORS AT WALBROOK PROPERTY

132

CROWDFUNDED CO-INVESTORS IN WALBROOK PROPERTY



90%

BIPOC TENANT EMPLOYEES AT SOUTH STATE PROPERTY

A commitment to a racial equity and inclusion lens is embedded deeply within its investment thesis and goal of creating the first Black-owned shopping center real estate investment trust (REIT). In addition to being led by a fund manager of color, TREND is working strengthen the communities in which it works by providing individual investors with ownership stake in the shopping centers. This model benefits the individual investors financially as well as promotes a sense of pride in the shopping centers and increases local financial literacy and family wealth through real estate asset ownership. Furthermore, TREND seeks to utilize Black and other minority contractors, vendors, and service providers in the operations of the shopping centers creating and retaining jobs and generating wealth for minority businesses.

Existing Investment Profile

CNote Wisdom Fund

TOTAL COMMITMENT: $2.5MM

LOCATION SERVED: United States

ISSUE AREA: Small business

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
November 2020	Senior unsecured loan	November 2025

OVERVIEW

In November 2020, BCF made a $2.5MM loan to CNote's Wisdom Fund. CNote is an Oakland, CA-based women-owned fintech company and impact investment platform launched in 2016 by co-founders Catherine Berman and Yuliya Tarasava. CNote's impact focus is on (1) job creation, (2) increasing the amount of capital flowing to businesses that are owned and led by people of color, (3) increasing the amount of capital flowing to businesses that are owned and led by women, (4) increasing the amount of capital flowing overall into low and moderate income (LMI) communities.

In order to achieve these impacts, CNote co-creates new financial products in collaboration with CDFIs and aligned investors to bring greater financial opportunity and equality to overlooked and underserved communities. CNote aggregates capital from all types of investors - accredited, non-accredited, retail, and institutional - through its online platform and then on-lends the capital to financially strong, high-impact CDFIs in need of affordable, flexible capital.

Demand for CDFI loans continues to grow which has led many CDFIs to seek new sources of capital. While a couple of CDFIs, such as LISC and Reinvestment Fund, have been able to diversify their capital sources by issuing bonds, not all CDFIs have that option. At the same time, the impact investing industry continues to grow, with 75% of millennials and women indicating that they would prefer their investments to align with their values. However, most impact investment products are only open to accredited investors. In the past year, CNote has received substantial no or low-interest corporate capital commitments, allowing it to grow substantially.

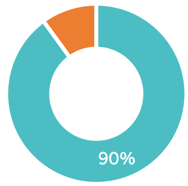
The Wisdom Fund (the "Fund") is a managed account at CNote that functions as both a capital source and a learning collaborative. The Fund provides a capital source for CDFIs focused specifically on lending to women of color, and also provides an opportunity for collaborative members to intentionally learn, share, experiment, and scale access to capital for 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, such as TruFund, based in 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. CNote intentionally sought out CDFI partners in regions with the fastest growing number of women-led businesses.

Existing Investment Profile

$1.2MM

IN CDFI LOANS TO 27 SMALL BUSINESSES



90%

OVER 90% OF DOLLARS GO TO WOMEN OF COLOR OWNED BUSINESSES

4,500

JOBS CREATED OR MAINTAINED TO DATE

IMPACT

In 2021 to date, the Wisdom Fund has supported $1.2MM in CDFI loans to 27 small businesses. These businesses are 100% minority owned and over 90% women of color owned. These loans have resulted in 80 jobs created and 72 retained. In addition to the capital, another 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 in order 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.

When each CDFI operates in isolation, there is a missed opportunity to identify larger trends – but when data is analyzed across the group, it becomes possible to see trends. For example, the baseline analysis of the Wisdom Fund CDFIs identified that there is a significant difference between the number of women receiving technical assistance and the number of women who ultimately receive loans. As a result, each of the Wisdom Fund member CDFIs are now focused on figuring out why that is. Without the collective baseline analysis, it is unlikely they would have done so with the same level of rigor and depth that they are now. Industry-wide, there is no aggregated data or research study on how CDFIs can best serve women of color. The Wisdom Fund intends to not only fill this data and research gap, but also create products that solve for the barriers women of color face. One of the long-term goals of the collaborative is to explore new ways of underwriting. While individually, each of the CDFIs has had an interest and history in serving women of color, the Wisdom Fund allows them to do so more intentionally, with greater precision and dedicated support that allows them to prioritize the work, which is important given that CDFIs juggle multiple priorities and limited resources.

INNOVATION

CNote's fintech platform and ability to aggregate capital, particularly from un-accredited retail investors, makes it a unique firm and capital source in the market. CNote does not have any direct competitors - but those operating in adjacent spaces fall into three categories. First, there are fintech companies such as Lending Club, Funding Circle and OnDeck Capital – lending companies that aggregate capital in different ways that could branch into on-lending to CDFIs. The second category is small business divisions of commercial banks, such as Capital One and Wells Fargo, community banks, and credit unions. CNote differs from these entities in that it is a robust technology-enabled platform that can scale quickly while maintaining low operating costs. Third are community investment options open to retail investors, such as Calvert's Community Investment Note, RSF's Social Investment Fund, Neighborly, and Wunder Capital. All of these are either not focused on CDFIs and/or require minimum investment amounts of $1,000 compared to CNote's $5 minimum.

In addition, CNote has been intentional in its approach to product development, working with non-profit and community leaders to determine what the capital gaps are, and how they can best help bridge the gap between what non-profits and communities need and the capital investors are willing to offer. As part of their solution, CNote has devised proprietary technology and algorithms, which are built to address operational and technical gaps that currently prevent investors from collaborating with and investing in high-performing CDFIs.

Existing Investment Profile

Denver Supportive Housing Social Impact Bond

INVESTEE: Denver PFS, LLC

TOTAL COMMITMENT: $500K

LOCATION SERVED: Denver, CO

ISSUE AREA: Chronic homelessness and recidivism

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
February 2016	Investment in a Pay for Success Project	June 2021

OVERVIEW

In January 2016, the BCF closed a $500,000, 5.5-year investment to the Denver Supportive Housing Social Impact Bond Initiative ("Denver SIB"), an $8.6MM project developed to scale the services of two organizations to provide intensive wrap-around services to at least 250 chronically homeless individuals who are "high-utilizers" of court, jail, detox, and emergency room ("ER") services. In addition to receiving supportive services, program participants are placed into permanent affordable housing, which was developed in tandem with the project. The financing for the affordable housing units came from existing funding streams, not Pay for Success ("PFS") financing.

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; when not on the streets or in a shelter, these individuals spent an average of 59 days a year in jail, in addition to making multiple ER and detox facility visits. In total, the City of Denver (the "City") 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.

The Denver SIB aimed to break this pernicious cycle by providing permanent affordable housing and intensive case management to chronically homeless individuals, with the aim of increasing the amount of time they spend in housing and reducing the number of days they spend in jail in order to improve their well-being, as measured over a five-year period.

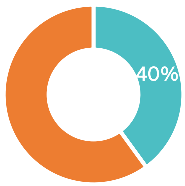
Other key project partners included the Corporation for Supportive Housing ("CSH") as the project manager; Enterprise Community Partners as the fiscal manager; Urban Institute as the evaluator; and the City as the payor.

IMPACT

There were two outcomes payments made in the Denver SIB: the first is around housing stability, defined as the numbers of days a participant remains in housing, and the second is based on a reduction in the number of days spent in jail by program participants. The two outcomes payments are separate tranches in the project and investors chose which outcome they wanted to invest in. The BCF made an investment in the "jail days" reduction tranche. The BCF chose jail days over housing stability because we believe it is the stronger proxy for better life outcomes; while housing stability is still an indicator of improved outcomes, we did not view it as an outcome in and of itself. We also believed the jail days reduction outcome has a better measurement period: it was measured for three full years to ensure reduction is over a long period, not just temporary.

Based upon the level of success the project achieves, as evaluated by Urban Institute, the City of Denver was to provide up to $12MM in success payments for both the housing and jail days reduction tranches. The City ultimately paid out $9.64MM in success payments, representing a $1.04MM return on their investment. This included a $5.10MM payment for the jail days tranche.

Existing Investment Profile

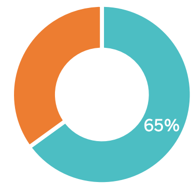


40%

EXPERIENCED FEWER ARRESTS

$12MM

IN SUCCESS PAYMENTS FOR HOUSING AND JAIL REDUCTION



65%

HAD FEWER VISITS TO A DETOXIFICATION FACILITY

In terms of program performance, the project provided promising evidence that it helped participants get and stay housed. Of the 363 individuals served through the Denver SIB, 77% of participants living at the end of the measurement period remained housed. This data is in line with how the project was expected to perform and consistent with past research on the efficacy of permanent support housing. As expected, the level of the reduction in recidivism decreased over time, with a 41% reduction observed in year one, a 34% reduction observed in two-year outcomes, and 27% reduction in three-year outcomes.

INNOVATION

A few of the innovative elements of this transaction are highlighted below.

1) Denver's Mayor created a new Office of Behavioral Health Strategies. Many different agencies in Denver deliver services and work in the mental health arena, but no one agency or group "owns" the issue. By establishing this office, the first-of-its-kind for a major metropolitan city, the Mayor's efforts have the potential to change, and greatly improve, how the city approaches the issue of behavioral health.

2) This was the first PFS transaction in the U.S. structured without any subordination, which was interpreted as evidence of the market's increasing comfort with the PFS structure. It also opened the door for players in the market to think about how to iterate the original PFS financing model and adapt it to suit the needs of the community being served.

3) 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 supportive housing more widely available to their constituents. Urban Institute released a feature on the Denver SIB, bringing to life the stories and voices of the residents and stakeholders involved in the project, including BCF.

4) Also notable is that based on the Denver SIB's promising early results, the City finalized a contract with CCH to scale the Denver SIB's efforts to house an additional 75 participants in July 2018. CCH and the City worked out a contract that is a combination of pay for performance and bonus payments for achieving particular metrics. The expansion effort is an expansion of the services and programs implemented by the Denver SIB, not an expansion of the SIB itself. The City's expansion effort serves to complement the existing effort, providing CCH with additional capital for services and housing subsidies. The expansion of the Denver SIB 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 and evidence base for a specific intervention. In this context, the fact that the City is willing to pay directly for the wrap-around services needed to implement permanent supportive housing because of the systemic changes they've witnessed as a result of the project to date—prior to final outcomes being evaluated—is noteworthy, and provides a model for other cities, counties, and states involved with PFS to follow.

Existing Investment Profile

Detroit Community Loan Fund

TOTAL COMMITMENT: $1MM

LOCATION SERVED: Detroit, MI

ISSUE AREA: Small business

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
May 2017	Senior unsecured loan	September 2025

OVERVIEW

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 entrepreneurs of color in Detroit. These enterprises are in underserved neighborhoods that typically don't have access to capital. The Fund provides micro-loans of $5,000 to $50,000. Eligible borrowers include businesses that have operated for less than three years and startups with less than $100,000 in annual revenue.

The $1MM BCF loan to the DCLF builds on Living Cities' past Integration Initiative in Detroit, the Detroit Corridors Initiative. The Initiative was a comprehensive revitalization approach that focused on increasing density and preserving mixed-income neighborhoods along key corridors identified as part of the city's strategic plan. Investment capital for the Detroit Integration Initiative focused on the "high-risk" real estate market, priming the pump, and proving out the market for additional capital to start flowing into Detroit. This loan attempts to accomplish similar results for "high-risk" entrepreneurs, small businesses, and social ventures. One of the secondary goals of DCLF is to convince other funders - including foundations, individuals, and corporate lenders – to create or support similar funds for business loans to "high-risk" businesses.

The Detroit Development Fund (DDF) manages the DCLF, including originations, underwriting, and servicing. DDF is a nonprofit CDFI established in 1996 that provides term loans and lines of credit to small businesses, small contractors, and affordable housing developers.

IMPACT

The Fund lends to businesses that have difficulty accessing capital. In the process, the Fund seeks to identify the true level of risk for these borrowers, which the fund partners believe is lower than what's perceived. As a condition of borrowing from the Fund, eligible borrowers must have a mentoring or technical assistance relationship with DCLF, another community lender, or partnering technical assistance provider, which include Accounting Aid Society, 313Strong, SCORE, and Pacific Ventures.

Since inception, the DCLF has closed 39 loans totaling $799K as of 6/31/21. Of those loans which have been made, none are in default. DCLF's lending activities in Detroit have helped retain 64 jobs and create approximately 99 new jobs. Of these businesses, thirty percent are start-ups, 97% are minority owned and two-thirds are women owned. Additionally, the DCLF has identified a pipeline of $845K of potential new loans which will further its investment objectives.

Existing Investment Profile

$799K	64	99
IN 39 LOANS	JOBS RETAINED	NEW JOBS CREATED

INNOVATION

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. Through an internal assessment of its customer base during the first six months of 2021, DCLF looked into assessing its current market and the market it was trying to attract with more high-risk smaller loans. As part of this process, it was also important to understand the potential barriers experienced by minorities, BIPOC, and the underserved market and how to address them in providing these higher-risk smaller loans.

In this process, one key factor that arose continuously was the importance of establishing a strong trust relationship with the potential borrower. Another important recognized factor was being able to speak the language of those barriers/solutions through identifying with the business owner and then building a relationship/trust based on that understanding. DCLF found that the aspiring entrepreneur is more interested in personal contact, personal relationship with their lender, and personal education and networking opportunities. As a result, the Fund will build its relationship model while enhancing the customer's experience. This includes revising the DCLF website, social media and marketing collateral.

Existing Investment Profile

Domestic Small Cap Pay for Success Fund

INVESTEE: Reinvestment Fund

TOTAL COMMITMENT: $2MM

LOCATION SERVED: United States

ISSUE AREA: Social services; recidivism, chronic homelessness, clean energy

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
December 2017	Subordinated loan	July 2025

OVERVIEW

In November 2017, the BCF closed a 7.6 year, $2MM investment in Class B shares as a lead investor in the first-of-its-kind $10.5MM Domestic Small Cap Pay for Success Fund I ("PFS Fund"), which originates senior loans in PFS projects across the U.S. that support the scaling of promising policy interventions. The PFS Fund focuses on making investments in "small cap" transactions – transactions smaller than $10MM in which a $2MM to $4MM senior loan from the PFS Fund would represent all or a majority of the senior debt to that transaction.

The PFS Fund is managed by a wholly owned subsidiary of Reinvestment Fund ("RF") called RF Impact Advisors, which is also responsible for fundraising, origination, underwriting, asset management, and investor reporting. As a leading CDFI, RF is an exceptionally strong fund manager. RF has a sound capital structure that can withstand changes in its operating and funding environment, a strong earnings history, excellent liquidity, and a strong track record in managing high-risk, high-performing community development loan portfolios. Living Cities has direct, first-hand experience with RF as a borrower. RF first borrowed from the Living Cities Catalyst Fund in 2009 to support its New Jersey Healthy Food Access Initiative ($2MM) and in 2011 to support the first round of Baltimore's Integration Initiative work ($3MM). RF has fully repaid both loans.

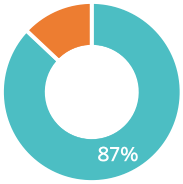
IMPACT

To date, the PFS Fund has committed $5.46MM to four PFS projects providing social services to approximately 650-700 people in Santa Clara, Ventura, and Alameda Counties in California as well as incentivizing sustainable agricultural practices on 100,000+ acres of farmland across Iowa, Ohio, and Illinois. Details on the underlying transactions can be found below:

Santa Clara Project Welcome Home (Repaid): A $5.86MM, 6.25-year PFS project launched in August 2015 to which the PFS Fund committed a $500K, 5% p.a. senior loan. The project intends to serve up to 200 chronically homeless individuals who are also frequent users of the County's emergency rooms, acute mental health facilities, and jail. The service provider, Abode, provides chronically homeless individuals with access to community-based clinical services and permanent supportive housing using evidence-based Assertive Community Treatment and a Housing First approach. Outcome payments to investors are made based on the number of months that participants remain housed based on a sliding schedule rewarding longevity. The project has been very successful. All the senior lenders, including the Fund, were repaid in full in July 2020.

Ventura County Project to Support Re-Entry (VCPSRE): A $2.59MM, 4.5-year PFS project to which the PFS Fund committed a $1.36MM senior loan, with the potential for up to a 7.42% IRR, in October 2017. The project's goals are to reduce recidivism, improve public safety, and promote family as well as economic stability for 400 medium-to-high-risk adult probationers in Ventura County, CA. Repayment of the loans and accrued interest owed to lenders are based on (1) the number of quarters during which a program participant is not re-arrested ("Clean Quarters") and (2) the level of reduction of total rearrests between the service group and treatment group. The total Clean Quarters outcome reached its maximum payment of $750,000 and 72 Clean Quarters were achieved. $51,760 was paid to lenders and deferred fee holders on April 1, 2021.

Existing Investment Profile



87%
VCPSRE CUMULATIVE ENROLLMENT

72
CLEAN QUARTERS

100,000
ACRES INCENTIVIZED IN SUSTAINABLE AGRICULTURE

Alameda County Justice Restoration Project (ACJRP): A $4.4MM, 3-year PFS project to which the PFS Fund committed a $1.19MM senior loan, with the potential for up to a 6% IRR, in October 2018. The project's goals are to reduce recidivism among 150 adults aged 18-34 with low-level prior offenses and who experience a new conviction, as this population historically faces a 70% recidivism rate within three years in Alameda County. Through this project, participants are offered a plea bargain and granted Deferred Entry of Judgment, which means they avoid jail time by participating in the program and no judgment will appear on their record if they successfully complete the program. The service provider in the Alameda PFS project, La Familia Counseling Services, addresses shortcomings in the existing service landscape by focusing on providing individualized, peer-based coaching in order to improve uptake of existing services that support behavioral health, physical health, employment, housing, and other essential life domains, resulting in a decreased rate of recidivism. The peer coaches delivering services are professionally trained mentors with similar lived experiences, either directly or through a family member, and have successfully re-integrated into the community. The outcome metric for this project is avoided days of recidivism and the project will make one outcome payment at project conclusion in fall 2021. The project has been fully enrolled since August 2019 and is meeting the target outcomes needed to achieve project success and investor repayment this fall. The rate of recidivism for the participant group is 28% less than the recidivism rate of the control group at the end of the project's 12th quarter of operation and is not expected to waiver significantly before the end of the project. This far exceeds project expectations.

ReHarvest: A $2.5M loan to ReHarvest Partners' Soil and Water Outcomes Fund, a subsidiary of Quantified Ventures, which seeks to generate social and environmental outcomes by incentivizing farmers to practice sustainable agriculture and then selling water and air pollutant reduction credits to water utilities as well as state and federal agencies. This market-based approach to pollutant reduction is a primary policy objective of the US Secretary of Agriculture and RF expects that a significant portion of the PFS Fund loan will serve as a bridge to a federal performance contract for this work. The Soil and Water Outcomes Fund was developed in partnership with AgOutcomes, a subsidiary of the Iowa Soybean Association, and provides financial incentives to farmers who transition to on-farm conservation practices that yield positive environmental outcomes. The resulting environmental outcomes are sold to public and private beneficiaries, including Cargill, ReHarvest's largest carbon credit customer, and several government agencies who have made water quality credit commitments.

INNOVATION

At origination, the 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 in order to bring in other 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 has the chance to create efficiencies, and potential scale, in the PFS market. Until the 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. An added benefit is that as the PFS Fund plans to take up all or a majority of the senior debt in the underlying transactions, it will have the power to push for terms that make those transactions replicable in the long-term.

Existing Investment Profile

Fortis Capital

PROJECT NAME: Minneapolis Fund for Inclusion

TOTAL COMMITMENT: $2MM

LOCATION SERVED: Minneapolis, MN

ISSUE AREA: Small business

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
April 2020	Senior unsecured loan	March 2025

OVERVIEW

Fortis Capital dba Minneapolis Fund for Inclusion ("Fund") is a newly created 501c3 non-profit organization 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 participate up to 75% in loans originated by local banks, CDFIs, and other lenders. A $500,000 interest-free forgivable loan from the City sits below the senior debt in the Fund. With capital from BCF, the $2.5MM Fund will leverage an additional $1.3 - 2.5MM, for a total of up to $5MM in lending to targeting minority entrepreneurs in Minneapolis.

In 2017, the City of Minneapolis Innovation Team explored how the City could better support minority and immigrant entrepreneurs in starting, sustaining, and growing businesses in Minneapolis. While non-whites comprise nearly 36% of the city's population, they only own 20% of the City's businesses, indicating there is a significant racial disparity in business ownership. Key challenges facing entrepreneurs of color include lack of access to capital, lack of affordable commercial space, confusing city processes, and poor neighborhood conditions where minority-owned businesses are located.

These challenges are major factors underpinning racial disparities in business ownership. The Fund is the result of the City's exploration and, in order to partially address the business ownership gap, has chosen to focus on the provision of credit.

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 loosening the restrictions of the current city financing program, the Fund is expected to open up the credit box to reach those not served well by the existing city programs. However, the Fund will drive efficiencies by building on the operations of the 2% Loan Program.

IMPACT

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. While small businesses are crucial to economic growth, they have difficulty accessing capital: nationally, 81% of entrepreneurs do not have access to either a bank loan or venture capital and based on data from American Express, there are an estimated 10 million revenue-generating under-funded, service-based small businesses. Additionally, access to capital is not evenly distributed, as 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 is being 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 will focus on low-income, high-poverty areas of Minneapolis, including the federally designated Promise Zone in North Minneapolis and Opportunity Zone designated tracts.

Existing Investment Profile

$500K
CITY GRANT TOWARDS LAUNCH OF THE FUND

25+
PARTNERSHIPS WITH LOCAL LENDING PROGRAMS

$5MM
LEVERAGED BY THE FUND

INNOVATION

As a fund led by public sector officials, there are credible channels to systems change through this transaction. The City is granting $500,000 as an interest-free forgivable loan towards the launch of the Fund and will have City officials and a council member on the governance committee of the Fund. Interestingly, the design of this Fund has already led to proposed policy changes for some of the City's other lending programs.

Additionally, by working with local banks, CDFIs, and nonprofits providing technical assistance, the City is incentivizing change in the existing financial ecosystem. Any loans originated by lender partners through the Fund are for desirable customers who do not meet the lender's underwriting criteria yet. The aspiration is that as lender partners and their underwriters gain experience with particular neighborhoods, types of entrepreneurs, and entrepreneurs of color, they will provide credit reference points to expand the lender partners' underwriting approach.

It should also be noted that, in order to complement the new loan fund, the City has designed additional programs to reach its entrepreneurs of color. These programs - which include a cohort-based small business support program, a Somali women entrepreneurship program, and an online business portal and lending platform - are expected to enhance the pipeline for the Fund and to enhance the creditworthiness of borrowers.

Existing Investment Profile

ICA (fka Inner-City Advisors/Fund Good Jobs)

TOTAL COMMITMENT: $1MM

LOCATION SERVED: Bay Area, CA

ISSUE AREA: Small business

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
October 2020	Senior unsecured loan	August 2025

OVERVIEW

In October 2020, the Blended Catalyst Fund (BCF) closed a $1MM loan as the lead investor in ICA's new $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 in order 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.

ICA has worked to create wealth-generating opportunities for Bay Area entrepreneurs since its inception, providing support to over 600 companies, including Blue Bottle Coffee, Numi Tea, Revolution Foods and Back to the Roots. With ICA's support, their community of companies has secured more than $300MM in investments, created 5,600 jobs, and paid more than $110MM in wages to employees in Oakland and the broader Bay Area.

ICA's lending thesis, which has been tested through its initial investments, is that businesses that are unable to raise capital from traditional sources can - with the right blend of support and flexible investment vehicles like convertible notes - provide meaningful financial returns, drive community impact, and create accessible good jobs. ICA wants to scale up its initial investment work and has targeted a $10MM raise based on what they believe it will take to create a more robust proof of concept.

To support this $10MM raise, and based on lessons learned from its early lending, ICA has iterated its capitalization strategy. Instead of solely raising debt, ICA will layer different sources and types of capital to provide long-term, patient, flexible capital to its borrowers while providing liquidity to investors. ICA is planning to raise and invest the $10MM within the next two years into ~20 businesses that have participated in its Good Jobs Accelerator ("Accelerator"), ultimately creating, and retaining over 400 jobs and leveraging an additional $50MM in investment. In this next phase of its investment work, ICA also seeks to work with companies that demonstrate a commitment to profit-sharing, employee ownership, or other opportunities with the potential to create long-term wealth for employees.

IMPACT

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. Eligible businesses must also be located and intend to generate jobs solely in the Bay Area and fit into one of the five sectors ICA is focused on: 1) service, 2) retail & trade, 3) food & beverage 4) manufacturing, and 5) health.

The last sector, health, has been added in response to COVID-19, as ICA has noticed that there are many health-related businesses in the Bay area with high potential for local job creation. Only businesses that have participated in Accelerator will be considered.

Existing Investment Profile

5,600	72	$110MM
JOBS CREATED BY ICA	COMPANIES SERVED BY ICA EMERGENCY RESPONSE INITIATIVES	WAGES PAID BY THE FUND

The other 20% (~$2MM) will be reserved for discretionary investments that could include, but is not limited to, providing follow-on capital for existing portfolio companies or to earlier-stage businesses that may fall outside of the investment criteria but offer an attractive value proposition or unique opportunity related to ICA's mission and impact. While this allows ICA to consider businesses that did not participate in its Accelerator program for investment, there must be another strong connection to ICA in lieu of this—e.g., participation in educational activities such as workshops and an assessment.

INNOVATION

ICA has an innovative lending approach through which it seeks to reframe risk and create a new underwriting framework. As a lender, ICA takes flexible equity positions and engages in convertible note financing, making it unique among CDFIs. Building on its long history of aggregating data around what it takes to create quality jobs, ICA is now seeking to test out the potential of employee ownership and profit-sharing models as a wealth generation tool.

Existing Investment Profile

Impact Ventures III

PROJECT NAME: City Light Capital

TOTAL COMMITMENT: $2MM

LOCATION SERVED: United States

ISSUE AREA: Social enterprises

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
March 2016	Limited partnership interest in a venture capital fund	September 2025

OVERVIEW

Impact Ventures III ("IV3" or the "Fund") is a $57.4MM venture capital impact investment fund to which the Blended Catalyst Fund (BCF) committed $2MM in March 2016. IV3 invests in early-stage social enterprises addressing urban issues related to education, safety and sustainability and is managed by City Light Capital, a New York-based firm that is led by Managing Partner Josh Cohen, dedicated to generating both strong financial returns and measurable social impact. This is City Light's third fund.

City Light employs two key investment strategies: (1) They make initial investments between $1-3MM, typically in the Series A round. (2) City Light makes "City Spark" investments, e.g., pre-Series A companies where IV3 has made $50K investments. IV3 frequently engages with new portfolio companies through their City Spark program. Here, IV3 makes $50,000 seed investments in businesses that City Light believes are Series A candidates but are still too early, as they generally have less than $500,000 in revenues. City Spark allows IV3 to gain visibility into seed stage companies and typically includes pro rata investment rights for any subsequent funding rounds. IV3 maintains reserves for follow-on opportunities that result from both strategies.

IMPACT

After exploring the social enterprise landscape in 2015, the Catalyst Funds team believes entrepreneurs - through the products or services their companies are providing - have the potential to play a critical role in addressing issues that disproportionately affect low-income people and people of color. We believe this role is complementary to that of government and philanthropy. At the time of IV3's origination, we hoped to be able to test and scale the solutions that came out of IV3 while learning about more the entrepreneurial ecosystem.

IV3's impact goals for each issue area include the following. For education, they sought portfolio companies that support reducing dropout rates, increase access and affordability, and increase the performance of learners. For sustainability, they looked for portfolio companies that support energy efficiency, waste and water management and carbon reduction. For safety, they sought out portfolio companies that will build safer places as well as allow for better preparedness and response.

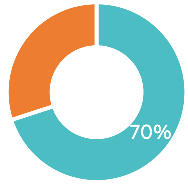
IV3 has achieved the following impact with its portfolio to date:

- Education: 64,447 learners served
- Safety & Care: 70% reduction in negative outcomes for patients; $17 million in reduced healthcare costs
- Environment: 742,000 people have better access to clean energy; 8.3 million pounds of CO_2 offset by products in IV3 portfolio; $17 million saved; 602 million kWh of electricity produced by solar under management.

Existing Investment Profile

8.3MM

MILLION POUNDS OF CO2 OFFSET



70%

REDUCTION IN NEGATIVE OUTCOMES FOR PATIENTS

64,447

LEARNERS SERVED

INNOVATION

Predicated upon the belief that if financial performance is not inherently tied to impact, the product will not be successful, IV3 requires that their portfolio companies' entrepreneurs regularly measure the impact their products are having; by quantifying and tracking these metrics, the companies can improve upon and scale the impact their companies have.

In addition, through its City Spark program, City Light has been able to capitalize very early-stage businesses led by entrepreneurs whom they have not worked with previously. This has been an effective way to expand their network and test out different investment theses without putting significant amounts of capital at risk. As City Light raised its fourth fund, they concurrently developed proprietary technology that allows them to filter through and work with an even broader set of companies. In 2021, City Light also launched the Impact Beacon in partnership with the Nasdaq Entrepreneurial Center and Penn State University, and is designed to give entrepreneurs a quick, user-friendly tool to help identify, evaluate, and articulate their impact. While these initiatives have not necessarily led to a large number of entrepreneurs of color within the IV3 portfolio, the City Spark program, technology, and resources created by City Light Capital are all interesting approaches that could be used by a different fund manager to channel capital to more entrepreneurs of color.

Existing Investment Profile

Jacmel Growth Partners

TOTAL COMMITMENT: $750K

LOCATION SERVED: United States

ISSUE AREA: Working capital for fund managers of color

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
December 2020	Senior unsecured loan	December 2023

OVERVIEW

Founded in 2016, Jacmel Growth Partners ("Jacmel") is a BIPOC-owned private investment firm which seeks to partner with its portfolio companies to "grow profits, grow people, and grow communities". The Catalyst Funds team was introduced to Jacmel's Founder, Nick Jean-Baptiste, through the Builders and Benefactors network, a network of fund managers of color in the private equity and venture capital space, cultivated by Living Cities in connection with its Capital for the New Majority initiative.

IMPACT

Traditional capital markets channels have proven difficult for fund managers of color to access despite having professional experience and credentials equal to, or even greater than, that of their white peers. Fewer than 1.3% of the global financial assets under management are managed by women and people of color. A hypothesis engendered through Living Cities' racial equity and inclusion work is that fund managers of color make different capital allocation and operational decisions than white managers do and that helping to support these fund managers will have a concomitant effect on entrepreneurs of color in which these fund managers may invest.

BCF is looking to help these fund managers stand up and / or scale their funds by providing working capital loans which will enable them to increase staffing, resources, and bandwidth. Living Cities believes that this type of lending program will contribute proof points towards a national model which could be scaled more broadly and can help to galvanize capital markets participation for fund managers of color.

The loan from BCF will provide working capital to support the growth of Jacmel as it seeks to continue its investment thesis of investing in midsized companies with high growth potential, but that require additional financial and human capital resources to continue to drive growth. Additionally, Jacmel is raising capital for its first formal investment fund which is anticipating a targeted raise of $100MM and will further the investment thesis Jacmel has been successfully testing in its individual investment activities to date. Jacmel has previously conducted its investment activities on a project-by-project basis, with each transaction capitalized by varying equity and debt sources.

INNOVATION

Jacmel categorizes its impact across three principles:

1) Ensuring Fair Pay: After acquiring a company, Jacmel analyzes employee compensation structures to determine which (if any) institutional biases impacting pay can be quickly addressed.
2) Enhancing Employee Benefits: Jacmel focuses on acquiring family-run / owner-operated companies. The benefits for actively pursuing this acquisition strategy are numerous. However, an unintentional negative fact pattern for family-run companies is that often their Employee Benefits programs are underfunded, providing below optimal offerings to employees.

Existing Investment Profile

$80K
IN INVESTMENTS MADE

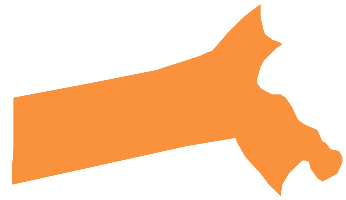
$10MM
IN CAPITAL COMMITMENTS IN DUE DILIGENCE

$100MM
TARGETED FUND RAISE

3) Providing Additional Opportunities to Employees Through Workforce Development: Jacmel has developed a two-prong approach to providing professional development opportunities through its portfolio companies. The first solution is providing free continued education access to its employees, with the second solution being a concentrated push to hire Returning Citizens.

Existing Investment Profile

MA Pathways Pay for Success



TOTAL COMMITMENT: $650K

LOCATION SERVED: Greater Boston, MA

ISSUE AREA: Workforce development

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
January 2017	Equity	March 2023

OVERVIEW

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. Of the 40 investors, 13 are public, and include: Prudential Financial, Inc.; Maycomb Capital's Community Outcomes Fund; Blue Haven Initiative; Boston Impact Initiative; ImpactAssets; The Kresge Foundation; and Sorenson Impact Foundation.

MA Pathways strives to improve economic outcomes and provide a 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. ELLs in the Greater Boston area have limited options if they hope to improve their English language skills, and most services ELLs have access to lack workforce components. Additionally, funding for services is scarce compared to demand; a lack of funding for Standard English classes has led to long waiting lists for services, with over 16,000 known individuals on service provider waitlists for English classes.

In answer to the demand for quality 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.

Other key project partners include Social Finance, the project manager and intermediary who structured the project; Economic Mobility Corporation ("Mobility"), the lead evaluator; and the Commonwealth of Massachusetts ("Commonwealth"), the payor.

IMPACT

Through MA Pathways, project partners expect to see 1) improved earnings, 2) an increase in successful post-secondary transitions, defined as a participant who has earned more than 12 college credits, less than 3 of which are remedial credits post-program, and 3) increased program engagement among program participants over the course of a six-year period.

Mobility has been issuing final outcomes reports on earnings data for MA Pathways participants on a quarterly basis since May 2019. Only those project participants with more than eight quarters, or two years, of post-enrollment earnings data are measured for the purposes of determining whether target outcomes for improved earnings have been met.

Existing Investment Profile

$6,931
MORE EARNINGS FOR RAPID EMPLOYMENT PARTICIPANTS

$9,740
MORE EARNINGS FOR OCCUPATIONAL SKILLS PARTICIPANTS

$15MM
DISTRIBUTED IN OUTCOMES PAYMENTS

To date, Mobility has assessed earnings data for 1,810 participants. Overall, the earnings data has indicated that JVS, through the MA Pathways project, has been very successful in improving earnings for participants, and has actually exceeded its historical performance:

- Project participants in the Rapid Employment track experienced earnings of $20,182, compared to the target of $13,251; MA Pathways participants are earning an average of $6,931 more than anticipated.
- Project participants in the Occupational Skills Training track experienced an earnings increase of $21,204 compared to the target of $11,464 – which means MA Pathways participants are earning an average of $9,740 more than anticipated.
- When it comes to EfA, which is evaluated through a Randomized Control Trial (RCT) and compares the increase in earnings for those who received JVS services to those who did not, Mobility found that EfA participants earned $413 more than those who did not participate in EfA.

Based on the earnings data to date as well as continued program engagement payments, the Commonwealth has distributed the maximum cap of $15MM in outcomes payments. This a big win for the project and its participants, sending a strong early signal that the project is truly putting people on a pathway towards stronger economic opportunity, and is a testament to the strength of JVS's programs and operations. In November 2020, the project evaluator, published an interim report on EfA outcomes for public use, with approval from the Commonwealth of Massachusetts. Project partners felt that sharing the outcomes achieved and lessons learned from JVS's innovative model of combining vocational English classes and job coaching could be useful for policymakers around the country to learn from, particularly when it comes to post-pandemic employment recovery for immigrant and refugee workers and as the country grapples with economic disparities and an 8% unemployment rate.

INNOVATION

At origination, MA Pathways was innovative for a few reasons. 1) It was the first PFS project in the nation to focus exclusively on workforce development. 2) It took a multi-track approach by implementing and evaluating four distinct program tracks within the same transaction. The multi-track approach makes it possible for the MA Pathways project to serve more people than we've seen in past PFS projects while still providing targeted support to program participants. The multi-track approach also helps mitigate risk; if project partners realize one program track is not delivering intended results, the project can scale back the under-performing track, enroll additional participants across the other program tracks and still return investor principal. 3) It moved beyond using a randomized control trial (RCT) as the sole means by which to measure success. Social Finance and JVS worked with the Commonwealth to determine a method of evaluation that would meet everyone's needs. Workforce-related PFS projects have been slow to develop in the U.S. because they are difficult to structure with an RCT; until MA Pathways, no one had been able to strike the right balance. 4) It 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.

Existing Investment Profile

Mission Driven Finance

TOTAL COMMITMENT: $2MM

LOCATION SERVED: San Diego, CA

ISSUE AREA: Small business

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
December 2020	Senior unsecured loan	August 2025

OVERVIEW

In December 2020, the Blended Catalyst Fund (BCF) made a $2MM loan to Advance, a regional, inclusive place-based fund managed by impact investment firm Mission Driven Finance (MDF).

The San Diego-based firm, co-founded by David Lynn and Lauren Grattan in 2015, 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.

Advance is MDF’s flagship fund and is focused on filling the capital gap for women and communities of color in the San Diego region by providing flexible, affordable capital and business advisory support at crucial tipping points in a business's growth cycle. Advance’s target borrowers have outgrown or are ineligible for microfinance and Small Business Administration (SBA) loans but do not have sufficient assets or entrepreneurs with the personal credit scores needed to qualify for larger bank loans. BCF's commitment will allow Advance to scale its efforts in supporting companies like LuckyBolt, a food social enterprise connecting local farmers and retail; CareCar, Inc., a non-emergency medical transportation platform; and Microtek, which combines engineering and life sciences to develop life-saving technologies. It will also support nonprofit organizations such as Skinny Gene Project, which works to prevent type 2 diabetes.

IMPACT

While small businesses are crucial to economic growth, they have difficulty accessing capital. According to data from the Kauffman Foundation, 81% of entrepreneurs nationally do not have access to either a bank loan or venture capital. Additionally, access to capital is not evenly distributed, as entrepreneurs and communities of color face a legacy of structural racism when seeking startup and expansion capital for their small businesses.

Furthermore, the San Diego region is undergoing a rapid demographic transformation that mirrors future national trends. The majority of San Diego's population now consists of people of color as the share of the White population is on the decline while the Latino and Asian American populations are on the rise. At the same time, there is a significant wealth divide in the region. This has meant that historically, Black, Latino, and immigrant San Diegans have been shut out of the traditional financial system: research from the Woodstock Institute in 2017 demonstrated only 20% of businesses in low-income, predominantly communities of color in San Diego receive bank loans compared to almost 80% in high-income, predominantly White coastal areas.

MDF created Advance to address these inequities in access to capital for entrepreneurs of color in the San Diego-region through a place-based approach. MDF defines success as how well they are building assets in the community, in addition to assets under management. The data they collect focuses on whether they have helped borrowers access capital they would not have otherwise; leveraged additional capital for borrowers; graduated borrowers to traditional financing; helped businesses scale their growth; and social impact. To this end, MDF sends a quarterly impact survey to all borrowers so that they can measure their progress in achieving these goals over time.

Existing Investment Profile

6
SUCCESSFUL EXITS

$280K
AVERAGE LOAN AMOUNT

$6.2MM
ASSETS INTO THE COMMUNITY

INNOVATION

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. MDF saw a need to reinvent lending practices that were reinforcing disparities for people of color when they realized that in their pilot year, all three loans they made were to businesses owned by white individuals working to support communities of color. As a result, MDF developed an underwriting methodology that 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, financials (specifically future anticipated performance), and impact. MDF measures leadership engagement through a questionnaire and community validation – e.g., references and data points from community members who have worked with the entrepreneur. The MDF team is deeply rooted in the community and has a strong network which means they are either directly connected to or one step away from a person who knows the entrepreneurs they are screening. In assessing both leadership and impact, MDF highly values community involvement, as they believe it signals an ability to meet impact targets and market goals, as well as the presence of a support network that can be activated to get through tough times.

In addition, based on the early success of its strategy in San Diego, MDF has scaled to create a national, place-based strategy to work with community foundations, family offices, and other local players to co-create place-based funds that are creating access to communities of color. MDF brings technical expertise in structuring and capital raising, and serves as the back-end fund manager, which has allowed the organization to scale quickly.

Existing Investment Profile

NewCorp

PROJECT NAME: BuildNOLA Mobilization Fund

TOTAL COMMITMENT: $2MM

LOCATION SERVED: New Orleans, LA

ISSUE AREA: Small business

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
March 2020	Senior unsecured loan	May 2025

OVERVIEW

Formed in 1995, NewCorp is a New Orleans-based Community Development Financial Institution ("CDFI") that provides financial products and services, technical assistance ("TA"), and training to small/medium sized, minority owned businesses. The loan from BCF will be used to capitalize the Expanded BuildNOLA Mobilization Fund (the "Expanded Fund"). The $8MM Expanded Fund will on-lend to minority-owned contracting businesses who have been awarded contracts by the City of New Orleans, but who have difficulty accessing the capital required to fulfill those contracts.

The Expanded Fund is an expansion of similar, existing activities that have been previously supported by NewCorp's pilot BuildNOLA Mobilization Fund (the "Pilot Fund"). The Pilot Fund was created in 2016 to meet a financing gap that resulted from a June 2013 ordinance signed by then-Mayor Mitch Landrieu to reform the City's disadvantaged business enterprise ("DBE") program. The ordinance sought to improve fairness, consistency, and compliance with the City's overall 35% DBE participation goal for public contracts. According to the City of New Orleans, the 5-year total infrastructure budget was expected to be $1.2BN, of which the DBE spend was projected to be ~$420MM – but the majority of the DBEs who would have fulfilled these contracts did not have the financial resources to do so. Hence, the Pilot Fund has provided working capital to DBEs who serve as contractors for City of New Orleans funded infrastructure projects. In addition to capital, Pilot Fund borrowers receive technical assistance from NewCorp and the Urban League of Louisiana. The Pilot Fund was funded by a $1.29MM loan from Living Cities' Catalyst Fund.

IMPACT

The Expanded Fund is focused on supporting DBEs managed by entrepreneurs of color. Research has demonstrated that people of color have lower levels of income and wealth than their non-minority counterparts, and that entrepreneurs of color have less access to capital than their non-minority peers. This means that entrepreneurs of color struggle, and spend more of their own limited monies, to start and grow businesses. This is true nationally and it is true in New Orleans as well. This Expanded Fund seeks to partially address these gaps by providing increased access to capital. Because the Expanded Fund is specifically focused on lending to DBEs, it has more flexible financial terms, which are frequently coupled with borrower technical assistance, that facilitate "getting to yes."

Through the provision of capital, the Expanded Fund will increase: (i) the number of jobs created/ preserved, (ii) income earned, and (iii) through business growth, wealth built by entrepreneurs of color. NewCorp is an organization that is led by, and largely employs, people of color. More specifically, NewCorp's President, Vaughn Fauria, and Loan Fund Manager, Peter Brooks, are both black leaders who have the cultural competencies to work with the DBE borrowers the Expanded Fund is targeting.

Existing Investment Profile

$8MM
CAPITAL RAISED

$8MM+
OF INVOICES FOR MBEs FUNDED

$3MM
OF PRINCIPAL OUTSTANDING DAILY

INNOVATION

NewCorp is one of few CDFIs in New Orleans. Its work in both the Pilot Fund and the Expanded Fund has been informed by community needs and local policies, and the organization plays an important role in the city's ecosystem. We believe that NewCorp's willingness to work with the city and other partners could amplify the impact of its lending activities.

Furthermore, BCF is focused on closing racial wealth gaps by supporting the creation of income and wealth for people of color in U.S. cities. While small businesses are crucial to economic growth, they have difficulty accessing capital: nationally, 81% of entrepreneurs do not have access to either a bank loan or venture capital and based on data from American Express, there are an estimated 10 million revenue-generating under-funded, service-based small businesses. Additionally, access to capital is not evenly distributed, as 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. NewCorp aligns with BCF's impact objective through its work supporting DBEs managed by entrepreneurs of color.

Existing Investment Profile

Passbook Ventures (fka Aux21 Capital Partners)

INVESTEE: Aux21 Capital Partners

TOTAL COMMITMENT: $500K

LOCATION SERVED: United States

ISSUE AREA: Working capital for fund managers of color

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
October 2020	Senior secured loan	December 2023

OVERVIEW

Passbook Ventures, formerly known as Aux21 Capital Partners, is a BIPOC-owned early-stage venture capital firm founded in 2020 by Chinedu Enekwe and Mark Fleming. The Catalyst Funds team was introduced to Passbook Ventures co-founder Chinedu Enekwe through the Builders and Benefactors network, a network of fund managers of color in the private equity and venture capital space, cultivated by Living Cities in connection with its Capital for the New Majority initiative. Passbook Ventures' investment thesis centers around the belief that companies must have a global strategy embedded in their DNA to maintain a competitive advantage in their respective sectors. The firm seeks to identify unique challenges where market technology is creating more efficient markets globally.

IMPACT

Traditional capital markets channels have proven difficult for fund managers of color to access despite having professional experience and credentials equal to, or even greater than, that of their white peers. Fewer than 1.3% of the global financial assets under management are managed by women and people of color. A hypothesis engendered through Living Cities' racial equity and inclusion work is that fund managers of color make different capital allocation and operational decisions than white managers do and that helping to support these fund managers will have a concomitant effect on entrepreneurs of color in which these fund managers may invest.

BCF is looking to help these fund managers stand up and / or scale their funds by providing working capital loans which will enable them to increase staffing, resources, and bandwidth. Living Cities believes that this type of lending program will contribute proof points towards a national model which could be scaled more broadly and can help to galvanize capital markets participation for fund managers of color.

The working capital investment from BCF gives investors and potential investors comfort in the fact that there will be sufficient capital to help the Borrower scale its staff and operations as it seeks to deploy capital from limited partner investors.

Furthermore, Passbook Ventures is committed to leveraging the entrepreneurial talent of immigrant and underrepresented communities. Mark and Chinedu, as fund managers of immigrant and underrepresented backgrounds, have the lived experience of building companies and leveraging networks on behalf of underrepresented founders and investors at the highest levels.

Existing Investment Profile

$2.3MM	$10MM	$100MM
OF INVESTMENTS COMMITTED TO DATE	OF INVESTMENTS FROM MAJOR BANKS IN THE DILIGENCE PROCESS	TARGET FUND RAISE

INNOVATION

Passbook Ventures will focus on commercial, risk-adjusted returns while also seeking to maintain a double bottom line focus which centers around the following tenets:

- Spurring and supporting entrepreneurship in U.S. immigrant communities by increasing access to early growth capital.
- Increasing support for diverse founders by actively sourcing from diverse micro-funds that invest in underrepresented entrepreneurs.

The loan from BCF will provide working capital to support the growth of Passbook Ventures as it seeks to raise its first investment fund.

Existing Investment Profile

Propeller Social Venture Fund

INVESTEE: Foundation for Louisiana

TOTAL COMMITMENT: $500K

LOCATION SERVED: New Orleans, LA

ISSUE AREA: Social enterprise and small business

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
November 2017	Senior secured loan	March 2025

OVERVIEW

In November 2017, the BCF closed a $500K loan to the Propeller Social Venture Fund ("SVF" or the "Fund"), which is an $1MM managed account at Foundation for Louisiana ("FFL"). SVF was created to fill a financing gap in the New Orleans capital ecosystem by providing affordable loans 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.

SVF was co-created by two separate entities: Propeller and FFL. The Fund is a managed account at FFL, who acts as the borrower, lender, asset manager, and fund manager. FFL was founded in 2008 to provide loans to socially conscious ventures as a part of their mission to invest in people and practices that work to reduce vulnerability and build stronger, more sustainable communities in Louisiana. Through their Community Investment Fund, FFL partners with organizations, such as Propeller, that are seeking to offer loan products to their clients while helping to build more community assets.

Propeller supports pipeline generation, underwriting, and is the primary source of technical assistance to SVF borrowers. Propeller is a New Orleans-based incubator/accelerator that has worked to grow and support entrepreneurs tackling New Orleans' most pressing social and environmental disparities since 2009. Propeller believes social entrepreneurship has the power to correct for and tackle systemic issues, specifically the deeply ingrained inequities that disproportionately impact people of color. SVF is a tool that complements Propeller's existing programs and through which Propeller hopes to advance its mission.

IMPACT

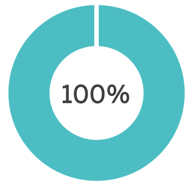
SVF has identified four target sectors and a geographic area for investment, based on analysis of the intersection of market opportunity with the potential for social and environmental impact in Southeast Louisiana:

- Food security: accessibility and affordability of healthy foods for underserved communities; promotion of the local, environmentally sustainable food economy; equity in the food industry.
- Water: coastal restoration; urban water management; reducing disparities in water-based industries (such as fisheries, maritime, ports).
- Educational equity: early childcare and K-12 related services, including initiatives to remove barriers that create triggers for poor academic performance such as poor nutrition as well as vision and dental care.
- Healthcare: initiatives to increase the access to, quality, and/or affordability of services to low- and moderate-income individuals.

Existing Investment Profile

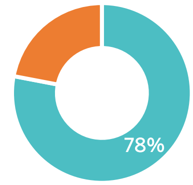
$670K

PIPELINE OF PROSPECTIVE VENTURES



100%

OF BORROWERS ARE BIPOC



78%

OF EMPLOYEES ARE PAID A LIVING WAGE

- Entrepreneurs of color in South Broad commercial corridor: businesses must be majority-owned (50%+) by person(s) of color and headquartered in the Greater New Orleans region (including Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Tammany, Tangipahoa, and Washington parishes.

Overall, SVF intends to lend to 18 small businesses, non-profits, and social enterprises operated by entrepreneurs of color. Loans are made for the purposes of commercial real estate purchases, renovation costs, operations, working capital, and/or furniture, fixtures, and equipment. Interest rates range from five to eight percent, depending on mission alignment, impact potential, risk, and length of loan. Loan terms are between two to seven years.

To date, SVF has committed $475K (~48% of the total Fund) to seven companies. BCF collects data on the following social impact metrics for SVF in relation to its underlying borrowers:

- Demographics: 100% of borrowers are people of color, 57% are women, and 100% were considered low-to-moderate income at time of origination.
- Number of jobs created: 14.
- Percentage of employees and contractors who are people of color: 81%.

INNOVATION

SVF attempts to prove the viability of the lending market for entrepreneurs, small businesses, and social ventures in New Orleans through a collaborative, place-based impact investing approach. Collaborative, place-based impact investing is an emergent trend that focuses on coordinating efforts and leveraging capital from across the community to enable different stakeholders to become part of a larger community-driven, purposefully designed investment vehicle. The ultimate goal of these collaboratives is to create more inclusive economies in communities, and this is a product of larger trends within the areas of collective impact, place-based philanthropy, and impact investing.

Existing Investment Profile

Regional Equitable Development Initiative (REDI)

INVESTEE: Enterprise Community Loan Fund

TOTAL COMMITMENT: $3.5MM

LOCATION SERVED: Puget Sound Region, WA

ISSUE AREA: Equitable transit-oriented development

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
November 2016	Subordinated loan	September 2025

OVERVIEW

In November 2016, the BCF committed a $3.5MM subordinate loan to the $21MM Regional Equitable Development Initiative Fund ("REDI Fund" or the "Fund"), which was established to support the development and preservation of affordable housing around transit sites in the Puget Sound region in Washington State. The Fund 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 Fund, qualified developers can access longer-term, flexible financing to effectively compete for key properties in designated geographic locations. The Fund enables developers to carry projects at significantly lower cost and allows for flexible uses, including predevelopment and acquisition. The Fund has established a minimum affordability requirement for all properties seeking financing.

The REDI Fund is managed by ELCF, a national Community Development Financial Institution (CDFI) with a history of strong financial performance and managing similar funds.

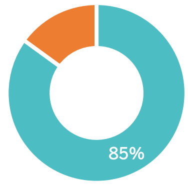
IMPACT

REDI has provided acquisition financing to seven 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 990 units of housing, of which ~85% (840) are expected to be affordable housing units, as well as at least 22,000 square feet of space for organizations serving community needs. Two projects have repaid at June 30, 2020 including 112 units in Tukwila across from the light rail station and 100 studio units of permanent supportive housing for the disabled and formerly homeless in Seattle. Loans outstanding as of June 30, 2020 include:

- A mixed use project with 221 affordable family housing units in Seattle,
- 130 new affordable homes above a ground-level performing arts center and music school in Seattle,
- A 300 unit mixed-income, mixed-used project in Tacoma located across from the community college,
- 125 units of affordable housing in Kirkland, and
- 25 units for survivors of domestic violence.

Additionally, REDI has an additional two loans under consideration in the second half of 2021.

Existing Investment Profile



990
UNITS OF HOUSING

85%
AFFORDABLE HOUSING UNITS

22,000
SQ. FEET OF SPACE FOR ORGANIZATIONS SERVING THE COMMUNITY

INNOVATION

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. Even more importantly, three of the public sector partners did not pursue a more traditional, "carve-out" approach and instead committed to a regional solution to the affordable housing problem in metro Seattle. These public sector partners allowed use of their funds in any REDI Fund jurisdiction, simplifying the Fund's financial structure, and increasing its regional impact.

Existing Investment Profile

Salt Lake County REACH Pay for Success

TOTAL COMMITMENT: $500K

LOCATION SERVED: Salt Lake, UT

ISSUE AREA: Recidivism and employment

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
December 2016	Pay for Success / Subordinated loan	June 2023

OVERVIEW

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. The project has served 252 high-risk individuals who finished serving sentenced jail time, have moderate to severe substance use disorders, and are being supervised by Adult Probation and Parole. Typically, these individuals may receive probation services and referrals to behavioral health services, but face difficulty accessing treatment that targets all their needs. Historical analysis indicates that 74% of high-risk offenders in Salt Lake County return to the criminal justice system within four years of their release and spend an average of a year incarcerated.

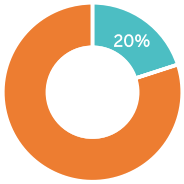
To serve these individuals, First Step House (FSH), a local non-profit, is implementing a holistic, community-based treatment model called the REACH program, an acronym that stands for Recovery, Engagement, Assessment, Career and Housing. REACH incorporates services and treatments to address criminogenic needs, such as substance abuse treatment and employment support, as well as non-criminogenic needs, such as short-term housing and ongoing case management. FSH was chosen through a competitive process that Salt Lake County ran in 2015 and is a specialized substance abuse treatment center with a mission to help people build lives of meaning, purpose, and recovery. FSH operates four residential treatment facilities in the Salt Lake metro area, employing a team of 66 professionals, and opened a fifth facility in the first half of 2021 doubling the capacity of the REACH program.

Other key project partners include the Community Foundation of Utah, the legal and financial intermediary; Sorenson Impact Center, the project manager; the Utah Criminal Justice Center (UCJC), the lead evaluator; Salt Lake County, the payor; and Third Sector, which structured the PFS projects and continues to provide advisory services as needed.

IMPACT

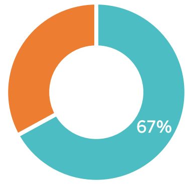
By using REACH, PFS project partners expect to see 1) a decrease in recidivism, defined as a reduction in the number of statewide arrests, days in county jail and days in state prison, as well as 2) an increase in employment among enrolled participants, defined as number of quarters employed, over a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

Existing Investment Profile



20%

OF PARTICIPANTS ARE MEETING THE ACHIEVEMENT OF TREATMENT WITHIN 6 MONTHS OF ENROLLMENT



67%

OF ALL REACH CLIENTS ARE EMPLOYED

252

HIGH-RISK INDIVIDUALS SERVED BY THIS PROGRAM

The County is also making outcome payments based on a third outcome: successful treatment engagement, defined as 200 hours of criminogenic specific treatment over a six-month period. A national 2013 study found that the recidivism rate for high-risk offenders was 81% with 100-199 hours of treatment and 57% with 200 or more hours of treatment, making treatment engagement a leading indicator of longer-term success. While the project has experienced success, it has had substantial challenges during the pandemic due to difficulties in providing residential treatment and group therapy. There were also staff turnover problems. During the summer of 2021, these issues were largely resolved and future reports should show more positive results.

Outcomes payments across the three metrics are not co-dependent – but there is historical evidence, as noted above, that individuals who successfully engage in REACH treatment are less likely to recidivate, and an assumption that if individuals are successfully employed, they are less likely to commit new crimes, therefore leading to a reduction in recidivism. Investor repayment is largely dependent on the first outcome (recidivism reduction) as it is the primary goal of the project since the hypothetical cost savings to government are largely driven by keeping people out of jail.

The November 2020 outcomes evaluation report indicates the project continues to do very well, particularly on the recidivism measure. The fourth outcomes evaluation will be completed in the late fall of 2021 and is expected to generate substantial success payments for investors. As a subordinate lender, the BCF will not receive success payments until the repayment of senior debt so will not likely receive payments until closer to the end of the project in June 2023.

INNOVATION

At origination, the SLCo PFS Project was unique for a few key reasons:

- The execution of two separate, but related, PFS projects under one contract. By working with the same project partners and similar investors, the County drove efficiencies in transaction structuring. They were able to execute two PFS projects in the amount of time it would have taken to do one PFS project.
- Traditionally, upfront activities for PFS project development have been solely grant-funded. Salt Lake County's PFS projects, however, used grants from various sources, as well as bridge financing from Living Cities and the Sorenson Impact 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.

Existing Investment Profile

UP Community Fund

TOTAL COMMITMENT: $2.6MM

LOCATION SERVED: Southeastern United States

ISSUE AREA: Social enterprise and small business

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
November 2019	Senior: $1.6 MM – Senior unsecured loan	May 2025
	Subordinate: $1MM – Subordinate unsecured loan	August 2025

OVERVIEW

The UP Community Fund LLC ("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. These challenges in accessing credit limit business growth and affect income and wealth building opportunities, for both individuals and communities. This Fund seeks to fill this gap by providing flexible capital in the form of loans ranging between $250K - $2MM to businesses owned by entrepreneurs of color. The capital is be supplemented by technical assistance that increases borrowers' capacity and mitigates credit risk. It will initially target the Southeast, where, as a region, social and economic disparity, and low economic mobility – symptoms of structural inequality – are most pronounced in the US.

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.

IMPACT

UP Community Fund is currently testing the success of lending to these small businesses that are underserved by banks. While the Fund is sector-agnostic, it does have a targeted borrower profile. UP Community's ideal borrower is in a blue-collar industry; experiences stable cashflows and slow to modest growth; and has a mature management team. Revenues are in the $700K - $7MM range and the company has at least 1-2 years of positive cash flows. Borrowers should exhibit a level of stability and maturity with respect to revenues and gross profit margins. Ideally, they have diversified cash flow as well.

The Fund likes working with businesses that are owned by entrepreneurs of color, partly to achieve their social impact objectives but also because that is where they perceive a market opportunity, they are well-positioned to fill. Harnessing their cultural competencies as people of color, UP Community Fund spends a lot of time getting to know their potential borrowers and building trust with them. This is necessary since many of the companies in their pipeline are led by teams that have had negative financing experiences and / or been taken advantage of in the past.

INNOVATION

Small to medium sized businesses have difficulty accessing credit overall, particularly on reasonable terms. Lenders tend to focus on providing larger loans to help cover their fixed costs. The variable cost of underwriting small businesses tends to be higher as well since small businesses can lack collateral, sufficient track record, and "investor readiness".

Existing Investment Profile

$19MM
STRUCTURED DEBT FUND

$250K-$2MM
LOANS TO BUSINESSES OWNED BY PEOPLE OF COLOR

$700K-$7MM
RANGE OF REVENUES

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 borrower goals while limiting risk taken by the Fund. Additionally, the technical assistance provides the Fund with ongoing visibility into the activities of each borrower, improve borrower performance, and acts as a risk mitigant for the Fund.

UP Community seeks to make loans between $250K -$2MM to small and growing businesses. The Fund will provide both amortizing term loans and non-revolving lines of credit to borrowers. When possible, the Fund will seek to be senior and/ or to participate with other lenders in first or second lien positions. The Fund may lend against cash flows or an underlying asset base. Loans are projected to have tenors of 3-5 years, with amortization that meets the needs of borrowers while providing a level of principal recapture before maturity.

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.

Existing Investment Profile

Urban Innovation Fund

TOTAL COMMITMENT: $500K

LOCATION SERVED: United States

ISSUE AREA: Small enterprise

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
May 2016	Limited partnership interest in a venture capital fund	May 2026

OVERVIEW

Urban Innovation Fund (UIF) was founded by first-time fund managers Julie Lein and Clara Brenner. In 2012, they started Tumml, an urban ventures accelerator with a mission to empower entrepreneurs to solve urban problems. Through their experience with Tumml, Julie and Clara identified a market and impact opportunity that has been overlooked by most other investors: underserved and under-financed markets and entrepreneurs. Julie and Clara created UIF to fill this gap in the market by providing capital to overlooked entrepreneurs, who are often women and/or people of color, and to connect them to the knowledge, tools, and networks they need to scale their impact across the U.S.

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. The majority of the Fund – 82% – has been capitalized by other institutional Limited Partners (LPs). These include Dignity Health (now CommonSpirit Health), Prudential Financial, Sorenson Impact Foundation, and the Bush Foundation.

Since the launch of UIF in June 2016, the GP has aggressively sought out and reviewed startups for the portfolio. Two-thirds of these deals come from outside of the Bay Area. The Fund's three-year investment period ended on May 31, 2019: in total, UIF reviewed over 4,700 deals, conducted due diligence on 57 of them and ultimately invested in 23 portfolio companies.

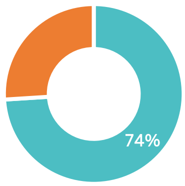
IMPACT

UIF targets high growth companies with high impact products and services that address pressing urban challenges across a wide range of industry sectors. These sectors include civic participation, commerce, education, food, health, human services, labor markets, safety, transport, and water. Within each of these industries, UIF's investments aim to increase the efficiency, effectiveness, quality and/or access to products and services. 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.

Several of UIF's portfolio companies have had an exciting year. One portfolio company, codeSpark, was acquired by edtech company, BEGiN. UIF made follow-on investments in six of its portfolio companies. And, Ethic, a sustainable tech-driven asset management platform, has reached over $1B in assets under management. In addition to these milestones, UIF has achieved the following impact metrics with its portfolio:

- Geographic impact: headquarters in 14 cities, 7 U.S. states, and 1 Canadian province
- Founder diversity: 78% of companies have a woman and/or person of color on the founding team; 43% have an immigrant on the founding team; 13% have a founder who identifies as Black or Latinx

Existing Investment Profile



74%
OF COMPANIES HAVE A WOMAN OR POC ON THEIR BOARD

387
FULL-TIME JOBS CREATED

$476MM
ENTERPRISE VALUE

- Board diversity: 74% of companies have a woman and/or person of color on their board; 9% have a Black or Latinx member on board
- Financial performance: $476MM enterprise value; $170MM capital raised
- Job creation: 387 full-time jobs and 81 part-time jobs created
- Benefits: 87% of portfolio companies offer health insurance; 91% offer stock options

INNOVATION

At origination in 2016, UIF was unique in that it: 1) Was owned and operated by an all-women team, which was, and still is, rare for a venture capital firm. 2) Focused on urban challenges and supporting innovations that could impact a broad set of populations. While there are now many more funds focused on these same issues, Julie & Clara were ahead of the curve, and built a strong market presence, brand, and reputation that has allowed UIF to maintain its leading edge. 3) Was one of few VC funds that intentionally focused on providing financial resources to overlooked entrepreneurs, e.g., women and people of color.

New Investment Profiles

New Investment Profile

Founders First

TOTAL COMMITMENT: $500K

LOCATION SERVED: United States

ISSUE AREA: Small business

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
February 2021	Equity	N/A

OVERVIEW

In March 2020, the Blended Catalyst Fund (BCF) made a $500K Series A Preferred Stock Purchase equity investment in Founders First Capital Partners, Inc. ("Founders First" or "FFCP"), a San Diego, CA-based accelerator and investment firm that operates nationally and was founded in 2015. FFCP is co-founded and led by a woman of color, Kim Folsom, and has a 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 (RBI) platform alongside an advisory services and education component supported by its affiliated non-profit, Founders First Community Development Corporation (FFCDC).

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. The businesses that Founders First aims to lend to are revenue generating contract-based service businesses with $1MM to $5MM in annual revenues that typically have contracts with government agencies or major corporations and are owned and operated by people of color, women, military veterans, and LGBTQ+ persons or located in low- to moderate-income areas and providing employment and other work opportunities for low-income or distressed individuals, including those who have been historically underserved an/or discriminated against.

Founders First has closed a commitment from Community Investment Management (CIM), a San Francisco, CA-based impact investment asset manager, for a $100MM credit facility to scale its lending activities. As a result, Founders First raised a $9MM Series A round, co-led by The Rockefeller Foundation and Surdna Foundation to acquire the growth capital it needs to scale in order to fully deploy the CIM credit facility. Other investors include the Kauffman Foundation and Spring Point Partners.

IMPACT

Founders First focuses on serving businesses owned by under-served and under-represented entrepreneurs in low-to-moderate income areas, with an emphasis on lending to people of color and women of color, reflective of Kim's personal mission to leverage her experiences to mitigate barriers in access to capital and provide resources to entrepreneurs who look like her. This investment fits with BCF's prioritization of lending to fund managers of color, as the CEO and co-founder of Founders First, Kim Folsom, is a Black woman. A hypothesis engendered by BCF is that diversifying capital decision-makers will ultimately diversify who receives capital, since people tend to invest in people who look like them. We believe that investing in fund managers of color means that more entrepreneurs of color will receive capital.

In addition, traditional capital market channels have proven difficult for fund managers of color to access even when they have professional experience and credentials equal to or greater than that of their white peers. This investment fits with BCF's exploration of ways to support fund managers of color to stand up and/or scale their funds by providing working capital loans, which will enable them to increase staffing, resources, and bandwidth.

New Investment Profile

$100MM
COMMITMENT FROM COMMUNITY INVESTMENT MANAGEMENT

$9MM
RAISED FOR SERIES A ROUND

2
TRANSACTIONS CLOSED AND 8 MORE IN THE PIPELINE

INNOVATION

Founders First explores the use of an alternative investment structure, which is another BCF learning priority, as we believe new types of loan products and structures are needed to close racial wealth gaps. While small businesses are crucial to economic growth, they have difficulty accessing capital: nationally, 81% of entrepreneurs do not have access to either a bank loan or venture capital.

Founders First estimates there are 10MM revenue-generating under-funded, service-based small businesses, based on data from American Express. Additionally, access to capital is not evenly distributed, as 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. To that end, we have long been interested in RBF, which has emerged as a promising alternative to 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. Like debt, this means there is no dilution of ownership and control, since RBF investors are not purchasing a stake in the company, do not take board seats, and do not enforce restrictive financial covenants on the company. At the same time, like equity, the structure of the loan incentivizes investors to help the company grow, because faster growth means faster repayment and a higher IRR. However, unlike equity, the emphasis is on growth, not an exit opportunity, which better aligns the investor and entrepreneur, as they both are incentivized to focus on growing revenue. The unique element is that payments are flexible. Companies pay a percentage of customer cash payments, so they rarely suffer liquidity issues or miss payments.

While RBF is a structure that has funded entrepreneurs in other industries for over a hundred years – it's very similar to revenue-sharing agreements and royalties used in the pharmaceutical, cinema and music industries - it is a relatively new form of funding for technology companies and small- to medium-sized businesses.

New Investment Profile

Native Community Capital

TOTAL COMMITMENT: $500K

LOCATIONS SERVED: AZ and NM

ISSUE AREA: Small business, commercial real estate, and homeownership

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
March 2021	Senior unsecured loan	August 2025

OVERVIEW

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 will utilize the BCF loan for a couple of purposes. First, they are 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. Second, they will use loan proceeds to support their growing residential construction loan portfolio as well as to provide financing for Native home mortgages.

IMPACT

The loan to NCC will help better understand what it takes to close racial wealth and lending gaps for Native communities; given that Native American communities have experienced historic inequities and wealth extraction at levels on par with black communities, BCF felt this was an important area to prioritize for our portfolio.

Native Americans face barriers in accessing affordable, mainstream capital as sovereign land does not qualify as collateral and physical bank locations are limited in areas where tribal communities are located. In addition, Native Americans in Albuquerque experience the highest rates of poverty, working poverty, and unemployment among all demographic groups in the city: nearly two out of every 10 Native Americans in Albuquerque is unemployed, and they experience a poverty rate of 32% and working poor rate of 20% - all of which means they are less likely to have the assets or credit score to qualify for a traditional bank loan, or the ability to utilize friends and family financing. These statistics are further exacerbated for Native women, who face one of the highest levels of wage discrimination; Native American women are the breadwinners in 2/3 of all Native American families and yet only make 58 cents to every dollar earned by white and non-Hispanic men. These realities not only harm Native American communities, but also have a significantly negative impact on the regional economy: a 2014 PolicyLink study found that Albuquerque's regional economy could have been almost $11B stronger if racial income wealth gaps had been closed.

New Investment Profile

$1.3MM
IN 7 NEW LOANS

5
HOUSING LOANS

$11B
ALBUQUERQUE'S POTENTIAL REGIONAL ECONOMIC GROWTH IF RACIAL INCOME WEALTH GAPS WERE CLOSED

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. NCC has a strong foundation that honors the traditional kinship, family, and clan relations of Native American communities, and to prioritize the obligations community members have to each other's wellbeing ahead of individual self-interest. 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; and increase their financial from partner organizations for increased well-being and improved chances of loan repayment. And beyond the success of individual loans, entities like NCC & NWL are part of the solution to creating sustainable infrastructure that will provide access to affordable capital for Native American communities long-term, which we find compelling.

INNOVATION

Native Community Capital is working in close collaboration with its partners Native Women Lead, New Mexico Community Capital and Change Labs with support from the W.K. Kellogg Foundation. Together they are developing a collective entrepreneurial ecosystem which will better enable them to provide outreach to native communities, technical assistance, and business incubation leading to successful lending relationships. The four organizations are establishing a new backbone organization providing shared administrative, data, and legal services, marketing, communications, and fundraising resources. The entity will support strengthened entrepreneurship in Native communities across the Southwest.

New Investment Profile

Project Equity II

TOTAL COMMITMENT: $500K

LOCATION SERVED: United States

ISSUE AREA: Small business

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
March 2021	Super-senior unsecured loan	August 2025

OVERVIEW

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 will target 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 will test out and support a range of employee ownership vehicles (EOVs), in addition to providing business transition loans to help businesses stabilize during COVID-19 and begin the transition to employee ownership with support from Project Equity's client services and feasibility team.

IMPACT

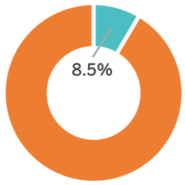
Broad-based employee ownership builds more resilient local economies with stronger small businesses, higher quality jobs, and a path to business ownership and greater wealth creation for low-income workers and workers of color. For example, businesses that are employee-owned generate profit margins 8.5% higher than their peers, with sales and employment growing 2% faster per year. Median wage incomes are 33% higher; median job tenure is 53% longer and there are fewer layoffs; and household net worth for employee-owners is 92% higher.

In addition, local businesses are the backbone of the economy, but they are currently facing twin crises: (1) COVID-19 and (2) what Project Equity refers to as the existing "Silver Tsunami" of baby boom generation ("baby boomer") retirements that impact nearly half of all job-creating small businesses. Baby boomers employ an estimated 1 in 6 private sector workers nationwide. As they begin to retire, most do not have succession plans and finding a single buyer to keep the business open can prove difficult. Many mid-sized businesses with owners who are ready to retire and sell their businesses are older white men. Through employee ownership vehicles, ownership of a white-male owned company can be transferred to a workforce of color in sectors like food service, tree care, logistics and shipping, and property management, which have historically not had a lot of upward mobility for workers of color.

However, there is currently limited financing available to help small businesses make the transition to employee ownership, which is where the Fund comes in. By implementing a variety of employee-ownership vehicles (EOVs), the primary objectives of the Fund are to:

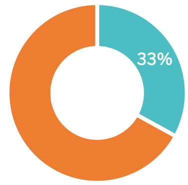
- Promote resilient, quality jobs; increase worker voice; and preserve and strengthen small business assets in communities through catalyzing a shift toward employee ownership.
- As needed, support businesses that have committed to transition to employee ownership with working capital to help them survive and emerge from the COVID-19 crisis by adapting their business models, avoiding layoffs, and beginning the employee ownership transition.

New Investment Profile



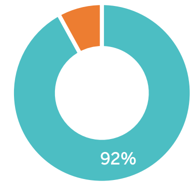
8.5%

PROFIT MARGINS ARE 8.5% HIGHER FOR EMPLOYEE-OWNED BUSINESSES



33%

MEDIAN WAGE INCOMES ARE 33% HIGHER



92%

HOUSEHOLD NET WORTH FOR EMPLOYEE-OWNERS IS 92% HIGHER

Project Equity intends to achieve this by 1) moving portfolio companies to between 30-100% employee ownership within three years and 2) stabilizing or increasing the revenue and earnings of portfolio companies to benefit both the current ownership and future employee-owners.

Project Equity focuses on BIPOC workforces instead of BIPOC business owners because they are fewer in number and have businesses which are significantly smaller in size, with approximately 3-5 employees on average. As a result, Project Equity's focus is on businesses with workforces of color, in which ownership can be transferred from a typically white male owner to employees of color, providing an opportunity for wealth creation and ownership that may not previously have been an option for workers of color in these industries (e.g., food service, tree care, logistics and shipping, property management, etc.), which also aligns well with BCF's goals to create economic security for people of color.

INNOVATION

Project Equity has partnered with Mission Driven Finance to co-manage the Fund as part of an ongoing commitment to serving businesses left behind by traditional finance and advancing worker equity and quality jobs. Mission Driven Finance is a Certified B Corporation and impact investment firm launched in 2016 in San Diego, CA to flow capital in inclusive ways to underinvested communities.

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. Each model of employee ownership ensures the current owners can transition their business for a fair price while allowing employees at every income level the opportunity to own equity in the company they work for. Engaging and retaining workers is critical in securing the economy post-pandemic, and employee ownership is part of the solution. In addition, employee ownership can bring significant tax advantages to the selling owners, the company, and the employees. The Fund catalyzes employee ownership, including for smaller businesses that face significant barriers to accessing capital for most lenders; expands the pipeline of businesses able to consider employee ownership; and provides working capital to these businesses to help build back from COVID-19 and being the employee ownership transition.

New Investment Profile

WEPOWER

PROJECT NAME: Elevate/Elevar Capital

TOTAL COMMITMENT: $500K

LOCATION SERVED: St. Louis, MO

ISSUE AREA: Small business

CLOSING DATE	TYPE OF INVESTMENT	MATURITY DATE
March 2021	Senior unsecured loan	August 2025

OVERVIEW

In March 2021, BCF made a $500K 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, and which 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 relations; 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.

The primary way WEPOWER catalyzes community wealth creation is through its Elevate/Elevar Accelerator, which is part of the Village Capital community and utilizes the Village Capital business education curriculum for a six-month program that also provides access to capital and connections. To further its goals and based on feedback received from community members and accelerator participants, WEPOWER is taking the next step in its evolution, by launching the E/E Growth Fund. The Fund will provide alternative forms of capital, primarily through Revenue-Based Financing ("RBF"), to Black and Latinx entrepreneurs starting high-growth companies committed to offering living wage jobs in St. Louis.

IMPACT

This loan fits with BCF's prioritization of lending to fund managers of color, as the Founder and CEO of WEPOWER, Charli Cooksey, is a Black woman. A hypothesis engendered by BCF is that diversifying capital decision-makers will ultimately diversify who receives capital since people tend to invest in people who look like them. We believe that investing in fund managers of color means that more entrepreneurs of color will receive capital.

In addition, WEPOWER provides coaching and advisory services to businesses they lend to, something we 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.

In general, WEPOWER takes what they, and the entrepreneurs they work with, articulate as a "capital plus" approach. In BCF's conversations with Accelerator graduates, entrepreneurs repeatedly mentioned that the approach helped differentiate WEPOWER, because they were able to access mentoring, emotional, and technical support all from the same place, and from a trusted group of people who looked like them and understood their struggles and journeys. Entrepreneurs also said that they appreciated the emphasis WEPOWER places on finding joy and celebrating wins—no matter how big or small—because that sense of joy and empowerment is something that is not typically part of the Black or Latinx entrepreneurs' journey in their experience. Accelerator graduates talked about feeling seen in a way they haven't in other spaces as well, and that while some have gone on to participate in other programs, that WEPOWER remains a "home base" for them, serving as a trusted advisor and

New Investment Profile

3	**20**	**$250K**
POTENTIAL INVESTMENTS CURRENTLY IN DUE DILIGENCE	APPLICATIONS FOR INVESTMENT RECEIVED WITHIN DAYS OF ANNOUNCING THE FUND	IN SIGNED INVESTOR AGREEMENTS

resource to bounce ideas off of, to be a cheerleader, and to give constructive feedback around business models and financials.

INNOVATION

The Fund explores the use of an alternative investment structure in a couple of ways, which is another BCF learning priority, as we believe new types of loan products and structures are needed to close racial wealth gaps. While small businesses are crucial to economic growth, they have difficulty accessing capital. As a result of the difficulties in accessing capital, people of color, on average, pay more to start a business, facing higher costs on everything from access to financial and social capital to building a team. The higher start-up costs for entrepreneurs of color translates into their businesses taking longer to reach profitability. In addition, lack of access to long-term affordable debt means entrepreneurs of color require more outside equity to get to scale, diluting their ownership, control, and wealth creation opportunity.

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. However, the emphasis is on growth, not an exit opportunity, which better aligns the investor and entrepreneur, as they both are incentivized to focus on growing revenue. The unique element is that payments are flexible. Companies pay a percentage of customer cash payments, so they rarely suffer liquidity issues or miss payments. RBF is a relatively new form of funding for tech companies and small- to medium-sized businesses.

One of the unique components of the Fund is the way WEPOWER has woven its commitment to communities of color, particularly the predominantly Black community of North St. Louis, into the Fund. The North St. Louis Community Fund is a separate entity WEPOWER will create alongside the E/E Growth Fund, which will be a community-owned and managed pool of monies, solely intended to support the priorities and needs of the North St. Louis neighborhood and its residents.

In addition, WEPOWER will seek to retain 1% residual equity stakes in at least some of the businesses it invests in via the Fund, and potentially its Accelerator as well, with a required payout of 1% of profits to the North St. Louis Community Fund. BCF is still in active discussions with WEPOWER about the best way to structure this component, but the potential options are to institute this via warrants, to solely apply this to high-growth tech-enabled businesses, to request it via a side letter, etc.

WEPOWER believes that distributing a portion of the proceeds from the E/E Growth Fund—as well as, potentially, profits via 1% stakes in companies—to the Community Fund (1) are small ways to ensure the community benefits monetarily from economic and business development in its neighborhood and (2) will help align incentives amongst investors, funders, entrepreneurs, businesses, and the community.

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