CNote: Financial Products for All

Closing the Wealth Gap Includes Everyone
Closing the Wealth Gap

Growing AUM from $17M to $100M will increase social impact 5x, allowing CNote to serve 600+ businesses and create 4K+ jobs.
Customers may question what makes CNote different or better than alternative savings or investment models.

- Are there more options beyond 2.5% and quarterly liquidity?
- What is CNote? Why haven’t I heard of them? How much do they make? Why?
- How much do CDFIs make? How much do they need? Why?
- Where is my money actually going? What impact does it make?
Approach

CNote can build on its strengths for future growth

**Focus on the Customer**
Target under-served investors such as millennial women and baby boomers

**Update Product Portfolio**
Tier earnings based on investment to incentivize increased investment size while still offering competitive returns

**Increase Visibility**
Partner with popular money management services to reach target customers

**Promote Financial Transparency**
State costs and financials at every stage to convince people to invest and inform customers about where their money goes
Focus on the Customer

CNote can increase its customer base by targeting millennial women and baby boomers who are under-served by the financial market and interested in impact assets.

- $72T Assets controlled by women in 2020
- $24T Assets controlled by millennials in 2020

4 out of 5 customers interested in “sustainable” investing.
**Millennial Women**

- **Ages:** ~22-36 years old
- **Capital:** Cannot reach the typical $10K investment minimum for a managed account
- **Priorities:** Emergency savings and debt payoff
- **Advisory:** Trust AI-driven financial advisors
- **Information-hungry:** Half of millennial women say fear or lack of information keeps them from investing

**Baby Boomers**

- **Ages:** ~54-72 years old
- **Capital:** Able to invest and save patient capital with long-term horizon
- **Priorities:** Retirement savings and legacy
- **Advisory:** Prefer personal financial advisor
- **Looking for impact:** Nearly half of baby boomers are interested in impact investing causes, especially healthcare
Reaching the Goal

Savings held by the target customers isn’t the problem for CNote to reach their $100M AUM goal.

- **$90.6B**: 9M+ millennials with at least $10K in savings
- **$15.5B**: 17M+ millennials with average of $875 in savings
- **$0**: 18M millennials with no savings
Update Product Portfolio

Offering greater liquidity and tiered products will attract customers who need cash-on-hand, increasing CNote’s assets under management.

Tiered Product Offering

- Incentivizes increased investment amounts
- All earnings are greater than traditional cash alternatives, serving broad customer needs
- Tiers chosen based on median savings for the targeted ages and income levels

Example Tiered Product Offering

<table>
<thead>
<tr>
<th>Amount Invested</th>
<th>Expected Annual Earnings</th>
<th>Early Withdrawal Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $1,000</td>
<td>2.35%</td>
<td></td>
</tr>
<tr>
<td>$1,000 ≤ Investment &lt; $25,000</td>
<td>2.45%</td>
<td>3 months’ earnings</td>
</tr>
<tr>
<td>≥ $25,000</td>
<td>2.5%</td>
<td></td>
</tr>
</tbody>
</table>

Limitless Access to Money

- Investor can liquify their investment at any time
- No-penalty withdrawals remain quarterly
- Penalties will be introduced to mitigate risk of frequent withdrawal; 3 months’ earning penalty aligns with competitive CD early withdrawal rates
### Increase Visibility

*Partnering with money management services to increase product and brand awareness positions CNote a step away from billions in assets*

<table>
<thead>
<tr>
<th>Example Partner</th>
<th>How?</th>
<th>Why?</th>
<th>Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mint</strong></td>
<td>Market CNote to Mint users as a way to increase awareness and tout benefits over other savings accounts</td>
<td>Idle savings are looking for better opportunities -- average savers have 17k of savings totalling $30B</td>
<td>$</td>
</tr>
<tr>
<td><strong>Acorn</strong></td>
<td>Embed the CNote product within Acorn’s 5 investment platforms, acting as the cash balance for liquidity needs</td>
<td>This no minimum, micro-investing platform with over 3M users and $800M in assets is a perfect match for CNote both operationally and financially</td>
<td>$</td>
</tr>
<tr>
<td><strong>Vanguard</strong></td>
<td>Embed product offering within Target Date Funds and offer as separate investment option</td>
<td>Vanguard has over $650B in AUM within Target Date Funds; retirement funds are often planned and can manage CNote’s quarterly liquidity requirements</td>
<td>$</td>
</tr>
</tbody>
</table>
Promote Radical Financial Transparency

Full transparency reassures millennials that their money is making tangible contributions and convinces skeptics that they are receiving a fair ROI.

Why?

- Millennials understand companies need to make a profit, but also value environmental and social impact.
- Transparency develops brand loyalty: 3 out of 4 millennials are willing to pay more for sustainable brands.

How? Transparency Across Transactions

- Investor: Receive 2.5% return.
- CNote: Report public spread.
- CDFI: Report average loan rate.
- Business: Share insights on use of capital and impact.
Case Study: Everlane

CNote can learn from radical transparency in the retail sector

<table>
<thead>
<tr>
<th>Product</th>
<th>Price Breakdown</th>
<th>Total Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Modern Loafer</td>
<td>$12.78 + $7.50 + $1.90 + $3.70 + $2.15</td>
<td>$28.02</td>
</tr>
<tr>
<td>The Cashmere Crew</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Elements Jacket</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Day Market Tote</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denim</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Our Cost Breakdown**

We reveal the costs behind every aspect of our production process.

- **Materials**: $12.78
- **Labor**: $7.50
- **Transport**: $1.90
- **Duties**: $3.70
- **Hardware**: $2.15

= **True Cost**: $28.02

**Our Price vs. Traditional**

On average, traditional retailers mark their products up 5-6x. Us? Just 2-3x.

<table>
<thead>
<tr>
<th></th>
<th>Our Price</th>
<th>Traditional Price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$68.00</td>
<td>$140.00</td>
</tr>
</tbody>
</table>
## Comparables

**Maximum rates on subsidized SBA loans**

### Maximum Interest Rates on SBA 7A Loans for November 2018

<table>
<thead>
<tr>
<th>Loan Size:</th>
<th>Standard 7a (Repayment Term Less Than 7 Years)</th>
<th>Standard 7a (Repayment Term 7 Years or Greater)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than $25K</td>
<td>9.50% (5.25% base rate + 4.25% markup)</td>
<td>10.00% (5.25% base rate + 4.75% markup)</td>
</tr>
<tr>
<td>$25k - 50K</td>
<td>8.50% (5.25% base rate + 3.25% markup)</td>
<td>9.00% (5.25% base rate + 3.75% markup)</td>
</tr>
<tr>
<td>Over $50K</td>
<td>7.50% (5.25% base rate + 2.25% markup)</td>
<td>8.00% (5.25% base rate + 2.75% markup)</td>
</tr>
</tbody>
</table>
Risks

CNote can mitigate risks by evolving its operating model as AUM grow

- Baby boomers hesitate to buy financial products that are not FDIC insured
- Interest rates increase and CNote struggles to remain competitive
- Money management services do not see the value of embedding CNote
- CDFIs do not share investment information and loan terms

Market write-off rate as on par with FDIC institutions

Increase blended rate by continuing to grow AUM and loaning out at current market rates

Explore advertising purchase on sites such as Mint and financial management blogs

As AUM increases CNote’s buying power, make transparency a requirement for doing business
Social Impact

Increasing AUM to $100M will enable CNote to amplify its social impact by 5x

- 4,000 Jobs created or maintained
- Over 600 Small businesses and entrepreneurs funded
- 1/3 Dollars invested in low- or middle-income communities
Q&A