CRAFT3 COMMUNITY IMPACT INVESTMENT NOTES
OFFERING MEMORANDUM
October 15, 2024

Community Impact Investment Notes	
Total Aggregate Offering	$100,000,000 in aggregate principal amount of Notes issued and outstanding
Term/Maturity	1 year, 2 years, 3 years, 5 years, 7 years, 10 years
Interest Rate	Interest rates vary depending on the term/maturity. For more information see the Interest Rate Sheet.
Minimum Investment	$20,000

**Interest rates offered may change from time to time and are set forth on a separate Interest Rate Sheet. In addition, Craft3 reserves the right to negotiate with each potential investor and may issue notes at interest rates other than as set forth on the Interest Rate Sheet.*
***Minimum investment requirement may be changed in the future or at Craft3's discretion.*

Craft3 is offering up to $100,000,000 in aggregate principal amount of unsecured promissory term notes issued and outstanding, also referred to as Craft3 Community Impact Notes ("**Notes**") to "accredited investors" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (this "**Offering**"). Craft3 may increase or decrease the size of the Offering in its sole discretion. The minimum investment amount for each Note is $20,000, subject to Craft3's discretion, and Notes may be purchased in increments of $5,000 beyond the minimum amount. The issuance of the Notes is not contingent upon receiving any minimum aggregate number or dollar amount of commitments from investors.

Craft3 is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"). Craft3 became certified as a Community Development Financial Institution ("**CDFI**") by the United States Department of Treasury in 1997.

A summary of the terms of the Notes is set forth in the accompanying Description of Notes and includes the Notes' term/maturity, minimum investment, options at maturity, and prepayment terms, among other items. Craft3 may determine to offer Notes with different or varying terms, and in such case will issue a revised or additional Description of Notes.

The Notes are Craft3's general unsecured and unsubordinated obligations and rank equally in right of payment with all of Craft3's other existing and future unsecured and unsubordinated obligations. The Notes will be effectively subordinated to any of Craft3's existing or future secured debt to the extent of the value of the assets securing such debt.

Craft3 intends to use the proceeds of this Offering to make loans to entrepreneurs, nonprofits, individuals, and others who do not ordinarily have access to credit. Craft3 then complements these financial resources with its expertise, business connections, and other forms of advocacy for its clients.

Interest rates currently offered on new issuances of Notes are as set forth on the accompanying Interest Rate Sheet, which may be amended from time to time by Craft3. Interest rates for Notes are fixed for the term of the Note, although an investor's election to reinvest the principal upon maturity will result in a new Note being issued at then-current rates.

Interest begins to accrue upon Craft3's successful receipt of the investor's funds and the issuance of the Note by Craft3. Investors must make payments in U.S. dollars of immediately available funds, preferably via ACH or wire transfer, but may also be made via certified check or cashier's check.

Applications will be accepted preferably via email to ImpactNotes@Craft3.org, as well as via U.S. mail to Craft3 at our digital mailroom at PO Box 530233, Atlanta, GA 30353 or by any other means Craft3 determines to be acceptable. Applications must be accepted by Craft3 prior to payment of investor's funds. Payment instructions will be sent upon acceptance of Application.

The expenses of this Offering, which Craft3 expects to be minimal, will be paid from Craft3's operating capital and not from the proceeds of this Offering. This Offering is not underwritten, and no commissions will be paid for the sale of the Notes. As a result, Craft3 will receive 100% of the proceeds from this Offering.

THIS OFFERING IS SUBJECT TO CERTAIN RISKS, WHICH ARE DESCRIBED BEGINNING AT PAGE 9. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER SUCH RISKS BEFORE MAKING A DECISION REGARDING AN INVESTMENT IN THE NOTES.

The Offering will be made in reliance upon exemptions from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "**Securities Act**"), and Rule 506(c) of Regulation D promulgated thereunder.

The Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not determined the accuracy, adequacy, truthfulness, or completeness of this document and have not passed upon the merit or value of the Notes, or approved, disapproved, or endorsed the Offering. Any representation to the contrary is a criminal offense.

In order for you to purchase any Notes, you must be an "**accredited investor**," as defined in Rule 501(a) of Regulation D under the Securities Act. You must acquire the Notes for your own account for investment purposes only, without a view to distribution or resale. You must have no contract, undertaking, agreement or arrangement to sell, pledge, assign or otherwise transfer or dispose of any of the Notes to any other person.

In making an investment decision, investors must rely on their own examination of Craft3 and the terms of the Offering, including the disclosure, merits, and risks involved.

The Notes are not insured by the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation or any other state or federally regulated institution. The Notes are also not certificates of deposit or deposit accounts with a bank, savings and loan association, credit union, or other financial institution regulated by federal or state authorities. The payment of principal and interest to an investor in the Notes is dependent upon Craft3's financial condition, which is in turn dependent upon repayment of principal and payment of interest by its borrowers. A purchase of the Notes is subject to investment risks, including possible loss of the entire principal amount invested.

No person has been authorized to give any information or to make any representation in connection with this Offering other than those contained in this Offering Memorandum, and if given or made, such information or representation must not be relied on as having been made by Craft3 or any of its employees or agents.

Investors are encouraged to consider the concept of investment diversification when determining the amount of Notes that would be appropriate for them in relation to their overall investment portfolio and financial needs.

The date of this Offering Memorandum is October 15, 2024. Craft3 has not set a date for termination of this Offering.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements that are subject to risks and uncertainties and that address, among other things, the impact of COVID-19 on Craft3 and its borrowers, the ability of Craft3 to repay the Notes, the use of proceeds from the sale of the Notes, and Craft3's loan policies and procedures. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward looking statements by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will," "would," or other comparable terminology. The forward-looking statements are based on Craft3's beliefs, assumptions, and expectations, taking into account information available to Craft3. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to Craft3 or are within Craft3's control. Consequently, actual results, performance, achievements, or events may vary materially from those expressed in Craft3's forward-looking statements. Craft3 does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements. Potential investors should carefully consider these risks, along with the risks and information set forth elsewhere in this Offering Memorandum, before making an investment decision with respect to the Notes.

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OFFERING SUMMARY

Issuer	Craft3, a Washington nonprofit corporation and 501(c)(3) tax-exempt organization. (See "Description of the Organization" on Page 6).
Securities Offered	Craft3 Community Impact Notes ("**Notes**"). (See Appendix A, Description of Notes and Appendix B - Form of Unsecured Promissory Note). Interest rates are fixed at the time of issue. (See Interest Rate Sheet). Terms and maturities are fixed for 1 year, 2 years, 3 years, 5 years, 7 years, and 10 years.
Offering Size	Up to $100,000,000 in aggregate principal issued and outstanding. As of the date of this Offering Memorandum, $19,324,842.05 in aggregate Notes have been issued.
Investment Amount	Notes are available in $5,000 increments with a minimum investment of $20,000 per Note, subject to Craft3's discretion.
Security	Notes are unsecured general obligations of Craft3. No specific assets or revenues are pledged by Craft3 for the payment of Note obligations when due, and no reserve fund is established for the Notes.
Who May Invest	Accredited investors, as defined in Rule 501(a) of Regulation D promulgated under the Securities Act. In accordance with applicable securities regulations, all investors must submit financial information that allows Craft3 to verify the investor's status as meeting the definition above. (See Appendix C - Application to Purchase Note and Investor Questionnaire).
How to Invest	Prospective noteholders must execute an Application to Purchase Note and Investor Questionnaire, in the forms accompanying this Offering Memorandum. (See Appendix C). If an Application to Purchase Note is accepted, Craft3 will execute and deliver a Note. (See Appendix B). Craft3 may reject any offer to purchase a Note in its sole discretion. Payment may be made by certified check, cashier's check, ACH, or wire transfer of immediately available funds. Applications will be accepted via email to ImpactNotes@Craft3.org. (See "Method of Offering" on Page 18).
Use of Proceeds	Craft3 intends to use the proceeds from this Offering to capitalize mission-aligned loans, including those to entrepreneurs, small businesses, nonprofit organizations, individuals, and others who do not normally have access to credit, and which result in outcomes that strengthen the economic, ecological, and family resilience of Pacific Northwest communities. (See "Use of Proceeds" on Page 17).
Restrictions on Transfer	Investors may not sell or transfer their Notes without Craft3's prior written consent, which may be withheld in Craft3's sole discretion.

DESCRIPTION OF THE ORGANIZATION

Overview

Craft3 was formed in 1994 as a nonprofit corporation in the State of Washington and began operations in 1995. Craft3 is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("**Code**").

Craft3 is certified by the U.S. Department of Treasury as a Community Development Financial Institution ("**CDFI**").

Funding that capitalizes Craft3 loan products is secured primarily through program-related investments, loans, and capital grants from foundations and other charitable organizations, federal, state and local governments, and financial institutions. The Craft3 Community Impact Investment Note program represents a vehicle to secure additional loan capital. This program seeks investments from mission-aligned accredited individuals and institutions through the purchase of the Notes.

Additional information about Craft3 is available via its website at www.Craft3.org. Information included on Craft3's website is not a part of, nor is it incorporated by reference into, this Offering Memorandum.

Mission and Vision

Craft3 is a nonprofit community development organization that centers marginalized people in our work by investing in people, businesses, and communities across the Pacific Northwest. Craft3's investments build household and business wealth, amplify community voice and agency, and create lasting networks of trust and mutual support.

Craft3 strives for a Pacific Northwest region that is:

- Thriving: People, communities, economies, and ecosystems throughout the region are healthy and resilient.
- Just: Individuals and communities have universal access to the resources they need to build a thriving future. A person's or community's ability to thrive is not predetermined based on who they are, where they live, or where they come from.
- Empowered: People and communities have access to, and the capacity to deploy, the resources, both financial and social, required to influence or change the course of their future.

We believe that the most direct path to realizing this vision is by (1) empowering marginalized voices to change the systems that have created and perpetuate societal inequalities and (2) creating opportunities for marginalized communities, especially Tribes, communities of color, and low-wealth rural communities, to generate wealth.

Achieving our vision for a Pacific Northwest that is thriving, just, and empowered is a multigenerational endeavor that will require sustained commitment, resources, extensive collaboration, and creativity. Regional Challenges – systemic racism, climate crisis, and rural and tribal economic hardship – the inequalities of which hurt us all and prevent our region from reaching its full potential, have increased the urgency of our work to achieve this vision. Recognizing the breadth of these Regional Challenges, we have identified three interconnected Core Strategies as levers that Craft3 will use to help advance our vision of thriving, just, and empowered communities across our region:

- Capital: Craft3 invests in underserved communities, businesses, and households to create economic opportunities, improve community services, strengthen households, and encourage systems change.

- Relationships: Craft3 builds relationships with local and regional partners committed to achieving impact and catalyzing a shared vision for the future. When every partner maximizes their respective strengths, we increase the region's collective capacity for creating change.

- Voice: Craft3 weaves its capital investments, relationships, and regional standing together into a platform that amplifies voices seeking an equitable and sustainable future for the people of the Pacific Northwest.

We acknowledge that two common and inextricably intertwined elements of these Regional Challenges include (1) inequities and imbalances between people and communities in terms of power and resource allocation and (2) an economic system centered on extracting value from people and ecosystems. While strong and self-reinforcing, Craft3 is persuaded that these very same related elements also reveal ways they can be disrupted and create change. These disruption points, which we use to define our goals and associated implementation activities are (1) Wealth Creation and (2) Shifting Power.

In sum, Regional Challenges serve as lenses that focus our deployment of our Core Strategies of Capital, Relationships and Voice on points where wealth, power, and the systems constraining the ability of marginalized communities to thrive can be disrupted and induced to change. Furthermore, Craft3 and the communities with which we work are more likely to find the key to faster, deeper, and more lasting change in the areas where the Regional Challenges intersect because of two main benefits:

- Effectiveness: More impact per dollar invested; more direct impact on the common systemic issues underlying the Regional Challenges.

- Amplification: Opportunities to attract and connect new allies and partners that may not otherwise recognize how their issues intersect and to strengthen and extend the combined efforts of all.

Craft3's 2023-2027 Strategic Plan (See Appendix D) reframes our historical focus on advancing social, environmental, and economic resiliency around three regional challenges that will guide our work for the foreseeable future. It acknowledges that this work is multi-generational and will require sustained commitment, resources, extensive collaboration, and creativity. The Plan outlines (1) Craft3's vision for a thriving, just and empowered Pacific Northwest and our guiding principles; (2) the regional challenges of Systemic Racism, Climate Crisis and the disintegration of Rural and Tribal Economies that will guide our work, and our core strategies of Capital, Relationships, and Voice employed to respond to these challenges; (3) key investment areas of Small Business Assets and Growth; Essential Community Services; Community Climate Adaptation; and Housing and Climate-Related Home Improvements that deliver results which address the regional challenges and the systemic barriers that underpin them; (4) measurements of progress related to two primary goals of wealth creation and shifting power; and (5) our planning process, structure, and acknowledgements of those who contributed to the Plan.

Capitalization and Revenue Sources

Historically, funding that capitalizes Craft3 loan products is secured primarily through program-related investments, loans, and capital grants from foundations and other charitable organizations, federal, state and local governments, and financial institutions. The Craft3 Community Impact Investment Note program represents a vehicle to secure additional loan capital. This program seeks investments from mission-aligned accredited individuals and institutions through the purchase of the Notes.

The following table sets forth the capitalization of Craft3 as of and for the fiscal years ended December 31, 2023, and December 31, 2022.

	December 31, 2023	**December 31, 2022**
Total Notes Payable	$134,064,871	$107,091,818
Net Assets with Donor Restriction	$14,674,151	$3,289,693
Net Assets without Donor Restriction	$67,130,756	$66,787,323
Total Net Assets	$81,804,907	$70,077,016
Total Capitalization	$215,869,778	$177,168,834

As of December 31, 2023, Craft3 had 3,581 loans outstanding with an aggregate principal balance of $162,873,988.

Craft3's major sources of revenue include portfolio income from the provision of loans and contributed income from grants and contributions. During the previous two years, earnings of $12.9 million in 2022 and $13.1 million in 2023 comprised 67% and 40% of total revenue respectively, while grants and contributions of $6.3 million and $19.4 million comprised 33% and 60% of total revenue respectively for the same period. Contributed revenue during 2023 represented a much higher proportion of total revenue than in the prior year and historically due in large part to a $10 million grant from the State of Oregon to support early care and education facilities financing, which Craft3 was required to recognize as income in 2023, though the award will support Craft3 and subcontractor expenses during the subsequent five years.

For more information, see the 2023 Report of Independent Auditors and Consolidated Financial Statements attached as Appendix F.

Nature of Lending Operations

Craft3 provides flexible, accessible, and equitable loans and assistance for small businesses and entrepreneurs, nonprofit organizations, individuals and families, and others underserved by traditional lenders in Oregon and Washington. Our primary financial products include commercial loans to small businesses and entrepreneurs; community development loans to nonprofit organizations and public or quasi-public agencies; conservation loans directed at land trusts and conservation organizations; and consumer loans for home improvements (energy efficiency retrofits and septic system repair and replacement). Since 1995, Craft3 has deployed more than $838 million in capital through over 11,000 loans that have supported outcomes including jobs created or retained, local ownership strengthened, investment leveraged, low-income families assisted, greenhouse gas emissions averted or sequestered, and water treated or saved.

For more information, see Note 1 – Organization and Summary of Significant Accounting Practices to the Report of Independent Auditors and Consolidated Financial Statements attached as Appendix F.

RISK FACTORS

Risk is inherent in all investing, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing you should consider carefully the following risks that you assume when you purchase the Notes. The section below does not describe all of the risks associated with an investment in the Notes. Additional risks and uncertainties may also adversely affect Craft3 or the Notes.

Risks Specific to the Notes and this Offering

Notes are Unsecured Obligations of Craft3. The Notes are unsecured obligations of Craft3. You must depend solely upon Craft3's financial condition and operations for principal repayments and interest payments on the Notes. The Notes are not certificates of deposit or deposit accounts with or obligations of, or guaranteed or endorsed by, any bank, savings and loan association, credit union or other financial institution regulated by federal or state authorities. The Notes are not insured by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC), or any other state or federally regulated institution. In the event Craft3 becomes insolvent and is unable to pay its debts as they become due, all Notes that are issued as part of this Offering will rank equally in priority of repayment among one another and to Craft3's other unsecured debt, except for subordinated debt, which is junior in priority of repayment to all unsubordinated Notes.

COVID-19 Pandemic and Economic Fallout. While the COVID-19 pandemic is less severe than during the 2020-2022 period, it significantly disrupted the economy, financial markets, and societal norms in the United States and across the world. It is difficult to predict the ultimate long-term adverse impact COVID-19 could have on Craft3 or its borrowers. The effects of COVID-19 could, among other risks, have a material adverse impact on the financial condition of Craft3's borrowers or their customers, potentially impacting their ability to make payments to Craft3 as scheduled and driving an increase in delinquencies, loan impairments, and loan losses; result in material provisions for loan losses; result in a decreased demand for Craft3's loans and investments; cause noteholders to elect not to renew their Notes upon maturity; disrupt Craft3 hiring, retention, and staffing; negatively impact Craft3's ability to access capital on attractive terms or at all; and lead to an unmanageable decrease in Craft3's liquidity. These effects could have a material adverse impact on Craft3's business, financial condition, results of operations, and cash flows, which could negatively affect Craft3's ability to meet its payment obligations under the Notes.

Loss of Principal. The Notes are subject to investment risks, including possible loss of the entire principal amount invested.

Lack of Market; Transfer Restrictions. The Notes are not transferable without Craft3's consent. In addition, state and federal securities laws impose conditions on transfer of the Notes. Therefore, the nature of this Offering does not afford the opportunity of a public or secondary market for the Notes, and it is highly unlikely that such a market will develop. You should view the purchase of a Note as an investment for its full term and should not expect to be able to liquidate your investment in the Notes prior to the maturity date.

Craft3 Reserves the Right to Prepay Your Note. Craft3 reserves the right to prepay the Notes. In the event your Note is called for prepayment, there can be no assurance that you will be able to reinvest your prepayment proceeds in other securities having terms (and associated risks) as favorable as the prepaid Notes, which may result in a decline of income for you. The calling of Notes for prepayment may also have an adverse regulatory and/or tax impact on investors.

No Right to Redeem Prior to Maturity. Craft3 is not legally obligated to redeem your Note prior to its maturity. You should view the purchase of a Note as an investment for its full term.

No Sinking Fund or Trust Indenture. Craft3 has not established any sinking fund or trust indenture to provide for repayment of the Notes and has no plans to do so in the future. No trustee monitors Craft3's affairs on your behalf, no agreement provides for joint action by investors in the event Craft3 defaults on the Notes, and you do not have the other protections a trust indenture would provide. The lack of a sinking fund or trust indenture may adversely affect Craft3's ability to repay the principal and interest on the Notes when due. Therefore, the relative risk level may be higher for the Notes than for other securities with a sinking fund or a trust indenture.

Rate of Return. Other issuers may offer notes or other debt securities with a higher rate of return and/or that provide greater security and less risk than the Notes. Craft3 also may offer other debt securities that provide a higher rate of return and/or greater security and less risk than the Notes. In addition, interest rates are fixed at the time of issue. Interest rates offered for the sale of Notes may change at Craft3's discretion. Should commercial interest rates rise, Craft3 is not legally obligated to pay a higher rate or to redeem the principal or allow an early redemption of a Note prior to its maturity.

No Firm Commitment for this Offering. Craft3 is offering the Notes directly and there is no commitment by anyone to invest in the Notes. Craft3 cannot give any assurance that all of the Notes will be sold. The sale of Notes is on a best-efforts basis, and the issuance of the Notes is not contingent on any minimum aggregate number or dollar amount of commitments from investors. Craft3 cannot give any assurance as to the principal amount of Notes that will be sold and whether the proceeds will be sufficient to accomplish the purposes of this Offering.

Issuance of Senior Secured Indebtedness. Craft3 may incur indebtedness secured by a lien on some or all of Craft3's assets, which indebtedness would rank senior to the Notes in right of repayment or in the event of a liquidation, insolvency, or bankruptcy event.

Structural Subordination. Craft3 has four subsidiary limited liability companies that are consolidated with Craft3 for purpose of the financial information included in this Offering Memorandum, all of which is presented on a consolidated basis. Craft3's consolidated subsidiaries are separate and distinct legal entities with assets and liabilities of their own. The claims of creditors of those consolidated subsidiaries will have priority as to the assets and cash flows of those consolidated subsidiaries before such assets and cash flows may be made available to Craft3. Craft3's consolidated subsidiaries have no obligation, contingent or otherwise, to pay any amount due on the Notes or to make funds available to Craft3 to do so. In the event of a bankruptcy, liquidation, dissolution, reorganization, or similar proceeding with respect to Craft3's consolidated subsidiaries, their creditors will be entitled to payment on their claims from assets of those consolidated subsidiaries. As of December 31, 2023, these consolidated subsidiaries together had total assets of $222,022,604, total liabilities of $140,217,697, and total net assets without donor restrictions of $67,130,756. For financial information on each consolidated subsidiary, see the Consolidating Statement of Financial Position and the Consolidating Statement of Activities for the year ended December 31, 2023, which are included as supplementary information in the Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information of Craft3 and Subsidiaries as of and for the years ended December 31, 2023 and 2022, which are attached as Exhibit F.

No Voting or Governance Rights. Under Craft3's bylaws and the terms of the Notes, noteholders have no ability to remove or replace directors or committee members. In addition, noteholders do not have any right to participate in the management or control of Craft3 or any right or authority to act for or bind Craft3.

Alignment of Maturity Dates. The Notes may be sold with maturities between 1 and 10 years. Craft3 is not obligated to limit the amount of debt that may mature in any given period. If a substantial portion of Craft3's repayment obligations under the Notes were to come due in a limited period of time or if the maturities of the Notes are not sufficiently staggered, Craft3's ability to repay Notes that come due during any given period could be adversely impacted.

Issuance of Additional Notes of Equal Rank. Craft3 may issue additional notes under subsequent offerings, without the consent or approval of the owners of any Notes then outstanding. Those additional notes, when issued, may be of equal priority of repayment as the Notes.

No Independent Custodian. Craft3 serves as the custodian for the Notes, which exposes Craft3 to fiduciary risks and related claims. Although unlikely, if a claim like this were made and upheld, Craft3's financial condition may be negatively affected.

No Independent Legal Counsel. No independent counsel has been retained to represent investors. All investors are encouraged to consult with their legal, financial, and tax advisors prior to making an investment in the Notes.

Tax Treatment. The purchase of a Note is an investment. Interest paid on the Notes is income to each noteholder, and will be subject to income tax, unless the noteholder is eligible for an exemption from federal, state, or local income tax with respect to such interest.

Risks Specific to Craft3

Insufficient Opportunities with Borrowers. Craft3's lending strategy is dependent upon its ability to deploy the proceeds from the Notes into lending opportunities that generate social and economic impact. Craft3 may be unable to execute on its strategy if lending opportunities with borrowers are limited or delayed.

Relatively Forgiving Lending Policies and Practices. Craft3 will provide financing to borrowers whose organizations, businesses, or projects support and complement the mission of Craft3. In some situations, Craft3's borrowers may be unable to obtain financing from conventional commercial lenders, and Craft3 may make loans to borrowers on terms less stringent than those imposed by commercial lenders. Craft3 may make exceptions to its lending policies when a particular borrower's circumstances warrant such deviation, and may, per its Loan Policy, accommodate partial, deferred or late payments, or restructure or refinance outstanding loans in situations where a typical commercial lender may not. The quality and performance of the loans made by Craft3 may adversely impact the ability of Craft3 to repay the Notes. See "Loan Policy" in Appendix E for more information generally.

Economic Environment. Craft3's activities and its ability to repay the Notes may be adversely affected by the future economic environment. During economic slowdowns or recessions there is a greater likelihood that more of Craft3's borrowers or counterparties will be unable to repay their obligations at stated terms and maturities and could require Craft3 to extend the payment period of borrowers' loans. Additionally, Craft3's borrowers could become delinquent on their loans or other obligations to Craft3, which, in turn, could result in a higher level of charge-offs and provision for loan losses, all of which would adversely affect Craft3's income and ability to repay the Notes. Furthermore, a poor economic environment may also make it more difficult for Craft3 to originate loans and maintain the credit quality of such loans at levels previously attained, which could also result in a higher level of charge-offs and provision for credit losses.

Federal, State, and Local Laws. Craft3 and its operations and assets are subject to regulation, certification, and licensing by various federal, state, and local government agencies. Such regulations and requirements are subject to change, and there can be no assurances that in the future Craft3 will meet any changed regulations and requirements or that Craft3 will not be required to expend significant sums to comply with changed regulations and requirements. No assurance can be given as to the effect on Craft3's future operations of existing laws, regulations, and requirements for licensing, certification, or accreditation, or of any future changes in such laws, regulations, and standards, including as a result of changes in the leadership of the federal, state, and local governments. You are urged to consult with your own tax advisor regarding how applicable tax laws affect an investment in the Notes.

Credit Market. As Craft3 expands its operations, it may become dependent upon the availability of credit from financing sources in order to conduct its activities and to satisfy its working capital needs. If Craft3 is unable to obtain financing, it may not have access to the funds it requires to pay its debts as they come due or to continue to make new loans, which would limit Craft3's ability to generate income. Similarly, if necessary financing becomes unavailable on acceptable terms, or at all, to Craft3's borrowers and other counterparties, such parties may be unable to repay their loans and satisfy their other obligations to Craft3 as they come due, which could adversely affect Craft3's ability to repay the Notes.

Allowance for Loan Losses. When Craft3 originates loans, it incurs credit risk, which is the risk of losses if its borrowers do not repay their loans. Craft3 provides for credit losses by establishing an allowance for loan losses. The amount of this loan loss allowance is based on Craft3's assessment of potential credit losses inherent in its loans receivable portfolio, consistent with Generally Accepted Accounting Principles (GAAP) and the Current Expected Credit Losses (CECL) methodology. This process, which is critical to Craft3's operating results and financial condition, requires difficult, subjective and complex judgments, including collecting past loan loss data, forecasts of economic conditions, and how these economic predictions might impair the ability of Craft3's borrowers to repay their loans. As is the case with any such assessments, there is always the chance that Craft3 will fail to identify the proper factors, that it will fail to accurately estimate the impacts of factors that it identifies, or that prior loss experience may be an insufficient or otherwise inaccurate guide to Craft3's future loan losses. If Craft3 underestimates the credit losses inherent in its loans receivable portfolio, it will incur credit losses in excess of the amount of its allowance for loan losses, which may adversely affect Craft3's ability to repay the Notes. For more information, see "Loan Policy" in Appendix E.

Some Loans may be Under-Collateralized. Consistent with Craft3's mission to provide financing to small businesses, nonprofits, and individuals that generally cannot access traditional bank loans, borrowers may not have sufficient collateral to fully secure a loan, or the value of the collateral may have materially deteriorated during the loan. In the event of a loan default, the collateral securing such loan may not be adequate, and there is no assurance that Craft3 could successfully recover an amount equal to the amount of the defaulted loan. A declining market in the relevant collateral could further depress the value of Craft3's loan collateral or delay or limit Craft3's ability to dispose of the loan collateral and increase the possibility of a loss following a foreclosure. Under such circumstances, Craft3 may not have the ability to make principal or interest payments under the Notes.

Discretion to Make Loans An investor will have no control over, and the Notes do not restrict, the types of loans that may be made by Craft3, other than an intention to use the proceeds from this Offering as described under "Use of Proceeds" beginning on Page 17. In addition, an investor will not be able to evaluate all of the specific loans and investments to be made by Craft3. Craft3's Board of Directors has authorized specific senior management personnel to propose and approve loans and investments within specific guidelines set by the Board and a Credit Committee to review and approve proposed loans. An investor will not have input into, and the Notes do not restrict, such loan decisions. These factors increase the risk of investing in the Notes. See our "Loan Policy" included in Appendix E for more information.

Limits on Craft3's Remedies as a Creditor. Craft3's remedies as a creditor upon default by any of its borrowers will be subject to various laws, regulations, and legal principles that provide protections to borrowers. Under existing laws (including, without limitation, the U.S. Federal Bankruptcy Code), the remedies specified by Craft3's loan agreements and collateral documents (if any) may not be readily available or may be limited. Furthermore, the laws of a particular jurisdiction may change or make it impractical or impossible to enforce specific loan covenants. In addition, Craft3's legal and contractual remedies, including those specified in its loan agreements and collateral documents (if any), typically require judicial actions, which are often subject to discretion and delay. A court may refuse to order the specific performance of the covenants contained in the loan agreements and collateral documents.

Borrowers May Prepay Borrowed Funds. A borrower may decide to prepay its borrowed funds. At present, Craft3 in many cases imposes no prepayment penalty for borrowers who prepay their loans. In cases where Craft3 does impose a prepayment penalty, the amount of the penalty does not typically fully reimburse Craft3 for the interest lost through prepayment. If borrowers choose to prepay their loans, Craft3 may not receive some or all of the interest payments on its loans, which may impair its ability to make principal and interest payments under the Notes.

Fluctuations in Market Interest Rates. Craft3's operating revenues and ability to increase its unrestricted net assets are affected by fluctuations in interest rates. Changing market interest rates are outside of Craft3's control and affect both the yields earned by financial institutions, including Craft3, on interest-earning assets such as loans and investment securities and the interest expense on interest-bearing debt instruments. As market interest rates change, there may be a mismatch in how much time it takes for assets and liabilities to re-price to the new market rates. Rapid changes in market interest rates (whether increasing or decreasing) can significantly and adversely affect Craft3's operating revenues, results, unrestricted net assets, and broader financial condition.

Rising interest rates may also reduce the demand for loans from Craft3. Higher interest rates increase borrowing costs and generally reduce loan demand, while also creating direct pressures on individual and business borrowers. The inflationary pressures that have, in part, contributed to higher interest rates may also reduce the willingness of borrowers to take on new debt and the willingness of consumers to continue to spend at previous rates.

Reliance on Management. Craft3 relies heavily on its management team and other key personnel. There can be no assurance of continuity in Craft3's key personnel, nor does Craft3 maintain key person insurance. The loss of any one of them may adversely affect Craft3's operations.

Litigation. Craft3 may be involved from time to time in a variety of litigation arising out of its activities. Craft3's insurance may not cover all claims that may be asserted against it, and any claims asserted against Craft3, regardless of merit or eventual outcome, may result in reputational harm or unexpected material expenses. Should the ultimate expenses, judgments, or settlements in any litigation exceed Craft3's insurance coverage, they could have a material adverse effect on Craft3's financial condition and results of operations. In addition, Craft3 may not be able to obtain appropriate types or levels of insurance in the future, and Craft3 may not be able to obtain adequate replacement of its existing insurance policies with acceptable terms, if at all.

Accuracy of Information. In deciding whether to extend credit to borrowers, Craft3 relies on information provided to it by its borrowers, including financial statements and other financial information. Craft3 also relies on representations of borrowers as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. Craft3's financial condition and results of operations could be negatively impacted to the extent that Craft3 extends credit in reliance on financial statements or other information provided by borrowers that is false, misleading, or incomplete.

Reliance on Technology and Cybersecurity. The majority of Craft3's records are stored and processed electronically, including records of its notes receivable and notes payable. Craft3 relies to a significant extent upon third party vendors for providing hardware, software, and services for processing, storing, and delivering information. Craft3's electronic records include confidential noteholder information and proprietary information regarding Craft3's operations. Electronic processing, storage, and delivery has inherent risks such as the potential for hardware failure, virus or malware infection, input or programming errors, inability to access data when needed, permanent loss of data, and/or unauthorized access to data or theft of data. Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to information technology (IT) systems to sophisticated and targeted measures known as advanced persistent threats, directed at Craft3 and/or its third-party service providers. While Craft3 and its vendors take measures to prevent, detect, address, and mitigate these risks (including access controls, employee training, data encryption, vulnerability assessments, continuous monitoring of Craft3's IT networks and systems, and maintenance of backup and protective systems), it is possible that these measures will not be completely effective and that there may be other risks that have not been identified because they are different or unknown or that may emerge in the future. If Craft3 were to experience large-scale data inaccuracy, inability to access data for an extended time period, permanent loss of data, data breach, failure of its vendors to perform as contracted, or other significant issues regarding data, it could adversely affect all aspects of Craft3's operations. The potential consequences of a material cybersecurity incident include reputational damage, litigation with third parties, payment of ransom, and increased cybersecurity protection and remediation costs, which in turn could have a material adverse effect on Craft3's results of operations. For more information related to prior cyber security incidents see Note 17 of the Annual Financial Statements.

Operational Reliance on Technology. Craft3 depends on internal and outsourced technology systems, as well as those of our customers and other third parties, to support all aspects of its business operations. Interruption or failure of these systems creates a risk of business loss as a result of adverse customer experiences, damage claims, and civil fines. Risk management programs are expensive to maintain and will not protect us from all risks associated with maintaining the security of customer information, proprietary data, external and internal intrusions, disaster recovery, and failures in the controls used by third parties like customers and vendors. Craft3's computer systems could be vulnerable to unforeseen problems or failures, including computer hackers and theft or destruction of information, including customer data. Because Craft3 conducts part of its business over the Internet and outsources and/or relies on third parties for several critical functions, operations will depend on our ability, as well as the ability of third parties and third-party service providers, to protect computer systems and network infrastructure against damage from computer hackers, phishing attacks, malicious computer viruses, or code, including ransomware, fire, power loss, telecommunications failure, physical break-ins, or similar catastrophic events. In addition, any damage or failure that causes interruptions in operations could have a material adverse effect on Craft3's business, financial condition, and results of operations.

Another significant risk of online financial transactions is maintaining the secure transmission of confidential information over public networks. Craft3's internet-based systems rely on encryption and authentication technology to provide the security and authentication necessary to effect secure transmission of confidential information. Criminal elements may develop advances in computer capabilities, means to decipher encrypted data transmission, or other developments that could result in a compromise or breach of the algorithms our third-party service providers use to protect customer transaction data. If any such compromise of security were to occur, it could have a material adverse effect on Craft3's business, financial condition, and results of operations.

Craft3 depends, and will continue to depend, to a significant extent, on a number of relationships with third-party service providers. Specifically, Craft3 receives core systems processing, essential web hosting and other Internet systems, and other transaction processing services from third-party service providers. If these third-party service providers experience difficulties or terminate their services, and Craft3 is unable to replace them with other service providers, Craft3's operations could be interrupted. If an interruption were to continue for a significant period of time, Craft3's business, financial condition, and results of operations could be materially and adversely affected.

Securities Law Compliance. This Offering is being made in reliance upon exemptions from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "**Securities Act**"), Rule 506(c) of Regulation D promulgated thereunder, and Section 3(c)(10) of the Investment Company Act of 1940 as amended. Reliance on these exemptions does not, however, constitute a representation or guarantee that such exemptions are indeed available. Craft3 may seek to qualify or register this Offering in certain jurisdictions where Craft3 believes such qualification or registration is required.

If for any reason the offering is deemed not to qualify for exemption from registration under the securities exemptions referred to above (and if no other exemption from registration is available), and the offering is not registered or qualified with the applicable federal or state authorities, the sale of the Notes will be deemed to have been made in violation of the applicable laws requiring registration. As a remedy for such a violation, penalties and fines may be assessed against Craft3, and noteholders will typically have the right to rescind their purchase and to have their purchase price returned, together with interest at statutorily prescribed rates. If noteholders request the return of their investment, funds may not be available for that purpose and Craft3 may be unable to repay all noteholders. Any refunds made would also reduce funds available for Craft3's operations. A significant number of requests for rescission could leave Craft3 without funds sufficient to respond to rescission requests or to proceed successfully with Craft3's activities.

Federal and state securities laws are subject to change and frequently do change. Future changes in federal or state securities laws, rules, or regulations regarding the sale of securities by Craft3 as contemplated by this Offering, or the policies, practices, and procedures under which regulators review registration materials or exemption applications, may make it more costly and difficult for Craft3 to offer and adversely affect its ability to sell the Notes. Such an occurrence could result in a decrease in the amount of Notes that Craft3 sells, which could adversely affect Craft3's operations and its ability to meet its obligations under the Notes.

Limited Regulatory Oversight. Craft3 does not intend to register as an investment company under the Investment Company Act, in reliance upon Section 3(c)(10) of the Investment Company Act. Accordingly, the provisions of the Investment Company Act, which, among other matters, require investment companies to have a majority of disinterested directors, will not apply. In addition, the Notes are being offered under an exemption from federal registration pursuant to Section 4(a)(2) of the Securities Act, Rule 506(c) of Regulation D promulgated thereunder, and Section 3(c)(10) of the Investment Company Act. As such, this Offering Memorandum will not be submitted to or reviewed by the U.S. Securities and Exchange Commission or any state securities regulator.

Internal Controls and Fraud Risks. Craft3 is subject to certain operational risks, including but not limited to data processing system failures, theft, fraud and errors, and customer or employee fraud. Craft3 maintains a system of internal controls intended to prevent and mitigate such occurrences and maintains insurance coverage for many, but not all, risks. If an event occurs that is not prevented or detected by Craft3's internal controls, uninsured, or in excess of applicable insurance limits, it could have a significant adverse impact on Craft3's business, financial condition, or results of operations. The maximum limits of Craft3's insurance policies are as follows: $2 million aggregate for General Liability & Casualty Coverage; $3 million aggregate for Umbrella Liability & Casualty Coverage; $2 million aggregate for Financial Services and Professional Liability Coverage; $2 million for Directors & Officers Liability & Entity Liability Coverage; $1 million aggregate for Employment Practices Liability Coverage; and $1 million for Employee Dishonesty & Bond Coverage. Craft3 also maintains insurance policies related to cybercrimes, including a $3 million Cyber Liability Coverage, and a $1 million Fidelity Bond Coverage and Crimes Policy (including blanket fidelity, premises, transit, forgery or alternation, securities, counterfeit currency, and computer systems fraud).

In September, 2021 Craft3 transferred certain funds to one of its customers and two of the customer's vendors at the direction of emails received by Craft3 from the customer's chief executive officer and controller's email accounts. The emails were fraudulent and appear to be the result of the compromise of the customer's email system. These fraudulent email requests instructing Craft3 to transfer funds resulted in Craft3 incurring initial losses and costs of approximately $590,000, which were subsequently recovered from insurance and recorded as a recovery of loan losses. Craft3 has implemented revised controls, policies, and procedures and continues to monitor and provide training on such measures to mitigate the risk of similar events in the future. For additional detail, please see 2023 Audited Financial Statements, Note 17.

Capital Restrictions Limit Repayment Sources. As of December 31, 2023, Craft3's net assets without donor restrictions are available for Note repayment and represent approximately 50% of its outstanding total notes payable. As reflected in Craft3's unaudited financial statements at December 31, 2023, the principal balance of Craft3's outstanding loans receivable is approximately $162.6 million, while the principal balance of outstanding total notes payable (including the Notes) is approximately $134.1 million. Craft3 has "unrestricted net assets" or "net assets without donor restrictions" of approximately $67.1 million, which could be used to repay outstanding Notes.

Craft3 Depends on Contributed Revenue and Other Uncertain Funds for Future Operations. Craft3 depends on contributions for a portion of its revenue and other support. For the fiscal years ended December 31, 2023, and December 31, 2022, Craft3 received grants and contributions in the amount of $19,354,025 and $6,269,398, respectively, and had total revenue and other support of $32,462,984 and $19,167,175, respectively. Grants and contributions are neither guaranteed nor necessarily renewable income sources. Grant funding represents a limited amount of capital for a set amount of time with no guarantee to renew the capital upon the grant termination date. Some grants require repayment of proceeds in the event that performance requirements are not met. Significant grants are subject to potentially lengthy and stringent application and review processes; thus grants funding can be difficult to obtain, particularly in a time of economic hardship. Since Craft3 will be dependent on income sources, including interest, grants, and contributions, which are inherently uncertain, sufficient funds may not be available to continue operations. If this occurs, the risk of nonpayment of the interest and principal due under the Notes would increase.

Loan Concentration and Repayment Risk. Approximately 50% of Craft3's outstanding loan principal is concentrated in four areas: (1) clean water, (2) real estate, (3) residential energy, and (4) religious, grantmaking, civic, professional, and similar organizations, which may create repayment risks. As of December 31, 2023, Craft3 had approximately $27.4 million in clean water loans outstanding, representing 17% of the total loan portfolio. Loans in this sector (1,312) had balances ranging from $433 to $111,356 and averaged $20,895. Clean water loans are made for the purpose of helping largely single-family homeowners across Oregon and Washington to repair or replace failing septic systems and contribute to improved water quality. Three other concentrations include (1) real estate loans at $20.4 million (12%), (2) residential energy loans at $17.2 million (11%), and (3) religious, grantmaking, civic, professional, and similar organization loans at $16.0 million (10%) of the loan portfolio. Real estate loans (26) had balances ranging from $2,246 to $2.9 million and averaged $783,022, and were diversified across businesses in Oregon and Washington, for the purposes of leasing commercial, residential or other real estate to others, including educational facilities, mixed use commercial retail and hospitality, and affordable housing, including temporary emergency housing and accessory dwelling units. Residential energy loans (1,692) had balances ranging from $110 to $43,945 and averaged $10,166 and were made for the purposes of helping largely single-family homeowners across Oregon and Washington to install energy efficiency measures to reduce energy costs and contributions to greenhouse gas emissions. Religious, grantmaking, civic, professional, and similar organization loans (28) had balances ranging from $1,975 to $2.5 million and averaged $571,890. These loans are made for the purposes of supporting natural resource conservation and providing essential services to low-income or underserved populations in Oregon and Washington, with organizations including land trusts, essential service providers, and a housing cooperative. As of December 31, 2023, no other loan category exceeded 10% of Craft3's loan portfolio. These loan concentrations may create repayment risk for Craft3.

Craft3 may Enter into a Side Letter with a Note Purchaser. Craft3 reserves the right to enter into side letters or other supplemental agreements with one or more holders of the Notes on terms Craft3 deems appropriate. The side letter may grant specific rights or privileges to one or more holders of the Notes based on factors including but not limited to the size of the Note or the requirements for the holder. The completion of such a side letter or supplemental agreement will not entitle other holders of the notes to the same rights, unless expressly granted by the Craft3 in writing.

Change in Operations. Craft3 is not obligated to continue offering the Notes or to continue its current operations or existence as a non-profit organization. Any such change in its operations or status could negatively impact its ability to repay the Notes.

Policies and Procedures Subject to Change. At various points in this Offering Memorandum, Craft3 describes its policies and procedures, such as its Loan Policy. These descriptions are intended to help investors understand Craft3's current operations. Craft3, however, may deviate from those policies when circumstances warrant and reserves the right to change its policies and procedures at any time.

Effects of Loss of 501(c)(3) Tax-Exempt Status. Craft3 is a tax-exempt organization as described in Code Section 501(c)(3). A loss of such tax-exempt status would adversely affect Craft3 subjecting Craft3's income to federal taxes. A loss of federal tax-exempt status may also impact Craft3's state tax exemptions, if any.

USE OF PROCEEDS

Craft3 is offering Notes of up to $100,000,000 in aggregate principal amount issued and outstanding to "accredited investors" as defined in Rule 501(a) of Regulation D under the Securities Act. Craft3 may increase or decrease the size of this Offering in its sole discretion. The Notes are offered in initial principal amounts of a minimum of $20,000 and in increments of $5,000 thereafter, subject to Craft3's discretion. The issuance of Notes is not contingent upon receiving a minimum number or dollar amount of commitments from investors.

Craft3 intends to use the proceeds from this Offering to capitalize mission-aligned loans, including those to entrepreneurs, small businesses, nonprofit organizations, individuals, and others who do not normally have access to credit. Craft3 loans are intended to strengthen the economic, ecological, and family resilience of Pacific Northwest communities, by creating or retaining jobs, strengthening local ownership, leveraging investment, assisting low-income families, averting or sequestering greenhouse gas emissions, and treating or saving water. Craft3's primary financial products include commercial loans to small businesses and entrepreneurs; community development loans to nonprofit organizations and public or quasi-public agencies; conservation loans directed at land trusts and conservation organizations; and consumer loans for home improvements (energy efficiency retrofits and septic system repair and replacement).

Craft3's financial products are delivered in rural and urban communities throughout Oregon and Washington by staff located in eight sub-regions throughout the Pacific Northwest in Astoria/Lower Columbia, Bend/Central Oregon, Southern Oregon, and Portland, Oregon and Port Angeles/Olympic Peninsula, Seattle, Spokane/Eastern Washington, and Walla Walla/Mid-Columbia Basin, Washington. The communities Craft3 serves are challenged by market, economic, and demographic conditions that limit their ability to access capital.

Craft3 has developed relationships with community leaders, nonprofit organizations, professional service providers, local and regional governments, institutional investors, and other community development financial institutions. It is through these partnerships and locally-led economic and community development strategies that Craft3 delivers capital investment into communities. In addition, Craft3 adds value beyond the dollar value of its loans through the information, coordination, networking, and capacity building that accompany Craft3 loans.

To capitalize its loan fund, Craft3 utilizes its net assets, grant proceeds, donations, and investment proceeds from various financial institutions and other entities that share an interest in strengthening the resilience of people and communities in Oregon and Washington. The majority of borrowed funds are provided by banks and foundations, with the balance provided by individuals and families, federal, state, and local governments, non-bank corporations, and religious and charitable organizations.

To the extent that Craft3's loans receivable and investment proceeds and associated revenue are less than anticipated, then it may be necessary to use a portion of the proceeds from this Offering, along with other available funds, to repay the Notes.

The expenses of this Offering, including attorneys' fees, accountants' fees, and securities exemption, registration or filing fees, will be paid from Craft3's general operating capital and not from the proceeds of this Offering. Craft3 expects the aggregate amount of such expenses to be minimal. This Offering is not underwritten, and no commissions will be paid for the sale of the Notes. As a result, Craft3 will receive 100% of the proceeds from this Offering.

METHOD OF OFFERING

All sales will be made by certain of Craft3's management and staff, pursuant to broker-dealer, issuer or agent licensing or applicable exemptions, and they will receive no commissions, fees, or special remuneration in connection with the sale of the Notes.

If you wish to purchase a Note, you must complete an Application to Purchase Note and Investor Questionnaire, in the form attached as Appendix C. If your Application is accepted, Craft3 will return an executed Note to you after receipt of funds. See Appendix B for a Form of the Promissory Note. Craft3 may reject any offer to purchase a Note in its sole discretion. Payment may be made by certified check, cashier's check, or ACH transfer of immediately available funds. Applications will be accepted via U.S. mail to Craft3's digital mailroom at PO Box 530233, Atlanta, GA 30353 or by email at ImpactNotes@Craft3.org, or by any other means Craft3 determines to be acceptable.

In order to purchase any Notes, you must be an "accredited investor" as defined in Rule 501(a) of Regulation D under the Securities Act. You must acquire the Notes for your own account for investment purposes only without a view to public distribution or resale. You must have no contract, undertaking, agreement, or arrangement to sell, pledge, assign, or otherwise transfer or dispose of any Note or any portion thereof to any other person.

GOVERNANCE AND MANAGEMENT

Board of Directors

Craft3's Board of Directors (the "**Board**") is responsible for its overall policy and direction. The bylaws of Craft3, as amended (the "**Bylaws**") provide that the Board must have at least 9 and no more than 15 Directors.

No director or officer of Craft3 has been convicted of any criminal activity, is the subject of any pending criminal proceedings, or has been the subject of any order, judgment, or decree of any court enjoining such person from any activities associated with the offer or sale of securities.

Paul Benoit, Chair (term expires 12/31/2024)

Paul Benoit has been a Director for Craft3 since 2003 and became Chair in 2016. He is the Chair of the Executive Committee, and also a member of the Audit and Enterprise Risk Management Committee, and the Governance and Nomination Committee. Mr. Benoit brings expertise in management, human resources, and fund, economic, and community development to the board and committees.

Mr. Benoit retired from his role as City Manager for the City of Piedmont, California. Previously, he served 10 years as City Manager for Astoria, Oregon, Assistant City Manager and Development Director in Alameda, California, and as Community Development Director in Astoria for 17 years. Mr. Benoit received his BS from the University of Rhode Island in Natural Resources and his master's degree from the University of Washington in Coastal Zone Management and Public Administration.

Jo Ann Kauffman (term expires 12/31/2024)

Jo Ann Kauffman has been a Director of Craft3 since 2019. She is a member of the Strategy and Impact Committee. She is President and owner of Kauffman and Associates, Inc., ("KAI") and an enrolled member of the Nez Perce Tribe. She was born in Seattle and grew up in Seattle's Beacon Hill community, graduating from Cleveland High School in 1971. She also spent time on the Nez Perce Reservation in Kamiah, ID. She was the CEO for the Seattle Indian Health Board from 1982 to 1989. After relocating to Washington, DC, Ms. Kauffman founded KAI in 1990, where she lobbied for social justice, health care, and education needs of American Indian and other vulnerable populations. She has worked in the field of Indian affairs for more than 40 years, serving as a consultant to Indian tribes, private for-profit and nonprofit organizations, and numerous state and federal agencies.

Ms. Kauffman was honored by Business Beat as Minority Small Business Person of the Year 2006 and as owner of the Fastest Growing Minority Business in 2004, 2007, and 2008. In 2015, the Spokane YWCA awarded her the Women of Achievement Carl Maxey Racial & Social Justice Award. She was honored with the "Free Spirit Award" by the Freedom Forum in 1998 for her longtime work as a community activist and advocate for First Amendment issues. Ms. Kauffman was appointed by the Governor of the State of Washington to the Board of Trustees of Eastern Washington University ("EWU"), where she served from 2003 to 2015. She currently leads the Advisory Committee of the new Lucy Covington Center at EWU. Ms. Kauffman holds a master's degree in Public Health from the University of California at Berkeley and in 2017 she received an honorary Doctorate from EWU for her life's work in the field of Indian health.

Ronald Grzywinski (term expires 12/31/2024)

Ron Grzywinski has served on the Craft3 Board of Directors since 1995 – as a non-voting Advisor to the Board from 1995-2019 and as a Director since 2019. He is a member of the Audit and Enterprise Risk Management Committee and Finance Committee. He brings expertise in banking, finance, and lending for community and economic development and small business.

Mr. Grzywinski was the co-founder and Chief Executive Officer of ShoreBank Corporation, the nation's first and largest certified Community Development Finance Institution. He has been the recipient of the Independent Sector's John W. Gardner Leadership Award, the Medal for Entrepreneurial Excellence from the Yale University School of Management, the President's Founders Award from Loyola University (Chicago), and the Theodore Hesburgh Award for Ethical Business Practices from the University of Notre Dame. He was awarded an Honorary Doctor of Business Degree from Northern Michigan University and was a founding member of the Ashoka Global Academy for Social Entrepreneurship.

Mr. Grzywinski has been the CEO of several banks and serves on the boards of numerous social purpose organizations, including Craft3. He is an Alumnus in Residence at Loyola University.

Alexia Kelly (term expires 12/31/2024)

Alexia Kelly was elected to the Board of Directors in February 2023. She is a member of the Finance Committee. Ms. Kelly brings deep expertise from her background working at the intersection of policy and finance focused on the climate crisis.

Ms. Kelly is the Managing Director of the Carbon Policy and Markets Initiative (CPMI) at High Tide Foundation. Prior to joining High Tide Foundation, she served as Director of Net Zero + Nature at Netflix, where she led the company's inaugural greenhouse gas inventory, renewable energy strategy, Science Based Target and global carbon credit portfolio.

Ms. Kelly has held senior roles at the U.S. Department of State, where she served as lead negotiator to the UNFCCC on Article 6 of the Paris Agreement. She has also held roles at the World Resources Institute, The David and Lucille Packard Foundation, The Climate Trust, and in private equity. She serves on multiple nonprofit boards and holds a B.A., Master of Public Administration (MPA) and a Master of Community and Regional Planning (MCRP) from the University of Oregon.

Alan Okagaki (term expires 12/31/2025)

Alan Okagaki has been a Director for Craft3 since 2019. He is the Chair of the Strategy and Impact Committee and a member of the Finance Committee. He brings 40 years of experience in consulting, management, and evaluation focused primarily in community development, development finance, and organizational performance.

Mr. Okagaki has led numerous strategic and business planning processes for a variety of organizations and has participated in teams successfully launching community development banks, development finance institutions, and other major economic or neighborhood revitalization initiatives. He has conducted "on the ground" work in 28 states with nonprofit, for-profit, philanthropic, and governmental entities in urban and rural settings, and in Native communities.

Mr. Okagaki is formerly Senior Advisor for Growth & Impact Strategies at Craft3 and Senior Consultant to the Aspen Institute microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination ("FIELD"). He also held positions with ShoreBank Corporation, Prosperity Now (formerly Corporation for Enterprise Development – CfED), the California Energy Commission, and the California State Legislature. Mr. Okagaki holds an M.A. in Political Science from the University of California, Berkeley and a B.A. in English from Pomona College.

Stan Amy (term expires 12/31/2025)

Stan Amy is president of New Villages Group, Ltd., a small family fund that invests capital and time in mission-balanced endeavors. Its focus is on the natural products industry, adaptive reuse of neighborhood retail and mixed-use real estate, and small business finance.

Mr. Amy has been a Craft3 Director since 2000 and is a member of the Executive Committee. He brings expertise in management, small business and funding, economic, and community development to the board. Mr. Amy's past experience has been focused in three areas: Housing and Urban Development: Assistant to Portland City Commissioner with Planning and Public Works portfolio; Vice Chair of Portland Planning Commission. Community Development Finance: Board Member, ShoreBank Corporation of Chicago, the nation's first chartered social purpose bank; Board Member, ShoreBank Pacific. Consumer Empowerment: Co-Founder and President, Portland Student Services (now College Housing Northwest) a student initiated Not-For-Profit housing development company; President, Natures Fresh Northwest, a pioneering natural foods grocer empowering consumers to vote with their dollars for a healthy food supply and environment; Co-Founder and Board Chair, New Seasons Market, an Oregon-based grocery chain creating urban/rural partnerships between local farmers, ranchers, fishers, producers, and consumers in the greater Portland metropolitan area, and the San Francisco Bay Area (New Leaf Community Markets).**Walt Krumbholz** (term expires 12/31/2025)

Walt Krumbholz has been a Director for Craft3 since 2016. He is also the Chair of the Audit and Enterprise Risk Management Committee and a member of the Board Credit Committee. He brings expertise in legal, finance, management, and economic development to the board.

Before retiring in 2018, Mr. Krumbholz was Market President with Scott Valley Bank. Prior to Scott Valley, he worked in several regional banks and has more than 40 years of commercial banking and lending experience. Mr. Krumbholz received his J.D. Commercial Law degree from Northwestern School of Law at Lewis and Clark College and an MBA in Finance from Seattle University.

Shivon Brite (term expires 12/31/2025)

Shivon Brite was elected to the Board of Directors in February 2023. She is member of the Strategy and Impact Committee. Ms. Brite brings deep experience in health equity, community development, financial empowerment, and fundraising. As a board member Ms. Brite provides oversight and support for the organization's leadership team and works collaboratively with other Board members to advance the organization's goals.

With a long history of creating effective strategic solutions and scaling, Ms. Brite is well-equipped to help improve health equity and address complex social impact issues. As CEO/President of Namákota and previously as Executive Vice President of Empire Health Foundation, she has driven positive change and made a lasting impact in diverse communities. Additionally, Ms. Brite has a wealth of experience in raising funding and developing successful initiatives in diverse communities, making her well-equipped to understand the financial empowerment needs of underrepresented populations.

Ms. Brite is an enrolled member of the Assiniboine people from the Fort Belknap Indian Reservation. Her dedication to Indian self-determination and cultural competence has earned her recognition as an advocate for these communities.

Sue Taoka (term expires 12/31/2025)

Sue Taoka was elected to the Board of Directors in June 2024. Ms. Taoka retired in 2019 as Executive Vice President at Craft3, and brings to the Board 40 years of experience in community development and community development finance.

With a dynamic career spanning 24 years in Seattle’s International District, Ms. Taoka has held pivotal positions including Executive Director of the Seattle Chinatown International District Preservation and Development Authority and Interim Community Development Association. She also served as Deputy Chief of Staff to Mayor Norm Rice.

A founding member of the National Coalition of Asian Pacific American Community Development, Ms. Taoka also served on boards including the Seattle Investment Fund, Crescent Collaborative (formerly Yesler Community Collaborative), and the Friends of Little Saigon. Her leadership extends to the Puget Sound Partnership Leadership Council and the Federal Reserve Board’s Community Advisory Counsil. Ms. Taoka earned her B.S. from the University of Colorado at Boulder, and a J.D. from Seattle University School of Law.

Mary Houghton (term expires 12/31/2026)

Mary Houghton has been a Director for Craft3 since 1995. She is also member of the Governance and Nomination Committee. She brings expertise in finance, banking, lending, management, and economic and community development to the board and its committees.

Ms. Houghton was a cofounder in 1973 of ShoreBank Corporation, a regulated commercial bank holding company organized for purposes of community development and, later, environmental protection. She is a director of several regulated financial institutions: Basix or Bhartiya Samruddhi Investments and Consulting Services (BASICS Ltd.) and Bhartiya Samruddhi Finance Limited (BSFL) in Hyderabad, India, and Citizens Bank, a wholly owned subsidiary of Vancity Credit Union in Vancouver, British Columbia. She is also a director of several non-profit organizations focusing on asset accumulation by low-income households internationally: Womens World Banking, Calvert Foundation, and the Grassroots Business Fund. A graduate of the School of Advanced International Studies of Johns Hopkins University, Ms. Houghton was a Visiting Scholar there in 2011.

Linda Nettekoven (term expires 12/31/2026)

Linda Nettekoven has been a Director for Craft3 since 2011. She is also the Chair of the Governance and Nomination Committee and a member of the Strategy and Impact Committee. She brings expertise in environmental issues, small business and fund, economic and community development to the board and committees.

Ms. Nettekoven is greatly committed to serving her community. She currently serves as a member of the Metro Investment Exploratory Group which is a diverse group of community members charged with developing regional, independent Leadership Council to explore and recommend innovative responses to infrastructure needs of the region. She also serves on the Hosford-Abernethy Neighborhood Development Association and is a founder of the Division Vision Coalition. Ms. Nettekoven serves on a number of other Committees as well.

Andrea Caupain Sanderson (term expires 12/31/2026)

Andrea Caupain Sanderson joined the Craft3 Board of Directors in 2020. She is also a member of the Governance and Nomination Committee. She brings expertise in leadership, executive management, fundraising, Board engagement, operations, advocacy, and public affairs.

For over 20 years, Ms. Sanderson has worked passionately to make a positive impact on issues of racial and social equity. As Byrd Barr Place's chief executive officer since 2008, she has built a strong foundation for future growth by effectively leading the organization through critical change and innovation. She is currently engaging in the complex work of building more equitable and vibrant local economies. Through her work with Byrd Barr Place, she is supporting new approaches to services that benefit Black, Indigenous, and People of Color communities, as well as low-income people in our region. Ms. Sanderson puts people, equity, and communities of color at the center of a movement to advance intergenerational well-being in Washington state.

Ms. Sanderson brings a strong sense of leadership and vision to Byrd Barr Place, an agency with a long legacy serving the community and providing lifeline services to the poor. Prior to Byrd Barr Place, she worked for four years for the Washington State Governor's Commission on African American Affairs, providing analysis and development on strategic legislative projects. She has also been involved in legislative work for the Washington State House of Representatives. Ms. Sanderson has an MPA and a bachelor's degree from Evergreen State College.

Lee Winslett (term expires 12/31/2026)

Lee Winslett has been a Director for Craft3 since 2008. He is also the Chair of the Finance Committee and a member of the Executive Committee and Audit and Enterprise Risk Management Committee. He brings expertise in finance, banking, lending, management, and fund and community development to the board and committees.

Mr. Winslett is a Senior Vice President and Managing Director of Wells Fargo's New Markets Tax Credit Program. His team, which has a national footprint for making debt and equity investments in urban and rural low-income communities, has completed transactions that have brought approximately a billion dollars into some of the nation's hardest hit local economies. Prior to assuming this role, Mr. Winslett held a variety of positions at Wells Fargo and a predecessor institution in its commercial and real estate lending areas representing a span of nearly 20 years in banking.

Mr. Winslett is actively involved in civic affairs, having served as a board member on several housing and economic development related nonprofits, and as an Advisory Board member of a number of private equity investment funds including Pacific Community Ventures and Shepherd Ventures. Currently, Mr. Winslett serves on the board of directors for Wakeland Housing and Development Corporation; a San Diego, California based non-profit housing developer. Mr. Winslett received his Bachelor of Arts degree in business and economics from the University of California Los Angeles.

Lisa Dow (term expires 12/31/2026)

Lisa Dow has been a Director for Craft3 since 2024, bringing to the Board 40 years of experience in banking, spanning a broad array of responsibilities, including credit administration and commercial real estate banking.

Ms. Dow is currently the Chief Risk Officer of Umpqua Bank and Columbia Bank System, Inc., a $53 billion financial institution headquartered in Lake Oswego, Oregon (bank) and Tacoma, Washington (holding company). Her primary responsibilities include ensuring the company's risk programs (compliance, business resiliency, fraud risk management, bank secrecy act (BSA)/anti-money laundering (AML), financial and model risk, information risk, privacy and risk reporting) are effectively governed, including both financial and non-financial risks. She held this role at Columbia Bank from 2018 until the 2023 merger with Umpqua. Prior to that, Ms. Dow held a variety of positions in credit administration and commercial and corporate banking at various banks, including Bank, Bank of Vancouver, West Coast Bank, Bank of America, and Security Pacific Bank.

Ms. Dow is active in community engagement activities, serving on the board of Salmon Creek Hospital Foundation (Legacy Health), and the advisory board of Grand Central Bakery, a certified B Corporation. Prior board service includes the Columbia River Economic Development Council, Greater Vancouver Chamber of Commerce, and a founding member of Empower Women + Girls in Clark County. Ms. Dow has an MBA from the University of California, Berkeley, and a B.A. in Economics and International Business from the University of Puget Sound.

Committees

The Bylaws allow the Board to elect an Executive Committee, Governance and Nomination Committee, Audit and Enterprise Risk Management Committee, Strategy and Impact Committee, and Credit Committee and to delegate certain powers to each.

Management

Executive Leadership

Craft3's executive leadership is comprised of nine seasoned professionals with 270 years of combined professional experience and an average tenure of approximately 10 years with the organization. The President and Interim CEO has 40 years of experience in business and legal affairs in the private and public sector. The Interim Chief Financial Officer has 40 years of experience in commercial banking, debt capital markets, asset/liability and financial management, credit risk management, and treasury. The Chief Credit Officer has 35 years of credit delivery and risk management experience. The Chief Lending Officer has over 30 years of experience in commercial lending, nonprofit leadership and business ownership. The Chief Development Officer has 20 years of experience in capitalization and fundraising, community development finance, and nonprofit management. The Chief Marketing Officer has 15 years of experience in building brand identity and executing marketing strategy through various channels such as public relations, communications, branding, and content. The Chief Strategy and Information Officer has 35 years of experience in organizational development, project management, and product development and marketing. The Senior Advisor has 40 years of rural credit delivery and management experience, including in commercial small business, agriculture, and community facilities lending. The Indian Country Regional Strategist has 15 years of experience in nonprofit relationship banking and corporate social impact and responsibility.

Bruce Brooks
President and Interim CEO

Mr. Brooks, as Craft3's President, leads and provides oversight for key functions including strategy, innovation and evaluation, capital development, legal and enterprise risk management, and public affairs. He also provides direct support to the Chief Executive Officer (CEO) for overall operations of the organization. Mr. Brooks re-joined the Craft3 team in October 2021, after serving as Executive Vice President and General

Counsel for the organization from 2016 to 2019. In the intervening period he was a General Partner with Perch Partners, a strategic brand advisory and management consulting firm where he provided business and strategic advice to clients and managed firm operations, finance, human resources, and legal functions. He also served on Craft3's Board of Directors during 2021 before resigning to assume the role of President. In March 2024, Mr. Bruce was appointed Interim CEO by the Board of Directors while they recruit a permanent CEO. Mr. Brooks has a diverse business and legal career spanning 40 years, holding a number of leadership positions operating at the intersection between business and community within the public and private sectors. Mr. Brooks has a MBA from UCLA Anderson School of Management, JD from Harvard Law School, and A.B. (Bachelor of Arts) in History from Harvard College.

Carl Seip
Executive Vice President, Chief Marketing Officer

Mr. Seip is Craft3's first Chief Marketing Officer and responsible for building Craft3's brand identity and developing, leading, and executing marketing strategy across channels, including branding, communications, content, public relations, and digital. Mr. Seip works closely with other executive management, senior leadership, and teams across Craft3 to improve customer experience for borrowers, investors, and partners, accelerate the company's lending and related impacts, and make data-informed decisions that guide strategic marketing and outreach. Prior to assuming this role in 2024, Mr. Seip was Marketing Director, SVP from 2022-2024, Marketing and External Affairs Director, VP from 2020-2022, and VP of Communications and External Affairs from 2016-2020. Prior to joining Craft3 in 2016, Mr. Seip worked for more than six years for U.S. Senator Maria Cantwell in Washington DC, serving as Policy Advisor for the U.S. Senate Committee on Small Business & Entrepreneurship, supporting Cantwell during her time as Chairwoman in 2014. Mr. Seip has an MBA from University of Washington Foster School of Business, and B.A. in Political Science from American University.

Chris Larson
Executive Vice President, Chief Strategy & Impact Officer

Mr. Larson is Craft3's Chief Strategy & Impact Officer, responsible for leading the strategy, information technology, and evaluation functions of the organization. He is instrumental in ensuring that these functions work together in an integrated and coherent manner to support the needs of our customers, investors, and the organization. Prior to assuming this role in 2024, Mr. Larson was Craft3's Innovation and Evaluation Manager from 2018-2024. Prior to joining Craft3, he spent over a decade helping organizations develop, articulate, fund, and grow their new ventures as a consultant. In this role, he conducted the initial market assessment and wrote the launch plan for what is now known as Craft3's Clean Water Loan program. Mr. Larson has a career spanning 35 years with experience leading large project teams, directing new product development, and managing product marketing. He has an MBA from the University of Oregon and a BA in Geology from Carleton College.

Gregory Bradley
Executive Vice President, Chief Credit Officer

Mr. Bradley is the Chief Credit Officer at Craft3, responsible for leading the development and maintenance of the organization's credit strategies, policies, and processes to ensure we meet our loan portfolio, compliance management, and mission goals. He oversees the credit risk management team of managers, credit underwriters, and loan servicing team as well as compliance with credit policy, lending procedures, and internal controls, third-party annual loan review processes, and implementation of related recommendations, and problem asset management. Prior to assuming this role in 2024, Mr. Bradley was Craft3's Senior Credit Officer, SVP from 2017 to 2024 and Credit Risk Manager, VP from 2012 to 2017. With a career spanning 35 years, prior to joining Craft3, Mr. Bradley worked in the banking industry and held positions such as Lending Officer and Credit Underwriter and Analyst at various financial institutions, including KeyBank, Bank of America, and CitiCorp.

Maggie Kirby Weiland
Executive Vice President, Chief Development Officer

Ms. Weiland is Craft3's Chief Development Officer and leads Craft3's Development business unit and capitalization strategy. She is responsible for the development of a diverse and stable funding base to support the achievement of Craft3's mission, strategy, business objectives, and annual and long-term performance goals. In addition to ensuring the quality and effectiveness of all fundraising activities, Ms. Weiland focuses on investor relations, and specializes in the cultivation and negotiation of debt facilities to capitalize loans and support asset growth. She launched the Community Impact Investment Note in 2013 and oversees operations of the Note program. Ms. Weiland has been with Craft3 for 17 years, and has 15 years of capital raising activities with a track record of having raised more than $500 million in financial resources for Craft3. She brings 20 years of experience in community development finance, conservation and natural resource conversation, and urban and environmental planning. Ms. Weiland earned a Master of Urban and Environmental Planning from the University of Virginia and a B.A. in Psychology from Marymount Manhattan College.

Mark Stevenson
Executive Vice President, Interim Chief Financial Officer

Mr. Stevenson is Craft3's Interim Chief Financial Officer (CFO). He joined Craft3 in 2018 as CFO and held that position for five years until March 2023 when he moved to the role of New Markets Tax Director. Mr. Stevenson assumed the role of Interim CFO in May 2024. In the CFO role, he oversees the Finance business unit, including budget, investment management, accounting and treasury functions. He is also a staff member of the Board Credit Committee and the Finance and Audit & Enterprise Risk Management Committees, where he provides operational insights into treasury management, companywide budgets, and independent portfolio and financial audits. Mr. Stevenson has 40 years of experience in commercial banking, debt capital markets, risk management, regulatory compliance, corporate and structured finance, asset and liability and financial management, and treasury.

Phoebe Thums
Indian Country Strategist, EVP

Ms. Thums is Craft3's Indian Country Strategist and is responsible for leading Craft3's efforts to build relationships with Native Communities throughout Oregon and Washington by raising the visibility of Craft3 products and services in Indian Country, seeking opportunities for new mission-based business and Tribal entity loans, and finding and supporting the development of large projects in which Craft3 can invest. Prior to joining Craft3 in 2024, Ms. Thums specialized in relationship banking with nonprofits and led social impact efforts at Umpqua Bank. Ms. Thums has 15 years of experience in nonprofit relationship banking and corporate social impact and responsibility. She is a member of the Hopi Trust. Ms. Thums earned a Masters of Business Administration and a Masters in Management Communication at University of Portland and a B.A. from University of Wisconsin-Stout.

Roni Monteith
Senior Advisor, EVP

Ms. Monteith is a Senior Advisor at Craft3, serving in an advisory capacity on credit risk, human resources, and Craft3's Leadership Committee. She advises the new Chief Credit Officer and Portfolio Credit Officer, SVP on matters related to portfolio management; assists Craft3's HR business unit with a variety of activities including supervision, contract management, and daily activities; and sits on the Leadership Committee. Prior to this role, Ms. Monteith was Craft3's Chief Credit Officer, EVP from 2010-2024. She has been with Craft3 for 21 years and brings over 40 years of rural credit delivery and management experience, including in commercial small business, agriculture, and community facilities lending. Ms. Monteith has a B.S. in Food and Resource Economics from the University of Florida.

Turner Waskom
Executive Vice President, Chief Lending Officer

Mr. Waskom is the Chief Lending Officer and leads Craft3's Commercial and Consumer Lending Teams to achieve loan production and loan-related strategic impact goals. He is responsible for structuring all aspects of Craft3's lending functions – integration with strategic plan goals, loan product design and delivery, culture and management of Commercial and Consumer Lending Teams, and the achievement of necessary business objectives. Prior to assuming this role in 2024, Mr. Waskom was Craft3's Commercial Lending Director from 2018 to 2023, and Senior Business Lender from 2013 to 2018. Prior to joining Craf3, he worked in variety of management roles at various financial institutions, including Wells Fargo Bank and Bank of the Cascades, as well as in nonprofit management and business ownership over a career spanning more than 30 years, during which he directly deployed or oversaw the development of more than $300 million in capital. He earned a B.S. in Economics from Oregon State University.

Other Key Management

Brooke Kingery
Senior Vice President, Lending Services Director

Ms. Kingery is Craft3's Lending Service Director, responsible for providing organizational leadership and management to the lending services business unit and ensuring its operations are both effective and efficient. Ms. Kingery oversees Craft3's Lending Services business unit which is responsible for documenting and disbursing over $60 million in new production annually while supporting an existing portfolio of over $220 million in consumer and commercial loans. In this role, Ms. Kingery oversaw the 2023 merger of our prior Commercial Loan Servicing and Consumer Loan Servicing business units into one Lending Services business unit which enabled the consolidation and streamlining of workflows and improved Craft3's lending capacity. Prior to assuming this role, Ms. Kingery was Loan Operations Manager, VP from 2023 to 2024 and Consumer Lending Team Manager, VP from 2017 to 2023. Prior to joining Craft3, Ms. Kingery was a Service Manager at Wells Fargo where she focused on preparing branches for financial audits and coaching fellow teammates on customer service skills. She has an MBA from St. Mary's College of California and a BS in Biology from Pacific University Oregon.

James Galbraith
Vice President, Legal Counsel

Mr. Galbraith is Craft3’s in-house Legal Counsel, responsible for protecting Craft3’s interests in legal matters and providing advice and counsel to Craft3 management, staff, and Board of Directors. He advises on corporate organization, governance, policies and procedures; advises staff on large or complex loans, including drafting and amending documentation; works with staff to restructure or redocument loans and negotiate with guarantors, collateral, or equity positions; represents Craft3 with regulators and other state or federal agencies; and manages and liaises with outside counsel for specialized practice areas or litigated disputes. Mr. Galbraith joined Craft3 in January 2022 with more than 20 years of experience in positions ranging from corporate general counsel (title and escrow, law firm, and mortgage default companies), litigation and transaction work for diverse clients, and judge pro tempore in two states. Mr. Galbraith received his JD from Brigham Young University (BYU), and also received a BA in Spanish Literature with a minor in Philosophy from BYU.

Mike Dickerson
Co-Founder and Senior Advisor

Mr. Dickerson is Craft3’s co-founder. In 2024, he transitioned to the role of Senior Advisor as part of leadership succession. In this important role he advises on and supports special projects and programs, including Craft3’s Early Care and Education Program, Indian Country Strategy, and Public Affairs. He also acts as a staff liaison for the Board of Directors. Immediately prior, he served as Innovation and Evaluation Director, overseeing strategy development, planning, impact evaluation, and project management. Mr. Dickerson has a 30-year tenure at Craft3 and nearly 50 years of experience in community development finance, fundraising, program management and evaluation, and economic development. He is a graduate of Evergreen State College.

RELATED PARTY TRANSACTIONS

Related Party Loans

For more information regarding Related Party Loans see Note 6 of the Report of Independent Auditors and Consolidated Financial Statements with Supplementary for Craft3 and Subsidiaries.

TAX MATTERS

By purchasing a Note, you may be subject to certain income tax provisions of the Code or other tax laws. The following tax risks discuss only general income tax matters under the Code. You are advised to consult your own tax counsel or advisor to determine the particular federal, state, local, or foreign income or other tax consequences particular to your investment in the Notes.

Interest paid to you on the Notes is fully taxable as ordinary income. You have the right to either receive periodic payments of interest or have those interest payments donated to Craft3. The interest will be taxable to you whether you actually receive it or donate it, as of the time it is received or donated, as the case may be. You will not be taxed on the return of any principal amount of your Note or on the receipt by you of interest that was previously taxed and reinvested. Payments of principal and interest may be subject to "back-up withholding" of federal income tax if you fail to furnish Craft3 with a correct tax identification number, or if you or the IRS has informed Craft3 that you are subject to back-up withholding.

If any law creating the tax consequences described in this summary changes, this summary could become inaccurate. This summary is based on the Code, the regulations promulgated under the Code and administrative interpretations and court decisions existing as of the date of this Offering Memorandum. These authorities could be changed either prospectively or retroactively by future legislation, regulations, administrative interpretations, or court decisions. Accordingly, this summary may not accurately reflect the tax consequences of an investment in the Notes after the date of this Offering Memorandum.

This summary does not address every aspect of tax law that may be significant to your particular circumstances. For instance, it does not address special rules that may apply if you are a financial institution or tax-exempt organization, or if you are a non-U.S. entity. Nor does it address any aspect of state or local tax law that may apply to you.

LEGAL PROCEEDINGS

There are no material legal or administrative proceedings now pending against Craft3, any of its directors, officers, or employees acting in their capacity representing Craft3, nor are there any such proceedings known to be threatened or contemplated. In the normal course of activities, Craft3 is subject to various pending or threatened litigation.

FINANCIAL STATEMENTS

Before making an investment decision, you should read and carefully consider Craft3's Audited Annual Financial Statements as of and for the fiscal years ended December 31, 2023 and 2022, attached as Appendix F. Additional financial information about Craft3 is available via Craft3's website at www.Craft3.org. The financial information included on Craft3's website is not a part of, nor is it incorporated by reference into, this Offering Memorandum.

RSM US, LLP, Craft3's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements attached as Appendix F.

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Appendix A
Description of Notes

CRAFT3 COMMUNITY IMPACT INVESTMENT NOTES
DESCRIPTION OF NOTES

Current as of October 15, 2024

October 15, 2024 OFFERING MEMORANDUM

$100,000,000 OF COMMUNITY IMPACT INVESTMENT NOTES

This Description of Notes relates to Craft3 Community Impact Notes (the "**Notes**") offered pursuant to the October 15, 2024 Offering Memorandum (the "**Offering Memorandum**"). Craft3 may determine, in its discretion, to offer the Notes with terms different than those described below, and in such case will issue a revised or additional Description of Notes. All terms used but not otherwise defined herein have the respective meanings given to them in the Offering Memorandum.

Term/Maturity

The Notes have a fixed duration of 1 year, 2 years, 3 years, 5 years, 7 years, and 10 years, as selected by the noteholder, and are payable at maturity, if not reinvested in a new Note. Craft3 may offer Notes of different durations at any time in its discretion.

Minimum Investment

The minimum amount for each Note is $20,000, and Notes may be purchased in integral multiples of $5,000 in excess thereof, unless Craft3 in its discretion accepts lesser amounts on a case-by-case basis. The issuance of Notes is not contingent upon receiving any minimum aggregate number or dollar amount of commitments from investors.

Interest Rates

Interest rates currently offered on new issuances of Notes are as set forth on the accompanying Interest Rate Sheet, which may be amended from time to time by Craft3 in its discretion. The interest rate for each Note is fixed at the time of issuance for the life of the Note.

Interest Accrual and Payments

The Notes will begin to accrue simple interest upon the deposit of funds sent by the noteholder to the Issuer. Interest will accrue on a 360-day year of twelve 30-day months, and noteholders will be able to elect to have their interest payment paid out or applied to their principal balance, annually or semi-annually, or donated to Craft3 as a potentially tax-deductible contribution, as determined in consultation with your tax adviser.

Increasing an Investment in the Notes

Noteholders will not be able to increase the principal balance of a Note once issued, but may buy additional Notes or, at Craft3's discretion, may have the existing Note cancelled and a new Note issued for the higher amount.

Options at Maturity

Craft3 will email a notice to noteholders at least thirty (30) days prior to Note maturity with instructions for reinvestment or redemption. If a noteholder timely informs Craft3 of their intent to reinvest the Note proceeds, the noteholder will be asked to complete an application suitable to their circumstances. Craft3 will issue a new Note after receiving, reviewing, and accepting the application. Otherwise, Craft3 will repay the Note's principal and accrued but unpaid interest upon maturity.

No Right of Repurchase

Noteholders should plan to hold their Notes for the full term selected. The Notes will have no rights to cause Craft3 to repurchase the Notes before maturity. Any repurchase of the Notes before maturity at the request of a noteholder will be at Craft3's discretion and will be on such terms and conditions as Craft3 may require or accept. If Craft3 determines to repurchase any of the Notes before maturity at the request of a noteholder, the Notes will be cancelled and Craft3 will repay the noteholder the principal on the Note, and the noteholder will forfeit both (i) any interest on the Note, which has yet to accrue, and (ii) any interest on the Note, which has accrued, but which has yet to be paid to the noteholder. In addition, Craft3 may, in its discretion, assess a fee up to the difference between the amount of the interest actually paid under the note and the amount of the interest that would have been paid if the note had been held until the original maturity date.

Transfer

The Notes may not be transferred or resold except as permitted by applicable federal and state securities laws, and only with approval by Craft3, which approval may be withheld in its sole discretion. Accordingly, noteholders should be prepared to bear the financial risks of an investment in a Note for the full term of the Note.

Right of Prepayment

Craft3 has the right to prepay any of the outstanding Notes, in whole or in part, at any time without penalty upon 30 days' prior written notice by payment of the principal amount of such Notes together with any accrued but unpaid interest.

Ranking

The Notes are Craft3's general unsecured and unsubordinated obligations and rank equally in right of payment with all of Craft3's other existing and future unsecured and unsubordinated obligations. The Notes will be effectively subordinated to any of Craft3's existing or future secured debt to the extent of the value of the assets securing such debt.

Certificate of Ownership

Notes are evidenced through an original executed promissory note sent to a noteholder upon receipt of a completed application and begins accruing interest when Craft3 has received payment of the Note purchase price from the investor. Craft3 will send periodic statements that report principal investment outstanding, interest payments and interest accrual on the Notes.

Other Terms and Conditions

Craft3 will not issue the Notes pursuant to any trust indenture or sinking or escrow fund and there is no trustee or agent appointed to represent your interests. If you purchase a Note, you do not have an equity interest in Craft3 and you have no right to vote on matters brought before Craft3's Board of Directors. You are an unsecured creditor of Craft3.

THE OFFERING WILL BE MADE IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION PROVIDED BY SECTION 4(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 506(C) OF REGULATION D PROMULGATED THEREUNDER.

THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THE OFFERING MEMORANDUM AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THE NOTES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED.

THE NOTES ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC), SECURITIES INVESTOR PROTECTION CORPORATION (SIPC) OR ANY OTHER STATE OR FEDERALLY REGULATED INSTITUTION. THE NOTES ARE ALSO NOT CERTIFICATES OF DEPOSIT OR DEPOSIT ACCOUNTS WITH A BANK, SAVINGS AND LOAN ASSOCIATION, CREDIT UNION OR OTHER FINANCIAL INSTITUTION REGULATED BY FEDERAL OR STATE AUTHORITIES. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE NOTES IS DEPENDENT UPON, AMONG OTHER THINGS, CRAFT3'S FINANCIAL CONDITION, WHICH IS IN TURN DEPENDENT UPON REPAYMENT OF PRINCIPAL AND PAYMENT OF INTEREST BY ITS BORROWERS. A PURCHASE OF THE NOTES IS SUBJECT TO INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE ENTIRE PRINCIPAL AMOUNT INVESTED.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THE OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY CRAFT3 OR ANY OF ITS AFFILIATES, EMPLOYEES OR AGENTS.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

Appendix B

Form of Unsecured Promissory Note

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THIS NOTE MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND THE PROMISOR SHALL HAVE RECEIVED AT THE EXPENSE OF THE HOLDER HEREOF, EVIDENCE OF SUCH EXEMPTION REASONABLY SATISFACTORY TO THE PROMISOR (WHICH MAY INCLUDE, AMONG OTHER THINGS, AN OPINION OF COUNSEL SATISFACTORY TO THE PROMISOR).

UNSECURED PROMISSORY NOTE

Date: ________________ **US $________________**

For value received, Craft3, a Washington non-profit corporation, with its principal address at 409 Avenue South, Suite 200, Seattle, WA 98104 (the "**Promisor**") promises to pay __________________, a __________________, whose address is ________________________________ or its successors or assigns ("**Holder**"), in lawful currency of the United States of America, the aggregate principal sum of $____________________ (as may be reduced pursuant to the terms hereof, "**Principal**") when due, whether upon the Maturity Date (as defined in Section 1) or otherwise (in accordance with the terms hereof) and to pay simple interest ("**Interest**") on any outstanding Principal at the applicable interest rate (as set forth in Section 2) from the date hereof.

1. **Repayment of Principal**. The unpaid Principal amount of this Note is due and payable on ___________ (the "**Maturity Date**"); provided however, that the unpaid Principal amount of this Note may be reinvested in a new Note at Holder's option.

2. **Interest Rate**. The unpaid Principal balance of this Note bears Interest at a fixed annual rate of ___%, calculated on the basis of a 360-day year of twelve 30-day months. Interest commences with the date hereof and continues on the outstanding Principal balance until paid in full.

3. **Payment of Interest**.

Interest under this Note is due and payable:

☐ Semiannually

☐ Annually

and

☐ Paid to Holder ☐ Reinvested in a ____ year Note

☐ Donated to Promisor

4. **<u>Renewal at Maturity</u>**. Craft3 will submit in writing a notice to noteholders prior to the Maturity Date, providing instructions for reinvestment or permitting the Notes to mature, and, upon receipt of the noteholder's response, will follow the noteholder's instructions. If a noteholder notifies Craft3 before the Maturity Date that the noteholder elects not to reinvest in the Note, then at maturity, Craft3 will repay the principal and accrued but unpaid interest.

5. **<u>Ranking</u>**. This Note is the Promisor's general unsecured and unsubordinated obligation and ranks equally in right of payment with all of Promisor's other existing and future unsecured and unsubordinated obligations.

6. **<u>Payment</u>**. All payments due and payable hereunder must be paid by check, wire or ACH transfer, in U.S. funds. If any payments on this Note become due on a Saturday, Sunday or a public holiday under the laws of the State of Washington, such payment must be made on the next succeeding business day and such extension of time must be included in computing Interest in connection with such payment.

7. **<u>Promisor's Right of Prepayment</u>**. The Promisor may, at any time, prepay all or a portion of the unpaid Principal and unpaid accrued Interest of this Note without penalty. Any prepayment of this Note will be credited first against unpaid accrued Interest, then Principal. The Promisor must give notice to Holder of its intent to prepay all or any portion of this Note at least 30 days preceding the date of such prepayment.

8. **<u>Early Repurchase Request by Holder</u>**. Holder may request Promisor to repurchase this Note prior to the Maturity Date by sending a signed writing to the Promisor stating such request. The Promisor is under no obligation to fulfill Holder's request. If the Promisor agrees to repurchase this Note prior to the Maturity Date in its discretion, (a) this Note will be cancelled; (b) Promisor will repay Holder the Principal, *less* a fee in an amount to be determined by Promisor in its discretion, which must be no more than the difference between (i) the amount of the Interest actually paid under this Note and (ii) the amount of the Interest that would have been paid if this Note had been held until the Maturity Date; and (c) Holder will forfeit any right to repayment of both (i) any unaccrued Interest, and (ii) any accrued but unpaid Interest.

9. **<u>Events of Default</u>**. Each of the following acts, events or circumstances constitute an event of default (each an "**Event of Default**") hereunder:

(a) The Promisor fails to pay, when it becomes due and payable under the terms of this Note, any Principal or Interest, and Promisor fails to cure such nonpayment no later than 90 days after the due date;

(b) The Promisor files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any assignment for the benefit of creditors or takes any company action in furtherance of any of the foregoing, or;

(c) An involuntary petition is filed against the Promisor or a custodian, receiver, trustee, or assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody, or control of any property of the Promisor and such petition or proceeding remains undismissed 90 days after filing.

Upon the occurrence and continuance of an Event of Default, Holder may declare all or any portion of the outstanding Principal amount hereof (together with all accrued but unpaid Interest thereon and all other amounts due in connection therewith) due and payable and demand immediate payment thereof.

10. **Waiver of Notice**. The Promisor waives presentment, demand for performance, notice of nonperformance, protest, notice of protest and notice of dishonor notice of intent to accelerate, notice of acceleration of maturity, and diligence in connection with the enforcement of this Note or the taking of any action to collect sums owing hereunder.

11. **Notice**. Any notice or other communication required or permitted to be given under this Note must be in writing, delivered by hand or overnight courier service, by certified mail, postage prepaid, or by electronic mail or fax, and will be deemed given upon delivery, delivered personally, one day after deposit with a national courier service for overnight delivery, or one day after transmission by electronic mail or fax with confirmation of receipt, and three days after deposit in the mails, if mailed, to the last known address of the party.

12. **Amendment Provision**. This Note may be amended only by an instrument in writing signed by the Promisor and Holder. The term "**Note**" and all references thereto, as used throughout this instrument, means this instrument originally executed together with any amendments or supplements.

13. **Waivers**. No failure or delay on the part of Holder in the exercise of any power, right or privilege hereunder operates as a waiver thereof. Nor may any single or partial exercise of any such power, right or privilege preclude further or other exercise thereof, or of any other right, power or privilege.

14. **Assignment**. Holder may not assign any of its rights or delegate any of its obligations under this Note without the prior written consent of the Promisor, and any attempt to do so in contravention of this Section 14 will have no legal effect.

15. **Governing Law**. This Note is governed by and construed under the laws of the State of Washington, made to be performed entirely within the State of Washington, without giving effect to conflicts of laws principles, including those of the State of Washington.

16. **Venue and Consent to Jurisdiction**. Holder and the Promisor each irrevocably agrees and consents that any action under this Note may only be brought in the district court located in King County, Washington, and that any such court has exclusive personal jurisdiction over each of them for purposes of the proceeding.

17. **Remedies**. Holder has all rights and remedies provided under applicable law. The remedies provided in this Note are cumulative and in addition to all other remedies available under this Note, at law or in equity (including a decree of specific performance or other injunctive relief). No remedy contained herein may be deemed a waiver of compliance with the provisions giving rise to such remedy and nothing herein limits Holder's right to actual damages for any failure by the Promisor to comply with the terms of this Note.

18. **Restriction on Transfer**. This Note may not be transferred or resold except as permitted by applicable federal and state securities laws, and with approval by the Promisor, which approval may be withheld in its sole discretion.

[Signature page follows]

IN WITNESS WHEREOF, the Promisor has caused this Note to be signed as of the date first written above.

Craft3

By: ______________________________
Name: ______________________________
Its: ______________________________

27083232

Appendix C

Application to Purchase Note and Investor Questionnaire

Application to Purchase Note and Investor Questionnaire

October 15, 2024

Application to Purchase Note and Investor Questionnaire

The information contained in this Application to Purchase Note and Investor Questionnaire (this "Application") is provided to Craft3, a Washington non-profit corporation, and its respective transferees, successors, assigns, heirs, and legal representatives in connection with the undersigned's interest in participating in Craft3's proposed offering of Notes (the "Notes"). Execution of this Application by the undersigned prospective investor (the "Applicant") does not constitute an offer to sell or a solicitation of an offer to buy any security. The Applicant understands that the information provided to Craft3 will be kept confidential by Craft3 and its agents and advisors and will not be disclosed to third parties without the Applicant's written consent unless disclosure of such information is required by law or regulation.

Investor Type: ☐ New ☐ Existing

Investment Amount: $______________________

Note: Each Note's minimum amount is $20,000 and may be increased in increments of $5,000.
Investors may purchase multiple notes.

☐ Payment by check payable to the order of "Craft3"

☐ Payment by ACH or wire transfer

Note: Craft3 will send payment instructions upon receipt and acceptance of Application.

INTEREST PAYMENT

Frequency: ☐ Semiannual ☐ Annual

Payment Method:

☐ Receive interest payment by check
☐ Receive interest payment by ACH
☐ Reinvest interest in Note
☐ Donate accrued interest to Craft3*

* Donation may be tax-deductible, as Craft3 is a 501(c)(3) organization.
Consult with your tax adviser.

INTEREST RATES AND TERMS OF NOTE AS OF 10.15.2024

TERM	INTEREST RATE	
	Up to $499,999	$500,000+
1-year	3.00%	3.50%
2-years	3.25%	3.75%
3-years	4.00%	4.50%
5-years	4.25%	4.50%
7-years	3.00%	3.25%
10-years	3.25%	3.50%

Please select your investment term: Select

Please select your investment amount: ___________________________

NOTE: To achieve even greater impact, an investor may elect to receive a lower interest rate, including 0%.

☐ I would like to choose the 0% interest rate option for a term of ______ years.

☐ I would like to choose a lower rate of ______% for a term of ______ years.

THE NOTES ARE OFFERED IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION PROVIDED BY SECTION 4(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 506(C) OF REGULATION D PROMULGATED THEREUNDER. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT OR THE OFFERING MEMORANDUM AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THESE SECURITIES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Notes are not secured by any collateral, guaranteed or endorsed by any bank, and are not insured by the FDIC or any other agency. The Applicant must depend solely on Craft3's financial condition and operations for repayments of principal and interest on the Notes.

The Notes are subject to certain risks, which are described in the "Risk Factors" section of the Offering Memorandum, which must be reviewed before investing. For additional information, please contact ImpactNotes@craft3.org

SECTION 1

Investor Information

Legal Name of Investor(s): ______________________________

- ☐ I wish to be publicly acknowledged
- ☐ Name to be acknowledged as (if different than legal name): ______________________________

Note: If you agree to be publicly acknowledged we will list you as an investor on our Annual Investor Report and website, www.craft3.org/get-involved/supporters.

Type of owner or form of ownership:

☐ Individual ☐ Individual (joint owners) ☐ Corporation ☐ Partnership ☐ Trust

☐ Other (specify): ______________________________

Note: A grantor or maker of a trust may complete this Application as an individual, or as the trust. If applying as an individual grantor or maker of a trust, the applicant must individually qualify as an "accredited investor" under a natural person category found in Section 2 of this Application. If applying as a trust, the trust must qualify as an "accredited investor" under a category found in Section 2 of this Application.

CONTACT INFORMATION

Address in Principal State of Residence/Organization:

____

____

____

Preferred Mailing Address (if different):

____

____

____

Telephone: ______________________________

Email(s): ______________________________

____

____

SSN or Taxpayer ID: ______________________________

Date of Birth/Establishment: ______________________________

Note: The USA PATRIOT Act requires all financial institutions to obtain, verify, and record information that identifies each person who purchases a Note—specifically their name, address, date of birth, and social security number or taxpayer identification number.

PAYMENT PREFERENCES

Where should Craft3 direct interest and principal payments.

☐ Electronic payment (provide information here or under a separate cover):

____

____

____

☐ Use Address in Principal State of Residence (above)

☐ Use Preferred Mailing Address (above)

AUTHORIZATION TO SHARE INFORMATION WITH THIRD-PARTY ADVISORY FIRM:

☐ By checking this box, the Applicant authorizes the following investment advisor, wealth manager, broker-dealer, attorney, or accountant to receive and transmit information to and from Craft3 on the Applicant's behalf.

Note: If the third-party advisor will be responsible for verifying the Applicant's status as an accredited investor, the advisor must complete and submit a Third Party Accredited Investor Verification Letter in the form provided by Craft3 (or another form acceptable to Craft3). See Section 2 of this Application, and contact Craft3 for details.

Firm Name: ______________________________

Contact Name(s): ______________________________

Address: ______________________________

Telephone: ______________________________

Email: ______________________________

CRD/IARD #: ______________________________

COMMUNICATION PREFERENCES

Note Delivery Instructions: Please indicate where Craft3 should direct the original executed and electronic copies of the Unsecured Promissory Note evidencing the investment.

Original: ☐ Investor ☐ Advisor ☐ Craft3 holds on behalf of investor

Electronic: ☐ Investor ☐ Advisor ☐ Both

Report Delivery Instructions: Please indicate where Craft3 should direct reports, including payment schedules, interest statements, 1099s (if applicable), audited financial statements, and other information.

☐ Investor ☐ Advisor ☐ Both

Please indicate interest statement frequency (choose one):

☐ Annually ☐ Semiannually ☐ Quarterly

SECTION 2

Accredited Investor Verification

Under Rule 506(c) of Regulation D promulgated under the Securities Act of 1933, as amended (the "**Securities Act**"), Craft3 must take reasonable steps to verify that all purchasers of Notes are "accredited investors" within the meaning of Rule 501(a) of Regulation D under the Securities Act.

Please initial in the appropriate space(s) below to indicate the category or categories of "accredited investor" applicable to the Applicant. Please enclose or attach the requested documentation corresponding to the selected category or categories. Craft3 may request additional documentation from the Applicant for the purpose of verifying that the Applicant is an accredited investor.

In lieu of the requested documentation, the Applicant may provide a written verification letter from a registered broker-dealer, an investment advisor registered with the SEC, a licensed attorney in good standing, or a registered certified public accountant in good standing who has taken reasonable steps to verify that the Applicant is an accredited investor within the past 3 months and has determined that the Applicant is an accredited investor. Please contact Craft3 for the form of written verification letter to be used.

By initialing below, the Applicant certifies that the Applicant is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, and comes within the following category or categories under Rule 501(a):

____ A natural person (not an entity) whose individual net worth, or joint net worth with his or her spouse, at the time of purchase of the Note, exceeds $1,000,000 excluding the value of such natural person's primary residence[1]

Please provide a personal financial statement (PFS) summarizing your assets and liabilities. Craft3 can provide a PFS template by request. Please include with your PFS the following types of documentation dated within the prior three months: (1) with respect to assets: bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments, or appraisal reports issued by independent third parties and (2) with respect to liabilities: a consumer report from at least one of the nationwide consumer reporting agencies. At your request, Craft3 will complete a "soft" pull of your credit from one of the nationwide consumer reporting agencies, which does not affect your credit rating. If qualification for this category is based on joint net worth with the Applicant's spouse, such documentation must be provided with respect to both the Applicant and the Applicant's spouse..

By initialing above, the Applicant represents that all liabilities necessary to make a determination of net worth, whether individual or joint, have been disclosed in the documentation provided.

For revocable trusts, please provide excerpts of trust documentation describing the authority of the grantor(s) of the trust. For irrevocable trusts, please provide a certificate of trust.

____ A natural person (not an entity) who had an individual income in excess of $200,000 in each of the two most recent years, or joint income with his or her spouse in excess of $300,000 in each of those years, and who has a reasonable expectation of having the same income level in the current year.

Please provide the Internal Revenue Service form that reports the Applicant's income for the two most recent years (including, but not limited to, Form W-2, Form 1099, Schedule K-1 to Form 1065, and Form 1040). If qualification for this category is based on joint income with the Applicant's spouse, such documentation must be provided with respect to both the Applicant and the Applicant's spouse.

By initialing above, the Applicant represents, on behalf of the Applicant and, to the extent applicable, the Applicant's spouse, that the Applicant, together with the Applicant's spouse, as applicable, has a reasonable expectation of reaching the income level necessary to qualify as an accredited investor during the current year.

For revocable trusts, please provide excerpts of trust documentation describing the authority of the grantor(s) of the trust. For irrevocable trusts, please provide a certificate of trust.

[1] In calculating net worth, you must exclude the value of any positive equity that you may have in your primary residence. If indebtedness secured by your primary residence exceeds the estimated fair market value of such primary residence, you should reduce your net worth by the amount of any such excess indebtedness. The fair market value of a primary residence and the amount of outstanding indebtedness should be measured as of the date of this Application. In addition, if outstanding indebtedness secured by your primary residence has increased (other than as a result of the acquisition of such primary residence) in the 60-day period preceding the date of this Application (e.g., due to a home equity loan), you should reduce your net worth by the amount of such increase.

____ A natural person (not an entity) who holds in good standing one or more of the following certifications, designations, and/or credentials: (i) Licensed General Securities Representative (Series 7 exam); (ii) Licensed Investment Adviser Representative (Series 65 exam) and/or (iii) Licensed Private Securities Offering Representative (Series 82 exam).

Please provide the Applicant's relevant CRD number.

____ A corporation, a business trust, a partnership, limited liability company, or an organization described in Section 501(c)(3) of the Code, in each case which has total assets in excess of $5,000,000 and which was not formed for the specific purpose of acquiring the Note.

Please provide an audited balance sheet (or reviewed, if Applicant's financial statements are not audited, or as prepared by the Applicant, if not reviewed) for the Applicant dated within the prior three months, and the most recently completed tax return (including, as applicable, Form 1120 or Form 990).

____ A trust with total assets in excess of $5,000,000 which was not formed for the specific purpose of acquiring the Note and whose purchase of the Note was directed by a person who has such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of the investment.

Please provide a trust accounting or trust report, or if no such trust accounting or trust report is available, you may provide excerpts of trust documentation describing the assets of the trust and supporting the fair market value of each category of such assets.

For revocable trusts, please also provide excerpts of trust documentation describing the authority of the grantor(s) of the trust. For irrevocable trusts, please provide a certificate of trust.

____ A director or executive officer of Craft3.

____ A bank, as defined in Section 3(a)(2) of the Securities Act, acting in its individual or fiduciary capacity.

____ A savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity.

____ A broker or dealer registered under Section 15 of the Exchange Act.

____ An investment adviser registered pursuant to Section 203 of the Investment Advisers Act of 1940 (the "**Advisers Act**") or registered pursuant to the laws of a state.

____ An investment adviser relying on the exemption from registering with the SEC under Section 203(l) or (m) of the Advisers Act.

____ An insurance company, as defined in Section 2(a)(13) of the Securities Act.

____ An investment company registered under the Investment Company Act of 1940.

____ A business development company as defined under Section 2(a)(48) of the Investment Company Act of 1940.

____ A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.

____ A Rural Business Investment Company as defined in Section 384A of the Consolidated Farm and Rural Development Act.

____ A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000.

Please provide a report showing the total account balance of the plan dated within the prior three months.

____ An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

To the extent the plan is not required to file Form 5500 or Form 5500-SF, please provide a report showing the total account balance of the plan dated within the prior three months.

____ A private business development company as defined in Section 202(a)(22) of the Advisers Act.

____ A "family office" as defined in Rule 202(a)(11)(G)-1 under the Advisers Act, (i) with assets under management in excess of $5,000,000, (ii) that is not formed for the specific purpose of acquiring the Securities and (iii) whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment (a "Family Office").

Please provide a report showing the total balance of the Family Office's assets under management dated within the prior three months.

____ A "family client," as defined in Rule 202(a)(11)(G)-1 under the Advisers Act, of a Family Office whose prospective investment in the Company is directed by such Family Office whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment.

Please provide a report showing the total balance of the Family Office's assets under management dated within the prior three months.

____ A trust with total assets in excess of $5,000,000 which was not formed for the specific purpose of acquiring the Securities and whose purchase is directed by a person who has such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of the investment.

____ An entity, of a type not listed above, not formed for the specific purpose of acquiring the Securities, owning "investments" (as defined in Rule 2a51-1(b) under the Investment Company Act) in excess of $5,000,000.

____ An entity in which all of the equity owners are "accredited investors" within the meaning of Rule 501(a) of Regulation D under the Securities Act.

Please also initial the categories above applicable to each equity owner and provide the corresponding required documentation for each applicable equity owner.

Additional Terms of Investment

1. **Representations and Warranties.** The Applicant represents, warrants and agrees as follows:

(a) The Applicant is an "accredited investor" as that term is defined in Rule 501(a) under Regulation D promulgated under the Securities Act of 1933, as amended (the "**Securities Act**").

(b) The Applicant has received and reviewed a copy of the Offering Memorandum of Craft3, dated October 15, 2024 (the "**Offering Memorandum**"), including the current Description of Notes, current Interest Rate Sheet, and any other documents that are incorporated into the Offering Memorandum, which summarizes the terms, risks and other information regarding the Notes. "**Notes**" has the meaning as defined in the Offering Memorandum. In addition, the Applicant acknowledges that the Applicant has been given the opportunity to (i) ask questions and receive satisfactory answers concerning the terms and conditions of the offering and (ii) obtain additional information in order to evaluate the merits and risks of an investment in the Notes and to verify the accuracy of the information contained in the Offering Memorandum. No statement, printed material or other information that is contrary to the information contained in the Offering Memorandum has been given or made by or on behalf of Craft3 to the Applicant.

(c) The Applicant understands that the Notes have not been, and will not be, registered under the Securities Act or any state securities laws, and are being offered and sold in reliance upon federal and state exemptions from registration requirements for transactions not involving any public offering. The Applicant recognizes that reliance upon such exemptions is based in part upon the representations of the Applicant contained herein. The Applicant represents and warrants that the Notes will be acquired by the Applicant solely for the account of the Applicant, for investment purposes only and not with a view to the distribution thereof. The Applicant represents that the Applicant (i) is a sophisticated investor with such knowledge and experience in business and financial matters as will enable the Applicant to evaluate the merits and risks of investment in the Notes, (ii) is able to bear the economic risk and lack of liquidity of an investment in the Notes and (iii) is able to bear the risk of loss of its entire investment in the Notes.

(d) The Applicant recognizes that (i) an investment in the Notes involves certain risks and (ii) the Notes will be subject to certain restrictions on transferability as described in the Offering Memorandum and, as a result, the marketability of the Notes will be severely limited. The Applicant agrees that it will not transfer, sell or otherwise dispose of the Notes in any manner that will violate the terms of the Note, the Securities Act, the rules and regulations of the Securities and Exchange Commission (the "**SEC**") or the laws and regulations of any other federal, state or municipal authority having jurisdiction thereof, or subject Craft3 to regulation under the Investment Company Act of 1940, as amended.

(e) The Applicant is aware that (i) no federal, state, local or foreign agency has passed upon the Notes or made any finding or determination as to the fairness of this investment and (ii) Craft3 may choose not to accept this Application, for any reason or no reason.

(f) The execution and delivery of this Application and the Note, the consummation of the transactions contemplated hereby by the Applicant and the performance of the Applicant's obligations hereunder and under the Note will not conflict with, or result in any violation of or default under, any provision of any governing instrument applicable to the Applicant, or any agreement or other instrument to which the Applicant is a party or by which the Applicant or any of its properties are bound, or any foreign or domestic permit, franchise, judgment, decree, statute, rule or regulation applicable to the Applicant or the Applicant's business or properties.

[1] In calculating net worth, you must exclude the value of any positive equity that you may have in your primary residence. If indebtedness secured by your primary residence exceeds the estimated fair market value of such primary residence, you should reduce your net worth by the amount of any such excess indebtedness. The fair market value of a primary residence and the amount of outstanding indebtedness should be measured as of the date of this Application. In addition, if outstanding indebtedness secured by your primary residence has increased (other than as a result of the acquisition of such primary residence) in the 60-day period preceding the date of this Application (e.g., due to a home equity loan), you should reduce your net worth by the amount of such increase.

(g) The Applicant represents as follows:

(i) The Applicant has not, within the last 10 years, been convicted of a felony or misdemeanor, in the United States, (i) in connection with the purchase or sale of any security, (ii) involving the making of any false filing with the SEC or (iii) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(ii) The Applicant is not currently subject to any order, judgment or decree of any court of competent jurisdiction, entered in the last 5 years, that restrains or enjoins the Applicant from engaging in any conduct or practice (i) in connection with the purchase or sale of any security, (ii) involving the making of a false filing with the SEC or (iii) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(iii) The Applicant is not currently subject to a "final order"[1] of a state securities commission (or an agency or officer of a state performing like functions), a state authority that supervises or examines banks, savings associations, or credit unions, a state insurance commission (or an agency or officer of a state performing like functions), an appropriate federal banking agency, the National Credit Union Administration, or the Commodity Futures Trading Commission, that (i) bars the Applicant from: (A) association with an entity regulated by such commission, authority, agency or officer; (B) engaging in the business of securities, insurance or banking or (C) engaging in savings association or credit union activities or (ii) constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative or deceptive conduct within the last 10 years;

(iv) The Applicant is not currently subject to an order of the SEC pursuant to Section 15(b) or 15B(c) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") or Section 203(e) or (f) of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") that (i) suspends or revokes the Applicant's registration as a broker, dealer, municipal securities dealer or investment adviser, (ii) places limitations on the Applicant's activities, functions or operations or (iii) bars the Applicant from being associated with any entity or from participating in the offering of any penny stock;

(v) The Applicant is not currently subject to any order of the SEC, entered in the last 5 years, that orders the Applicant to cease and desist from committing or causing a violation or future violation of (i) any scienter-based anti-fraud provision of the federal securities laws (including without limitation Section 17(a)(1) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Section 15(c)(1) of the Exchange Act and Section 206(1) of the Advisers Act, or any other rule or regulation thereunder) or (ii) Section 5 of the Securities Act;

(vi) The Applicant is not currently suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade;

(vii) The Applicant has not filed as a registrant or issuer, or has not been named as an underwriter in, a registration statement or Regulation A offering statement filed with the SEC that, within the last 5 years, (i) was the subject of a refusal order, stop order, or order suspending the Regulation A exemption or (ii) is currently the subject of an investigation or proceeding to determine whether such a stop order or suspension order should be issued;

(viii) The Applicant is not subject to (i) a United States Postal Service false representation order entered into within the last 5 years or (ii) a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations;

[1] The term "final order" means a written directive or declaratory statement issued by a federal or state agency pursuant to applicable statutory authority that provides for notice and an opportunity for hearing, which constitutes a final disposition or action by that federal or state agency. A final order may still be subject to appeal and otherwise meet this definition.

(ix) If the Applicant is an entity, the Applicant confirms that all of the above representations made under this subsection (g) are true and correct with respect to the Applicant and each person (whether an individual or an entity) that controls such entity (whether through ownership of voting securities or otherwise); and

(x) If the Applicant cannot confirm all of the statements under this subsection (g), by checking the following box, the Applicant (i) confirms that the Applicant has obtained a waiver from disqualification under Rule 506(d) either (A) from the SEC or (B) from the court or regulatory authority that entered the relevant order, judgment or decree and (ii) agrees to submit information about the relevant disqualifying event and evidence of the waiver to Craft3 together with this Application. ☐

(h) The foregoing representations and warranties, and all other statements contained elsewhere in this Application or in any documentation provided in connection with this Application, are true and correct as of this date and the date of Note. **<u>If in any respect such representations and warranties or statements are not correct and accurate prior to the time, if any, that Craft3 issues the Note, the Applicant must give immediate written notice of such fact to Craft3, specifying which representations and warranties or statements are not true and correct and the reasons therefor.</u>**

2. **Indemnification**. The Applicant acknowledges that the Applicant understands the meaning and legal consequences of the representations and warranties and statements made by the Applicant herein, and that Craft3 is relying on such representations and warranties and statements in making its determination of whether to accept this Application. The Applicant hereby agrees to indemnify and hold harmless Craft3 and its affiliates, all other noteholders and each director, employee or agent of Craft3 from and against any and all loss, damage or liability due to or arising out of a breach of any representation or warranty or inaccuracy of any statement made by the Applicant in this Application.

3. **Non-transferability**. The Applicant may not transfer or assign this Application, or any interest herein.

4. **Acceptance**. Craft3 may, in its sole discretion, determine whether to accept this Application. Acceptance will be given to the Applicant by Craft3's execution and delivery of the Note to the Applicant. If so accepted, this Application (i) will be binding upon the Applicant's heirs, successors, legal representatives and assigns, (ii) may not be canceled, terminated or revoked by the Applicant, except as provided under applicable law and (iii) will be governed by and construed in accordance with the laws of the State of Washington (without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than the State of Washington).

5. **Termination**. If this Application is not accepted by Craft3, this Application will be null and void and of no further force and effect, and no party will have any rights against any other party hereunder.

6. **Successors**. Except as otherwise provided herein, this Application and all of the terms and provisions hereof are binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, successors, trustees and legal representatives. If the Applicant is more than one person, the obligation of the Applicant are joint and several and the acknowledgements, representations, warranties, covenants, and agreements herein contained are deemed to be made by and be binding upon each such person and such person's heirs, executors, administrators, successors, trustees and legal representatives.

7. **Survival**. The acknowledgements, representations, warranties, covenants and agreements herein contained survive the acceptance of this Application and the issuance of Note to the Applicant.

8. **No-Waiver**. No provision of this Application may be deemed to have been waived, unless such waiver is contained in a written notice given to the party claiming such waiver has occurred, and no such waiver may be deemed to be a waiver of any other or further obligation or liability of the party or parties in whose favor the waiver was given.

SECTION 4

Application to Purchase Note and Investor Questionnaire Signature Page

◻ By checking this box, the Applicant affirms that they have reviewed and understood the representations, warranties, and other terms of this Application in Section 3 above.

FOR INDIVIDUAL INVESTORS:

Print Name	Signature	Date

(If jointly held, also complete below for joint tenant, joint noteholder, or tenant in common)

Print Name	Signature	Date

FOR CORPORATIONS, PARTNERSHIPS, LIMITED LIABILITY COMPANIES, TRUSTS OR OTHER ENTITIES:

Print Name of Entity

Print Name of Authorized Representative	Signature

Title of Authorized Representative	Date

You can email your application to **ImpactNotes@Craft3.org**

27083533

Appendix D

Craft3 Strategic Plan

Capital, Relationships, and Voice:

Investing in Communities and Change

2023 – 2027 Strategic Plan

Table of Contents

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01 EXECUTIVE SUMMARY

Craft3 strives for a Pacific Northwest that is thriving, just and empowered. This strategic plan lays out how we will work towards that vision by:

- Using capital to create and expand opportunities for marginalized communities, especially communities of color, Tribes, and low-wealth rural communities, to generate greater wealth; and
- Empowering marginalized communities and voices to change the systems that have created and perpetuate inequities.

Since our last strategic plan, the world has changed dramatically. While the challenges we face are not new, we are seeing deepening disparities, increasing urgency, and new voices calling for solutions.

We recognize that our work is multi-generational and will require sustained commitment, resources, extensive collaboration, and creativity.

Our Priorities Address Long-term Regional Challenges

This plan reframes our historical focus on advancing social, environmental, and economic resiliency around three Regional Challenges that will guide our work for the foreseeable future: **Systemic Racism, Climate Crisis,** and **Rural and Tribal Economies**. These challenges and their underlying injustices are preventing our region and all its people from reaching their full potential.

We believe we can best address these Regional Challenges by working where they connect and overlap. By doing this, we can find innovative solutions to problems; attract and connect with other stakeholders and resources in this work; and amplify the impacts of our collective efforts—all with the goal of accelerating the systemic changes we seek.

Craft3 is More Than a Financial Institution

As a Community Development Financial Institution (CDFI), Craft3's primary tool for creating change is investment: investing in people, businesses, and communities in the Pacific Northwest. We use finance as a powerful tool to expand opportunities and create a better, more inclusive world.

That said, Craft3 also long been more than just a financial institution. Our capacity to build relationships, connect unlikely partners, and tell the stories of the people and communities we serve brings investment, community, and policy together.

With this new plan, we will build upon our existing focus on capital and purposefully seek additional impacts through the development of formal strategies around relationship and voice.

Capital - Craft3 invests in underserved communities, businesses, and households to create economic opportunities, improve community services, strengthen households, and encourage systems change.

Relationships - Craft3 builds relationships with local and regional partners committed to achieving impact and catalyzing a shared vision for the future. When every partner maximizes their respective strengths, we increase the region's collective capacity for creating change.

Voice - Craft3 weaves its capital investments, relationships, and capabilities together into a platform that amplifies voices seeking an equitable and sustainable future for the people of the Pacific Northwest.

These strategies will support communities and partners in the Pacific Northwest as we focus our work on the pressing Regional Challenges: **Systemic Racism, Climate Crisis,** and **Rural and Tribal Economies**. In turn and as described later in more detail, we will focus our investments in four areas that have the potential for significant impact.

1. **Small Business Assets and Growth**
2. **Essential Community Services**
3. **Community Climate Adaptation**
4. **Housing**

Taken together, the "return" we seek through these investments is to help those we serve generate wealth and jobs, have more access to sustainable housing and other essential community services, and be better positioned to meet the challenges of climate change.

Our Goal is Systems Change

These core strategies and four investment areas flow from our conclusion that there are common systemic roots feeding all three Regional Challenges. Those common roots or causes—imbalances in power and resources between people and communities and an economic system based on the unsustainable extraction of value from people and ecosystems—also reinforce a series of systemic barriers. These barriers not only stand in the way of good ideas and projects but also block the vision of thriving, just, and empowered communities from becoming a reality across the Pacific Northwest.

To overcome these systemic barriers, Craft3 will invest in individual businesses, people, and communities. However, by intention and design, Craft3 also will pursue changes that uproot the very systems that are holding back equitable and sustainable development across this region. To that end, Craft3 will focus its strategies and investments in ways that shift more wealth generating opportunities and more decision-making power to underserved and disadvantaged communities. While not a complete solution, we are committed to these efforts as important first steps in changing systems, addressing the root causes of the Regional Challenges, and making an impact across the region that is greater than the sum of Craft3's individual investments.

Our work will involve exploration, testing, evaluation, and periodic course corrections as we learn ways Craft3 can more effectively impact these systems in the future.

Conclusion

This strategy document is both our compass and our map as we chart a path to our destination of systemic change. It provides the focus and framework to develop our annual plans, measure progress, learn and evolve as an organization, and leverage our capacities, networks, and reputation to build stronger, more equitable, and more sustainable communities across the Pacific Northwest.

We recognize these goals will require intensive collaboration with partners and allies, open (and sometimes difficult) communication with and among our communities, significant resources, and long-term commitment. There are no quick or easy fixes to systemic problems. We call on everyone that shares our passion to reach out and join us in this challenging and necessary work.

02 VISION

Craft3 envisions and works towards a Pacific Northwest that is thriving, just, and empowered.

Vision

Craft3 uses finance and our role as a connector of people and ideas as powerful tools to expand opportunities and create a better, more inclusive world.

WE STRIVE FOR A PACIFIC NORTHWEST THAT IS:

Thriving – People, communities, economies, and ecosystems throughout the region are healthy and resilient.

Just – Individuals and communities have universal access to the resources they need to build a thriving future. A person's or community's ability to thrive is not predetermined based on who they are, where they live, or where they come from.

Empowered – People and communities have access to, and the capacity to deploy, the resources, both financial and social, required to influence or change the course of their future.

Achieving this vision will require the region to overcome systemic barriers that currently prevent broad, lasting progress. This plan focuses on strategies and investments that can effect meaningful systems change. The most effective path for Craft3 to do this and help our region realize the stated vision is by:

1. Using capital to create and expand opportunities for marginalized communities, especially communities of color, Tribes, and low-wealth rural communities, to generate wealth and
2. Empowering marginalized communities and voices to change the systems that have created and perpetuate societal inequalities.

At the same time, we recognize that systems change and achieving our vision is a multigenerational endeavor that will require sustained commitment, resources, extensive collaboration, and creativity. Today's challenges have increased our urgency to accelerate this important work.

Guiding Principles

Based on the experiences gained, impacts achieved, and lessons learned over 28 years working and investing in the Pacific Northwest, we have formed a set of beliefs that shape our approach to community development finance.

Creating meaningful, lasting change requires regional scale. While local context is vital and must drive implementation at the community level, operating at this level has limits in terms of the scale of change it can achieve. As we have grown from a handful of staff at the mouth of the Columbia River to nearly one hundred people spread across Oregon and Washington, we feel that operating at a regional level is the right approach for Craft3 to best pursue and achieve its vision.

Successful community development work is rooted in a deep understanding of place. Every community has its own unique history, needs, goals, resources, networks of relationships, and political dynamics.

The interconnections between place and region are powerful. Our commitment to working in place has helped us build dense, trust-based networks of partners, allies, and clients in our communities. We have learned the value of connecting these networks to share ideas, transfer best practices, and build coalitions to advocate for change.

There is an undeniable nexus between economic, social, and environmental justice. No community in Oregon and Washington can truly thrive without addressing the interwoven issues of economic, social, and environmental justice. These are issues we have cared about since our founding, and we have a renewed sense of urgency in addressing them. As we particularly target areas where they overlap, Craft3 looks to go beyond symptoms, to tackle root causes, and bring about durable solutions.

Experimentation and innovation are critical to success. In order to overcome the challenges faced by our communities, the region needs organizations that are willing to innovate and that are unafraid of failure. Craft3 has always been creative as we search for more effective ways to address community needs and goals. This drive to experiment, learn, and innovate has kept us nimble even as we have grown.

Setting Our Course

The planned and principled pursuit of our vision does not mean that Craft3 is starting from scratch or is proceeding alone. On the contrary, as we work to develop and support more equitable and sustainable communities, we will leverage what we have done and learned over time to fortify and deepen how and what Craft3 takes on going forward.

The vision, guiding principles, and strategies presented in this plan will focus and direct Craft3's development of annual work plans, efforts to measure progress, learn and evolve as an organization, and commitments to leverage and extend the capacities, networks, and other assets we have and will continue to build. Put more simply, this strategy will dictate not just a desired destination but also the steps along the way as we work to strengthen our region's communities and the people, businesses, and nonprofit organizations that shape them. More specifically, we note the following:

- **Craft3 is more than a financial institution**—Beyond deploying capital, we have demonstrated our capacity to build relationships, connect unlikely partners, and tell the stories of the people and communities we serve to achieve results. Under our new plan, we will be more intentional about using this capacity to empower and convene others in partnerships committed to creating equitable economies, racial justice, and climate action.
- **Craft3 has always sought to generate impacts greater than the sum of our individual investments**—At one level, much of our work has been about affecting the systems that exclude people and communities from opportunity. With this new plan, we challenge ourselves to be more explicit and intentional about what we seek to change and the scale of the endeavor. In calling out certain systemic changes as part of our vision, it is important that we also name and strive to uproot the structural underpinnings of all three of the Regional Challenges: imbalances between people and communities in terms of power and resource-allocation; and an economic system based on the unsustainable extraction of value from people and ecosystems.

03 REGIONAL CHALLENGES AND CORE STRATEGIES

Craft3 focuses on challenges that threaten to hold our region back and hurt us all. Our core strategies to address these challenges are Capital, Relationships, and Voice.

Regional Challenges

THIS PLAN REFRAMES OUR HISTORICAL FOCUS ON ADVANCING SOCIAL, ENVIRONMENTAL, AND ECONOMIC RESILIENCY AROUND THREE REGIONAL CHALLENGES THAT WILL GUIDE OUR WORK FOR THE FORESEEABLE FUTURE: SYSTEMIC RACISM, CLIMATE CRISIS, AND RURAL AND TRIBAL ECONOMIES. THESE CHALLENGES AND THEIR UNDERLYING INJUSTICES PREVENT OUR REGION FROM REACHING ITS FULL POTENTIAL AND HURT US ALL. AS WE CONFRONT THEM, WE SEEK TO WORK IN CONCERT WITH OTHERS TO CREATE PROFOUNDLY DIFFERENT FUTURES FOR PACIFIC NORTHWEST COMMUNITIES.

SYSTEMIC RACISM

Today

Since the arrival of Europeans to this continent, our country and its institutions have extracted value from people of different racial and ethnic groups while depriving these communities of wealth, livelihoods, cultural practices, and physical safety. This historical reality is especially true for our Native and Black populations. While acknowledging the past role of financial institutions in contributing to this challenge, the vision we put forward for the Pacific Northwest and our work requires combatting and ultimately eradicating racism and reversing its accumulated effects.

Vision For The Future

Everyone in our region, including communities of color, has access to opportunity that is not determined in any way by their race or ethnicity, and they are fully empowered to participate effectively in decisions that affect them. Through the amplified efforts of a broad coalition of changemakers, all aspects of racism have been uprooted from our region's institutions and culture. The racial wealth and income gaps have been closed.

CLIMATE CRISIS

Today

The climate crisis is a global phenomenon caused by extractive industrial economic systems that have failed to address greenhouse gas emissions. The resulting crisis has very localized effects - damaging ecosystems, displacing people, impacting their health, and disrupting economies in our region. Even worse, power imbalances cause these effects to disproportionately harm our most vulnerable populations – Natives, people of color, and low-wealth/low-income individuals. The vision we put forward for the Pacific Northwest and our work requires reducing the causes of climate change and adapting to changes in the climate already in motion while also ensuring that historically excluded populations have access to opportunities resulting from the work to transition our economies.

Vision For The Future

Our region is better prepared for the effects of ongoing climate change and has embraced an economic system based on the concept of regeneration, eliminating our region's contributions to the climate crisis. Vulnerable communities have the decision-making power and resources to pursue their vision for a climate-impacted future.

Regional Challenges continued

RURAL AND TRIBAL ECONOMIES

Today

We live in an overwhelmingly rural region. Since the arrival of Europeans, it has been dominated by unsustainable, industrialized natural resource extraction and the related marginalization of its Native populations. The long-term decline of these extractive industries, combined with inequities in the allocation of public and private resources, has resulted in economic hardship, inadequate infrastructure, and reduced availability of essential services for Tribes and low-wealth rural communities. Further, the rapid demographic and economic changes in our urban centers have exposed widening cultural and economic divides between urban and rural communities. These divides undermine our capacity for collective decision-making and responsive policies. The vision we put forward for the Pacific Northwest and our work requires reducing and eradicating these inequities in resource allocation and addressing the divides between our rural and urban communities.

Vision For The Future

Our area's rural communities and indigenous people and nations have identified visions for their economies of the future based on the ideals of sustainability, resiliency, and equity, and are working toward that future supported by the necessary resources and decision-making power. Their economies are reintegrated with the rest of the region and, where sustainable, the world. Our urban and rural communities each recognize the value that the other brings and work together to increase the prosperity of the entire region.

Core Strategies

We will focus our efforts on two common and inextricably intertwined systemic root causes the Regional Challenges share: 1) inequities and imbalances between people and communities in power; and 2) resource allocation and economic systems centered on extracting value from people and ecosystems. We believe that addressing these root causes, because of their historic role in creating and perpetuating the Regional Challenges, has the potential to be disruptive and create positive change.

We will use the Regional Challenges as lenses to focus the deployment of our Core Strategies of Capital, Relationships, and Voice on wealth, power, and the systems constraining the ability of marginalized communities to thrive. Further, by focusing on intersections in the Regional Challenges and using multiple strategies, we believe we can realize faster, deeper, and more lasting change.

Appreciating that we have these opportunities to be more effective and to amplify the work of others, Craft3 acknowledges that such targeting also represents an enduring, multigenerational endeavor that will almost certainly remain central to our work long beyond the next five years.

Craft3 identifies the following three interconnected Core Strategies to help advance its Vision for thriving, just, and empowered communities across the region.

CAPITAL

By offering responsible financing to communities of color, and in rural and Tribal communities, we can help close the racial wealth gap and support wealth and job-creation opportunities that align with a forward-looking economic vision. We can also enhance stability by prioritizing investments that support emission reduction efforts and adaptation to climate threats, particularly in historically underserved communities. These adaptation and mitigation investments will create sustainable jobs for Natives, people of color, and low-income communities.

VOICE

We amplify voices from communities of color, rural and Tribal communities, climate-vulnerable communities, and others who share our Vision. We share our experience with other practitioners, policymakers, and advocacy groups and encourage more inclusive engagement with and by these affected communities in decision-making.

RELATIONSHIPS

Craft3 supports partnerships committed to equitable economic activity, racial justice, and climate action. We build deep relationships based on trust, accountability, power-sharing, and meaningful action with communities of color, and rural and Tribal communities. To ensure we hear and act upon the self-expressed needs of these communities, we also engage with local and regional partners committed to achieving impact and catalyzing a shared vision for the future. By expanding our network of relationships to those that are committed to ethical innovation and partnered with vulnerable communities, we can create connections that lead to a more equitable economic system.

Case Studies

THE FOLLOWING THREE CASE STUDIES ILLUSTRATE WHAT CAN BE ACHIEVED THROUGH THE STRATEGIC DEPLOYMENT OF THESE STRATEGIES. THEY COLLECTIVELY DEMONSTRATE THE POWER OF PARTNERSHIP, VOICE, TRUST, AND COMMITMENT TO LONG-TERM RELATIONSHIPS TO CREATE CHANGE THROUGHOUT OUR REGION.

WASHINGTON COMMUNITY INVESTMENT COALITION
In 2020, Craft3 helped propose a bill in the Washington State Legislature that would provide a new source of public funding to CDFIs for the purpose of investing in underserved communities. Two years later, and after a disciplined, coordinated effort to build a supportive coalition, that legislation became law.

Learn more.

PROSPER PORTLAND
In 2012, Craft3 staff began serving in an advisor capacity on the Prosper Portland Neighborhood Prosperity Initiative. That relationship, nurtured over time, blossomed to include a JPMorgan Chase-backed partnership, ongoing staff-level engagement on equitable development, and direct business relief during the early days of the COVID-19 pandemic.

Learn more.

Case Studies continued

CLEAN WATER LOAN PROGRAM
Willapa Bay, Washington is one of the largest oyster-growing area in the country. In 2002, Craft3 was approached by Willapa Bay oyster growers, county officials, water quality organizations, and the State of Washington to develop a loan to help lower-income families replace failing septic systems that were impacting water quality in the region. The loan program has since expanded across Oregon and Washington, representing over $50 million in septic repairs.

Learn more.

04 INVESTMENT AREAS

Craft3 focuses investment in four essential areas.

Craft3 will focus its investment of Capital, Relationships, and Voice in four essential areas that reflect and build upon our history and past work. We chose these Investment Areas because of the opportunities they present to work in concert with the strategies and thereby deliver results that address the Regional Challenges and systemic barriers that underpin them. Moreover, similar to our belief that working in the overlaps between the Regional Challenges can deliver outsized results, we believe working in the intersections between these Investment Areas will yield greater returns for the Pacific Northwest's people and communities.

Small Business Assets and Growth

Small businesses are an engine for economic opportunity and community development. We will help generate wealth in our priority communities by facilitating the ownership of business assets, as well as growing opportunities for civic leadership and the empowerment of historically marginalized voices.

FIVE-YEAR LENDING GOAL **$150 MILLION**

Essential Community Services

Thriving communities require access to essential services such as childcare, social services, and healthcare. We will strengthen and expand the capacity of local service providers and nonprofit organizations to meet demand for these services in their communities.

FIVE-YEAR LENDING GOAL **$225 MILLION**

Housing

Homeownership is the largest source of wealth for American families, and access to stable housing is a vital precondition to a healthy and productive life. Our region is experiencing an acute shortage of quality, affordable housing across a spectrum of household income levels and housing types. By seeking and investing in innovative ways to expand the housing supply, including of rental units, as well as modernize and preserve existing housing stock that is adapted to the climate-change-driven realities of the 21st Century, we can advance both climate and, in certain instances, wealth-building opportunities for families in our region.

FIVE-YEAR LENDING GOAL **$175 MILLION**

Community Climate Adaptation

Our region must take action to reduce emissions and adapt to the impact of climate change. This will require working with communities, businesses, nonprofits, and families. Our investments will prioritize those disproportionately impacted by climate change and more likely to be left out of efforts to adapt.

FIVE-YEAR LENDING GOAL **$200 MILLION**

05 MEASURING PROGRESS

Craft3 will measure its progress by using two primary indicators: Wealth Creation and Shifting Power.

Craft3 will evaluate the success of our work by assessing progress toward two primary goals: Wealth Creation and Shifting Power. Focusing on these two goals will help ensure that all our work is aimed at addressing the systemic issues we have identified as the root causes of the Regional Challenges: the inequities and imbalances between people and communities in terms of power and resource allocation and an economic system centered on extracting value from people and ecosystems. Unraveling those threads through helping others create wealth and benefit from gaining greater power and agency is a path to increasing equity and removing these imbalances.

WEALTH CREATION

Our support of wealth creation in marginalized communities relies heavily on our Capital strategy, reinforced by our Relationships and Voice strategies, for shifting power to those communities. We will seek to maximize the impact of our investments by using the Regional Challenges to focus our efforts on those investments that create wealth in communities of color and low-wealth rural and Tribal communities and/or that protect assets from the effects of a changing climate.

Our work in wealth creation across the Investment Areas will be measured by Asset Building and Preservation, and Community Stability and Resiliency.

Asset Building and Preservation

Investments in the acquisition of assets as well as the preservation and enhancement of assets already owned by members of marginalized communities can have an immediate positive impact. To accelerate this trend, Craft3's activities will be measured in two ways: Small Business Assets and Growth, and Housing and Climate-Related Home Improvements.

SMALL BUSINESS ASSETS AND GROWTH

We will support small businesses in their efforts to launch and scale. While the sectors and types of businesses will vary, our investments will seek not just to expand access to capital, especially for historically underserved entrepreneurs, but to also provide opportunities for wealth generation and intergenerational wealth transfer such as through the acquisition of owner-occupied commercial real estate.

GOALS

TOTAL INVESTMENT

$150 MILLION

Invested in small business assets and growth

KEY INDICATORS

- Loans to Natives, people of color, women, immigrants, and veterans
- Local ownership
- Investment leveraged
- Businesses financed in high poverty areas
- Jobs created and/or retained
- Start-ups financed

HOUSING AND CLIMATE-RELATED HOME IMPROVEMENT

Using our long-term experience financing clean water and energy efficiency programs for homes and much more recent and limited programs involving funding accessory dwelling units and manufactured homes, we will pursue making investments that expand the options for and availability of housing that is more sustainable, more affordable, and meets local needs. We also will look for opportunities to finance expanding the capacity of businesses from or serving disproportionately affected communities to provide the materials and services required to implement or install climate-related adaptations and mitigation measures.

GOALS

TOTAL INVESTMENT

$175 MILLION

Invested in the creation, enhancement, and preservation of housing assets that mitigate and/or are adapted to climate effects

KEY INDICATORS

- Loans to Natives, people of color, women, immigrants, and veterans
- Local ownership
- Low-income households assisted
- Loans to low-income homeowners

Community Stability and Resiliency

We will support communities by investing in service providers and nonprofit organizations that support community stability and resiliency, and the ability of families to fully earn a living. These projects will meet essential needs, reducing uncertainty and generating longer-term wealth and be measured in two categories: **Essential Community Services** and **Community Climate Adaptation.**

ESSENTIAL COMMUNITY SERVICES

We will build on our last five-year strategy to invest in community facilities owned by nonprofits and find further ways to support organizations providing essential services such as healthcare and early childhood education. We will go beyond just the financing of facilities for established nonprofits and also support the growth of emerging organizations serving critical needs.

GOALS

TOTAL INVESTMENT

$225 MILLION

Invested in essential community services

KEY INDICATORS

- Community facility capacity
- Organizations serving the low-income
- Investment leveraged
- Low-income households assisted

COMMUNITY CLIMATE ADAPTATION

We will prioritize support for Tribal communities, communities of color, and low-wealth rural communities in adapting to and mitigating the effects of a changing climate. We will support home improvements that help families and communities adapt and invest in new and emerging technologies that mitigate the causes of climate change. To support adaptation at the community level, we will explore ways to partner in investments in a variety of built-environment, land conservation, and "green infrastructure" projects.

GOALS

TOTAL INVESTMENT

$200 MILLION

Invested in climate adaptation and mitigation projects

KEY INDICATORS

- Loans to Natives, people of color, women, immigrants, and veterans
- Loans to low-income homeowners
- Investment leveraged
- Acres of working landscapes / conservation lands
- Greenhouse gases averted / sequestered
- Energy conserved
- Gallons of water treated annually

Shifting Power

Our support of shifting power for the benefit of marginalized communities relies primarily through the use of our Relationships and Voice strategies. We will complement those activities by investments through our Capital strategy. As with Wealth Creation, we will seek to maximize the impact of our investments by using the Regional Challenges as lenses that focus our efforts to shift power, especially by finding opportunities to work in the overlaps between the Regional Challenges.

RELATIONSHIPS

GOALS
- Increase access to resources, services, and decision-making power by Natives, people of color, and low-wealth rural individuals - Build a larger and stronger network of partners supporting Craft3's and each other's work

As we seek to address the Regional Challenges, we recognize a need to expand our historic reliance on relationships at the community level to also include collaborating at the regional level. This will mean more intensive partnerships with key stakeholders, more intentional connection of relationships across communities, and working to build and participate in coalitions with shared priorities. By doing this, we look to increase access to opportunity for marginalized communities and establish a stronger network of relationships that are mutually supportive of each other's work.

Some examples of categories of activities we will engage in include:

- **Resource Development –** Continuing our history of seeking public funding for Craft3 to invest in marginalized communities, we will expand efforts to include private and/or philanthropic funding sources that empower partners and allies to pursue their own goals.
- **Public Policy –** We will engage in policy development and advocacy with local, state, and federal governments. We will seek policy and regulatory changes that facilitate greater access to resources, services, and decision-making power for Natives, people of color, and low-wealth individuals in alignment with their self-defined needs and goals.
- **Direct Community–driven Engagement –** We will understand and engage with the goals of geographic- or issue-specific communities where there is alignment with our work and vision. This could include working with Tribal communities, affordable housing advocacy groups, or networks of small business technical assistance providers.

VOICE

Craft3 has historically used our voice to tell our own story and spread the word about our partners and borrowers. We will expand our use of voice to amplify the needs and concerns of marginalized communities, support their goals, and better connect them to centers of power — funders, policymakers, and others — in the region.

GOALS

- Better connect to often disregarded community voices whose visions align with and advance that of Craft3 and its work to centers of power and influence in our region

Some examples of categories of activities we will engage in include:

- **Amplification** – We will seek to engage with and amplify the voices of our communities and connect those communities with our network of relationships. This includes seeking greater input from our communities in Craft3's deployment of Capital, Voice, and Relationships.
- **Storytelling** – We will expand the range of stories we tell beyond our investments to include others, such as successes of key partners in our network that align strongly with the Investment Areas and Regional Challenges. We will deliver these stories to key partners in our network.

06 PLANNING PROCESS AND ACKNOWLEDGMENTS

A great many people contributed to this strategic plan. Thank you!

Planning Process and Plan Structure

This strategic plan represents our best thinking based on our understanding of the landscape, trends, and needs in our region today – and is an effort to think hard and dream big about how we can create change in the region. It is a flexible document that allow us to adapt and change as we learn and as the landscape around us inevitably continues to change.

This plan is also the result of extensive listening to partners, allies, our Board, and staff. We learned that almost everything that Craft3 has cared about and built over our 28-year history set us up well to meet the current moment:

- Our regional presence, extensive networks, and deep connections with the places, people, and economies where we live and work.
- Our talented staff and Board of Directors, bound together by a strong set of values and shared commitment to inclusive community development.
- Our organizational strengths as an institution built to absorb risk and invest in the people and health of our region – building a portfolio of over $200 million under management.
- Our drive to constantly innovate and experiment, seeking new and better ways to create lasting change with our investments.
- Our view of our lending as a series of investments, that when put together, help form a foundation to create a better future for our region.

This foundation is the result of more than two decades of hard work in community. The impacts we strive to make over the coming five years would not be possible without it.

From this strategic plan, individual business units created implementation plans that will form the operational backbone for the next five years. That effort will then inform each year's annual work plans which will incorporate or reflect results to date and lessons learned.


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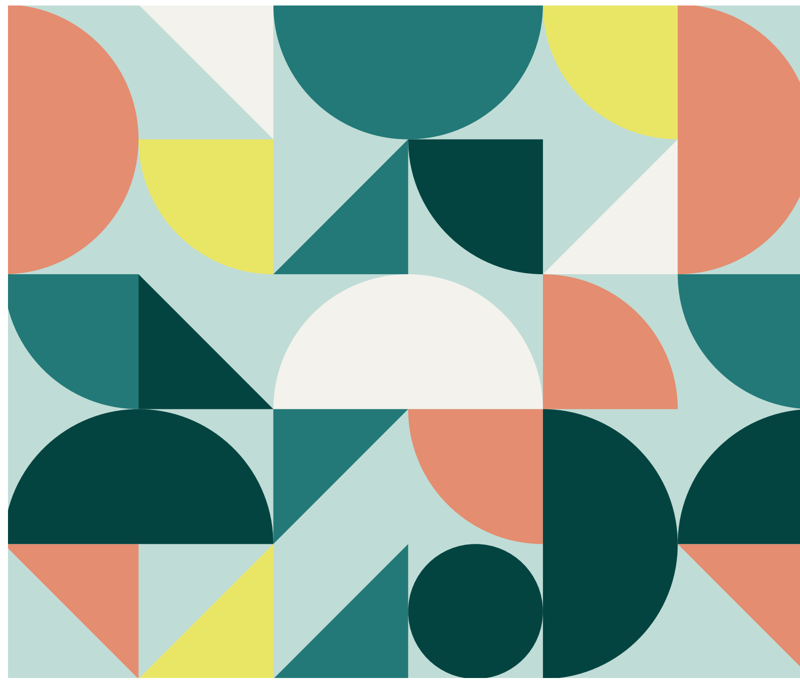


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Acknowledgments

We would like to thank our Board of Directors and staff for their support in truthing our vision and building the guideposts of this plan. The Board's steady hands, in partnership with our staff's commitment to innovative, bold thinking, has provided Craft3 with a strong and lasting foundation.

We close by expressing our gratitude to the many people that contributed to this process by sharing their valuable thinking on concepts, approaches, and community needs. In addition to those listed below that participated in our structured listening tour or met with our various implementation teams, we deeply appreciate all our partners, friends, and colleagues. Your willingness to take the "not so quick" call and provide real-time advice was invaluable. All these conversations combined made a real difference in the form and focus of this plan. We would like to thank:

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Mayor of College Place, Washington

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Jim Kelly
Business owner, Chair, Oregon Board of Forestry

Doris Koo
Crescent Collaborative

Jessica Ledesma
Founder & Principal, Homework Development

Fernando Martinez
CEO, Northwest Mountain Minority Supplier Diversity Council

Rashad Morris
Board Chair, Evergreen Community Capital

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Founder, Conscious Concepts

Saneta deVuono-Powell
Center for Community Investment

Ray Rasker
Former Executive Director, Headwaters Economics

Andrea Caupain Sanderson
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President, Fleet Development

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Center for Community Investment

Michael Verchot
Director, University of Washington Consulting & Business Development Center

Bill Van Vliet
Executive Director, Network for Oregon Affordable Housing

Jim White
Executive Director, Nonprofit Association of Oregon

craft3

p: 888.231.2170 **w:** Craft3.org
s: linkedin.com/company/craft3

Appendix E

Craft3 Loan Policy

Loan Policy 2024

Version: 2-09-2024

I. *General Credit Policy Statement*

The purpose of this document is to set forth Craft3 policies for 1) making loans, 2) portfolio and risk management practices, and 3) controlling problem loans. This Policy is an official statement of Craft3's Board of Directors and must be followed by all staff. All lending staff will receive access to this Policy and should understand and refer to it as needed.

Craft3 makes capital available through its strategically aligned loan products and programs to meet customer needs in the context of its mission.

- Customized credit or loan products, such as deferred or irregular payments and credit facilities, may require greater effort and involve greater risk than conventional means. The mission implications of lending in targeted areas and sectors may demand that Craft3 acknowledge and take greater overall risk in making a loan and may result in non-standard pricing.
- Craft3 generally lends to individuals and businesses that do not qualify for or have reached the limit of conventionally available credit.

Once Craft3's Board has approved this policy, it will be reviewed annually and adjusted at the Board's discretion. This Policy was presented to the Board on February 9, 2023. Credit Quality is managed by the CCO under the authority provided within this policy. Staff will establish procedures, approve, close, and collect the loans within the Policy and lending authority conferred by the Board.

Strategy: Craft3 uses capital to create and expand opportunities for marginalized communities, especially communities of color, Tribes, and low-wealth rural communities, to generate greater wealth; and empower marginalized communities and voices to change the systems that have created and perpetuate inequities.

General Policy Statements: It is expected that, within the context of mission, the Craft3 loan portfolios will display a wide variety of performance statistics at any given point in time.

Craft3 classifies loans into two general types:

- Commercial – Commercial, Conservation, Community Development (CCC), and
- Consumer – Clean Water, Energy, ADA, Manufactured Home Replacement (MHRs), Accessory Dwelling Units (ADUs), and other consumer products directed to specific populations or purposes.

A. Policy Exceptions

It is expected that exceptions to policy will occur on occasion. Craft3's Credit Committees, Special Assets Committees and Credit Risk Management have the authority to approve exceptions to policy except that only the Board may approve exceptions to the Conflict of Interest and Borrower Exposure Limits. The Board must approve exceptions to Conflict of Interest and Borrower Exposure Limits prior to any borrower being informed of loan approval.

B. Interim changes to the loan policy

The Board Credit Committee is authorized to approve interim changes to the Loan Policy provided that they do not alter Section I.A above. Any interim changes to the Loan Policy must be reported to the Board of Directors at the next regularly scheduled meeting.

C. Confidentiality

To promote trust, respect, and confidence, all customer personal and business financial affairs must be kept strictly confidential. All customer records and information must be safeguarded, and unauthorized access or use is prohibited. At loan closing, Craft3 must provide all loan customers with a current Privacy Notice outlining Craft3's commitment to maintaining confidentiality.

Occasionally, an employee of Craft3 is asked by a prospect or borrower to sign a Confidentiality Agreement. The Craft3 standard Confidentiality Agreement must be used. Any exceptions are to be approved by Craft3 legal counsel or the CCO as back up.

D. Conflict of Interest

To ensure that the highest degree of honesty, integrity, and objectivity is maintained in making loans, actual or potential conflicts of interest between loan officers, employees, directors, or customers along with their related interests, and Craft3 must be fully disclosed immediately. No employee, officer, or credit committee member may participate in any process, review, approval, or documentation affecting any potential loan in which they have an actual, potential, or perceived conflict.

Craft3 seeks to avoid loans to Craft3 employees, officers, directors, or their immediate families, affiliates, and employees of affiliates, or to firms in which any of the preceding have an ownership interest. Although such loans are not prohibited, the Board must approve all exceptions to this Policy in advance. Such transactions must comply with the Internal Revenue Service Code (IRC) Section 4958.

E. Participations

Whenever Craft3 sells a participation in a loan it will maintain standard of care as if the entire loan were in the portfolio. The participant must agree that they have made their own independent credit decision and that Craft3 is entitled to take such actions as it would take for a similar loan in its own account in its ordinary course of business. Craft3 will act for itself and the participant in all decisions relating to loan document terms. Credit Risk Management must approve all non-standard participation agreements. Participations may be sold to maintain compliance with the Borrower Exposure limits articulated elsewhere in this Policy. Where the loan size exceeds the Borrower Exposure limits, the participant must be identified prior to loan approval and there must be firm commitment from the participant to purchase the participation on a timeframe sufficient to ensure the Craft3 loan complies with the Borrower Exposure Limit.

Purchased participations must follow this policy including Craft3 staff conducting an independent credit analysis and receiving copies of closing documents, except that some post-closing documentation may not be in the file (e.g. insurance) since Craft3 may rely on the lead lender to manage the loan.

F. Exchange of Credit Information

Credit information about Craft3 customers will be released outside the system only with the customer's express prior written consent. A customer's name and general business information may be used for publicity or marketing purposes only if the customer has signed a "Publicity Authorization" or consent form.

G. Gifts

Accepting tangible property, services, or anything exceeding $50 in value as a gift is prohibited. Soliciting or accepting tangible property or services as an implied, understood, or express condition to a transaction is strictly prohibited and is grounds for immediate termination.

H. Doing Business with Customers

Purchases from or sales to customers, directly or indirectly involving an officer, employee, director of Craft3, or their related interests, must be made on the same terms as disinterested parties. Any variation in this practice must be fully disclosed to and approved by the Board of Directors prior to such purchase or sale. Such transactions must comply with IRC Section 4958.

I. Credit References
Craft3 reports to credit agencies on the performance of business borrowers. Upon a customer's written request and authorization, Craft3 will provide a written credit reference to a customer's vendor or lender.

J. Non-Discrimination
Craft3 is fully committed to the principle that all credit decisions must be made without regard to race, color, national origin, religion, sex, age, marital status, sexual orientation, mental or physical disability (provided the applicant has the legal capacity to enter a binding contract), receipt of public assistance, or any other basis prohibited by law. To avoid an unintended discriminatory effect, credit policies are to be applied consistently to all customers, applicants, co-applicants, and guarantors. Discrimination by any employee will not be tolerated and may be grounds for termination. This commitment will be fulfilled while maintaining prudent credit discipline.

K. Identity Theft
Human Resources, Information Technology and Enterprise Risk Management must conduct identity theft prevention training annually with all Craft3 staff.

L. Funder Restrictions
Various sources of capital have restrictions and compliance requirements associated with the funds. All loan and investment documentation and agreements must conform to the limitations as defined by the grant or loan agreement with the capital provider.

Craft3 will maintain compliance with anti-terrorism laws and will not do business with terrorists. See Executive Order 13224 & the Global Terrorism Sanctions Regs in 31 CFR Part 594.

Craft3 pulls Credit Reports which include an OFAC check.

Occasionally, a funder may fund specific loans or loan programs. Staff will ensure that such funding meets the approval conditions and the program requirements as outlined by the funder and rules promulgated for the federally supported programs.

M. Managed Funds
When Craft3 manages funds for other institutions, those funds will be managed per this Policy unless the institution and Craft3 contractually agree to a different Policy.

N. Other Federal Regulations
Craft3 complies with Reg B/ECOA for commercial loans including providing applicant notices in the application and appropriate follow up as required by 12 CFR 202.9(a)(3)(i) and (ii).

II. Portfolio Quality Review

A. Credit Quality Management
Craft3 must ensure that adequate processes and procedures are in place to ensure the highest level of credit quality management. At a minimum Credit Risk Management will:

- Review the portfolio and prepare reports including crosschecks such as trends in the percent of outstandings in each risk rating, percent change in the outstandings of problem and watch loans, and percent charge-offs of the aggregate outstanding balance in the portfolio to ensure loan loss reserve adequacy.
- Review the portfolio risk ratings using the Loan Monitoring Matrix for Commercial loans and the payment status for Consumer loans.

- Review loans to ensure they were closed as approved and per Policy.
- Review loans prior to presentation to the Credit Committee for compliance with policy and encourage structures which balance Craft3's risk-taking with protecting Craft3's investment.
- Work with the lender to develop strategies to improve the Risk Rating on Watch List Assets. Develop work out plans on Problem Assets.

B. External Loan Review

Craft3 will undergo a Loan Review of the commercial portfolios conducted by a qualified third party annually. The period may be extended to 18 months between reviews with the concurrence of the Board. Reviews will include compliance with credit/equity underwriting, proper preparation, documentation, execution of loan and investment documents including collateral security, and adequacy of file documentation to support the Risk Rating. The review may also include compliance with funder restrictions and agreements.

As required by the Audit/ERM Charter, the Audit/ERM Committee will approve the Loan File Review contractor(s). The resulting report will be presented to the AERM and Board for acceptance.

C. Credit Quality Reporting

Portfolio quality reports are provided to the staff, the BCC, outside stakeholders and the Board in a standard format. Generally, the reports listed below are provided at least quarterly:

- Portfolio Quality Report: Provides details on Watch-list assets and Problem assets and the analysis of the Allowance for Losses. It also provides total portfolio information such as the status of loans Risk Rated 6, 7 and 8, potential collateral exposure, total outstandings in the portfolio and past due aging. This report also tracks each loan with its outstanding balance, risk rating grade and the payment status.
- Portfolio Narrative Summary: Identifies trends in portfolio quality or portfolio risk areas, information on historic charge offs, and portfolio concentrations.

III. Commercial Portfolio Composition

In support of its mission, Craft3 targets certain geographies and industry sectors. This targeting may result in certain portfolio concentrations. The Special Assets Committee determines which industries are appropriate to monitor based on portfolio composition.

A. Commercial Industry Concentrations

Concentrations will be monitored to ensure acceptable risk diversification and to help insulate the portfolio from adverse economic conditions. "Concentrations" are defined as those groupings of loans and investments within a single industry or market segment.

The Board may, at any time, determine that the portfolio is trending toward concentrations in specific geographies or sectors. The Board may place conditions or limits on further lending in these geographies or sectors, as it deems appropriate.

The Credit Risk Assessment Manager must review the concentration calculation on a quarterly basis to ensure that concentrations are appropriately being tracked. A quarterly Portfolio Concentration Report must be prepared and delivered to the Board. The Commercial Portfolio is monitored separately from the Consumer portfolio.

B. Loans to Borrowers Whose Customers are in the Cannabis Industry

Both WA and OR have legalized the production, distribution, sale, and use of marijuana for medical and recreational purposes. As a result, the number and size of businesses having a connection to state- approved aspects of marijuana-related activities have increased significantly. Marijuana production frequently has adverse environmental impacts particularly around energy usage for lighting and climate control. Craft3 has been an active financier of energy efficiency improvements both for consumers and commercial users. Additionally, Craft3 has financed businesses who convert waste products to fuel or soil enhancements.

With the expansion of marijuana-related business, loans may be made by Craft3 with the aim of reducing energy consumption or to create markets for biofuels or soil enhancement from waste products that involve suppliers or customers of marijuana-related businesses as follows.

i. Craft3 will not knowingly lend directly to customers who derive income from cannabis production, manufacturing, distribution, or sales. Indirect cannabis affiliation is permitted with the approval of Risk Management.

ii. Craft3 may provide long term financing (13 months or more), or a bridge[1] loan for a shorter term, to business customers who lease real estate to or provide other products or services to state-approved cannabis-related entities as described in (i). If the business is real-estate related, Craft3 will obtain a security interest in the prospective borrower's real estate.

iii. Craft3 may provide short term (12 months or less) financing to business customers who lease or provide other products or services to such cannabis-related entities so long as an advance from the Craft3 loan which financed the facilities, product, or service will not remain outstanding more than 12 months.

iv. Craft3 includes a question on its Loan Application asking if the applicant is involved with cannabis production, manufacturing, distribution, or sale, or if it leases or provides other products or services to such cannabis-related entities.

v. Craft3 loans to borrowers who receive revenue, consideration, or other value ("revenue") from cannabis-related entities will not aggregate more than $10 million[2].

vi. Craft3 will not carry additional reserves on its loans to borrowers who receive revenue from cannabis-related entities.

vii. Craft3 loans to borrowers leasing or providing other products or services to cannabis-related entities will not be funded from federal sources, e.g., CDFI Fund, USDA IRP, SBA and the State Small Business Credit Initiative.

viii. Loans to borrowers who receive revenue from cannabis-related entities (whether the loan was approved from the outset with the knowledge of the revenue source or if, subsequent to funding, Craft3 staff discovers an existing borrower is deriving revenues from cannabis- related entities) will be flagged so Craft3 can track its total exposure for purposes of compliance with (v) above.

ix. For purposes of the loan policy outlined above, all cannabis-related entities being served by a prospective or existing borrower must be or become duly licensed in Washington or Oregon by the requisite governmental authorities and otherwise authorized to do business in accordance with that state's law and regulatory frameworks prior to the closing of any Craft3 loan.

Notwithstanding the foregoing, this prohibition does not apply to businesses or the authorized portions thereof that derive their entire revenue directly from the production, manufacturing, distribution or sales of industrial hemp or lawful derivative products, provided that (a) such hemp or derivative products fully satisfy the definition of hemp as

[1] Bridge loans are defined in the Lending Guidelines and have specific requirements regarding documentation for the take-out.

[2] This is 6.0% of the aggregate outstanding balance in all of Craft3's portfolios at FYE 2023.

set forth in The Agriculture Improvement Act of 2018, Section 10113[3], (and, by reference, Section 297A of the Agricultural Marketing Act of 1946) and (b) such business activities are lawful pursuant to all laws and regulations applicable under federal, state, local, or other government or lawful authority, including without limitation, being duly licensed, permitted, or otherwise registered to engage in all such activities by the states, tribal authorities, or other government authority having jurisdiction over such business. However, in the event such hemp-related business or authorized portion thereof is owned or controlled by or otherwise affiliated with a marijuana-related business, even if duly authorized to conduct business in Oregon or Washington, Craft3 will not lend to the hemp-related business absent Craft3 granting an express written exception to this subsection of the Loan Policy regarding the cannabis industry that sets forth the reasons for such exception, including, at a minimum, Craft3 having determined on a reasonable basis that the ownership, control, or affiliation between the marijuana-related business and the hemp- related business and the corresponding business operations complies with applicable laws and regulations.

For purposes of the remainder of this subsection regarding the cannabis industry, references to "cannabis" do not include Cannabis Sativa plants or products derived from such plants that fully satisfy the applicable federal statutory definitions for hemp.

C. Shari'a Compliant Investing

The overarching principle of Shari'a Islamic finance is that all forms of interest are forbidden. The Islamic financial model is based on risk sharing. The customer and the lender share the risk of any investment on agreed terms and divide any profits between them.

Craft3 has adopted two Islamic financing structures to accommodate specific types of common financing needs.

1. Musharakah is most conducive to funding real property assets, most commonly commercial real estate purchases, refinancing or construction. This structure is an investment partnership in which profit-sharing terms are agreed in advance and are determined by the amount invested. Under this structure, Craft3 and the customer jointly own an asset through an SPE (LLC). The ownership interests are directly proportional to the amount of funds invested by each party to purchase the asset.

2. Wakalah is utilized to finance business purpose financing for existing or startup businesses including startup capital, working capital, tenant improvements, equipment purchases and inventory financing, etc. The Board of Directors has currently limited deployment of Wakalah funding to $5MM.

Craft3 is authorized to purchase and hold Shari'a compliant investments. Shari'a compliant financing requests can be approved following Craft3's lending authorities outlined herein, except as indicated above. Craft3 staff will work with legal counsel to ensure Craft3 is sufficiently insulated from asset ownership exposure and that the legal documents protect Craft3's interest.

D. Borrower Exposure Limits

Customers may access one or more types of loan products available from Craft3. However, no single customer (individual, business, or principal) may access from Craft3 more than $10,000,000.

The maximum loan size is regardless of government enhancement. The Board must

3 [3]The term 'hemp' means the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis." The Agriculture Improvement Act of 2018, Section 10113

specifically approve in advance an exception for any loan or investment that would otherwise violate the Borrower Exposure Limit.

The borrower exposure limit excludes amounts loaned to borrowers from other entities which may be managed by Craft3, including without limitation the NMTC entities.

If a customer receives multiple loans from Craft3, the aggregate Craft3 portion may not exceed the amounts described above. The aggregate includes all loans to a borrower, co-borrower, guarantor or common collateral or includes common sources of repayment even if there are different borrowers.

E. Fiscal Parameters

Analysis must be calculated at least quarterly per Craft3's internally-generated financial statements and calculated annually per the audited financial statements. If these fiscal parameters are not met, Management must make a written recommendation for correction to the Board for its approval at the next regularly-scheduled meeting after the exception occurs.

F. Performance Benchmarks

- Past Due Loans: The ratio of past due loans (outstanding balance in dollars for loans more than 31 days past due) to total dollars outstanding must not exceed: 5% for the Consolidated Portfolio and 5% for the Commercial.
- Non-Performing Loans: The sum of (a) loans over 90 days delinquent plus (b) Problem Loans including Liquidation Loans plus (d) loans on non-accrual, and Other Real Estate Owned (OREO) divided by (e) gross loans outstanding at quarter end plus OREOs expressed as a percentage, adjusted for any duplication for loans on non-accrual. Split Risk Rating applies. Non-performing loans will be less than 8% of the total Craft3 Consolidated Portfolio, and for the Commercial and Consumer Portfolios separately, calculated on a quarterly basis.
- Problem Loans: Any loan outstanding risk rated 7 or 8. Split Risk Rating applies. The benchmark is problem loans will be less than 8% of the total Craft3 Consolidated Portfolio, and for the Commercial and Consumer Portfolios separately, calculated on a quarterly basis.
- Watch List Assets: Any loan outstanding risk rated 6. Split Risk Rating applies. The benchmark is watch list loans will be less than 8% of the total Craft3 Consolidated Portfolio and for the Commercial and Consumer Portfolios separately, calculated on a quarterly basis.

G. Allowance for Losses

The Board recognizes that lending money involves business risks. Reasonable losses are to be expected; therefore, it is the policy of the Board to maintain an Allowance for Losses (reserve for future losses) in an amount sufficient to meet anticipated losses. To establish and maintain compliance with CECL (Current Expected Credit Losses) Craft3 utilizes a credit loss model with the following components:

- **Expected Losses**-

Expected Losses will be forecasted from a vintage loss model. Vintage analysis captures the losses by origination year, or vintage, of a loan's life. The loss rate for periods in the past is calculated from actual charge off amount less recoveries divided by the total of originated balances for that year. The result will be used to predict future losses for each loan product based on vintage loss histories.

For on-balance sheet loan products that have a history of losses and recoveries, the vintage model will be used to create a future expected loss rate. For new products that show similarities to existing Craft3 products, a loss history will be used from an existing product until the new product shows five years of production and loss history. For products that are new that have no loss history and similarities to other products in the Craft3 portfolio, loss history will be based on information for a universe of comparable loans from other financial institutions. Examples of a Craft3 product that will utilize this loss information are Shari'a investmentsmade in the Craft3 Future Fund Portfolio.

- **Qualitative Adjustments**– Qualitative adjustments will be built into the ALL model. Some of these adjustments are economic factors such as changes in the CPI inflation rate, unemployment rate, real GDP growth and applicable charge off rates on commercial loans. These factors are considered due to their potential impact on the volume and severity of past due financial assets, the volume of nonaccrual assets, and the volume and severity of adversely classified or graded assets. Other qualitative adjustments will focus on the impacts of specific changes to borrowing characteristics for a particular lending product. For example, economic changes that will impact commercial loans under $250,000. Craft3 will review and change these qualitative factors to stay ahead of trends that could adversely impact the lending portfolio. The impact and scoring of the qualitative adjustments are based on the following:

Adjustment Level	Adjustment %
Major Risk	0.25%
Some Risk	0.15%
No Change	0.00%
Some Improvement	-0.15%
Major Improvement	-0.25%

- **Individually assessed and Additional Allowance**- This will include collateral exposures for commercial loans where there are imminent expected losses. Loans will be excluded from being individually assessed for impairment loss if the borrower becomes current on payments or if there is a clearly defined and adequate source of secondary or tertiary repayment.

- **Unallocated Reserves**- Unallocated reserves in the CECL model may include specific dollars that have been designated and granted by third parties as loan loss reserves for a new specific product to be used in the event of loss. As the amount of this initial reserve for an emerging product may outweigh the initial dollars of product booked, funds above a predetermined (by the source of the reserve) level of loan loss reserve based on outstandings will be placed in unallocated reserves until such time the growth of the product warrants their allocation.

- **Approval and controls of the Loan Loss Reserve Model**- On a quarterly and annual basis the Craft3 Risk Assessment Manager will update the loan loss reserve model with the most recent quarter of portfolio data and loss history. The model will be processed based on the guidelines above to create a loan loss reserve. The risk management Senior Credit Officer will review and approve the data in the model. After the approval, the loan loss reserve will be presented to Craft3 Special Assets Committee for approval. After approval the recommendation will be forwarded to the Finance department on a quarterly and annual basis.

The total existing on balance sheet loan loss reserve for Craft3 as aggregated in total on balance sheet product category will not deviate from the total of the above methodology by more than 10% at quarter end. Any aggregate variances above 10% must be approved by the Craft3 Board of Directors at its next regularly scheduled meeting. Changes to the loan loss reserve policy will be approved by the special asset committee if changes are needed to remain in compliance with GAAP.

H. Historic Charge-offs

Annual losses (net of recoveries) as a percentage of each of the three previous years' outstanding balance and on an annual basis should not exceed:

- 2% for the Craft3 Consolidated Portfolio, and
- 2% for the Commercial, Conservation, Community Development portfolios.

I. **Financial Distress Modification (FDM)**

Any commercial loan that requires a Change in Terms Agreement or Forbearance Agreement, due to borrower's financial difficulties. Initial valuation for a Financial Distress Modification will be based on a Change in Terms or total Changes in Terms greater than 6 months within the previous 12-month period. Borrowers that are seeking a renewal of longer than six months and failed to meet the original DSCR requirement in either of the past two fiscal years are also considered a FDM.

- Lending Guidelines direct staff in determining if the change will result in a FDM.
- At the time of designation, FDMs will receive a risk rating no better than a 6.
- The full balance of the loan is considered a FDM, even if a portion of the loan is guaranteed.
- At the time of the FDM an updated collateral valuation must occur. Staff will evaluate collateral on a discounted basis and will calculate the change in the value of the P&I cash flows to Craft3 due to the change in terms. Follow-on financing for a new project is not considered a FDM.
- A Financial Distress Modification Financial Distress Modification may have a risk rating upgrade off the problem or watch list if it meets the requirement for an upgrade. The FDM designation will remain in place.
- The loan will be designated as a FDM in the loan accounting system for the life of the loan.
- FDMs will be reported both by number and dollar amount on the Portfolio Quality Report.
- For loans over $250,000, SAC is required to approve modifications greater than 6 months and Financial Distress Modifications of loans.
- Refinances and renewals are not considered FDMs when a renewal of a matured loan has been postponed via a Change in Terms for the convenience of Craft3.
- The loan policy as it relates to the treatment of non-accruing loans will also apply to loans with a FDM status.

IV. Commercial Approval Process

With the exception of the CEO, no individual may approve a loan where they are the loan officer unless specifically authorized herein. Under no circumstance is a commitment to be made or a loan to be closed or funded unless it has been approved by the appropriate approving body or individuals.

A. Board Credit Committee Responsibilities

- Review and approve or deny all loan and investment applications presented for its approval in conjunction with Craft3's development agenda. Unless it is anticipated within the credit memorandum and accounted for, any credit approval lapses 90 days from the date of Credit Committee approval.
- Review reports including portfolio analysis, concentration analysis, and past

dues on a quarterly basis.

All loans approved or modified by a lower-level Credit Committee or individual approval authority must be reported to the Board Credit Committee or Board of Directors at least quarterly.

B. Loan Approval Authority

1. ***Board Credit Committee (BCC)***
   a) The Directors have granted authority to the Board Credit Committee to approve loans up to and including $5.0 million calculated on a total exposure basis.
   b) The directors have granted to BCC, in their sole discretion, waivers and exceptions, pursuant and consistent with the Craft3 Loan Policy.

The Board Credit Committee may, in certain circumstances, approve Specialized Loan Products (SLP) to be administered by Craft3 outside of Craft3's core lending program. Each SLP program may grow to include numerous borrowers or borrowing entities that have been loaned funds in furtherance of a common cause. It is not necessary for each of the credits within an SLP to be approved by a Committee. Staff will report on each SLP to the Board of Directors and solicit any comments regarding reporting requirements or other concerns of Board members.

The Board Credit Committee consists of at least five individuals appointed by the CEO and approved by the Chair of the Board of Directors. Membership includes the CEO and at least one Director. A quorum consists of at least three members.

2. ***Large Loan Investment Committee (LLIC)***

The Directors have granted authority to the LLIC for loans over the limits established for the BCC. The maximum loan size, in aggregate, to any customer may not exceed $10,000,000 regardless of a government enhancement. The Large Loan Investment Committee is authorized to approve NMTC transactions of any size without regard for any other Craft3 loans. If there is a Craft3 stand-alone loan as part of the NMTC transaction, approval for that loan must comply with this Policy.

Loans over $5.0 million must have a committed government enhancement (enhancement includes a committed take-out from the SBA 504 program) which would reduce the unguaranteed portion or the loan balance to not more than $5.0 million once the enhancement is consummated. It is specifically allowed that Craft3's loan exposure will be the full amount of the loan until the enhancement is consummated.

a) The Large Loan Investment Committee consists of at least seven individuals appointed by the CEO and approved by the Chair of the Board of Directors; it includes the Board Credit Committee plus two additional Board of Director Members
b) A quorum is at least four and it must include at least two Directors.
c) Approvals must be by an affirmative vote of no less than 2/3 of the members in attendance.

[3] Specific individual committee appointments are listed in a separate documented titled "Loan Approval Authority and Committee Appointments".

Meetings: The Board Credit Committee and the Large Loan Investment Committee meet as necessary. Meetings may be conducted telephonically or electronically without limitation.

3. ***Staff Loan Committee (SLC)***

The SLC may approve Craft3 loans to borrowers whose outstanding balance will not exceed $1 million calculated on a total exposure basis and to grant, in its sole discretion, waivers and exceptions, pursuant to and consistent with the Craft3 Loan Policy.

a) The SLC will be comprised of members appointed by the CEO; it will consist of at least the CCO, and CO and other members as appointed by the CEO.
b) A quorum requires at least three members, one of which must be the CCO or the CO.
c) If any SLC member is the Lender or has a close business or personal relationship with the borrower, they must abstain from voting on such loans.
d) The SLC meets as necessary. Meetings may be conducted telephonically or electronically without limitation. Minutes will be kept and reported to the Board Credit Committee within five business days of each SLC meeting.

4. ***Special Assets Committee (SAC)***

The SAC may approve modifications and risk rating changes to and to grant, in its sole discretion, waivers and exceptions, pursuant and consistent with the Craft3 Loan Policy including NMTC loans.

C. CEO and delegation to staff

The CEO may delegate single or dual approval authority and may approve loans and modifications of loans to borrowers whose outstanding balance will not exceed $350,000, calculated on a total exposure basis, so long as the loan complies with this Loan Policy, including the following:

- Only Credit Risk Management is authorized to waive policy for delegated loans or modifications.
- The CEO may delegate approval authority for specific loan programs so long as the delegation does not exceed authorities provided for herein.
- Approval authority is not to be aggregated or combined to exceed the delegated authority.
- Individuals with dual approval authority may be part of the approval on their own loans as well as approve other lenders' loans as specifically authorized but must abstain from voting on loans at the Staff Loan Committee when he/she is the Lender of record. Individuals with lending authority may not approve loans or modifications which are or will be at closing on the Problem or Watch List without the concurrence of the CEO, CCO, or CO.

The CEO may delegate individual approval for loans up to $350,000, calculated on a total exposure basis for both their own loans or to approve another lender's loan.

Any lender who has been employed by Craft3 for 2 years is eligible to receive individual approval authority for their own loans. If an individual is found to have approved under their own authority loans with two or more adverse findings within a 12-month period, their approval authority may be reevaluated. Adverse findings include the following:

- Credit Risk Management finding of a substandard credit memo.
- A loan downgraded within 12 months of origination.

Commercial Portfolio Administration is authorized to approve administrative changes to closing conditions including increasing the loan amount for fees and unexpected closing costs.

All new loans and modifications approved will be reported to the Board Credit Committee at its next meeting.

Credit Risk Management will conduct periodic reviews of loans approved under individual or dual approval authority and report findings to the CEO.

D. Minutes

The Minutes of the Committees report the actions taken by the Committee at each of its meetings. At a minimum, the Minutes must contain:

- The names of the members in attendance.
- The names of third-party guests in attendance.
- The recommendations made, responsible loan officer, name of borrower, amount of the recommended loan, exceptions to policy, and any adjustments or conditions added by the committee.
- Approval by a quorum of the Committee in a subsequent meeting.

E. Reporting to the Board of Directors

The actions of the Committees, the CEO, and their designees must be reported to the Board of Directors at each regularly-scheduled Board meeting. Such reports must contain the information that is deemed appropriate by the Board.

F. Management responsibilities

Management is responsible for the performance of the loan and investment portfolios, minimizing losses, and meeting development goals. Management is also responsible for establishing processes and procedures to ensure that the action of the approving body, including any conditions placed on the recommendation, delegations of authority to individual Committee members or Management, and actions required as a condition of approval, are thoroughly carried out and reviewed prior to closing.

G. Term Modifications

The CEO may delegate approval authority for term modifications of loans after determining that the risks of loan are unchanged. If a loan has not closed within 180 days from the date of the original approval, it must be re-approved by the appropriate governing body or individuals prior to closing.

The CEO may delegate approval authority to approve minor changes to loan terms and conditions and approve waivers and changes to loan covenants so long as they do not materially affect the risk of the loan or violate this policy, including follow-on financing not to exceed 10% of the approved loan amount. Additional Advances or follow-on financing to borrowers on the Problem or Watch List require Special Assets Committee approval.

Lenders with specific authority delegated by the CEO may approve on their assigned accounts 1) follow- on financing not to exceed 5% of the approved loan amount and 2) change in the repayment terms up to 3 months. Under no circumstances may a specific substantive requirement of the Credit Committee be modified without prior Credit Committee approval.

All changes in loan terms are monitored by Credit Risk Management and must be reported to the Board Credit Committee at its next regularly scheduled meeting and must be clearly documented in the Credit File.

H. Approval of Substantive Changes

The Special Assets Committee is authorized to approve substantive modifications.

The CCO and the CO are authorized to approve modifications and restructures loans up to $1 million so long as the loan is not, or the action will not cause the loan to be placed on the Problem or Watch list.

The CCO, the CO and the CLD are authorized to approve renewals of matured term loans up to the maximum loan amount described in IV.B.1 above so long as the renewal is no more than 60 months and the loan is not on the Problem or Watch list at the time of renewal.

All changes in loan terms must be in writing, reported to the Board Credit Committee at its next regularly scheduled meeting, become a part of the minutes of the Board Credit Committee, and must be clearly documented in the Credit File.

If a request has been made to change a requirement specifically added by the BCC, a non-staff member of the BCC may elect to approve the request or forward the request for the whole BCC.

I. Commercial Underwriting and Application Requirements

1. ***Risk Mitigation***

Craft3 expects and accepts credit risks beyond the tolerance of regulated lenders. Nevertheless, all staff are expected to actively manage credit risk in ways that exceed the standards of regulated lenders. Craft3 believes that the best source of maintaining loan quality is its human resources and will usually rely on the best judgment of these professionals in reviewing and making lending decisions.

Staff are expected to identify the risk of each transaction and identify appropriate mitigation of those risks on a case-by-case basis.

2. ***Guarantees***

Any person directly or indirectly holding more than a 20% ownership interest in the borrowing entity is required to sign a personal guarantee securing the full amount of the loan or become a co-borrower unless the governing Credit Committee or the individual approvers specifically waives this requirement. Craft3 should seek collateralized guarantees when the risks of the transaction cannot be mitigated otherwise.

At a minimum, partial guarantees, or other forms of financial support or legal obligation, from the borrower's non-profit management or board should be considered to help ensure the full cooperation of management and the board in managing the non-profit in such a manner that the Craft3 loan will be repaid.

Exceptions must be specifically approved by the governing Committee or Credit Risk Management.

3. ***Guarantees by Other Institutions or the Federal Government***

In order to protect itself from losses, Craft3 occasionally seeks a guarantee from another institution or the Federal Government. Staff will ensure that Craft3 meets the approval conditions and the program requirements as outlined by the guarantor and rules promulgated for the Federal guarantee programs.

V. Commercial Investment Process

A. Loan Presentation

All loan and investment requests are to be presented to the governing Committee or individual approvers for approval via a credit memorandum. The credit memorandum will be maintained in the electronic loan file. Details on the contents of the credit memorandum are found in Lending Guidelines.

B. Commitment letters

Craft3 does not typically issue commitment letters to borrowers. If a lender needs to communicate potential terms or documentation required, they must make it clear that communication is part of the due diligence process and they are not communicating approval of a loan.

C. Closing Requirements

A loan or investment will be approved and closed only if the governing Committee or individual approvers with approval authority deems the risk acceptable. The processes, including responsibilities of various parties are outlined in Lending Guidelines.

If Craft3 has purchased a Participation from another lending institution, Craft3 must obtain copies of the loan documents executed between the lead lender and the borrower. Craft3's file must contain Craft3's independent analysis of the transaction, all documentation related to the Craft3's approval of the loan, and any follow-up information necessary to ascertain an appropriate risk rating, including the lead bank's monitoring reports and financial information of the borrower, all of which must be maintained in the Craft3 file.

Credit Risk Management, together with Legal as needed pursuant to law, must approve all non-standard closing documents.

VI. Commercial Portfolio Monitoring

The primary purposes for monitoring the investment portfolio are to ensure that the expected financial and programmatic performance goals for loans are met, anticipate potential problems, and take timely and appropriate action. Throughout the process of portfolio review, systemic risks are to be monitored.

Craft3's Risk Rating system is used to aid in the risk management process by grouping loans with similar risk profiles into numerical ratings. Lenders and credit underwriters are responsible for recommending risk ratings and notifying the Credit Risk Management of changes in the performance of the loan that would warrant a rating review. Maintaining the risk rating system's integrity and consistency requires diligent attention by Craft3 staff.

VII. Commercial Problem Loan Management

Craft3 has established guidelines for maintaining an Allowance for Losses sufficient to cover estimated losses from Watch and Problem Loans in III Fiscal Parameters, B.

A. Problem Asset and Watch List Management

All credits with a risk rating of 6, 7 or 8 will be included on the Problem Asset and Watch List report and handled with the following steps:

a) Aggressively pursue collecting payments as soon as they become past due.
b) Negotiate a change of the repayment terms. The lender's recommendation should be based on a realistic plan for the borrower to be able to keep the account current after the change in terms. Until such time as a realistic plan can be negotiated, the loan should be carried past due.
c) Downgrade the credit as appropriate.
d) Place the loan on non-accrual per the Non-Accrual Policy in D below.
e) Charge-off the loan, in full or in part, per the Charge-off Policy in F below.

B. Special Assets Committee (SAC)

The purpose of the SAC is to ensure that Management understands the specifics of the risks in the Craft3 and NMTC portfolios and to ensure that those risks are being effectively managed and reported. The CEO may create subcommittees of the Special Assets Committee to manage designated components of the portfolio or programs within the portfolio –Staff Loan Special Assets Sub-Committee and Consumer Special Assets Sub-Committee. Subcommittees will be comprised of at least the Credit Risk Assessment Manager (CRA Mgr) and two other staff members.

SAC may approve modifications and risk rating changes to and to grant, in its sole discretion, waivers and exceptions, pursuant and consistent with the Craft3 Loan Policy.

SAC will be comprised of members appointed by the CEO and will consist of at least the CEO, CCO, CRA Mgr, CFO and at least two other members. The CEO may appoint other members at their discretion. A quorum consists of at least four members, two of whom must be the CEO, CFO, CCO, or CRA Mgr.

SAC is authorized to approve loan modifications and Financial Distress Modifications of loans as well as changes in terms to all loans including NMTC loans and loans over $1,000,000. Changes to loans under $1,000,000 will be approved by the Staff SAC Subcommittee. The CCO is authorized to approve waivers of covenant violations for both Craft3 and NMTC loans.

Staff will report to the BCC and Board on total Financial Distress Modifications number and aggregate dollar amount on a quarterly basis.

C. Work Out Plans

The responsibility of identifying actual or potential deterioration in the financial condition of a borrower resides with Credit Risk Management and the lender. As lenders and credit underwriters become aware of deterioration in a borrower's financial situation, they should recommend a downgrade of the credit, work with the borrower to create a workout plan and monitor the borrower on the implementation of that workout plan. Credit Risk Management approves the work out plan.

D. Non-Accrual

A loan is to be reported as being in nonaccrual status if payment in full of principal or interest is not expected or principal or interest has been in default for a period of 90 days or more unless the asset is both “well secured” and “in the process of collection”.

An asset is "well secured" if it is secured by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or by the guarantee of a financially responsible party that demonstrates verified assets, cash flow, and willingness to support repayment. Reliance on a tertiary repayment source such as a guarantor as justification to remain on accrual status is considered a rare occurrence.

An asset is "in the process of collection" if collection of the asset is proceeding in due course through either legal action, including judgment enforcement procedures, or collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to current status..

Loans on non-accrual are not considered part of past due agings if they become delinquent. Before being reinstated to accrual status, a loan must be current on payments. A loan that was current when placed in nonaccrual status may be reinstated to accrual status if the known risks to the continued collection of principal or interest have been fully mitigated. If the loan was past due when placed in nonaccrual status, the borrower must remain current on contractual payments for a period of six months before reinstatement.

Exceptions may be approved by the Special Assets Committee or the appropriate subcommittee if staff are actively engaged with the borrower on a work-out plan. The full balance of the loan is considered non- accrual, even if a portion of the loan is guaranteed.

E. Staff responsibilities - Commercial Problem and Watch List Asset Management

Credit Risk Management is responsible for monitoring the portfolio's credit quality with particular attention to those loans in a deteriorating or deteriorated financial condition.

Credit Risk Management will work with Craft3's lenders on the development of strategies for working with these borrowers including establishing benchmarks for how the credit could be upgraded or worked out. Credit Risk Management will approve the strategy for working with the borrower. So long as the Credit Risk Management reasonably believes that the borrower has the realistic capacity to turn itself around or a mutually agreeable work out arrangement has been negotiated with the borrower, lending staff will serve as the lead contact with the borrower.

A borrower's realistic capacity to turn itself around means:

- The payment amount covers a significant portion of the monthly interest. If on non-accrual, that would be accruing were it not on non-accrual (the loan will remain on non-accrual), or
- The borrower can fully repay the loan from a third-party transaction (sale of business, raise new equity or refinance) or payments can increase to a generally acceptable amortization based on the collateral within 12 months, and
- There are objective facts supporting a belief that the borrower can and will comply.

If the relationship with the borrower becomes adversarial or if Craft3 deems that liquidation is the best means of protecting Craft3's investment, the credit will be turned over to Credit Risk Management for further collection action. Craft3 Legal Counsel is responsible for representing Craft3 in all bankruptcy proceedings with support from credit risk management.

F. Commercial Charge-Offs

Whenever any portion of a loan is deemed uncollectible, in whole or in part, a partial or full charge-off against the Allowance for Loan Losses must be made based on a conservative estimate of the realizable liquidation value to assure that the value of Craft3 assets are stated as accurately as possible.

The appropriate SAC must approve any exceptions to the Charge-Off Policy.
The Special Assets Committee or one of its sub-committees must approve a recommend to charge-off a commercial borrowers' outstanding balances. A commercial charge-off does not imply any lessening of efforts to collect the loan in full. Commercial charge-offs over $1,000,000 must be reported to the Board Credit Committee and the Board at its next regularly-scheduled meeting.

Credit Risk Management has the responsibility for and maintains direct contact with the borrowers for all commercial loan workouts and collection efforts. Factors such as the amount of debt, the probability of collection, and the time involved must be considered when determining a course of action and pursuing collection and follow-up.

Whenever any portion of a loan is charged-off, all current year accrued but unpaid interest will be reversed against current income at the time of charge-off; prior year's accrued interest will be charged off to the loan loss reserve. In cases where a loan has been placed on non-accrual and some portion of the principal has been charged-off, any payments received must be applied to principal.

G. IRS reporting

Per 26 CFR §1.6050P, if Craft3 discharges the indebtedness of any person with a commercial lending obligation of at least $600 (aggregate) during a calendar it must file an information return on Form 1099-C with the IRS. The determination of discharge is when a loan or any portion of a loan is deemed uncollectible; the 1099-C will be filed within 14 months of deeming the loan uncollectible (generally, by February 28th for those loans where the decision was made to no longer seek collection action in the previous year.)

VIII. Consumer Lending

A. Lending - Federal and State Requirements

Consumer loans follow federal and state consumer lending legal requirements. Craft3 has developed procedures to comply with consumer lending requirements; those procedures may include provisions to remain under legal requirement thresholds.

Craft3's consumer lending procedures and practices, including those designed to remain under thresholds, will be reviewed and approved by the SAC Subcommittee – Consumer SAC.

B. Funder Restrictions

Craft3 will meet customer needs in the context of its mission and Program guidelines for administering the Program based on any Agreement and may include:

- Customized credit, such as deferred or irregular payments, and credit facilities (which may require greater effort and involve greater risk than conventional credits) may be utilized while administrating Craft3's consumer lending programs. The mission implications of lending in these target areas or sectors may demand that Craft3 take greater overall risk in making a loan and may demand pricing which is other than standard.

- Lending to individuals and businesses that do not qualify for or have reached the limit of conventionally available credit within their operating territory.

Loan Program capital has restrictions and compliance requirements associated with the funds. All loan and investment documentation and agreements must conform to the limitations as defined by the grant or Memorandum of Understanding or other governing document with the capital provider.

C. Credit Reports

Craft3 orders and reviews credit reports on potential borrowers, guarantors, and on-going borrowers as needed.

Credit histories will be evaluated along with other factors of the borrower's financial picture to determine a credit history. Lenders will evaluate credit uniquely and identify and document appropriate offsetting factors to concerning credit items, as defined in the product underwriting tools. Lending authority structure ensures additional evaluation on applications with layered risk or recent poor credit performance.

D. Consumer Committees

1. Consumer Management Team

Consumer Management Team is be comprised of the Consumer Lending Director, SVP, and at least two other members appointed by the Consumer Lending Director, SVP. The Consumer Management Team is responsible for the operations and performance of the Consumer Lending Business Unit including compliance with funder requirements and adherence with applicable consumer lending regulations.

The Consumer Management Team will approve consumer loans up to an aggregate of $200,000 per Borrower. Aggregate is defined as total lending relationships to one Borrower across all consumer and commercial lending products. Approval is required by a minimum of two members of the consumer Management team. Individual Consumer Management Team members can approve up to $150,000 for the ADU program and $100,000 for all other consumer products.

2. ***Consumer Special Assets Sub-Committee (CSAC)***

The Consumer Special Assets Sub-Committee (CSAC) is comprised of members appointed by the CEO and will consist of the Consumer Lending Team Manager, CRA Mgr, Consumer Lending Director and Consumer CO. The CEO may appoint other members at their discretion. A quorum consists of at least three members that must include either the CRA Mgr or the Consumer CO.

The CSAC is responsible for:

- Consumer portfolio performance
- Major changes in consumer lending programs and approval of new programs
- Aggregate approval by Borrower of loans up to $300,000. There are no exceptions granted for approval on loans over $300,000 in size. CSAC reports its actions to SAC.

E. Consumer Delinquency Committee (CDC)

The Consumer Delinquency Committee (CDC) is comprised of the CRA Mgr, the Consumer CO and at least two members of the Consumer Management Team as designated by the Consumer Lending Director, SVP or the CCO. A quorum consists of at least three members, that must include either the CRA Mgr or the Consumer CO. CDC is responsible for monitoring past-due loans monthly, approving Craft3 actions in response to the delinquency, approving charge-offs. The CDC reports its actions to CSAC.

F. Portfolio Performance

1. ***Past Dues***

The ratio of past due loans (in dollars) to total dollars outstanding should not exceed 2% for the Consumer portfolios (Energy loans more than 61 days past due, all other consumer loans more than 31 days past due).

2. ***Annual losses*** (net of recoveries)

The ratio of annual losses (net of recoveries) as a percent of each of the three previous years' outstanding balance should not exceed 2% for the Consumer portfolios.

3. ***Consumer Financial Distress Modification Financial Distress Modification(FDM FDM)***

A consumer FDM Financial Distress Modification is one or more changes in terms greater than 6 months within the previous 12 months period due to any borrower's financial difficulties.

G. Consumer Loan Approval Authorities

Each consumer product (Clean Water, Energy, ADA, Manufactured Home Replacement, Accessory Dwelling Units (ADUs) and other consumer products directed to specific populations or purposes) has a product limit established. The limit changes from time to time based on funder and market conditions. The CCO must approve changes in the program limit for each loan type. The Loan Approval Authority and Committee Appointments Addendum will be updated as the limits change.

H. Allowance For Losses

Allowance for consumer losses are under the adoption of the CECL policy referenced above.

IRS reporting – per 26 CFR §1.6050P, if Craft3 discharges the indebtedness of any person with a consumer lending obligation of at least $600 (aggregate) during a calendar year it must file an information return on Form 1099-C with the IRS. The determination of discharge is when a loan or any portion of a loan is deemed uncollectible; the 1099-C will be filed within 14 months of deeming the loan uncollectible (generally, by February 28th for those loans where the decision was made to no longer seek collection action in the previous year.)

I. ***Portfolio Management***

Craft3 must ensure adequate processes are in place to effectively address and monitor past-due loans and immediately address loans identified as past due.

1. ***Risk Rating***

Downgrades: All loan programs will be rated a risk rating 5 at origination. Risk ratings will change primarily based on repayment performance, though some other factors may apply. The following repayment status will result in a change of risk rating:

i) Clean Water, ADA, MFU and ADU loans
  - 46-75 days past due = 6 risk rating
  - 76+ days past due = 7 risk rating

ii) Energy
  - 76-105 days past due = 6 risk rating
  - 106+ days past due = 7 risk rating

A downgrade is approved by at least one member of Consumer Delinquency Committee if the downgrade meets the past due timelines noted above. Exceptions to these risk rating assignments require approval by the Consumer Delinquency Committee. All downgrades and exceptions must be promptly reported to CSAC.

2. ***Non-Accrual SAC***

Unless actively engaged in a forbearance agreement, loans are placed on non-accrual in the following circumstances:

- Clean Water, ADA – 120 days past due
- Energy – 150 days past due

Interest paid prior to the beginning of the defined period would continue to be earned. However, the CEO, the CCO, or the CRA Mgr may use discretion in reversing all or a portion of that interest for any period of time. Loans placed on non-accrual will be not be included in past due agings.

Generally, a loan would not be converted back to accrual status unless the borrower had made 6 consecutive timely payments or there is a documented take-out of the Craft3 loan.

Placing a loan on non-accrual is approved by one member of Consumer Delinquency Committee if the non-accrual meets the past-due timelines noted above. Exceptions to placing a loan on non-accrual require approval by the Consumer Delinquency Committee. All loans placed on non-accrual and all exceptions must be promptly reported to CSAC.

3. ***Risk Rating – Upgrades***

A loan may be considered for an upgrade if the loan has been current and has not been restructured, modified, or follow-on financing approved due to cash flow problems in the past 8 months. Prior to upgrade, a credit report pulled within the past 90 days must indicate that the borrower's credit has not deteriorated since origination. Upgrades are reviewed and approved by a member of the Consumer Delinquency Committee.

4. ***Charge-offs***

Craft3 will make diligent efforts to work with borrowers for repayment. In the event a loan cannot be repaid, the debt will be charged-off. When possible, security interests will be retained on collateral for potential recoveries upon sale or transfer. A Charge-off is approved by Consumer Delinquency Committee.

5. ***External File Reviews and Audits***

Craft3 will have an annual Consumer file review conducted by a third party. Reviews will include compliance with consumer lender rules and regulations as applicable to Craft3. The results of the third- party reviews and management response will be reported to the Board's Audit Committee for acceptance by the Board of Directors.

6. *Compliance TILA, ECOA, FCRA, E-Sign, and UDAAP*

Craft3 requires all employees to comply with applicable law including without limitation TILA (Reg. Z), ECOA (Reg. B), FCRA (Reg. V), E-Sign Act (15 USC 7001 et seq.), and UDAAP (15 USC 45) as well as applicable state laws and regulations.

J. Term Modifications

1. *Minor Modifications*

Authority may be delegated to staff to approve minor modification proposals to borrower loans so long as the modifications do not materially affect the risk of the loan or violate this policy. Please see minor modifications in the glossary for definition.

2. *Other Modifications*

For all modifications that are not considered minor approval is required by one member of CSAC and must be promptly reported to CSAC.

3. *Follow-On Financing*

Eligible borrowers may be able to increase their original loan amount to cover increased project construction costs. Such transactions may be approved by lenders up to their individual lending authorities. New credit, debt, and income information is required if the information in the file is over 6 months old. The Consumer Management Team is authorized to approve increases of up to 10% of the loan.

4. *Monitoring and Reporting*

Other modifications must be reported to the Consumer Special Assets Committee and clearly documented in the Credit File.

5. *Cannabis and Consumer Lending*

Craft3 will not knowingly lend directly to customers who derive income from cannabis production, manufacturing, distribution, or sales. Indirect cannabis affiliation is a permitted with the approval of Risk Management.

Glossary of Definitions

Definitions related to loan metrics or data points are found in the Reference Manual of Impact Metrics.

Term	**Definition**
Board	The Board of Directors (BOD) of Craft3
Board Credit Committee (BCC)	The regularly scheduled group that approves Craft3 loans as well as reviews quarterly portfolio quality reports, the annual update of the Loan Policy, and the third-party external loan review.
Change in Terms (CIT)	The actual document(s) that amend or otherwise change a loan
Charge-off Rate, Annual	A percentage representing the amounts written off during a fiscal year, net of subsequent recoveries divided by average of the previous 12-month period loans outstanding.
Charge-off Rate, rolling 3-Year Average	The annual net loss dollars for the last 3 rolling years divided by Average of the previous 12 quarter loans outstanding.
Consolidated Portfolio	All Craft3 loan assets as either part of Craft3 or held in other consolidated on balance sheet subsidiary entities
Credit Risk Management	The CCO, the VP Risk and Credit Risk Assessment Manager (CRA Mgr), the Risk Management and Work Out Officer (RMWOO), and the Credit Officer (CO).
Default	Craft3 has declared the borrower in default and has moved the interest rate to the default rate as provided in the Promissory Note. The full balance of the loan is considered in Default, even if a portion of the loan is guaranteed.
Forbearance Agreement	Craft3 has negotiated to modify the terms of a note in exchange for some borrower action: agree to a voluntary liquidation plan, or take other actions to improve the borrowers' financial condition (raise additional equity, launch a new product, etc.).
Large Loan Investment Committee (LLIC)	The highest level of loan or investment approval authority given by the Board of Directors.

Lending staff	All individuals in the loan process, including lenders, Credit Risk Management, underwriters, and administration personnel.
Loans Outstanding	The total dollar amount of all outstanding loan dollars in the loan portfolio at the time of approval plus the amount of the new loans closed but not yet funded.
Management	The CEO and the CCO
Minor modification	Minor modifications include 1) replacement of collateral so long as the resulting collateral is no higher on a loan to value (LTV) basis than the originally approved loan on a discounted basis, 2) change in the repayment terms up to 3 months; and 3) non-standard closing documents so long as the change does not materially affect the security position of Craft3 (e.g. not requiring a landlord's waiver so long as there is an adequate alternative plan). Under no circumstances may a specific substantive requirement of the Credit Committee be modified without prior Credit Committee approval.
Modification	The memo seeking approval to a loan change.
Non-Accrual	Commercial loans that are over 90 days past due or when Craft3 has declared the principal balance due and payable, whichever occurs first. Exceptions may be approved by the Special Assets Committee or the appropriate subcommittee if staff is actively engaged with the borrower on a work-out plan. The full balance of the loan is considered Non-Accrual, even if a portion of the loan is guaranteed. Once a loan is placed on non-accrual status, it is removed from past due agings.
OREO/OAO	Other Real Estate Owned or Other Assets Owned by Craft3 either via foreclosure, Deed in Lieu of Foreclosure or otherwise surrendered to the Craft3 by a Borrower. The value carried in OREO/OAO is the value supported by an appraisal or reliable valuation source. OREO/OAO values

	are not run thru the ALL or Charged off Loans in Recovery.
Past Due Loans	A loan that is late in making a scheduled payment (excluding non-accrual status) or whose loan has matured as stated in the promissory note, measured in 1 - 30, 31 – 60, 61 – 90, 91 – 120 and 121+ day increments. The full balance of the loan is considered past due even if a portion of the loan is guaranteed.
Past Due Percentage	Commercial Loans which are 31+ days past due divided by Loans Outstanding
Production	The full amount of an individual loan approved for a borrower is counted in the period that the loan is closed; for LOCs, the commitment amount is counted only once in the year in which the first LOC closed. Rollovers, extensions, and renewals of credit line loans are not to be counted twice; the amount of an increase of a LOC is to be counted.
Split Risk Rating	For guaranteed loans, only the non-guaranteed portion of a loan is considered non- performing, or a Problem or Watch List Assets , as applicable.
Write-off	A “charged off” loan is changed to “write-off” when staff has exhausted all reasonable collection efforts. This action does not affect the portfolio quality statistics since the loan was accounted for when it was charged off and if any post-charge off collections occurred. Therefore write-offs are not separately tracked or reported.

Appendix F

Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information for Craft3 and Subsidiaries

Craft3 and Subsidiaries

Consolidated Financial Report
December 31, 2023

Contents

Independent Auditors' Report

Board of Directors
Craft3

Opinion
We have audited the consolidated financial statements of Craft3, which comprise the consolidated statement of financial position as of December 31, 2023, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Craft3 as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Craft3 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 2 to the financial statements, Craft3 adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and all subsequent ASUs that modified ASC 326. Our opinion is not modified with respect to this matter.

Other Matter
The financial statements of Craft3 as of and for the year ended December 31, 2022, were audited by other auditors whose report, dated April 28, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Craft3's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Craft3's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Craft3's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

Gaithersburg, Maryland
April 26, 2024

Craft3 and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	**$ 34,525,870**	$ 9,942,742
Restricted cash and cash equivalents	**9,814,524**	1,838,323
Investments, at fair value (Note 4)	**16,805,669**	21,324,228
Restricted investments, at fair value (Note 4)	**-**	7,769,918
Grants receivable (Note 5)	**976,919**	1,078,178
Accrued interest, other receivables, and prepaid expenses	**1,670,348**	1,559,427
Commercial loans receivable, net deferred loan fees (Note 7)	**16,617,790**	14,302,879
Consumer loans receivable, net deferred loan fees (Note 7)	**3,193,791**	2,294,794
Total current assets	**83,604,911**	60,110,489
Loans receivable:		
Commercial loans, net deferred loan fees (Note 7)	**111,670,926**	106,843,480
Consumer loans, net deferred loan fees (Note 7)	**50,896,450**	35,287,038
Total loans receivable, net	**162,567,376**	142,130,518
Less current portion, net deferred loan fees (Note 7)	**(19,811,581)**	(16,597,673)
Less reserve for credit losses (Note 7)	**(8,252,739)**	(7,887,460)
Total loans receivable, net of current portion	**134,503,056**	117,645,385
Other assets:		
Cash and cash equivalents, restricted for loan loss reserves	**1,204,901**	1,039,486
Furniture and equipment, net	**532,431**	513,486
Foreclosed and other repossessed assets	**963,483**	963,483
Operating lease right-of-use assets (Note 11)	**17,419**	952,397
Finance lease right-of-use assets (Note 11)	**1,017,362**	583,022
Other assets	**179,041**	5,000
Total other assets	**3,914,637**	4,056,874
Total assets	**$ 222,022,604**	$ 181,812,748

(Continued)

Craft3 and Subsidiaries

Consolidated Statements of Financial Position (Continued)
December 31, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 4,680,864**	$ 2,971,767
Current portion of long-term debt (Note 10)	**21,052,443**	26,029,533
Operating lease liabilities (Note 11)	**17,513**	317,836
Finance lease liabilities (Note 11)	**234,914**	40,458
Total current liabilities	**25,985,734**	29,359,594
Long-term liabilities:		
Long-term debt:		
Notes payable (Note 10)	**120,020,222**	96,394,250
Equity equivalent investments and subordinated notes payable (Note 10)	**14,044,649**	10,697,568
Total long-term debt	**134,064,871**	107,091,818
Less current portion (Note 10)	**(21,052,443)**	(26,029,533)
Total long-term debt, net of current portion	**113,012,428**	81,062,285
Long-term lease liabilities:		
Deferred compensation obligation (Note 18)	**174,041**	-
Operating lease liabilities (Note 11)	**-**	634,561
Finance lease liabilities (Note 11)	**1,045,494**	679,292
Total long-term lease liabilities	**1,219,535**	1,313,853
Total liabilities	**140,217,697**	111,735,732
Net assets:		
Without donor restrictions	**67,130,756**	66,787,323
With donor restrictions (Note 16)	**14,674,151**	3,289,693
Total net assets	**81,804,907**	70,077,016
Total liabilities and net assets	**$ 222,022,604**	$ 181,812,748

See notes to consolidated financial statements.

Craft3 and Subsidiaries

Consolidated Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Interest income on outstanding loans	$ 9,055,388	$ 340,964	$ 9,396,352
Grants and contributions (Note 12)	4,842,831	14,511,194	19,354,025
Loan origination and servicing fees	1,436,645	-	1,436,645
Investment income, net (Note 4)	1,766,050	-	1,766,050
NMTC management and servicing fees (Note 14)	507,536	-	507,536
Miscellaneous income	2,376	-	2,376
Net assets released from restrictions (Note 15)	3,467,700	(3,467,700)	-
Total revenue and other support	21,078,526	11,384,458	32,462,984
Expenses:			
Program services:			
Commercial lending activities	11,532,605	-	11,532,605
Consumer lending activities	4,058,097	-	4,058,097
Consulting and management services	828,367	-	828,367
Total program services	16,419,069	-	16,419,069
Supporting services:			
Management and administration	3,758,116	-	3,758,116
Development	453,319	-	453,319
Total supporting services	4,211,435	-	4,211,435
Total expenses	20,630,504	-	20,630,504
Change in net assets before net unrealized gains on investments	448,022	11,384,458	11,832,480
Net unrealized gains on investments (Note 4)	834,460	-	834,460
Change in net assets	1,282,482	11,384,458	12,666,940
Net assets, beginning of year	66,787,323	3,289,693	70,077,016
Impact on net assets due to adoption of ASC 326	(939,049)	-	(939,049)
Net assets, end of year	$ 67,130,756	$ 14,674,151	$ 81,804,907

See notes to consolidated financial statements.

Craft3 and Subsidiaries

Consolidated Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Interest income on outstanding loans	$ 10,135,513	$ -	$ 10,135,513
Grants and contributions (Note 12)	3,050,031	3,219,367	6,269,398
Loan origination and servicing fees	1,498,898	-	1,498,898
Investment income, net (Note 4)	569,214	-	569,214
NMTC management and servicing fees (Note 15)	507,536	-	507,536
Miscellaneous income	186,616	-	186,616
Net assets released from restrictions (Note 16)	4,564,972	(4,564,972)	-
Total revenue and other support	20,512,780	(1,345,605)	19,167,175
Expenses:			
Program services:			
Commercial lending activities	8,340,905	-	8,340,905
Consumer lending activities	3,087,080	-	3,087,080
Consulting and management services	1,055,541	-	1,055,541
Total program services	12,483,526	-	12,483,526
Supporting services:			
Management and administration	2,946,408	-	2,946,408
Development	510,339	-	510,339
Total supporting services	3,456,747	-	3,456,747
Total expenses	15,940,273	-	15,940,273
Change in net assets before net unrealized losses on investments	4,572,507	(1,345,605)	3,226,902
Net unrealized losses on investments (Note 4)	(1,481,333)	-	(1,481,333)
Change in net assets	3,091,174	(1,345,605)	1,745,569
Net assets, beginning of year	63,696,149	4,635,298	68,331,447
Net assets, end of year	$ 66,787,323	$ 3,289,693	$ 70,077,016

See notes to consolidated financial statements.

Craft3 and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services				Supporting Services			
	Commercial Lending Activities	Consumer Lending Activities	Consulting and Management Services	Total Program Services	Management and Administration	Development	Total Supporting Services	Total
Expenses:								
Salaries and wages	$ 5,171,504	$ 2,003,058	$ 486,924	$ 7,661,486	$ 1,375,357	$ 275,653	$ 1,651,010	$ 9,312,496
Payroll taxes and fringe benefits	1,430,195	649,509	105,791	2,185,495	484,783	69,227	554,010	2,739,505
Interest and loan fee	2,241,065	233,526	-	2,474,591	-	-	-	2,474,591
Technology expense	329,395	159,384	42,503	531,282	233,764	31,877	265,641	796,923
Occupancy expense	273,151	132,170	35,245	440,566	193,849	26,434	220,283	660,849
Loan costs	265,593	346,769	-	612,362	-	-	-	612,362
Consultants	113,229	350	70,593	184,172	383,713	5,000	388,713	572,885
Grants made	33,334	236,919	-	270,253	-	-	-	270,253
Taxes and licenses	117,833	57,016	15,204	190,053	83,623	11,403	95,026	285,079
Professional fees	10,555	-	47,930	58,485	82,450	9,573	92,023	150,508
Travel	95,395	29,402	7,934	132,731	105,049	11,788	116,837	249,568
Insurance	52,230	25,273	6,739	84,242	37,066	5,055	42,121	126,363
Office supplies	15,816	7,653	2,041	25,510	11,224	1,531	12,755	38,265
Depreciation and amortization	42,643	20,634	5,502	68,779	30,263	4,127	34,390	103,169
Credit loss expense	1,182,054	129,677	-	1,311,731	-	-	-	1,311,731
Other operating costs	158,613	26,757	1,961	187,331	736,975	1,651	738,626	925,957
Total expenses	$ 11,532,605	$ 4,058,097	$ 828,367	$ 16,419,069	$ 3,758,116	$ 453,319	$ 4,211,435	$ 20,630,504
Percent of total expenses	56%	20%	4%	80%	18%	2%	20%	100%

See notes to consolidated financial statements.

Craft3 and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services				Supporting Services			
	Commercial Lending Activities	Consumer Lending Activities	Consulting and Management Services	Total Program Services	Management and Administration	Development	Total Supporting Services	Total
Expenses:								
Salaries and wages	$ 4,426,024	$ 1,588,494	$ 573,290	$ 6,587,808	$ 1,067,359	$ 276,492	$ 1,343,851	$ 7,931,659
Payroll taxes and fringe benefits	1,381,422	548,383	171,822	2,101,627	293,396	86,472	379,868	2,481,495
Interest and loan fee	1,944,616	(70,677)	-	1,873,939	608	-	608	1,874,547
Technology expense	294,761	142,626	38,034	475,421	209,185	28,525	237,710	713,131
Occupancy expense	253,086	126,353	32,741	412,180	191,803	25,710	217,513	629,693
Loan costs	319,421	325,401	-	644,822	-	205	205	645,027
Consultants	100,919	-	84,752	185,671	427,730	24,951	452,681	638,352
Grants made	220,000	97,868	-	317,868	-	-	-	317,868
Taxes and licenses	105,343	50,972	13,593	169,908	74,760	10,194	84,954	254,862
Professional fees	28,243	-	113,275	141,518	78,705	34,067	112,772	254,290
Travel	69,119	22,189	3,487	94,795	58,854	8,653	67,507	162,302
Insurance	51,902	25,114	6,697	83,713	36,834	5,023	41,857	125,570
Office supplies	44,453	21,510	5,736	71,699	31,548	4,302	35,850	107,549
Depreciation and amortization	67,412	28,727	8,614	104,753	35,647	5,306	40,953	145,706
(Recapture of) provision for loan losses	(1,000,000)	152,600	-	(847,400)	-	-	-	(847,400)
Other operating costs	34,184	27,520	3,500	65,204	439,979	439	440,418	505,622
Total expenses	$ 8,340,905	$ 3,087,080	$ 1,055,541	$ 12,483,526	$ 2,946,408	$ 510,339	$ 3,456,747	$ 15,940,273
Percent of total expenses	52%	19%	7%	78%	19%	3%	22%	100%

See notes to consolidated financial statements.

Craft3 and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 12,666,940	$ 1,745,569
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	103,169	145,706
Credit loss expense	1,311,731	(847,400)
Net unrealized and realized (gains) losses on investments	(834,460)	1,404,663
Change in deferred fees	115,624	-
Amortization of right-of-use assets	503,866	314,010
Changes in operating assets and liabilities:		
Grants receivable	101,259	(198,578)
Accrued interest, other receivables, and prepaid expenses	(284,962)	(109,516)
Accounts payable and accrued expenses	1,883,138	287,086
Operating lease liabilities	(102,158)	(296,673)
Net cash provided by operating activities	15,464,147	2,444,867
Cash flows from investing activities:		
Net change in loans receivable	(22,437,983)	(11,820,418)
Purchases of investments	(92,841,760)	(26,876,929)
Proceeds from sales and maturities of investments	105,964,697	23,118,921
Purchases of furniture and equipment	(122,114)	(37,425)
Proceeds from sales of foreclosed and repossessed assets	-	208,708
Net cash used in investing activities	(9,437,160)	(15,407,143)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	43,645,323	36,793,541
Principal payments on long-term debt	(16,672,270)	(36,930,209)
Repayment of finance lease liabilities	(275,296)	(91,241)
Net cash provided by (used in) financing activities	26,697,757	(227,909)
Change in cash, cash equivalents and restricted cash	32,724,744	(13,190,185)
Cash, cash equivalents and restricted cash, beginning of year	12,820,551	26,010,736
Cash, cash equivalents and restricted cash, end of year	$ 45,545,295	$ 12,820,551
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest on long-term debt	$ 2,621,018	$ 2,575,805
Supplemental noncash disclosures:		
Right-of-use asset acquired in exchange for operating lease liabilities	$ -	$ 2,036,940
Reclassification of right-of-use assets from operating to financing	$ 1,413,939	$ -
Reclassification of lease liabilities from operating to financing	$ 1,681,220	$ -
Transfer due to adoption of ASC 326, reclassified from reserve for loan losses to net assets	$ 939,049	$ -

See notes to consolidated financial statements.

Note 1. Organization and Nature of Activities

Craft3 is a nonprofit community development organization that uses capital, relationships and voice to build a thriving, just and empowered Pacific Northwest. Craft3 invests in people, businesses, and communities and works towards a future of shared prosperity across the region.

Funding for Craft3's lending and other activities comes from grants and loans made to Craft3 by financial institutions, governmental entities, nonprofit organizations, and individuals.

Craft3 is certified as a Community Development Financial Institution (CDFI) by the Community Development Financial Institutions Fund, a division within the U.S. Department of the Treasury.

Craft3 Future Fund (CFF) is a wholly owned, not-for-profit subsidiary of Craft3. CFF is utilized to originate Sharia-compliant investments in Washington and Oregon.

Craft3 Other Owned WA Properties, LLC (WA OREO) and Craft3 Other Owned OR Properties, LLC (OR OREO) are wholly owned, for-profit subsidiaries of Craft3. WA OREO and OR OREO were established to hold real property.

Windfarm Investments, Inc. (Windfarm) is a wholly owned, for-profit subsidiary of Craft3. Windfarm was created to facilitate the funding of a New Markets Tax Credit (NMTC) investment.

Craft3 Investment II, LLC (Investment II) is 99.99% owned by Craft3 and 0.01% owned by Windfarm. Investment II is utilized to manage a leverage loan in a NMTC transaction utilizing allocation from an unrelated community development entity.

Note 2. Summary of Significant Accounting Policies

Principles of consolidation: These consolidated financial statements include the accounts of Craft3 and its wholly owned subsidiaries, CFF, WA OREO, OR OREO, Windfarm, and Investment II (collectively, Craft3 or the Company). All material intercompany balances and transactions have been eliminated in consolidation.

Related entities: Craft3 is related to a series of limited liability companies (LLC) that were established to take advantage of the NMTC program, which is described in Note 14 to these consolidated financial statements. Craft3 manages the LLCs but does not have a controlling interest in any of them. Accordingly, Craft3’s investment in the LLCs is accounted for at cost, subject to possible impairment. Craft3 earns management and other fees for activities related to the LLCs. As of December 31, 2023, and 2022, management concluded that the investments in these LLCs were not impaired.

Basis of presentation: The accompanying consolidated financial statements of Craft3 have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP), which requires that resources be classified for reporting purposes based upon the existence or absence of donor-imposed restrictions. This is accomplished by classification of net assets into two classes: without donor restrictions and with donor restrictions.

***Net assets without donor restrictions*:** Net assets without donor restrictions are available for use in general operations and not subject to donor imposed restrictions. A portion of these net assets may be designated by the Board of Directors for specific purposes. Items that affect (i.e., increase or decrease) this net asset category include revenue (principally interest and loan fees) and related expenses associated with the core activities of Craft3. No Board designations existed on December 31, 2023 or 2022.

Note 2. Summary of Significant Accounting Policies (Continued)

Net assets with donor restrictions*:* Net assets with donor restrictions represent contributions and other inflows of assets received from donors that are limited in use by Craft3 in accordance with temporary donor imposed stipulations or limited as to time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Items that affect this net asset category are restricted contributions, including unconditional pledges and earnings on notes receivable that were funded by contributions with restricted purposes. These stipulations may expire with time or may be satisfied and removed by the actions of Craft3 according to the terms of the contribution. Upon satisfaction of such stipulations, net assets are released from net assets with donor restrictions and recognized as net assets without donor restriction.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities, income, and expenses. While actual results may vary, estimates especially susceptible to significant changes in the near term relate to the determination of the allowance for credit losses and fair value measurements.

Cash and cash equivalents: All short-term deposits and investments with an original maturity of three months or less are considered cash and cash equivalents unless specifically restricted. Craft3 has cash balances in excess of federally insured limits of $250,000. Craft3 places its cash and restricted cash with high quality financial institutions. If any of the financial institutions with whom Craft3 does business were to be placed into receivership, Craft3 may be unable to access the cash on deposit with such institutions. If Craft3 were unable to access cash and cash equivalents as needed, the financial position and ability to operate may be adversely affected. Craft3 has not experienced any losses in such accounts.

Restricted cash and cash equivalents and restricted investments: Restricted cash and cash equivalents and restricted investments consists of cash with limitations on Craft3's ability to use it for general operating expenses due to restrictions imposed by donors, grantors and financial institutions.

Below is a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the amounts shown in the consolidated statements of cash flows as of December 31:

	2023	2022
Cash and cash equivalents	$ 34,525,870	$ 9,942,742
Restricted cash:		
Self-Help Credit Union Reserve Accounts	1,204,901	1,039,486
U.S. Department of Agriculture Intermediary Relending Program (IRP)	9,334,014	1,382,292
U.S. Small Business Administration Intermediary Lending Program (ILP)	480,510	456,031
Total restricted cash	11,019,425	2,877,809
Total cash, cash equivalents and restricted cash	$ 45,545,295	$ 12,820,551

The Self-Help Credit Union Reserve accounts represent loan loss reserves set up as a result of the Self-Help Energy Loan Sale discussed in Note 8.

Note 2. Summary of Significant Accounting Policies (Continued)

The IRP requires cash used in this program to be segregated and deposited in a dedicated bank account. Included in the above is an U.S. Treasury bill with a maturity less than three months and fair value of $7,959,088 as of December 31, 2023.

The U.S. Small Business Administration ILP requires cash used in this program to be segregated and deposited in a dedicated bank account.

Investments: Investments are carried at fair value. Net investment income (loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Grants receivables: Grants are recognized as support in the year that they are unconditionally received from the donor. They are reported as increases in the appropriate category of net assets. Grants that will not be collected within one year are discounted at a rate commensurate with the risks involved at the time the grant was received, based upon anticipated payment dates. The discount is insignificant to Craft3's consolidated financial statements. Craft3 has determined there is no allowance for outstanding grant receivables as of December 31, 2023 and 2022.

Accrued interest and other receivables: Receivables consist of amounts owed to Craft3 from customers, related-party LLCs and accrued interest on loans receivable. Accrued interest and other receivables are stated at their principal balances and are generally uncollateralized. As of December 31, 2023 and 2022, Craft3 determined that no allowance for doubtful accounts was required.

Loans receivable and reserves for credit losses: Loans receivable are stated at the amount of unpaid principal, reduced by net deferred unamortized origination fees. Interest income on loans is recognized when earned. Loans to businesses and nonprofits generally require collateral and personal guarantees from the principal owners or members of borrower's management.

A loan is placed on nonaccrual status when it is specifically determined to be individually evaluated and when, in the opinion of Craft3 management, there is an indication that the borrower may be unable to make payments as they become due. Craft3's policy requires that a commercial loan be placed on nonaccrual status when payments are 90 days or more past due and the value of the related collateral does not exceed the outstanding balance. Craft3's policy requires that a consumer loan be placed on nonaccrual status when payments are 90 days or more past due (clean water and Americans with Disabilities Act [ADA] loans) or 120 days or more past due (energy loans) and the value of the related collateral does not exceed the outstanding balance. Interest income generally is not recognized on individually evaluated loans. Payments received on such loans are applied as a reduction of the loan principal balance until it is reduced to zero, and then applied to interest income thereafter. If a loan is past due when placed in nonaccrual status, the borrower must remain current on contractual payments for six months before it may be reinstated. Unless considered collectible, all interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Accrued interest on loans of $1,230,621 and $969,032 at December 31, 2023 and 2022, respectively, was included in accrued interest, other receivables, and prepaid expenses on the consolidated statements of financial position and was excluded from the estimate of credit losses.

Note 2. Summary of Significant Accounting Policies (Continued)

Prior to the adoption of Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, impairment is considered to exist when it is probable that not all amounts due will be collected under the terms of the loan receivable. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case by-case basis, taking into consideration all circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

In a situation where a borrower is experiencing financial difficulties resulting in significant concessions that Craft3 would otherwise not consider, the related loan is classified as a financial distress modification (FDM). FDM's are loans where a material concession to a borrower has been granted due to a borrower's financial inability to meet the original required terms of the loan. Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more viable terms before it is charged off. Concessions could include a reduction in the interest rate, payment extensions, forgiveness of principal, forbearance, and other actions designed to maximize collections. In cases where Craft3 grants the borrower new terms that provide for a reduction of either interest or principal, Craft3 measures any impairment as noted above for impaired loans. FDM loans are classified as impaired until they are fully repaid or charged off. FDM loans are subject to the same nonaccrual and charge off policies as noted above with respect to their restructured principal balance.

Credit loss reserves: On January 1, 2023, Craft3 adopted ASU 2016-13, *Financial Instruments* **–** *Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, replacing the incurred loss methodology with an expected loss methodology, referred to as the current expected credit losses (CECL) methodology.

The allowance for credit losses is measured on a collective (pooled) basis when similar risk characteristics exist. Craft3 has identified the following portfolio segments:

- ***Commercial:*** Commercial loans are generally made to small and medium-size businesses and nonprofit organizations in a variety of industries located in the Pacific Northwest for business acquisition, start-up costs, working capital, business expansion and construction. Changes in the financial stability status of borrowers is a key risk factor that may impact the collectibility of these loans, along with the condition of any underlying collateral if foreclosed. The commercial loan segment is further disaggregated into the following classes for the purpose of monitoring the loans and analyzing credit losses:

  - *Large balance:* Consists of commercial loans with an original balance greater than $250,000. These loans include real estate loans for both commercial and multi-family housing developments, conservation loans, and loans to non-profit entities.

  - *Small balance:* Consists of commercial loans with an original balance of $250,000 or less. These loans are primarily startup capital, working capital, tenant improvements, equipment purchases and inventory financing, etc. Loans are primarily secured by Uniform Commercial Code (UCC) filings.

  - *Future Fund:* Consists of commercial loans made under Shari'a compliant financing guidelines. These financings are made primarily for real estate (referred to as Musharakah financing) and more recently working capital (Wakalah financing).

Note 2. Summary of Significant Accounting Policies (Continued)

- ***Consumer:*** Consumer loans are generally made to homeowners located in the Pacific Northwest. The loans are generally secured by underlying collateral. For each class described below, the employment status of borrowers is a key risk factor that may impact the collectibility of these loans, along with the nature, value and condition of any collateral if repossessed. The consumer segment is further disaggregated into the following classes for the purpose of monitoring the loans and analyzing credit losses:

  – *Clean water:* Consists of loans for septic system repair and replacement.

  – *Energy retrofit:* Consists of loans for making energy efficiency improvements to homes.

  – *Accessory dwelling:* Consists of loans for accessory dwelling units (ADU), helping to create needed housing as well as to help homeowners generate future income.

  – *ADA:* Consists of unsecured loans to assist students of ADA cover the cost of living expenses while attending the Academy.

  – *Manufactured housing replacement:* Consists of loans for the replacement of outdated, energy-inefficient manufactured homes with updated energy-efficient homes.

Craft3 uses the vintage method to estimate expected credit losses for all loan segments. Under this method, loans are aggregated based on loan type (segment). The vintage (origination) date, original loan balance, and the net charge-off amount are used to calculate loss rates. The loss rates are used to estimate future losses for ages in the future.

Management estimates the allowance for credit losses on loans using relevant available information from internal and external sources, current conditions, and reasonable and supportable forecasts. As historical credit loss experience provides the basis for the estimation of expected credit losses for pooled loans, adjustments may be necessary to capture differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the pooled evaluation. When management determines that a foreclosure is probable, or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for anticipated selling costs as appropriate.

At least quarterly, management reviews the adequacy of the allowance, including consideration of the relevant risks in the portfolio, current economic conditions and other factors.

Credit quality indicators: Craft3’s credit risk management is monitored with a loan risk rating system. The originating loan officer assigns borrowers an initial risk rating, which is based on a thorough analysis of each borrower's financial capacity to repay in conjunction with economic trends. Approvals are made based upon the amount of inherent credit risk specific to the transaction and are reviewed for appropriateness by loan officers and credit management personnel. Loans are monitored by loan officers and credit management personnel for deterioration in a borrower's financial condition, which would impact the ability of the borrower to perform under the contract. Risk ratings are adjusted periodically during term loan reviews (at least annually) or upon identification of specific events affecting borrower ability to repay.

Note 2. Summary of Significant Accounting Policies (Continued)

Loans are risk rated into the following categories of credit quality indicators:

Pass: These loans range from minimal to average, but still acceptable, credit risk.

Watch List: Watch List (also referred to as Pass—Watch List) loans usually require more than normal management attention. Loans that qualify for the Watch List may involve borrowers with adverse financial trends, higher debt/equity ratios, or weaker liquidity positions, but not to the degree of being considered a Problem loan where risk of loss may be imminent.

Problem: Loans are classified as Problem loans when the borrower's repayment capacity is impacted, such as the borrower's payments do not cover principal payments on a reasonable amortization schedule, a voluntary liquidation plan has been negotiated, or the loan is more than 120 days past due. A Problem loan is generally written down to the expected net value of collateral in the event of liquidation.

Loss: Whenever any portion of a loan is deemed uncollectible, in part or in whole, a partial or full charge off will be made against the reserve based on a conservative estimate of the realizable liquidation value.

Allowance for credit losses for unfunded commitments: Craft3 estimates expected credit losses on unfunded commitments. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life using the same model as the other loan portfolio segments described above. Craft3's allowance for credit losses for unfunded commitments was $709,803 as of December 31, 2023. The allowance for credit losses for unfunded commitments is presented in the accounts payable and accrued expenses line of the consolidated statements of financial position. Changes in the allowance for credit losses for unfunded commitments is reflected in the credit loss expense line of the consolidated statements of activities. During the year ended December 31, 2023, Craft3 recorded a credit loss expense of ($37,416) associated with unfunded commitments.

Furniture and equipment: Furniture and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, ranging from three to 30 years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. Asset purchases in excess of $2,500 are capitalized. Furniture and equipment balances are shown net of accumulated depreciation of $724,560 and $1,138,617 at December 31, 2023, and 2022, respectively. Depreciation expense for the years ended December 31, 2023 and 2022, was $103,168 and $145,706, respectively.

Leases: Craft3 adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, Leases.

Under ASC 842, Craft3 determines whether the arrangement is or contains a lease at inception. Operating and finance leases will be recognized on the consolidated statement of financial position as Right-of-use (ROU) assets and lease liabilities. ROU assets represent Craft3's right to use an underlying asset for the lease term and lease liabilities represent Craft3's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, Craft3 considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contracts is typically not readily determinable. As a result, Craft3 uses its incremental borrowing rate determined by equivalent term debt. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Craft3 will exercise that option.

Note 2. Summary of Significant Accounting Policies (Continued)

Craft3 leases office space under agreements classified as finance leases, with the exception of one lease classified as an operating lease, that expire on various dates through 2031. Such leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Certain of Craft3's leases include renewal options and escalation clauses; renewal options have not been included in the calculation of the lease liabilities and right of use assets unless Craft3 is reasonably certain to be exercising the options. Variable expenses generally represent Craft3's share of the landlord's operating expenses. Craft3 has elected the short-term lease recognition exemption for certain leases which are less than 12 months in duration or month to month. In these cases, ROU assets and lease liabilities ROU assets and lease liabilities are not recognized.

Foreclosed and repossessed assets: Foreclosed and repossessed assets are recorded in other assets in the consolidated statements of financial position and are property acquired through foreclosure or other proceedings. When these assets are acquired, any excess of the loan balance over the estimated fair value is charged to the allowance for credit losses. Holding costs, subsequent write-downs to fair value, if any, or any disposition gains or losses are included in commercial and consumer lending activities in the consolidated statements of functional expenses.

Revenue and revenue recognition: Contributions are recognized when cash, securities or other assets, unconditional promises to give, or notifications of beneficial interests are received. Contributions received are reported as support with or without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met and barriers to entitlement have been satisfied.

Craft3 accounts for revenue arising from contracts with customers under the guidance of ASC 606, Revenue from Contracts with Customers. The revenue that falls within the scope of ASC 606 includes NMTC management and servicing fees. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the performance obligation is completed which occurs when related services are performed or expenditures are incurred, respectively. A significant portion of Craft3's revenues come from interest income on loans, grants and contributions, loan origination and servicing fees, and investment income (loss) which are outside the scope of ASC Topic 606.

NMTC management and servicing fees: Revenues typically consist of administrative activities related to reporting, invoicing, consultation, and monitoring compliance requirements. Fees are billed during the quarter the services are provided and due by the end of the quarter in which the fees are earned. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

Interest income: Interest income consists of interest earned on loans and interest earned on certificates of deposits, short-term treasury instruments and money market accounts. Interest income is recognized in the period earned.

Deferred fee income: Craft3 charges fees based on loan types and related funding requirements. Loan fees (less direct expenses) are deferred and recognized ratably over the term of the loan.

Note 2. Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on the basis of time and effort.

Income taxes: Craft3 is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Craft3 is subject to certain business and occupation taxes, which apply equally to for-profit and nonprofit businesses, imposed by state and local taxing authorities. The taxes are assessed on a percentage of a portion of Craft3's revenues. Craft3 had no uncertain tax positions as of December 31, 2023 and 2022. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying consolidated financial statements.

All Craft3 subsidiaries are organized as LLCs. Net income from the LLCs is passed through to Craft3, which is a nonprofit corporation organized under Internal Revenue Code Section 501(c)(3). No liability has been recorded for uncertain tax positions as of December 31, 2023 or 2022, and management believes no material uncertain tax positions have been taken.

Reclassifications: Certain reclassifications have been made to the 2022 consolidated financial statements in order to conform to the 2023 presentation. These reclassifications did not result in a change in previously reported change in net assets.

Subsequent events: Subsequent events are events or transactions that occur after the date of the consolidated statement of financial position but before the consolidated financial statements are issued. Craft3 recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. See Note 19. Craft3 has evaluated subsequent events through April 26, 2024, the date on which the consolidated financial statements became available for issuance.

Adopted accounting pronouncement: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. The existing incurred loss model is replaced with a current expected credit loss (CECL) model for both originated and acquired financial instruments carried at amortized cost and off-balance-sheet credit exposures, including loans, loan commitments, financial guarantees, net investment in leases and most receivables. Recognized amortized cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance-sheet credit exposures are recognized through a liability. Expanded disclosures are required. ASU 2016-13 was further revised in April 2019 by ASU 2019-04 and November 2019 by ASU 2019-11, which made various updates to ASU 2016-13 impacting accrued interest, transfers between categories of loans and debt securities, recoveries and TDRs.

Note 2. Summary of Significant Accounting Policies (Continued)

In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. ASU 2018-19 clarifies that receivables from operating leases are accounted for using the lease guidance and not as financial instruments. Craft3 adopted CECL using the modified retrospective method of all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023, are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP. Craft3 recorded a net decrease to net assets of $939,049 as of January 1, 2023, for the cumulative effect of adopting CECL, which includes the decrease to net assets of $747,216 for the allowance for credit losses on unfunded commitments.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures*. The amendments in this Update eliminate the accounting guidance for Troubled Debt Restructurings (TDR) by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan.

The ASUs were adopted by Craft3 as of January 1, 2023.

Note 3. Liquidity and Funds Available

The following table reflects Craft3's financial assets as of December 31, 2023 and 2022, available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of nonliquid assets are donor restricted assets for specific expenditures, contractual reserve requirements, or governing board designations.

	2023	2022
Cash and cash equivalents	$ 34,525,870	$ 9,942,742
Investments, at fair value	16,805,669	21,324,228
Accrued interest and other receivables	1,280,807	1,173,556
Current portion of loans receivable, net	19,811,581	16,597,673
	$ 72,423,927	$ 49,038,199

As part of Craft3's liquidity management plan, management invests cash in excess of daily requirements in short-term investments and money market funds. See Note 10 for available borrowings.

Note 4. Investments and Fair Value Measurements

Investments consist of the following as of December 31:

	2023 Fair Value	2022 Fair Value
Municipal bonds	$ 8,447,568	$ 11,652,491
Federal agency securities	2,275,331	4,190,749
Corporate bonds	4,241,364	5,038,182
Foreign bonds	953,788	442,806
Mutual funds	887,618	-
	16,805,669	21,324,228
U.S. government obligations	-	7,769,918
Restricted investments, at fair value	-	7,769,918
	$ 16,805,669	$ 29,094,146

The IRP requires cash used in this program to be segregated and deposited in a dedicated bank account. Included in the total above is an U.S. Treasury bill with a fair value of $7,769,918 as of December 31, 2022. There were no restricted investments as of December 31, 2023.

Debt instruments issued by agencies of the U.S. Government (Federal agency securities) include mortgage-backed debt securities issued by Fannie Mae and the Federal Home Loan Bank.

Investments by contractual maturity as of December 31, 2023, are summarized as follows:

	Fair Value
Less than 1 year maturity	$ 949,888
1 to less than 2 years maturity	1,204,824
2 to less than 5 years maturity	5,032,837
5 to less than 10 years maturity	6,374,684
Thereafter	968,105
Federal agency securities	2,275,331
	$ 16,805,669

Expected maturities of federal agency securities may differ from contractual maturities because underlying borrowers may have the right to prepay the obligations and are, therefore, classified separately with no specific maturity date.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Note 4. Investments and Fair Value Measurements (Continued)

Accounting principles describe three levels of inputs that may be used to measure fair value:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that Craft3 has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2: Valuations based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

Level 3: Valuations are derived from other valuation methodologies and incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

The degree of judgment utilized in measuring fair value generally correlates to the level of pricing observability. Assets and liabilities with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of pricing observability and a lesser degree of judgment utilized in measuring fair value. Conversely, assets and liabilities rarely traded or not quoted will generally have little or no pricing observability and a higher degree of judgment utilized in measuring fair value. Pricing observability is impacted by a number of factors, including the type of asset or liability, whether it is new to the market and not yet established, and the characteristics specific to the transaction.

Craft3 used the following methods and significant assumptions to estimate fair value for its assets and liabilities measured and carried at fair value in the consolidated financial statements on a recurring or nonrecurring basis:

Investments: Fair values of investments are obtained from an independent pricing service. The fair value measurements consider both observable and unobservable data that may include active quotes, dealer quotes, market spreads, cash flows, and the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and bond terms and conditions, among other inputs. When market quotes are not readily accessible or available, alternative approaches are utilized, such as matrix or model pricing.

Foreclosed and repossessed assets: Fair values of foreclosed and repossessed assets are measured based on the underlying assets' observable market price or discounted cash flow models. For real estate, prices are derived from independent appraisals, recent sales and offers, less disposition costs. For nonreal estate assets, fair values are estimated based on observable sales and discounted future cash flows.

Note 4. Investments and Fair Value Measurements (Continued)

The following tables present information about assets measured at fair value on a recurring and nonrecurring basis as of December 31, 2023 and 2022, and indicates the fair value hierarchy of the valuation technique utilized by Craft3 to determine such fair value:

	2023			
	Total	Level 1	Level 2	Level 3
Recurring items:				
Investments:				
Municipal bonds	$ 8,447,568	$ -	$ 8,447,568	$ -
Corporate bonds	4,241,364	4,241,364	-	-
Federal agency securities	2,275,331	-	2,275,331	-
Foreign bonds	953,788	953,788	-	-
Mutual fund	887,618	887,618	-	-
Total recurring items	$ 16,805,669	$ 6,082,770	$ 10,722,899	$ -
Nonrecurring items:				
Foreclosed and repossessed assets	$ 963,483	$ -	$ -	$ 963,483

	2022			
	Total	Level 1	Level 2	Level 3
Recurring items:				
Investments:				
Municipal bonds	$ 11,652,491	$ -	$ 11,652,491	$ -
U.S. government obligations	7,769,918	7,769,918	-	-
Corporate bonds	5,038,182	5,038,182	-	-
Federal agency securities	4,190,749	-	4,190,749	-
Foreign bonds	442,806	442,806	-	-
Total recurring items	$ 29,094,146	$ 13,250,906	$ 15,843,240	$ -
Nonrecurring items:				
Foreclosed and repossessed assets	$ 963,483	$ -	$ -	$ 963,483

Recurring assets are initially measured at fair value and are required to be remeasured at fair value in the consolidated financial statements at each reporting date. Assets measured on a nonrecurring basis are assets that due to an event or circumstance, were required to be remeasured at fair value after initial recognition in the financial statements at some time during the reporting period.

Level 1 securities are classified as U.S. government obligations, debt securities of foreign governmental agencies and corporate bonds. Fair value of Level 1 securities is based on quoted market prices. Investments in equity instruments traded on national securities exchanges are stated at the last reported sales price on the day of valuation.

Note 4. Investments and Fair Value Measurements (Continued)

Investments in fixed income and equity instruments for which quotations are not readily available are valued using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. To the extent the inputs used in the pricing models are observable and timely, these financial instruments are classified as Level 2 in the fair value hierarchy.

Craft3 utilizes the following valuation technique, significant unobservable inputs, and qualitative information about the unobservable inputs for its assets classified as Level 3 and measured at fair value on a nonrecurring basis at December 31, 2023 and 2022. Foreclosed or repossessed assets are comprised of real estate valued using market values assessed by a professional appraiser with additional discounts for selling costs and a private company investment valued using a discounted cash flow model based on sales of units of the investment and income generating activities.

Note 5. Grants Receivable

Grants receivable consist of the following at December 31:

	2023	2022
Advancing Cities	$ -	$ 500,000
Department of Environmental Quality	976,919	482,578
Other grant receivables	-	95,600
Total grants receivable	$ 976,919	$ 1,078,178

Note 6. Related Parties

The equity associated with CFF, WA OREO, Investment II and Windfarm are included within net assets without donor restrictions in these consolidated financial statements. The equity and net assets included in the consolidated financial statements at December 31, 2023 and 2022, for these subsidiaries was as follows:

	2023	2022
Windfarm	$ 632	$ 632
WA OREO	905	299,519
OR OREO	-	-
Investment II	-	-
CFF	6,137,267	4,295,544
Total	$ 6,138,804	$ 4,595,695

Note 7. Loans Receivable

Customers may access one or more types of loan products available from Craft3. No single customer (individual, business, or principal) shall access from Craft3 more than $5,000,000 in loans without government enhancement and the maximum loan size, in aggregate, to any customer may not exceed $10,000,000 of total principal outstanding to a borrower, co-borrower, guarantor, or in situations where common collateral is used, regardless of a government enhancement. The Board of Directors must specifically approve any loan or investment that will cause a violation of this policy. The borrower exposure limit excludes amounts loaned to borrowers from other entities that may be managed by Craft3, namely the related-party LLCs discussed in Note 6.

Note 7. Loans Receivable (Continued)

As described in Note 2, commercial loans are generally made to small and midsize businesses and nonprofit organizations in a variety of industries located in the Pacific Northwest for business acquisition, start-up costs, working capital, business expansion and construction. Consumer loans generally consist of clean water (septic system repair and replacement) and residential energy retrofit loans. During the year ended December 31, 2023, Craft 3 funded $55,684,617 total loans with collections of repayments of loans of $33,246,634.

The following table represents the approximate number of loans outstanding by loan type at December 31:

	2023			2022		
	Number of Loans	Balance	Percentage of Total	Number of Loans	Balance	Percentage of Total
Commercial:						
Large balance	79	$ 84,764,516	52%	62	$ 81,845,081	75%
Small balance	416	22,555,538	14%	380	20,951,282	0%
Future Fund	5	4,657,484	3%	3	4,268,037	0%
	500	111,977,538	69%	445	107,064,400	75%
Consumer:						
Clean water	1,315	27,518,405	17%	1,109	21,371,623	15%
Energy retrofit	1,692	17,200,978	11%	1,255	10,956,443	8%
Accessory dwelling	44	5,867,828	3%	23	2,638,231	2%
ADA	26	230,578	0%	30	268,436	0%
Manufactured housing	4	78,661	0%	1	52,305	0%
	3,081	50,896,450	31%	2,418	35,287,038	25%
Totals	3,581	162,873,988	100%	2,863	142,351,438	100%
Net deferred loan origination fees		(306,612)			(220,920)	
Reserve for credit losses		(8,252,739)			(7,887,460)	
		$ 154,314,637			$ 134,243,058	

The current portion of loans receivable at December 31 is summarized as follows:

	2023	2022
Current portion of commercial loans receivable	$ 16,699,007	$ 14,354,164
Current portion of consumer loans receivable	3,193,791	2,294,794
Less net deferred loan fees	(81,217)	(51,285)
Total current portion loans receivable, net	$ 19,811,581	$ 16,597,673

Note 7. Loans Receivable (Continued)

The long-term portion of loans receivable at December 31 is summarized as follows:

	2023	2022
Total loans receivable	$ 162,873,988	$ 142,351,438
Less current portion, net	(19,811,581)	(16,597,673)
Less credit loss reserve	(8,252,739)	(7,887,460)
Less net deferred loan fees	(306,612)	(220,920)
Total long-term portion loans receivable, net	$ 134,503,056	$ 117,645,385

Future principal payments scheduled to be received on loans receivable are as follows as of December 31, 2023:

Years ending December 31:	
2024	$ 19,892,798
2025	26,306,228
2026	30,330,315
2027	20,911,274
2028	14,285,116
Thereafter	51,148,257
	$ 162,873,988

Note 8. Energy Loan Sale

On December 1, 2013, and October 1, 2015, Craft3 sold 1,252 and 438 energy loans (the Loans) respectively, to Self-Help Credit Union (SHCU). The Loans were sold at par and the total principal balance of the Loans was $15,700,426 for the sale that occurred on December 1, 2013, and $6,443,833 for the sale that occurred on October 1, 2015. At December 31, 2023 and 2022, the outstanding balance of the sold loans serviced by Craft3 was $1,241,494 and $1,498,714, respectively. As part of the sale agreement, Craft3 provided certain cash credit enhancements in support of the Loans (collectively known as the Reserve Sources). The Reserve Sources guarantee 30% of the Loans. Under the terms of the sale agreement, Craft3 funded and pledged two accounts (the Reserve Accounts) to SHCU. At December 31, 2023, the Reserve Accounts are included in restricted cash on the consolidated statements of financial position, and balances were as follows:

- Craft3 SHCU Reserve Account balance of $151,902
- Craft3 Self-Help Federal Credit Union (SHFCU) Reserve Account balance of $394,866

SHCU may withdraw the loss amount from the Reserve Sources in the event that payments on any of the Loans become 150 days or more delinquent. SHCU is responsible for the potential loss on the first 20% of losses and Craft3 is responsible for the remaining 50% of losses related to the Loans.

Note 9. Credit Quality and Reserve for Credit Losses

Activity in the credit loss reserve for the years ended December 31 is as follows:

	2023		
	Commercial	Consumer	Total
Credit loss reserve, beginning of year	$ 5,875,514	$ 2,011,946	$ 7,887,460
Adoption of CECL	398,245	(206,360)	191,885
Charge-offs	(1,822,188)	(430,270)	(2,252,458)
Recoveries	939,388	137,317	1,076,705
Credit loss expense	771,793	577,354	1,349,147
Credit loss reserve, end of year	$ 6,162,752	$ 2,089,987	$ 8,252,739

	2022		
	Commercial	Consumer	Total
Loan loss reserve, beginning of year	$ 5,864,178	$ 1,901,040	$ 7,765,218
Charge-offs	(2,052,371)	(233,819)	(2,286,190)
Recoveries	3,063,707	192,125	3,255,832
(Recapture of) provision for loan losses	(1,000,000)	152,600	(847,400)
Loan loss reserve, end of year	$ 5,875,514	$ 2,011,946	$ 7,887,460

The following tables present loans and the related allowance for credit losses by category:

	2023		
	Commercial	Consumer	Total Loans
Loans receivable, ending balance:			
Individually evaluated for credit losses	$ 180,622	$ -	$ 180,622
Collectively evaluated for credit losses	111,796,916	50,896,450	162,693,366
Totals	$ 111,977,538	$ 50,896,450	$ 162,873,988

	2022		
	Commercial	Consumer	Total Loans
Loans receivable, ending balance:			
Individually evaluated for impairment	$ 5,761,281	$ 528,006	$ 6,289,287
Collectively evaluated for impairment	101,303,119	34,759,032	136,062,151
Totals	$ 107,064,400	$ 35,287,038	$ 142,351,438

	2023		
	Commercial	Consumer	Total Loans
Credit loss reserve, ending balance:			
Individually evaluated for credit losses	$ 180,622	$ -	$ 180,622
Collectively evaluated for credit losses	5,982,130	2,089,987	8,072,117
Totals	$ 6,162,752	$ 2,089,987	$ 8,252,739

Note 9. Credit Quality and Reserve for Credit Losses (Continued)

	2022		
	Commercial	Consumer	Total Loans
Loan loss reserve, ending balance:			
Individually evaluated for impairment	$ 1,639,616	$ 15,840	$ 1,655,456
Collectively evaluated for impairment	4,235,898	1,996,106	6,232,004
Totals	$ 5,875,514	$ 2,011,946	$ 7,887,460

The following tables show the loan portfolio allocation by Craft3's internal risk ratings:

	2023			
	Pass	Pass—Watch List	Problem	Total Loans
Commercial:				
Large balance	$ 66,608,465	$ 13,561,739	$ 4,594,312	$ 84,764,516
Small balance	20,624,286	1,213,006	718,246	22,555,538
Future Fund	4,657,484	-	-	4,657,484
	91,890,235	14,774,745	5,312,558	111,977,538
Consumer:				
Clean water	26,883,017	337,001	298,387	27,518,405
Energy retrofit	16,478,840	469,025	253,113	17,200,978
Accessory dwelling	5,867,828	-	-	5,867,828
ADA	210,378	16,200	4,000	230,578
Manufactured housing	78,661	-	-	78,661
	49,518,724	822,226	555,500	50,896,450
Totals	$ 141,408,959	$ 15,596,971	$ 5,868,058	$ 162,873,988

	2022			
	Pass	Pass—Watch List	Problem	Total Loans
Commercial:				
Large balance	$ 75,044,793	$ 3,593,403	$ 3,206,885	$ 81,845,081
Small balance	19,614,914	1,028,692	307,676	20,951,282
Future Fund	4,268,037	-	-	4,268,037
	98,927,744	4,622,095	3,514,561	107,064,400
Consumer:				
Clean water	20,825,360	179,020	367,243	21,371,623
Energy retrofit	10,485,627	324,753	146,063	10,956,443
Accessory dwelling	2,638,231	-	-	2,638,231
ADA	253,736	-	14,700	268,436
Manufactured housing	52,305	-	-	52,305
	34,255,259	503,773	528,006	35,287,038
Totals	$ 133,183,003	$ 5,125,868	$ 4,042,567	$ 142,351,438

Note 9. Credit Quality and Reserve for Credit Losses (Continued)

The following tables show an aging analysis of the loan portfolio by the time past due as of December 31:

	2023						
	Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Loans on Nonaccrual	Total Loans
Commercial:							
Large balance	$ 80,960,474	$ -	$ -	$ -	$ 683,458	$ 3,120,584	$ 84,764,516
Small balance	21,303,176	388,252	296,115	16,826	-	551,169	22,555,538
Future Fund	4,657,484	-	-	-	-	-	4,657,484
	106,921,134	388,252	296,115	16,826	683,458	3,671,753	111,977,538
Consumer:							
Clean water	26,574,759	635,210	214,225	34,835	-	59,376	27,518,405
Energy retrofit	17,053,445	-	-	69,186	77,865	482	17,200,978
Accessory dwelling	5,867,828	-	-	-	-	-	5,867,828
ADA	205,237	-	21,341	-	4,000	-	230,578
Manufactured housing	78,661	-	-	-	-	-	78,661
	49,779,930	635,210	235,566	104,021	81,865	59,858	50,896,450
Totals	$ 156,701,064	$ 1,023,462	$ 531,681	$ 120,847	$ 765,323	$ 3,731,611	$ 162,873,988

	2022						
	Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Loans on Nonaccrual	Total Loans
Commercial:							
Large balance	$ 78,908,411	$ -	$ -	$ -	$ -	$ 2,936,670	$ 81,845,081
Small balance	20,083,443	362,018	198,146	-	-	307,675	20,951,282
Future Fund	4,268,037	-	-	-	-	-	4,268,037
	103,259,891	362,018	198,146	-	-	3,244,345	107,064,400
Consumer:							
Clean water	20,652,262	462,974	36,866	-	156,521	63,000	21,371,623
Energy retrofit	10,898,571	-	-	25,740	30,043	2,089	10,956,443
Accessory dwelling	2,638,231	-	-	-	-	-	2,638,231
ADA	253,736	-	-	-	14,700	-	268,436
Manufactured housing	52,305	-	-	-	-	-	52,305
	34,495,105	462,974	36,866	25,740	201,264	65,089	35,287,038
Totals	$ 137,754,996	$ 824,992	$ 235,012	$ 25,740	$ 201,264	$ 3,309,434	$ 142,351,438

All nonaccrual loans as of December 31, 2023, have a reserve.

Pre-CECL adoption-impaired loan disclosures: The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2022:

	2022				
	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With an Allowance	Total Recorded Investment	Specific Allowance
Commercial	$ 5,761,281	$ 3,474,005	$ 2,287,276	$ 5,761,281	$ 1,639,616
Consumer	528,006	-	528,006	528,006	15,840
	$ 6,289,287	$ 3,474,005	$ 2,815,282	$ 6,289,287	$ 1,655,456

Interest recognized on impaired loans subsequent to the determination of impairment was immaterial to the consolidated financial statements for the year ended December 31, 2022.

Note 9. Credit Quality and Reserve for Credit Losses (Continued)

Loan modifications made to borrowers experiencing financial difficulty: Craft3 adopted the amendments in ASU 2022-02, which eliminated accounting guidance on TDR loans for creditors and requires enhanced disclosures for loan modifications to borrowers experiencing financial difficulty made on or after January 1, 2023. As of December 31, 2023, the balance of commercial large balance and commercial small balance loans modified to borrowers experiencing financial difficulty was $1,954,164 and $248,804, respectively, representing 2.31% and 1.10% of the commercial large balance and commercial small balance classes, respectively.

All loans were granted a combination of payment delays and term extensions. The financial effect of the modifications to the commercial large balance loans was adding a weighted average of approximately 1.5 years. The financial effect of the modifications to the commercial small balance loans was generally provide six- and 12-month payment deferrals. Craft3 closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. One commercial large balance loan, with a balance of $1,424,865 as of December 31, 2023, was greater than 90 days past due as of December 31, 2023. One commercial small balance loan charged-off subsequent to modification, with a charge-off amount of $121,623.

There were no additional funds advanced to borrowers with financial distress modifications. There were no interest rate reductions granted based on financial difficulty in 2023. There were no loans with principal forgiveness based on financial difficulty in 2023. There were no financial distress modifications granted to consumer borrowers that were material in 2023.

Troubled debt restructurings: Prior to the adoption of ASU 2022-02, Craft3 accounted for a modification to the contractual terms of a loan that resulted in granting a concession to a borrower experiencing financial difficulties as a TDR. As of December 31, 2022, there were 11 commercial loan TDRs with a balance of $1,863,722. During the year ended December 31, 2022, Craft3 restructured commercial loans totaling $1,403,063. There were no TDRs that defaulted during the year ended December 31, 2022, for which the default occurred within 12 months of the modification date.

Note 10. Long-Term Debt

Long-term debt consists of the following as of December 31:

Long-term notes payable:

	2023	2022
Notes payable to financial institutions in varying amounts with interest rates ranging from 1.00% to 3.53%. Notes are unsecured and the final due date is January 27, 2033.	$ 42,285,457	$ 26,689,618
Notes payable to individuals, business, nonprofit organizations, and trusts in varying amounts with interest rates ranging from 0.0% to 3.0%. Notes are unsecured and have a variety of due dates; the final due date is April 1, 2044.	51,533,717	45,490,521
Notes payable to U.S. Department of Agriculture with 1% to 2.38% interest rates. Notes are unsecured by the program receivables and a portion of restricted cash, and the final due date is December 14, 2056.	8,598,624	9,137,198
Notes payable to federal, state and local government agencies in varying amounts with interest rates ranging from 0.00% to 1.60%. Notes are unsecured and the final due date is June 30, 2057.	17,602,424	15,076,913
Total long-term notes payable	120,020,222	96,394,250
Less current portion	(18,052,443)	(23,551,614)
	$ 101,967,779	$ 72,842,636

Equity equivalent investments and subordinated notes payable:

	2023	2022
Notes payable to financial institutions in varying amounts with interest rates ranging from 1% to 3%. Notes are unsecured with a variety of due dates; the final due date is May 16, 2035.	$ 11,519,649	$ 8,697,568
Subordinated note payable to Good to Grow CDFI Investment Fund, LLC with an interest rate of 3%. Note is unsecured and matures September 30, 2029.	2,000,000	1,000,000
Subordinated note payable to a private foundation with an interest rate of 1%. Note is unsecured and has a maturity date of December 31, 2023. On January 1, 2024, the note was converted to an unsubordinated note.	525,000	1,000,000
Total equity equivalent investments and subordinated notes payable	14,044,649	10,697,568
Less current portion	(3,000,000)	(2,477,919)
	$ 11,044,649	$ 8,219,649

Equity equivalent investments (EQ2) is debt that is subordinated to all other Craft3 debt and may only be repaid when, and if, its repayment does not materially impair Craft3's operating or loan capital liquidity.

Note 10. Long-Term Debt (Continued)

The current portion of long-term debt is summarized at December 31:

	2023	2022
Notes payable	$ 18,052,443	$ 23,551,614
Equity equivalents investments and subordinated notes payable	3,000,000	2,477,919
	$ 21,052,443	$ 26,029,533

The following is a summary of scheduled principal maturities of all long-term debt for the years ending December 31:

Years ending December 31:	
2024	$ 21,052,443
2025	24,137,262
2026	15,389,776
2027	12,596,207
2028	5,021,241
Thereafter	55,867,942
	$ 134,064,871

A number of Craft3's notes payable credit agreements contain restrictive covenants related to minimum capital requirements, the ratio of net assets to total assets, and liquidity, as defined. As of December 31, 2023, management believes Craft3 was in compliance with all covenants.

Craft3 has a syndicated $10,000,000 revolving line of credit with financial institution. At the borrower's option, the line of credit bears interest at a rate of either prime or one-month Secured Overnight Financing Rate (SOFR) plus 0.11% and an additional 2.80%. The line is scheduled to mature in December 2024. As of December 31, 2023, there was no outstanding balance on this line.

Craft3 has a $10,000,000 revolving line of credit with a financial institution. The line of credit bears interest at SOFR plus 2.25%. The line matures in February 2024 and, subsequent to year-end, was renewed through March 2028. As of December 31, 2023 and 2022, there was no balance outstanding on this line of credit.

Craft3 has a $5,000,000 revolving line of credit with a financial institution. The line of credit shall bear interest at a rate of 1.89% with minimum draws in the amount of $250,000 to fund eligible loan programs. The line matures in November 2027. As of December 31, 2023 and 2022, there was no outstanding balance on the line of credit.

Craft3 has a $250,000 revolving line of credit with financial institution. The line of credit bears interest at 2.00%. The line matures in April 2026. The outstanding payable balance at December 31, 2023 and 2022 is $250,000.

Craft3 had a $10,000,000 revolving line of credit with US Bank. The facility was closed on March 1, 2023. As of December 31, 2022, the outstanding balance included in long-term debt was $3,500,000.

Note 11. Leasing Arrangements

Craft3 leases office space under noncancelable leases that expire at various dates through 2031. Craft3 leases two administrative office spaces under finance lease arrangements and one administrative office space under an operating lease arrangement.

Lease ROU assets and liabilities and the associated balance sheet classifications are as follows:

	2023	2022
Right-of-use assets:		
Operating leases—other assets	$ 17,419	$ 952,397
Finance leases—furniture and equipment, net	1,017,362	583,022
Total right-of-use assets	$ 1,034,781	$ 1,535,419
Lease liabilities:		
Operating leases	$ 17,513	$ 317,836
Operating leases—long-term lease liabilities	-	634,561
Finance leases	234,914	40,458
Finance leases—long-term lease liabilities	1,045,494	679,292
Total lease liabilities	$ 1,297,921	$ 1,672,147

The components of lease cost included in occupancy expense are as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Finance lease cost:		
Right-of-use asset amortization	$ 503,866	$ 65,386
Interest expense	54,929	51,216
Operating lease cost	104,723	337,350
Total lease cost, net	$ 663,518	$ 453,952

Lease expense for the year ended December 31, 2023, was $363,051 and for the year ended December 31, 2022, was $453,952.

Note 11. Leasing Agreements (Continued)

The following is a summary of future minimum lease payments for the years ending December 31:

	Operating Leases	Finance Leases	Total Leases
Years ending December 31:			
2024	$ 17,540	$ 280,497	$ 298,037
2025	-	285,854	285,854
2026	-	292,367	292,367
2027	-	130,053	130,053
2028	-	114,000	114,000
Thereafter	-	332,500	332,500
Total undiscounted lease payments	17,540	1,435,271	1,452,811
Less imputed interest	(27)	(154,863)	(154,890)
Net lease liabilities	$ 17,513	$ 1,280,408	$ 1,297,921

The following table provides the supplemental information related to operating leases for the purpose of the measurement of lease liabilities at or for the years ended December 31:

	2023
Finance lease weighted-average remaining lease term (years)	5.5
Finance lease weighted-average discount rate	4.0%
Operating lease weighted-average remaining lease term (years)	5.7
Operating lease weighted-average discount rate	7.9%
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	$ 275,296
Operating cash flows from operating leases	$ 104,636

Note 12. Grants and Contributions

Grants and contributions were provided by the following organizations during the years ended December 31:

	2023	2022
Oregon Housing and Community Services	$ 10,000,000	$ -
Washington Department of Ecology (CW WA ECY)	3,664,539	1,940,646
Community Development Financial Institutions Fund	3,480,000	-
Washington Department of Commerce Clean Energy Fund (CEF 4-5)	-	1,500,000
Oregon Department of Environmental Quality (CW OR DEQ)	-	1,007,290
Department of Environmental Quality (CW OR DEQ)	1,300,992	87,203
Marguerite Casey Foundation	-	650,000
JPMorgan Chase Foundation	-	500,000
Opportunity Finance Network	500,000	100,000
MultCo Co-location ECE Grant	255,734	-
MJ Murdock Charitable Trust	39,000	97,500
Seattle Foundation	60,000	60,000
King County NDC Communities of Opportunity Grant	-	40,000
Others	53,760	286,759
	$ 19,354,025	$ 6,269,398

Note 13. Contingencies

Craft3 participates in a number of federal grant and contract programs which are subject to financial and compliance audits. Accordingly, Craft3's compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures which may be disallowed by the granting or contracting agencies cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

Note 14. New Markets Tax Credits

Craft3 has applied for and received allocations of NMTCs within the meaning of the Internal Revenue Code. These credits can be offered to certain investors for the purpose of stimulating increased investment and economic growth in low-income communities.

Craft3 is related to a series of LLCs that are used to take advantage of the NMTCs. In some cases, NMTC program periods expire and Craft3 obtains 100% control of the LLCs (included in the consolidated financial results or the entities were dissolved at the end of the NMTC period). In other cases, Craft3 owns 0.01% of each of these entities, and they are accounted for at cost and totaled $5,000 as of December 31, 2023 and 2022. Craft3 earns management and loan servicing fees from the NMTCs which totaled $507,536 for the year ended December 31, 2023, and $507,536 for the year ended December 31, 2022.

Note 15. Net Assets With Donor Restrictions

Net assets with donor restrictions by purpose and net assets released from restrictions (by grantor/donor) as of December 31, 2023 and 2022, and for the years ended December 31, 2023 and 2022, are as follows:

	2022	Grants and Contributions Additions	Net Assets Released	2023
Subject to expenditure for specified purpose:				
Lending activities:				
JPMC Advancing Cities	$ 851,606	$ 78,751	$ (75,165)	$ 855,192
CDFI Rapid Response Program	-	62,747	-	62,747
CDFI 2021 FA Grant	9,239	8,056	-	17,295
Metro 2021	96,677	7,777	-	104,454
Wells Fargo OFB	18,053	28,825	-	46,878
Department of Environmental Quality (CW OR DEQ)	591,861	1,038,169	(1,630,030)	-
State of Washington Clean Energy Fund (CEF 4-5)	1,500,000	-	-	1,500,000
CW OR DEQ ARPA		244,352	(180,077)	64,275
OHCS Co-Location ECE Grant	-	9,271,035	-	9,271,035
CDFI 2022 FA	-	560,000	-	560,000
CDFI Fund ERP	-	2,924,943	(1,365,300)	1,559,643
OFN Climate Justice Fund	-	500,000	-	500,000
Wildlife Recovery (CW OR DEQ ARPA)	-	34,818	(19,880)	14,938
Other grants	222,257	92,685	(197,248)	117,694
Total net assets with donor restrictions	$ 3,289,693	$ 14,852,158	$ (3,467,700)	$ 14,674,151

	2021	Grants and Contributions Additions	Net Assets Released	2022
Subject to expenditure for specified purpose:				
Lending activities:				
JPMC Advancing Cities	$ 1,843,466	$ 566,090	$ (1,557,950)	$ 851,606
CDFI Rapid Response Program	1,548,796	36,510	(1,585,306)	-
CDFI 2021 FA Grant	590,000	14,337	(595,098)	9,239
CDFI 2019 Grant	-	29,848	(29,848)	-
Metro 2021	209,036	22,641	(135,000)	96,677
OFN Google Grant	125,000	-	(125,000)	-
City of Spokane COVID-19 Grant	-	51,000	(51,000)	-
Wells Fargo OFB	-	39,557	(21,504)	18,053
Department of Environmental Quality (CW OR DEQ)	-	591,861	-	591,861
PDX Food and Restaurant	-	200,000	(200,000)	-
State of Washington Clean Energy Fund	-	1,500,000	-	1,500,000
Other grants	319,000	167,523	(264,266)	222,257
Total net assets with donor restrictions	$ 4,635,298	$ 3,219,367	$ (4,564,972)	$ 3,289,693

Note 16. Conditional Contributions

Craft3 received conditional grants that have not been recognized as revenue at the respective statement of position date, as remaining related expenditures have not yet occurred or barriers not yet met. As of December 31, 2023 and 2022, the amount of unrecognized conditional grants amounted to the following:

	2023	2022
State of Washington Department of Commerce	$ 500,000	$ 500,000
Murdock Charitable Trust	39,000	78,000
Ecology Grant CW WA	1,894,815	5,559,354
CW OR DEQ Fire Recovery	13,348	2,066,797
CW OR DEQ AARPA	2,931,282	-
CDFI Fund ERP	2,037,678	-
Multnomah County	17,700,000	-
State of Oregon Department of Environmental Quality (CW OR DEQ)	-	942,710
JP Morgan Chase Foundation (Advancing Cities)	-	500,000
	$ 25,116,123	$ 9,646,861

Note 17. Cybersecurity Incidents

In the second quarter of 2021, an unknown party compromised and accessed a Craft3 email inbox. This cybersecurity incident culminated in Craft3 receiving and subsequently funding certain fraudulent disbursement requests of approximately $180,000. These amounts were unrecoverable and recorded as operational losses during the year ended December 31, 2021, within management and administration supporting services in the consolidated statement of activities.

In the third quarter of 2021, a Craft3 borrower suffered a cybersecurity incident resulting in the compromise of their email system. As a result, Craft3 received fraudulent disbursement instructions from the borrower’s compromised email addresses. These fraudulent email requests instructed Craft3 to transfer funds from the borrower’s line of credit to fraudulent bank accounts. A net amount of $590,000 advanced from borrower’s line of credit was deemed not recoverable from borrower/perpetrators and the balance advanced on the line of credit was charged off against the allowance for credit losses during the year ended December 31, 2021.

During 2021 and 2022, Craft3, together with guidance from outside consultants and oversight from the Board, implemented improved disbursement controls, callback/verification policies, and additional procedures as recommended. Craft3 has adopted procedures to monitor, evaluate, and provide training on such measures to mitigate the risk of similar events in the future.

On January 20, 2023, Craft3 entered into a settlement agreement with one of its insurers that included full recovery of the loan principal losses in addition to other costs incurred due to the fraudulent disbursement instructions detailed in paragraph 2 above. The funds were received on March 10, 2023, and recognized as a recovery of credit losses.

Note 18. Retirement Plans

403(b) plan: Employees are eligible for the employer match after six months of employment. Contributions to employee accounts are immediately fully vested. Craft3 matched 60% of eligible employees' contributions up to an additional 6% of matching funds. Craft3 contributed $319,686 and $372,065 to the Plan during 2023 and 2022, respectively.

457(b) deferred compensation plan: On April 26, 2004, Craft3 established a voluntary salary deferral plan for employees of salary grades 22 and higher under IRS Section 457(b). Participant contributions are always immediately vested. Craft3 does not provide matching funds for the 457(b) plan. The deferred compensation plan assets as of December 31, 2023 are $174,041 and are reported in other assets on the statement of financial position.

Note 19. Subsequent Events

On January 9, 2024, Craft3 relocated its Portland office and signed a 5-year contract. This operating lease has a net present value of monthly payments totaling $410,972 with no purchase option.

On February 9, 2024, a commercial bank amended a revolving line of credit in the amount of $1,000,000 to Craft3 which bears an interest rate of SOFR plus .11%. Principal is due on December 1, 2024.

On March 13, 2024, Craft3 renewed a $10,000,000 revolving line of credit with a domestic commercial bank. The new maturity date is March 13, 2028 and bears interest of SOFR plus 2.25%.

Supplementary Information

Craft3 and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2023

	Craft3	WA OREO	Craft3 Future Fund	Windfarm Investments, Inc.	Eliminating Entries	Consolidated Total
Assets						
Current assets:						
Cash and cash equivalents	$ 32,920,790	$ 905	$ 1,604,175	$ -	$ -	$ 34,525,870
Restricted cash and cash equivalents	9,814,524	-	-	-	-	9,814,524
Investments, at fair value	16,805,669	-	-	-	-	16,805,669
Grants receivable	976,919	-	-	-	-	976,919
Accrued interest, other receivables, and prepaid expenses	1,643,591	-	26,757	-	-	1,670,348
Current portion of commercial loans receivable, net	16,511,005	-	106,785	-	-	16,617,790
Current portion of consumer loans receivable, net	3,193,791	-	-	-	-	3,193,791
Total current assets	81,866,289	905	1,737,717	-	-	83,604,911
Loans receivable:						
Commercial loans, net	107,013,442	-	4,657,484	-	-	111,670,926
Consumer loans, net	50,896,450	-	-	-	-	50,896,450
Total loans receivable	157,909,892	-	4,657,484	-	-	162,567,376
Less current portion, net	(19,704,796)	-	(106,785)	-	-	(19,811,581)
Less reserve for credit losses	(8,102,768)	-	(149,971)	-	-	(8,252,739)
Total loans receivable, net of current portion and reserve for credit losses	130,102,328	-	4,400,728	-	-	134,503,056
Other assets:						
Cash and cash equivalents, restricted for loan loss reserves	1,204,901	-	-	-	-	1,204,901
Furniture and equipment, net	532,431	-	-	-	-	532,431
Foreclosed and other repossessed assets	963,483	-	-	-	-	963,483
Investment in subsidiaries	6,138,173	-	-	-	(6,138,173)	-
Operating lease right-of-use assets (Note 11)	17,419	-	-	-	-	17,419
Finance lease right-of-use assets (Note 11)	1,017,362	-	-	-	-	1,017,362
Other assets	179,041	-	-	632	(632)	179,041
Total other assets	10,052,810	-	-	632	(6,138,805)	3,914,637
Total assets	$ 222,021,427	$ 905	$ 6,138,445	$ 632	$ (6,138,805)	$ 222,022,604

(Continued)

Craft3 and Subsidiaries

Consolidating Statement of Financial Position (Continued)
December 31, 2023

	Craft3	WA OREO	Craft3 Future Fund	Windfarm Investments, Inc.	Eliminating Entries	Consolidated Total
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses	$ 4,679,686	$ -	$ 1,178	$ -	$ -	$ 4,680,864
Current portion of long-term debt	21,052,443	-	-	-	-	21,052,443
Operating lease liabilities	17,513	-	-	-	-	17,513
Finance lease liabilities	234,914	-	-	-	-	234,914
Total current liabilities	25,984,556	-	1,178	-	-	25,985,734
Long-term liabilities:						
Long-term debt:						
Notes payable	120,020,222	-	-	-	-	120,020,222
Equity equivalent investments	14,044,649	-	-	-	-	14,044,649
Total long-term debt	134,064,871	-	-	-	-	134,064,871
Less current portion	(21,052,443)	-	-	-	-	(21,052,443)
Total long-term debt, net of current portion	113,012,428	-	-	-	-	113,012,428
Long-term lease liabilities:						
Deferred compensation obligation	174,041	-	-	-	-	174,041
Finance lease liabilities	1,045,494	-	-	-	-	1,045,494
Total long-term lease liabilities	1,219,535	-	-	-	-	1,219,535
Total liabilities	140,216,519	-	1,178	-	-	140,217,697
Net assets:						
Without donor restrictions	67,130,757	905	6,137,267	632	(6,138,805)	67,130,756
With donor restrictions	14,674,151	-	-	-	-	14,674,151
Total net assets	81,804,908	905	6,137,267	632	(6,138,805)	81,804,907
Total liabilities and net assets	$ 222,021,427	$ 905	$ 6,138,445	$ 632	$ (6,138,805)	$ 222,022,604

Craft3 and Subsidiaries

Consolidating Statement of Activities
Year Ended December 31, 2023

	Craft3	WA OREO	Craft3 Future Fund	Windfarm Investments, Inc.	Eliminating Entries	Consolidated Total
Revenue and other support:						
Interest income on outstanding loans	$ 9,047,972	$ -	$ 348,380	$ -	$ -	$ 9,396,352
Grants and contributions	19,354,025	-	-	-	-	19,354,025
Loan origination and servicing fees	1,382,205	-	54,440	-	-	1,436,645
Investment income, net	1,766,050	-	-	-	-	1,766,050
NMTC management and servicing fees	507,536	-	-	-	-	507,536
Miscellaneous income	2,376	-	-	-	-	2,376
Total revenue and other support	32,060,164	-	402,820	-	-	32,462,984
Expenses:						
Program services:						
Commercial lending activities	11,533,384	-	(779)	-	-	11,532,605
Consumer lending activities	4,058,097	-	-	-	-	4,058,097
Consulting and management services	828,367	-	-	-	-	828,367
Total program services	16,419,848	-	(779)	-	-	16,419,069
Supporting services:						
Management and administration	3,746,997	595	10,524	-	-	3,758,116
Development	453,319	-	-	-	-	453,319
Total supporting services	4,200,316	595	10,524	-	-	4,211,435
Total expenses	20,620,164	595	9,745	-	-	20,630,504
Change in net assets before net unrealized gains on investments	11,440,000	(595)	393,075	-	-	11,832,480
Net unrealized gains on investments	834,460	-	-	-	-	834,460
Change in net assets	$ 12,274,460	$ (595)	$ 393,075	$ -	$ -	$ 12,666,940

Appendix G

Unaudited Interim Consolidated Financial Statements

CRAFT3 & SUBSIDIARIES
(INCLUDES CRAFT3, WINDFARM INVESTMENTS, INC., WA OREO & CRAFT3 FUTURE FUND)
BALANCE SHEET
AS OF JUNE 30, 2024

ASSETS	
CURRENT ASSETS	
Unrestricted Cash	17,741,499
Restricted Cash, Current	2,766,203
Unrestricted Investments	13,219,683
Restricted Investments	7,736,491
Receivables, Current	13,550,608
Prepaid Expenses	297,415
Loans Receivable, Net of Deferred Fees, Current	22,718,797
TOTAL CURRENT ASSETS	**78,030,696**
LOANS RECEIVABLE	
ACCRUING LOANS	
Commercial Loans Receivable	114,909,953
Clean Water Loans Receivable	30,284,052
Energy Loans Receivable	18,993,695
ADA Loans Receivable	170,233
MHR Loans Receivable	89,172
ADU Loans Receivable	7,287,652
TOTAL ACCRUING LOANS	**171,734,757**
NON ACCRUING LOANS	
Commercial Non Accruing Loans	2,863,371
Clean Water Non Accruing Loans	52,626
Energy Non Accruing Loans	-
ADA Non Accruing Loans	-
ADU Non Accruing Loans	-
TOTAL NON ACCRUING LOANS	**2,915,997**
TOTAL LOANS RECEIVABLE	**174,650,754**
TOTAL LOAN LOSS RESERVES	**(9,029,317)**
LESS DEFERRED LOAN FEES	(265,479)
LESS CURRENT PORTION LOANS REC.	(22,718,797)
TOTAL LOANS RECEIVABLE, NET OF CURRENT PORTION AND ALLOWANCE FOR LOAN LOSS RESERVE	**142,637,161**
OTHER ASSETS	
Restricted Cash, Net of Current	1,732,206
Retirement Plan 457b	174,041
Plant Property & Equipment, Net of Depreciation	1,747,425
ROU Asset Real Estate	7,437
Investment in Unrelated Entities	963,483
Investment in Unconsolidated Subsidiaries	5,000
TOTAL OTHER ASSETS	**4,629,592**
TOTAL LONG-TERM ASSETS	**147,266,753**
TOTAL ASSETS	**225,297,449**

LIABILITIES & NET ASSETS	
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	4,417,058
Interest Payable	681,677
Other Current Liabilities	1,933,359
LLR Unfunded Commitments	333,979
Current Portion of Notes Payable	26,696,659
Current Portion of Finance Leases	187,077
Current Lease Liability	-
TOTAL CURRENT LIABILITIES	**34,249,809**
LONG TERM LIABILITIES	
NOTES PAYABLE	
Banner Bank Line of Credit	-
Notes Payable	118,965,928
EQ2 and Subordinate Debt	13,519,649
TOTAL NOTES PAYABLE	**132,485,578**
Less Current Portion of Notes Payable	(26,696,659)
TOTAL NOTES PAYABLE NET OF CURRENT	**105,788,918**
Retirement Plan 457b	174,041
LT Deferred Fees NMTC	371,072
LT Finance Leases	1,360,583
LT Lease Liability	0
TOTAL LONG TERM LIABILITIES	**107,694,614**
TOTAL LIABILITIES	**141,944,423**
Net Assets - Without Donor Restriction	65,289,936
Net Assets - With Donor Restriction	16,323,091
Current Year Net Income/(Loss) - Without Donor Restriction	(1,787,564)
Current Year Net Income/(Loss) - With Donor Restriction	3,527,563
TOTAL NET ASSETS	**83,353,026**
TOTAL LIABILITIES & NET ASSETS	**225,297,449**

CRAFT3 & SUBSIDIARIES
(INCLUDES CRAFT3, WINDFARM INVESTMENTS, INC., WA OREO & CRAFT3 FUTURE FUND)
INCOME STATEMENT
FOR THE PERIOD ENDING JUNE 30, 2024

REVENUE

GRANT REVENUE	
Grants For Operations - Government	398,736
Grants For Operations - Non-Government	169,110
Grants For Capital - Government	12,546,597
Grants For Capital - Non-Government	-
Grants For Loan Loss - Government	-
Grants For Loan Loss - Non-Government	-
GROSS GRANT REVENUE	**13,114,443**
PASS THROUGH GRANTS COST	(5,930,420)
NET GRANT REVENUE	**7,184,023**
PORTFOLIO INCOME	
LOAN INTEREST INCOME	
Commercial Loan Interest Income	3,921,412
Clean Water Loan Interest Income	690,491
Energy Loan Interest Income	505,341
ADA Loan Interest Income	578
MHR Loan Interest Income	2,264
ADU Loan Interest Income	162,458
TOTAL LOAN INTEREST INCOME	**5,282,544**
OTHER LOAN INCOME	
Loan Fees	652,561
Realized Gain On Sale Of Loan	-
TOTAL OTHER LOAN INCOME	**652,561**
TOTAL PORTFOLIO INCOME	**5,935,106**
OTHER REVENUE	
Investment Income - Cash	53,750
Interest Income - Bonds	914,326
Realized Gain (Loss) On Inv	-
Consulting Revenue	-
NMTC Income	207,538
Other Income	2,965
TOTAL OTHER REVENUE	**1,178,580**
TOTAL REVENUE	**14,297,708**

EXPENSES

PERSONNEL EXPENSES	
Salaries And Wages	4,842,432
Overtime	29,016
Contract Labor	86,962
Employee Benefits	1,595,253
TOTAL PERSONNEL EXPENSES	**6,553,663**
OCCUPANCY EXPENSES	
Utilities	2,675
Janitorial	8,080
Shared Operating Cam Expense	35,513
Rent	50,067
Amortization Finance Lease	67,196
Interest Expense Finance Leases	32,497
TOTAL OCCUPANCY EXPENSES	**196,028**
LOAN COSTS	
Loan Origination Costs	207,036
Loan Servicing Costs	161,944
Loan Collection Costs	1,546
TOTAL LOAN COSTS	**370,527**
OTHER OPERATING EXPENSES	
Supplies	214,894
Information Technology	477,330
Telephone	12,296
Postage & Courier	42,829
Dues And Memberships	27,037
Conferences & Meetings	61,537
Donations	15,227
Marketing	10,070
Sponsorships	14,753
Printing	20,779
Subscriptions	856
Advertising	3
Taxes, Licenses & Fees	210,725
Bank Fees	51,742
Insurance	58,930
Legal Fees - General	150,081
Legal Fees - In House	37,953
Accounting Fees	218,289
Consulting Fees	460,653
Travel	115,691
All Staff	65,172
Prof & Org Development	132,601
Miscellaneous Expense	11,180
Interest and Penalties	243
Depreciation & Amortization	94,361
TOTAL OTHER OPERATING EXPENSES	**2,505,233**
INTEREST EXPENSE	
Interest Expense Notes Payable	1,409,269
Interest Expense EQ2	163,696
Loan Fee Expense	4,143
TOTAL INTEREST EXPENSE	**1,577,109**
TOTAL LOAN LOSS PROVISION	**1,521,039**
TOTAL EXPENSES	**12,723,601**
NET INCOME/(LOSS) BEFORE OTHER GAIN/(LOSS)	**1,574,107**
Unrealized Gain (Loss) On Investments	165,883
Gain (Loss) on Consolidating Entities	6
NET INCOME/(LOSS)	**1,739,998**