



2018-2022

STRATEGIC PLAN

EXECUTIVE MESSAGE

GREETINGS,

When Craft3 released its last strategic plan in 2012, America was recovering from our worst economic downturn since the Great Depression. The country felt like it was at a crossroads, with tight credit and slow growth that were threatening long-held beliefs and industries.

Today the challenges are different, but the feeling is the same. As a nation and people, we're faced with growing income inequality. Challenges to rural vitality. Predatory lending. Political divisions. Climate change.

And so, as we drafted our new strategic plan, we challenged ourselves to have an ambitious conversation about how Craft3 could have the most impact. How can a loan fund rise to the occasion and apply capital to better-address the challenges of our people, communities and businesses?

The result of those conversations is a document that I'm proud to share with you today. It is both ambitious and practical. Focused on our future, yet respectful of our past. Built with the input of a new generation of community leaders, yet also inspired by those who lead the way — including our late founder John Berdes, who passed away during its writing.

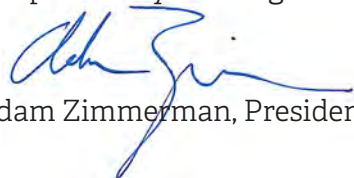
Craft3 will stay grounded in our mission — supporting economic, ecological and family resilience in Oregon and Washington. To do so, we'll use our core competency of lending and risk management to deploy over \$350 million by the end of 2022. But as we do, you'll see an evolution in our focus. We'll shift from geographic growth to highly-strategic engagement in places and sectors — seeking deeper, catalytic investment opportunities. We will further our leadership in tracking and reporting the impacts of our strategy, creating data-driven feedback loops that drive evaluation and adjustment. And we will share our data and evaluations with investors, attracting new resources to fuel our mission, on and off our balance sheet.

Our clean water lending will expand throughout the entire two-state region, and we're currently ramping up to test-drive and grow consumer loans that address the region's pressing housing crisis. For businesses and communities, we'll continue our core small business lending services while taking additional risk on catalytic projects in clean energy, food and agriculture, and community facilities.

In doing so, Craft3 will operate more efficiently, more effectively and with an even higher level of customer service. New business systems and data will drive decisions and tell our story to customers, partners, investors and our shared allies in community development.

When we started this process two years ago, our Board issued the challenge to be true to our vision. This new plan goes to our roots and uses capital to create catalytic change, for individuals, businesses and households, and for entire communities. In many ways, it is what Craft3 was built to do from the very start. Make an impact. Connect our region. Serve our communities.

I hope to see you along the way.



Adam Zimmerman, President and CEO

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Zenger Farm Urban Grange in Portland, Oregon, Craft3 Conservation Loan

EXECUTIVE SUMMARY

Over the last five years Craft3 achieved regional scale and put feet on the ground in regional centers throughout Oregon and Washington. Our approach for the 2018–2022 Strategic Plan is based on deepening our impact and focusing our resources and energy on creating enhanced outcomes from our lending. Our priorities will emphasize getting better over getting bigger.

DURING THE NEXT FIVE YEARS CRAFT3 WILL:

- Maintain the core focus of our mission — supporting economic, ecological and family resilience in Oregon and Washington.
- Shift our focus from geographic growth to highly strategic engagement in places and sectors.
- Steadily grow our balance sheet. This plan, over the 5-year period, projects 39 percent growth from \$156 million to \$216 million, an increase of \$60 million.
- Diversify our capital base with a wider range of revenue sources and implement structures that develop resources both on- and off-balance sheet to support high impact lending outputs and outcomes in the region.
- Implement a disciplined structure for strategy adjustments, product innovation and evaluation including the use of advanced data analysis. To support this structure, we will build out a new Innovation and Evaluation Center (IEC) from our existing R&D department.
- Be increasingly strategic about product delivery and growth to increase high-impact investments.

Over the 5-year period we:

- Project total loan production of \$438 million (\$291 million on-balance sheet and \$147 million off-balance sheet):
 - **In Business:**
 - Identify and implement sector outreach strategies phased on an annual basis.
 - Provide a similar product mix of current product line in all offices.
 - Test and launch two to three new loan products that deliver high mission impacts.
 - **In Community:**
 - Focus on conservation and community facilities loans.

- Increase capitalization that allows for preferred loan terms for borrowers.
- Launch advisory services capacity to guide catalytic deals.
- **In People:**
 - Expand clean water lending throughout our two-state region.
 - Determine whether to expand or wind down energy lending.
 - Test and launch two new consumer products that deliver high mission impacts.
- Focus infrastructure investments on improving customer experience, keeping our network structure in pace with technology and implementing a business systems approach to strategic utilization of data to better inform internal decision-making. We will also invest in applicable mapping and data visualization tools that enable us to tell our story externally in more compelling and interactive ways.
- Expand investment in our organizational culture, strengthen the bottom-up nature of the organization, strive for the best utilization of our talent and create career opportunities that increase tenure.



The Freshwater Trust in Portland, Oregon, Craft3 Conservation Loan

FORWARD

HISTORY

Craft3 was founded in 1994 in Ilwaco, Washington, at the mouth of the Columbia River, to serve coastal forest and fishing communities challenged by economic downturn and struggling to forge a new diversified economic base.

Over the past two decades, we have grown into a regional institution located in and representative of rural and urban, coastal and inland communities of Oregon and Washington. Sixty-five Craft3 team members operate from eight offices in Central Oregon (Bend), Columbia-Willamette (Portland), Eastern Washington (Spokane), Lower Columbia (Astoria), Mid-Columbia Basin (Walla Walla), Olympic Peninsula (Port Angeles), Puget Sound (Seattle) and Southern Oregon (Klamath Falls).

Those team members deliver on Craft3's mission: to strengthen economic, ecological and family resilience in the Pacific Northwest by providing loans and business assistance to entrepreneurs, nonprofits and individuals who do not have access to traditional financing. Certified by the U.S. Department of the Treasury as a Community Development Financial Institution (CDFI), Craft3 is recognized by the IRS as a 501(c)(3) nonprofit organization.

To date, we have invested over \$471 million to make our region stronger and more resilient. Our business loans provide capital to practically every industry sector — from agriculture to clean energy, manufacturing to professional services. For consumers, we offer specialized products to make home energy upgrades more affordable and repair or replace failing septic systems. We believe that strong businesses, families and individuals make for a strong region and invest with that goal in mind.

Craft3 is governed by a 13-member volunteer Board of Directors. As of December 31, 2017, Craft3 had \$133 million of loans on its (consolidated) balance sheet and a total of \$180 million of loans under management. Total consolidated assets were \$156 million.

Craft3 tracks progress toward mission using a set of impact metrics organized into economic resilience, family resilience and ecological resilience. Key historic impact metrics are reported in Attachment #1.

ACCOMPLISHMENTS OF LAST FIVE YEARS

Craft3 identified four primary objectives in our 2012–2016 plan:

- Focus on geographic expansion and create an institutional platform in our two-state region that positions us for greater scale of impact.
- Establish an operating platform that supports long-term growth and sustainability of the company.
- Continue to test the strategies that have worked over previous years while charting necessary course corrections.
- Create a next-generation institution that attracts and retains top level talent.

We largely achieved these objectives:

2012–2016 Plan Objective	Results
Geographic expansion and two-state institutional platform	<ul style="list-style-type: none"> Result #1: Established our new offices. Result #2: Established an External Affairs function to ramp up our presence and position.
Operating platform	<ul style="list-style-type: none"> Result #1: Successfully built out network infrastructure to support operations in multiple locations. Result #2: Our decentralized management framework, decision and authority model, enhanced HR and performance management systems are all fully functioning and performing well.
Test strategies that have worked; make course corrections	<ul style="list-style-type: none"> Result #1: Defined regional resilience and refined our resilience impact measures. Result #2: Created CDFI 2.0 framework, analyzed lessons learned and refined strategies as needed.
Next generation institution; attract top level talent	<ul style="list-style-type: none"> Result #1: Our investment in leadership/management transition was successful and we created solid leadership at multiple levels. Result #2: Strengthened the foundation for an organizational culture that embraces diversity, promotes accountability in decision making and encourages personal and professional growth.

TRIBUTE

In June 2016, Craft3 founder and CEO John Berdes lost his fight with cancer. He was a rare visionary who committed his entire life to building just and equitable communities. What John has left in his wake is a strong organization that will be his lasting legacy. In large part, this plan builds on the vision he established with our 2012 plan — to become a regional institution of reach, capacity and consequence. Craft3 is what it is today because he was strong, determined, deeply thoughtful and frequently brilliant. He was an amazing colleague, mentor, treasured friend and personal compass for many. The team he recruited through his vision, style and deep capacity for personal connection is one that is extraordinarily well-positioned to further his vision.

As he wanted, our organization has reacted to his loss with tears, laughter and stories of love — and then got back to work. He is in the bones of this organization, and we are committed in our efforts to cement his legacy for decades to come with our actions.



That legacy is best described in our statement of “Craft3’s Strategic Advantage,” the words that we use to describe ourselves to others:

- Craft3 has a fierce commitment to producing significant measurable triple bottom line results that support regional resilience. Strategic deployment of our capital delivers meaningful and measureable outcomes, leading to transformational change.
- We embrace complexity and listen carefully for understanding in order to help at all levels: local, regional and national. We create and deliver innovative

solutions when others say there are none.

- We evaluate credit risk in order to accept risk and responsibly say “Yes” but are not afraid to say “No.” We deliver a suite of products that integrate mission and business results.
- We are fair, honest, direct and transparent. We support and mentor the entrepreneurs in our region. We encourage diverse relationships to build the trust that is a prerequisite to underwriting and financing positive change.



STRAW PROPELLER GOURMET FOODS

Redmond, Oregon

“Craft3 took the time to learn about us and our business. They were obviously focused upon our profitability and ability to repay the loan but there was also an alignment between our business values and Craft3’s values.”

- Patricia Bartelson, Owner

I. STRATEGIC DIRECTION

APPROACH

As background for this plan, Craft3 created a series of internal “Intelligence Reports” to inform our planning and strategy. These reports provided valuable information regarding trends in small business lending, consumer lending, conservation, equity investing and community development, and led us to several insights about our role in the overall environment in which we work.

Craft3’s lending function primarily reacts to the needs of our borrowers and the communities where we work, but our mission is based on the potential for using investment as a proactive tool for change. Our most significant accomplishments so far have been based on the following principles:

- We achieve our mission principally through place-based development supported by our commitment to having feet on the ground. We work with other change agents who share our goals and deploy our capital in support of activities that align with our mission.
- We want our loans to be more than financial transactions. We want them to spur broader positive outcomes for the communities in which we invest.
- By creating a density of related activity and seeking to “connect the dots,” we can start building critical mass that will drive transformational change.

The 2018–2022 strategy reaffirms this approach. Craft3 is more than a mission-based lending institution. At our best, we are a proactive and strategic change agent and an integrator of businesses and institutions seeking to create resilient communities. We are conscious of social and cultural currents and work to foster the trust and the standing to help communities actively shape their future. At our core, Craft3 is a civic institution with sophisticated lending and economic tools.

Resilient economies are adaptive, diversified and innovative. They have strong leaders and deep human capital. Resilient communities have social cohesion — people who work together to get through difficult times and rectify inequality. Resilient ecosystems have communities who work to minimize negative impacts of human activities and steward healthy natural resources.

Over the coming years in Northwest rural and urban communities and economies, we expect to see continued instability driven by technology, the evolution of manufacturing, global economics and unrest, intensified climate disruptions and increasing income inequality. Couple these factors with the disappearance of community banks, proliferation of “quick money” online lenders, job loss in traditional sectors and a pace of change that is constantly accelerating, all of which threaten a sense of community resilience and security.

This 5-year strategy requires that we become bolder in our approaches and find partners for this work. Our most valued partners are other integrators — those institutions that bring will, knowledge and resources to a collective effort to enhance community resilience. Our strategy provides clear direction and signals (data) that will help us find and work with others.

STRATEGY

Over the last six years, we successfully scaled up our model and put feet on the ground in regional centers throughout Oregon and Washington. We believe that intimate knowledge of place and sector is the pathway to amplifying the outcomes of our capital investment. Craft3 occupies a unique position between four “ecosystems” that are normally separated: capital and investment, economic development, communities and the environment. Part of our strategic advantage is that we have expertise in all four areas, and we are able to find their intersections. We have been working this strategy for our entire history, but not with the constancy and full institutional commitment necessary to yield the strong, consistent impact that we desire.

This strategic plan affirms our regional office structure and a strategy that emphasizes deep knowledge of the places and sectors that we prioritize. Executing on this strategy requires a higher touch approach, building key opportunity relationships in places and sectors, providing direct leadership at times and sharing the risk inherent to bold change.

STRATEGIC THEMES:

- **Strategic Investments in Place and Sector:** To create lasting impacts in the places we work, Craft3 will deploy more of our capital in ways that catalyze or contribute to transformative change. For each of our places, we will identify those projects, businesses, organizations and other opportunities that can move the impact “needle”

and devise strategies and find partners to systematically pursue those opportunities. With our commercial lending, we will target specific industry sectors that deliver the most mission outputs and related outcomes. In consumer lending, we will grow existing and new product lines that are engineered to drive mission impacts. Overall, we will become smarter and more intentional in targeting scarce capital to opportunities that create the most impact.

- **Focused Loan Production:** Craft3 will focus its lending activities in three general categories: Investments in People; Investments in Communities; and Investments in Businesses. We will improve productivity and efficiency by strengthening our outreach strategies, our customer service, and our technology platform. Our Investments in People (Consumer lending) will be recapitalized and sales channels augmented so those loan products can be fully rolled-out across Oregon and Washington. Our Investments in Communities will be enhanced by a formalized capacity and new capitalization to make larger-scale investments in community facilities, conservation and other community projects. For our Investments in Businesses, we will retain the flexible underwriting and deal structuring that have been our hallmark. However, we will also create one or more standardized but impactful loan products — such as a small dollar business loan targeted to minority, women, immigrant and veteran borrowers — that can be originated and closed quickly and efficiently.
- **Innovation:** We believe the ability to innovate is a critical skill for CDFIs, especially non-bank 501(c)(3) funds. Craft3's reputation and success have largely been built on developing approaches and products that conventional finance institutions could not deliver. Innovation in financial products and approaches to communities and sectors will be a regular item on the annual work plans. Development of new approaches will be led in large part by staff outside of senior management, reinforcing opportunities for next generation growth.
- **Regional Amplification:** We will translate innovation and experience in specific places and sectors into opportunities to amplify our work throughout the region. Products and strategies that have been successfully piloted in one location will be adopted in other markets across the two-state region. We will grow product lines and focus outreach strategies on sectors that are scalable throughout the region and then amplify their visibility and impact through communications, new partnerships and external affairs.
- **Communications and External Affairs:** Our external affairs capabilities are a key part of our strategic currency. We have a strong story to tell and a “style” — as listeners, as integrators across geographic, economic and cultural divides and as honest and transparent communicators. We will continue to improve our ability to tell our story, through narrative as well as data, in ways that resonate regionally. We will be more surgical in targeting and developing those relationships most critical to our mission and strategies with a goal of creating an ever widening network of partners, referral sources, emissaries, thinkers and policy makers.
- **Strategic Data Use and Evaluation:** It is imperative that Craft3 better utilize data to inform innovation, track and improve operational efficiency, measure our impact, evaluate our successes and failures and tell our story. We will evaluate our data needs, our data management systems and our analysis and reporting of data. We will make necessary upgrades to our technology systems, but more importantly, will cultivate good institutional habits regarding the collection of data and the use of data to inform internal decision-making. We will invest in applicable mapping and data visualization tools so we can tell our story externally in more compelling and interactive ways.
- **Diversified Capitalization:** We expect the next five years will bring numerous and, at times, unpredictable changes in our historic sources of private and public capital. We will support our forecasted growth through diversification of investors and investor segments, new revenue streams and liquidity strategies and innovative structures that develop resources both on and off balance sheet to support lending outputs and outcomes in the region. We believe the greatest opportunities for growing assets under management will be to increase our access to and management of off-balance sheet resources. Off-balance sheet lending is also a tool for managing portfolio risk, as risk can often be shifted to or shared with outside investors.
- **Next Generation Institution:** Over the last five years, Craft3 has assembled a diverse, talented, multigenerational staff and invested in its professional development. Staff members must become the source of future growth, innovation and impact. We will expand investment in our organizational culture, strengthen the bottom-up nature of the organization, strive for the best utilization of our talent, emphasize diversity and create career opportunities that will increase tenure.



Bruncheonette in Spokane, Washington, Craft3 Business Loan

II. INVESTMENT TOOLS

Craft3's mission is to support the development of resilient communities across Oregon and Washington. Our strategy requires that we deploy capital in multiple ways in order to catalyze or contribute to transformative change for local economies, families and the natural environment. Because of our geographic reach, we have a unique capacity to disseminate knowledge and integrate similar efforts across the region.

Craft3 learns most effectively as an organization when we integrate with community leadership, be it business, nonprofit or government, to collaboratively solve a problem (e.g., broken septic systems threatening health and water quality, high unemployment, limited rural health care or limited food processing capacity). For 2018–2022, Craft3 will stress the development of outreach strategies and the delivery of loan products that emerge from these kinds of collaborations.

We will design and implement investment tools that retain the flexibility to make both large and small investments that build community confidence and increase our capacity to couple our capital with experience. Our business and community loan products will be available throughout our local office network and linked to targeted outreach strategies for people, places and sectors. We will develop, measure and evaluate these strategies on an annual basis. Each strategy will be supported by resources from across the company, including, but not limited to, marketing and communications and senior staff advice.

This section presents in detail our strategies for investing in businesses, in communities and in people. It describes our current products and services, our strategic objectives for the next five years and our approaches and tactics for achieving those objectives. Although these investment strategies may seem to be three distinct areas, our on-the-ground investing will be integrated to create maximum aggregate and cumulative impact.

INVESTMENTS IN BUSINESS

Craft3's primary customers for loans will continue to be small businesses. The next five years will be an opportunity for Craft3 to invest \$200–300 million in the small businesses of our region that drive economic opportunity and innovation. We believe that the success and growth of these

businesses is a critical component to creating a resilient region.

We will help these businesses with flexible, carefully considered debt capital that positions our customers and their employees for growth, opportunity and the generation of wealth. We will make loans with strategically crafted terms that are based on thorough due diligence and an intimate knowledge of the people, places and sectors that are critical to the success of our region as a whole. We will do all of this while intensely managing exposure to potential and actual losses. We will seek and take financial risks in an aggressive, measured and carefully monitored fashion.

STRATEGIC GOALS AND OBJECTIVES

All of Craft3's business loans create mission-aligned outputs. Over the next five years we will build commercial lending products and outreach strategies that are focused on delivering loan outputs that translate into lasting outcomes for communities and the region as a whole. We will succeed in creating lasting outcomes because we will carefully target our outreach efforts to attract businesses that deliver outcomes. Put another way, we will develop efficient strategies to find the customers that create the greatest outcomes per dollar lent.

- Strategic Focus on People, Place and Sector:** Our evolving approach will require that we develop clear, actionable outreach strategies for people, places and sectors. These strategies will be developed iteratively over the course of the next five years. Each strategy will identify desired levels of loan production and mission outputs, as well as the strategic outcomes we are looking to influence or promote.
- Innovation:** Each year we will add new outreach strategies and evaluate existing ones. In general, we will assume that outreach strategies need between 24 and 36 months to show stable results. Strategies will be evaluated annually on loan production, mission outputs and economic/community outcomes. The latter will be derived from quantitative and qualitative analysis. We may choose to maintain strategies that have strong mission impacts and outcomes but relatively low loan volume, and we may choose to sunset high production strategies with relatively weak outcomes.
- Focused Lending:** We will focus our loan products on amplifying the results of our outreach strategies. Each outreach strategy will have a "primary" loan type that we expect to be dominant with the customers that emerge from the outreach strategy. This approach will

allow us to customize staffing patterns and expertise for particular strategies.

LOAN PRODUCTS

- **Small Loans:** For smaller loans (under \$250,000), we will accelerate our lending process and increase the overall volume of customers. In this class of loans, we will grow our tolerance for losses in order to feed the need for small business credit across the region, and to some extent, protect our customers from seeking predatory products from other outlets. We will do this work with a heavy assist from technology platforms that deliver both a streamlined customer experience as well as a streamlined underwriting and back office experience. These loans will be aided by the use of technology, not only in the application phase but in underwriting, approval and servicing. As a portfolio-wide risk management tool, we will see the gross number and dollar volume of these loans rise, while our overall average loan size will decrease, reducing the portfolio risk posed by a concentration of large dollar loans.
- **Capital Plus Loans:** We will reserve the largest part of our human capital and actual capital for loans from \$250,000 to \$3 million. This range is where Craft3 brings a unique service to the region. Not only do we have the capacity to fund and service loans in this range, we will maintain the skills to carefully underwrite and find ways to approve complex, high-risk transactions that depositories cannot do, and other regional capital providers lack the capacity or experience to complete. This capacity, whether it be for business loans or community loans, will play a key role in defining Craft3's identity across our region and will critically influence staffing patterns and outreach strategies.
- **Catalytic Loans:** Over the past decade, creative use of the New Markets Tax Credit (NMTC) program and the development of Craft3 Capital Corporation propelled the company into new territory in finding, structuring and servicing large transactions. Craft3 has developed several skill sets for delivering relatively large (\$3 million to \$10 million), complex, catalytic transactions, which we define as transactions that have exceedingly high outcome value. Those skills sets are:
 - Deep roots in the region. We are well-positioned to find catalytic transactions because of our regional centers strategy. We are on the ground in eight distinct markets across Washington and Oregon, five of them in distinctly rural regions. In those regions we aim to be a critical institution that can deliver unique levels of

resources to local transactions that create lasting outcomes.

- Complex structures and partnerships. Our experience with the NMTC program, both within the NMTC allocation structure as well as the “leveraged lender” (debt provider) has sharpened our skills in managing complexity.
- Active use of guarantees. We have established a leadership role in deploying USDA loan guarantees to credit enhance catalytic transactions, in particular leveraged loans for NMTC projects.
- Active use of innovative capitalization structures. We led the CDFI field in using resources from the State Small Business Credit Initiative to establish Craft3 Capital Corporation, an investment syndicate that provided liquidity for large commercial transactions.
- In the next five years the delivery of credit for catalytic projects will rely heavily on these skills in deploying new NMTC allocations and use of USDA credit enhancements for NMTC and non-NMTC transactions. We will explore opportunities to reboot the syndication approach used in Craft3 Capital Corporation in years two and three of the plan.

OUTREACH STRATEGIES

Over the next five years Craft3 will systematically develop, launch and annually evaluate outreach targeted strategies to people, places and sectors. The resulting work and analysis will inform the annual plan, budget and staffing pattern for the following year. The criteria for viable outreach strategies will be the following:

- **Expertise:** Do we have, or can we efficiently develop, the necessary expertise and local knowledge to engage the targeted group/place/sector?
- **Production:** Do we believe there is a credit need within the targeted group/place/sector and do we have the credit products available to meet the need?
- **Outputs and Outcomes:** Will the targeted group/place/sector produce the mission-aligned outputs we measure? Is there a reasonable argument that the loans and resulting outputs will create amplified outcomes within the region?

We will manage our capital and human resources to prioritize what we will continue to call “strategy loans” —

loans that have a high degree of alignment with our stated outreach strategies. As this plan matures, we expect to add one to two new outreach strategies during each annual planning cycle.

LOANS TO PEOPLE

Since inception we have targeted underserved populations (those who have struggled to access commercial credit) including entrepreneurs of color, women, immigrants and veterans, as well as those in Indian Country and rural communities. Our approach will be refined with outreach strategies targeting more specific populations, often within specific geographies (e.g., rural Latino businesses east of the Cascades, underserved urban neighborhoods in Seattle, Native-owned enterprises). We expect these outreach strategies to be primarily, but not exclusively, paired with our small loan product.

LOANS TO PLACES

Opportunities for economic and business development are largely defined by the place in which they occur. Craft3 has long invested resources in developing place-based relationships that yield trusted networks and opportunities for investment.

Craft3 is on the ground in eight distinct regional centers across Oregon and Washington. In service to our regional centers we will develop annual place plans that prioritize the people and sector outreach strategies that we believe will deliver the most mission-aligned outputs and outcomes within the regional center. We will measure both the effectiveness of the outreach strategy across the company as well as the effectiveness of the strategy by place. Not all strategies will be deployed in all places (e.g., we may choose to refrain from pushing a food and agriculture outreach strategy in our Puget Sound region). Deployment of outreach strategies in place will be supported by local staff and those with specialized skill sets from around the company.

LOANS TO SECTORS

Craft3 has a long history of developing sector-specific knowledge ranging from fisheries and wood products to child care. This new plan will seek to build visibility and referral networks around sectors that we prioritize as having a high chance of mission-aligned outputs and outcomes. Each strategy will be deliberately designed and monitored and evaluated over its implementation period.

Craft3 will launch three sector-focused outreach strategies: clean energy, food and agriculture, and community facilities. In each of these sectors we have a history of investing, institutional expertise and specific capital sources targeted at the sector. We will begin this work by developing plans for each sector outreach strategy. The plans will address:

- Targeted outputs and outcomes
- Expected usage in regional centers (offices)
- Critical referral networks and partners
- Expected loan product usage (small loans, capital plus loans, catalytic loans)
- Deployment rate
- Expected range of loan terms
- Expected risk profile
- Staffing pattern

STAFFING AND DEPLOYMENT

Craft3 attracts a diverse and talented commercial lending staff (lenders, underwriters, portfolio administration and risk management). As noted in the infrastructure section of this plan, an important element of our staffing strategy for the next five years is providing broad opportunities for Craft3 staff to engage across the breadth of the organization. For each outreach strategy identified on an annual basis, we will designate a lead staff member, as well as strategy teams that have specific responsibilities in supporting the execution of the strategy.

INVESTMENTS IN COMMUNITIES

Craft3 has a long history of making impactful investments in community facilities, essential services and conservation efforts. These investments have been made to a range of actors — nonprofit organizations, tribal entities, quasi-governmental entities — for a variety of purposes such as health, education, human services and environmental protection. All of these diverse community investments have the effect of creating or enhancing assets that contribute to community resilience.

We recognize that catalyzing rich resilience outcomes in communities will require different capital approaches, different rates/terms and a willingness to assume a higher level of risk. Given higher risk and transaction cost, Craft3 will prioritize its resources and energy according to several general parameters:

- Respond to a need in the community that is supported by local vision and leadership.
- Catalyze change or remove a barrier to change or growth.
- Support projects in highly underserved communities, with a particular focus on Northwest Indian Country.
- Leverage additional public and private investment.
- Strengthen the community fabric, family resilience and ecological resilience.
- Deliver significant and measurable mission outputs for Craft3.

As part of its broader strategy to deepen impact, Craft3 must also be willing to assume a larger leadership role, both in terms of specific projects and also more generally as a visible and respected community resource and leader.

STRATEGIC GOALS AND OBJECTIVES

In order to catalyze rich outcomes, we will provide specialized lending products and related services that are different from our standard business loan offerings. Our efforts will revolve around the following:

- **Focused Lending:** Craft3 will develop and deploy specialized community facilities and conservation loan products with pricing and terms suitable for transformative projects.
- **Strategic Outreach in Sector:** Craft3 will prioritize outreach strategies in our places and across the region that raise our visibility with targeted borrowers in the community development and conservation sectors.
- **Capital Plus:** We will develop an advisory capability (with expertise from both within and outside of Craft3) to assist communities in moving a project from the idea stage through concept development, financing, construction and implementation.
- **Leadership:** Elevate Craft3’s presence and leadership role in select communities.

LOANS TO NONPROFITS AND OTHER SERVICE PROVIDERS

Craft3 makes loans to nonprofit organizations and other service providers for a number of purposes: essential services such as health care, child care and affordable housing; and other critical community development projects. Craft3 loans can be used to support operations, fill temporary gaps in revenue and finance real estate acquisition and/or development. These loans range in complexity and size, from \$25,000 to \$3 million, with interest rates based on risk and

terms of three to seven years.

COMMUNITY FACILITIES

Since 1994, Craft3 has made 63 community facilities loans for \$90 million in rural areas, representing 22.6 percent of all commercial loans. Forty-seven loans have been made to nonprofits, 10 to governmental entities, and six to tribal entities. Most loans have fixed interest rates and the most common interest rates are between 4 percent and 8 percent, with larger loans tending to be priced lower.

These investments have generally been customized to each circumstance. The “product” and related pipeline were not originated through a formalized structure and outreach strategy. Through this plan we will increase community facilities lending opportunities that catalyze larger scale community outcomes. Craft3 will offer a more standardized community facility product deployed through a companywide outreach strategy:

- **Pricing:** Community facilities financing is more price sensitive than business financing. Loan rates will be between 4 percent and 6 percent with origination fees averaging 1 percent.
- **Terms:** The need for fully amortizing permanent debt does not appear to be essential. Amortizations of 20 to 30 years with 5 to 10-year balloons are generally accepted in this market.
- **Market Segments:** There are three primary submarkets developing community facilities: nonprofits, tribes and public entities/special districts including small local government jurisdictions, utility districts, ports, housing authorities and educational districts.
- **Capitalization:** Craft3 will require low-cost capital (0 percent to 2 percent) in order to re-lend at the 4 percent to 6 percent range. Longer-term debt capital would also enable Craft3 to extend repayment periods beyond its typical 5-year term (perhaps to 7 to 10 years).

Finding the right borrowers will be the key to the success of this product. We will deploy an outreach strategy to existing as well as new partners to help identify the entities that can successfully take on these projects. We will also develop relationships with experts who can assist on these projects when needed (see “Advisory Services”). Most importantly, we will need to build trust with these partners and potential borrowers — particularly in Indian Country — so they invite us to be part of a solution to their community facility development puzzle.

LAND CONSERVATION AND LAND BANKING

Craft3 offers land conservation loans throughout Oregon and Washington. It has delivered more than \$21 million in financing for conservation projects, including gap financing for conservation of urban working farmland and bridge financing to purchase high-value forestland and riparian areas.

Since 2012, with generous support from Meyer Memorial Trust, Craft3 has operated the Conservation Bridge Fund (CBF) which focuses on projects in Oregon and Southwest Washington. The CBF offer loans to nonprofit conservation organizations, municipalities and private landowners for acquisition of land, water rights or conservation easements, and projects that include restoration work ahead of anticipated permanent funding. Over the next five years, we will fully expand delivery of this product across both states.

In addition to our current land conservation lending, Craft3 will explore formalizing a land banking function, particularly in urban areas. Craft3 has occasionally undertaken land banking — the acquisition and holding of land and buildings until they can be transferred to a suitable owner or developer — on an ad-hoc basis. In Craft3’s urban markets, real estate that can be developed or repurposed for affordable housing, community facilities, economic development or other community benefits is an increasingly scarce commodity, especially in historically neighborhoods of color.

ADVISORY SERVICES

Craft3’s experience is that many organizations and communities that could derive benefit from a community facilities project lack the expertise to move those projects forward. We recognize there will frequently be situations where Craft3 must bring the expertise to the table or else the project will not move forward.

Accordingly, Craft3 will build out an advisory services capacity to help our community partners conceive, develop and manage their projects and initiatives. The advisory services will build upon Craft3’s internal expertise while recruiting a pool of external consultants with specialized skills. Consultants will be vetted and, if necessary, trained in Craft3’s principles of building trust, starting where people are at and structuring solutions that truly fit the needs, values and skills of the communities and organizations with whom we work. Lenders working on high priority, high impact transactions will have latitude to request and deploy advisory services as needed. The Innovation and Evaluation

Center will assist in identifying and vetting potential external consultants.

CAPITALIZATION

Craft3 will prioritize raising a diverse pool of capital suitable to support the rates, terms and risks associated with community investing. Craft3 was awarded a \$2 million Uplift America grant to complement a \$20 million allocation of USDA Community Facilities Relend capital. Those funds will be primarily deployed to projects in Indian Country. We will be working with other grantees of this effort to pursue statutory changes that would lower the cost of these funds.

Building on our past efforts, Craft3 will actively seek a New Markets Tax Credit allocation to be used in community facilities projects. In addition, we will explore options for using the CDFI Fund Bond Guarantee program, targeted program-related investments and impact investor resources to support our “Communities” investment strategy.

INVESTMENTS IN PEOPLE (CONSUMER LENDING)

Craft3’s consumer loans are highly specialized products designed to produce specific mission impacts. Craft3 presently offers three consumer lending products:

- **Home Energy Loans:** Typically \$8,000–\$20,000 to finance residential energy conservation improvements;
- **Clean Water Loans:** Typically \$10,000–\$25,000 for repair or replacement of failing residential septic systems;
- **“Ada” Loans:** Up to \$14,700 to cover living expenses for women enrolled in Ada Developers Academy, which trains them to become computer programmers.

Through pricing, repayment terms and flexible underwriting, Craft3 makes its consumer loans broadly available to high impact customers, including to individuals with lower incomes or less-than-perfect credit scores and individuals engaged in mission-aligned projects. Clean Water Loans and Home Energy Loans feature pricing discounts for lower-income borrowers. Energy loans are amortized through utility bill payments. Clean Water Loans can be structured with interest-only or fully-deferred (until sale of property) features for lower-income borrowers. Virtually all Ada students qualify for a Craft3 loan and repayment begins after 12 months.

Craft3 loans have historically been delivered through partnerships that provide marketing and ancillary services. This model enables Craft3 to play a specific financing role

within a coordinated value chain and is dependent on our partners to fulfill critical functions.

Craft3's Home Energy Loans and Clean Water Loans are originated and serviced utilizing custom-built IT platforms that Craft3 designed and maintains. These platforms contribute to speed, efficiency and customer service quality in delivering and servicing those loans.

STRATEGIC GOALS AND OBJECTIVES

Craft3's competitive advantage lies in offering niche consumer products that are highly targeted to an audience that is underserved by other lenders. Our primary goals for the 2018–2022 time frame are:

- Pursue strategy of growth for residential energy lending by expanding on-bill delivery channels and finding new ways to market our product.
- Continue growth of clean water partnerships and funding to deliver product statewide across Oregon and Washington.
- Pursue a sustainable capital strategy for Ada and consider strategic expansion of education-based products.
- Utilize the new internal Innovation Fund to develop, pilot and test potential new consumer loan products.

HOME ENERGY LENDING

Craft3's consumer lending for single-family residential energy projects supports climate action and family resilience at the same time. Although the demand for such projects has fluctuated over the past decade, we believe that ongoing concerns about global warming will increase energy costs significantly, and require ongoing household investments supported by the use of credit, especially for low to moderate-income households. Reaching and supporting these customers remains a challenge for utilities and efficiency/solar programs. Craft3's on-bill loan product is a powerful financing tool for serving this market.

Our priority strategies for the next five years:

- **Expanding On-Bill:** New on-bill delivery channels will be crucial to the future of Craft3's residential energy conservation lending. Craft3 will work to secure two to four new delivery channels (larger utilities or consortium of smaller utilities/co-ops).
- **Solar Loan Product:** Recognizing that market demand for solar PV is strong and relatively few affordable options exist for budget-constrained homeowners, we

will pursue solar on-bill lending.

Craft3 has played an important role in galvanizing the energy efficiency market in the Pacific Northwest and now the market and players are in a different place. Market trends, competition, cost of capital and the cost and complexity of the on-bill business model all have contributed to declining loan volume and made the loan product less viable. If new lending opportunities and functional partnerships do not manifest themselves, Craft3 will develop a ramp-down path for energy lending to make space for products that better contribute to the mission and bottom line.

CLEAN WATER LENDING

Craft3's Clean Water Loans are explicitly designed to provide a credit option that supports the resilience of Northwest households and solves a pernicious water quality problem at the same time. The loan product was conceived in Pacific County, a hub of oysterbeds in need of clean water, and has now grown to cover most of the population in our region.

Clean water lending increased significantly from 2012–2017 in both geography and volume. In 2016, production was \$3.4 million and 148 closed loans. In 2017 production was nearly double that of 2016. Assuming statewide offerings in Oregon and Washington, we project annual production will be 300–500 loans for \$6–9.5 million over the 2018–2022 period.

Craft3 sees very little competition in this market. We utilize local health agencies, regulatory bodies and state or county licensed contractors as sales channels for the product. Relationship building within this ecosystem of stakeholders is essential to the product's success. Successful pipeline development has established strong personal relationships between Craft3 lending and program staff and individual counties and contractors. Product expansion will make this hands-on approach more challenging at scale.

Craft3 ensures its clean water financing is accessible to low and moderate-income households through pricing and repayment terms based on income. We have found that preferred terms are key to overall marketing success as well as securing public and private investment in the way of grants and low cost debt. We will continue to seek strategic subsidy to support broad availability of the loan product.

Growth in clean water lending will require ongoing engagement, maintaining the extensive network of partnerships and continuing to secure capital for the fully and partially deferred loans. Over the short- and intermediate-term, the greatest challenge for clean water

lending is capital raising. Over the longer term, Craft3 will explore new water loan products appropriate for eastern Oregon and Washington.

EDUCATION LOANS

Compared to residential energy or clean water, the opportunities to grow the education lending business line are less clear. We are unlikely to be competitive in the “normal” education loan market, such as federal guaranteed student loans that pay tuition and fees, which is a crowded field. Following the Ada loan example, Craft3 financing could potentially assist students in meeting their living expenses while taking classes. By allowing students to concentrate full-time or closer to full-time on their educational program, we can catalyze positive impacts such as reducing time to completion/graduation, increasing the program graduation rate or making the program accessible to people that could not have participated without the loan.

Over the short-term, our goal is to work with Ada investors to raise additional funds so Craft3 can offer loans to a larger number of Ada students. Over the longer term, we will determine whether there are other education lending niches we should pursue. Following the Ada example, Craft3 could partner with other educational institutions or programs with a proven track record of producing graduates who successfully catapult themselves in to long-term higher-paying careers.

INNOVATION AND NEW PRODUCTS

Between 2018 and 2022, Craft3’s goal is to add one to three new viable long-term consumer loan products to its product suite. We will research several new product options, pilot and test products that show promise and then proceed to wide-scale rollout of those that meet viability thresholds. New products will be designed to meet a value-proposition test, including does it move the needle on Craft3 resilience metrics, stabilize lower-middle class households, reduce inequality through creative product design and have efficient program structure and underwriting methodology. A good Craft3 consumer product must also have favorable business model characteristics, notably:

- Institutional partners that can deliver high-quality loan referrals, value-added or complementary services, capital and advocacy.
- Market demand at pricing that Craft3 can offer.
- Underwriting, risk management and loan security needs commensurate with pricing, average loan amount.

- Product compatible with existing IT infrastructure or can leverage funding to support the development of new infrastructure.
- A viable capitalization source at the right cost.

SOME POTENTIAL NEW PRODUCTS THAT WILL BE CONSIDERED INCLUDE:

- **Accessory Dwelling Units (ADU):** \$10,000–\$50,000; UCC security. Financing the full construction of accessory dwelling units (mother-in-law, basement or backyard cottage) to serve as a rental property, thereby growing income opportunities for property owners while expanding the stock of affordable housing.
- **Manufactured Homes:** \$10,000–\$50,000; UCC security. Replacement of manufactured homes to deliver energy efficiency and/or other benefits.
- **Immigration Loans:** \$3,000–\$5,000; likely unsecured. Cover the cost of the immigration process and potentially including test prep courses and costs, such as child care, to help families through the process. Product would likely be most successful if integrated in specific employment ladder opportunities, or institutional partner connected to new employment or housing opportunities. Current partners including Self-Help Credit Union and the Seattle Metropolitan Credit Union are expanding into this territory.
- **Expanded, More Flexible Energy Loans:** Loans for a larger variety of energy purposes — rooftop solar, wood stove replacements and electric vehicle infrastructure (charging stations). Wood stove replacement loans would facilitate transition to cleaner heating sources to improve air quality, health outcomes and energy efficiency. These could be done in partnership with local air quality districts and state and local health departments.
- **Education:** Loans that move the needle on borrower family security and success. Appropriate niches for Craft3 are likely training programs for low- to moderate-income families tied to proven career opportunities. Our loans can have the flexibility to consider broader financing needs of borrowers, such as childcare, need for a computer/equipment, living expenses and other needs.

CAPITALIZATION

Suitable capitalization will be a critical factor in determining the future viability of consumer loan products. The consumer market is very sensitive to pricing and consumer expectations have often been shaped by misleading “teaser” pricing approaches. Craft3’s consumer lending generally requires cost of funds on the order of 1 percent in order to deliver a competitive consumer product at the low pricing demanded by both borrowers and referral partners: typically 4 percent to 6 percent. Raising capital that is sufficiently low-cost and flexible — by product or geography — will continue to be a challenge.

Clean water lending has historically been funded by geographically restricted government grants that were matched by private grants. The need for low cost capital has constrained expansion to locations where Craft3 could secure grants to subsidize operations or buy-down interest rates. In 2016, Craft3 received capital from the Washington Clean Water State Revolving Fund (CWSRF), which allowed market expansion to much of Western Washington. In 2018, Craft3 will likely be able to similarly access Oregon’s Clean Water State Revolving Fund program.

Long-term capitalization for residential energy and education lending is less certain. Energy lending has been capitalized by federal economic stimulus capital grants, the Washington Department of Commerce and proceeds from the sale of loans to Self-Help Credit Union. Future sources of capital are unclear; energy utilities and the Bonneville Power Administration might be future possibilities. Craft3 capitalized the Ada lending with \$850,000 of its own capital and is now looking to Ada investors and industry partners to provide the next \$1 million of capital. New niche education loan products will similarly require raising capital from investors with aligned interests.

As a general rule, capital raising for new loan products is strengthened if we have successfully completed a lending pilot. These lending pilots would, ideally, be capitalized and subsidized through Craft3’s Innovation Fund. Longer-term capital sources can then be raised from public and/or private sources that take time to cultivate (legislative process, grant application timelines, funder relationship development).



TAXES D & NOTARY

Pasco, Washington

“Contacting Craft3 was the best decision I could have made for my business. The loan has helped us expand services for an underserved audience, allowing us to become a one-stop-shop for the Hispanic community without sacrificing the quality of service.”

- Diana Gomez, Owner



GreenSavers in Bend, Oregon, Craft3 Home Energy Loan contractor

III. OPERATING PLATFORM

CULTURE/HUMAN RESOURCES

Over the last five years, Craft3 changed the focus of our human resources department from administration and compliance to growth and development of individuals and the organization. We implemented a new performance planning measurement system and a new compensation policy that ensured our competitiveness in the current job market. We increased our investments in professional development and created a set of management leadership competencies designed to build next generation leadership. These changes have resulted in a diverse and high quality team of mission-driven professionals.

We also invested in the establishment of a strong foundation for an organizational culture that embraces diversity, promotes accountability and independent decision making and encourages personal and professional growth. While we have organized into separate business units and are housed in various locations, we aspire to function as a team committed to mission and productivity. Over the next five years our biggest asset is our team. We will remain committed to attracting and retaining a high functioning group of professionals and investing in the growth of our people. Our team codified the culture of the organization in a set of statements called “What We Believe In” (see Attachment #2) and our Companywide Competencies (see Attachment #3).

HUMAN RESOURCE THEMES:

- **Cross-Department and Cross-Functional Teamwork:** Craft3 can make further progress to reduce silos and strengthen collaboration across departments. We will make more and better use of cross-department and cross-functional teams. As the 2012 plan comes to an end we have made significant progress in the restructuring of all lending business units in order to maximize teamwork, foster creative efficiencies and diversify leadership. Most importantly, we will continue to cultivate an organization-wide spirit of collaborative problem solving.
- **Professional Growth and Career Opportunities:** Craft3 is committed to becoming better at creating professional and career growth opportunities for our next generation of staff and leadership. While Craft3’s relatively small size can constrain the rungs on a career

ladder, we will encourage employees to develop the full spectrum of their skills as professionals — not just the skills requisite for their immediate job tasks. We will be creative in finding opportunities for employees to apply those skills for the benefit of Craft3, our customers and our communities. Supervisors are encouraged to speak with their employees about professional growth and advancement within the company. The long-term benefit to Craft3 will be better retention of talented, engaged and upwardly mobile staff.

- **On-Boarding and Strategic Leadership:** Over the last five years, Craft3 has greatly improved its processes for on-boarding new employees, and we will further strengthen on-boarding in two ways. For certain positions, particularly those related to commercial lending, new staff who come from conventional financial institutions often have difficulty adapting to Craft3’s highly flexible credit culture. Our lenders need to think strategically — in terms of our resilience mission — and not just transactionally. Over the next two years, we will refine our methods for training and developing lenders to be effective within our credit culture and our strategic framework. We will also further develop our staff member’s skills so that they may assert strategic leadership in their communities, i.e., to be proactive change agents. Staff who come from community development backgrounds often have these skills, which tend to come less naturally to those with banking or other careers.

Our goal is to maintain an organizational culture that encourages all staff members — no matter their position on the organizational chart — to take initiative, to be innovators, to play leadership roles and to contribute to Craft3 beyond the “box” of their job descriptions.

INFRASTRUCTURE

Craft3 is organized into multiple departments supervised by senior managers that roll up into five primary business units led by members of a Management Team (Attachment #4). We have clear and established lines of delegation, decision making authority and communication based on a set of consultative decision making principles.

Over the last five years Craft3 invested heavily in establishing a robust, high functioning and nimble infrastructure to support the growth of the organization. This has included enhanced staffing, new systems, procedures and reorganization within various departments. Additionally, Craft3 developed a permanent, in-house

IT department. This department built out systems and processes to parallel our priorities for expansion into decentralized offices and support growth of our loan portfolio and new products. These investments in our network structure have resulted in cost savings, production efficiencies and strengthened internal communications.

While no immediate changes are required in our infrastructure business units, we intend to continue and expand investment in process efficiencies, system improvements and growth to maintain and improve optimal performance in all business units.

INFRASTRUCTURE THEMES:

- **Customer Experience:** Focus on improving customer experience with a more robust engagement platform. We will continue migration toward outward-facing services such as online loan applications and an interactive website enabling customers to perform various functions such as checking loan balances. The goal is to have an “always on” set of systems that meets customer needs. Additionally, we will invest in applicable mapping and data visualization tools that enable us to tell our story externally in more compelling and interactive ways.
- **IT Platform:** Keep our IT network structure and systems in pace with technology changes with an emphasis toward online processes that remove data redundancies and create efficiencies for all business units. We will be future looking and making annual adjustments and investments as required. New systems and processes will be supported by training tools to ensure maximum effectiveness.
- **Business Systems Approach:** Develop and implement a business intelligence data-driven infrastructure to better inform and support internal decision-making. Emphasis will be placed on creating tools that allow the board, management and business unit leaders to evaluate performance and make informed decisions.

STRATEGIC DATA USAGE AND EVALUATION

Over our history Craft3 has collected enormous amounts of data using numerous data management systems. Many of our data points are for compliance and reporting purposes, others are used by internal management, while others feed our resilience metrics system.

Over the next five years, as a core component of our work, we will align our strategic direction and lending with a

companywide data architecture that delivers regular data-supported answers to critical questions about the health of the company and the scope of our impact. This work will result in a comprehensive information management system that will allow us to analyze and evaluate the business and mission impacts of our outreach strategies, loan products and capitalization structures.

STRATEGIC DATA USAGE AND EVALUATION THEMES:

- Improve operational efficiency
- Measure, track and report business performance metrics (productivity, efficiency)
- Create accurate, consistent and real-time reporting of resilience impact metrics
- Provide graphic and geospatial displays of impact data
- Create business intelligence through data mining and utilization of external data sources
- Improve customer experience
- Improve deployment of marketing, communication and sales resources

CAPITALIZATION

Craft3’s growth and achievement of forecasted lending outputs and outcomes relies on raising diverse types of capital — term loans, accredited investor private placement offerings (PPOs), lines of credit, managed funds, third-party guaranties and state and federal resources. We assert that our best pathway for growth in assets under management is an expansion in specialized capital for targeted strategies. In following this path, we accept that we must manage complex fund sources in order to bring diverse and specialized resources to the communities and sectors we serve.

Capital raising has become increasingly complex due to changes in the landscape. We expect that sources of capital grants and other equity will be constrained, and as a result, a substantial increase in capital under management will be driven by a proportional increase in net assets (equity). Next, there is more competition for resources at a time when we expect to see cuts to federal programs that have long provided capital grants to CDFIs. The increasing cost of leveraged debt from banks is putting pressure on our spread income as we try to maintain appropriate rates for our borrowers. Finally, the field of “impact investing” is growing, and there has been an increase in the number of new private equity and debt funds, both nationally and regionally. Many

are focused on volume, across a more expansive footprint without a clear theory of change, and delivering market or above-market returns. They are often housed within a parent company that is not mission- or values-driven, but does a very good job at marketing the impacts associated with fund investments.

While these factors challenge Craft3's ability to increase assets under management and profitability, there are significant opportunities to support forecasted growth through diversification of investors and investor segments, new revenue streams and liquidity strategies and innovative structures that develop resources to support lending outputs and outcomes in the region. Our primary strategy for accelerating assets under management will be to increase our access to, and management of, off-balance sheet resources. On-balance sheet growth will continue to be constrained by the limited supply of equity investments (governmental and philanthropic grant capital) and the leverage covenants imposed by those investors. While we will continue to raise on-balance sheet resources, we will direct proportionately more of our energy toward developing and implementing an effective off-balance sheet strategy.

CAPITALIZATION THEMES:

- **Diversified Capital Grants:** Capital grants are the slowest source of capital to grow, the hardest to get and the most impactful. They represent upstream fund sources that support most/all downstream on-balance-sheet capital raising. Capital grants provide a source of permanent equity to the revolving loan fund, which allows us to leverage public and private debt to scale capitalization and lowers our blended cost of capital so we can offer loan products with lower interest rates to borrowers with pricing sensitivities. To secure capital grants, Craft3 will:
 - Increase capital grant contracts with federal, state and local governments to capitalize new and existing funds with aligned priorities. These grants will look much more like fee-for-service contracts to make loans to achieve government policy priorities (e.g., job creation, clean energy production, etc.) that align with Craft3's mission and strategy.
 - Develop companion capital grant product to private placement for mission-aligned individuals/corporations seeking tax shelter. These grants will be differentiated from operating grants or donations as an
- **Diversified Debt:** Debt represents the largest share of Craft3's capital structure. Stand alone, unsecured, general recourse debt facilities — revolving lines, term loans, Program Related Investments (PRIs), Equivalent Investments (EQ2) or otherwise — will continue to be a mainstay in Craft3's debt capitalization efforts. In addition, Craft3 has developed or piloted several new debt facilities that reach new investor segments or have promise to recruit capital at much greater scale. These include a Wells Fargo debt syndication for Craft3 Capital Corporation, Banner Bank revolving line of credit syndication and Community Impact Investment Note (CIIN) private placement offering (PPO). These newer debt facilities will be pursued more aggressively over the next five years with greater efficiency and intentionality.
 - Community Impact Investor Notes: Craft3 will reach 100 percent subscription on our CIIN by Q2 2018 (\$20 million) and simultaneously launch a replacement PPO. Returns will be relational to, but not always synonymous with, bank certificates of deposit and peer CDFI note products.
 - PPOs for geographic or product-targeted funds: Develop two new, smaller (<\$5 million) funds targeted to a place or specific purpose. By targeting place or product with an off-the-shelf product, we retain the efficiency of investing (and borrowing) through a private placement, while expanding our customer base to those with more specialized interests (e.g., Olympic Peninsula, consumer clean water, commercial clean energy).
 - Regional Bank Syndications: Develop up to two syndicated debt facilities with regional banks. Several regional banks have shown interest and invested in Craft3, but there is still limited awareness and understanding of how to underwrite a mission-based, non-bank financial institution. Syndications led by large regionals can help us reach smaller regional banks, which may be unaware of Craft3 or aware but interested in sharing the risk and benefiting from a lead administrator.
- **Fund Management for Institutional Investors:** Funds that we initiate will be customized to meet our mission objectives and branded and sold in ways that reinforce

“investment” of permanent (non-shareholder) equity in revolving loan fund for long-term leverage and mission outcomes.

our message and brand identity. Depending on the terms of the operating agreement, risk can be directed to the fund more so than Craft3. The volume of funds that can be managed is not as constrained by the size of our balance sheet or net worth on our balance sheet. Income is earned on fees rather than rate spread. While income on managed debt funds is not likely to be substantially higher than spread income earned from balanced sheet resources, the primary benefits to Craft3 are relatively unlimited growth opportunities for assets under management and reduced risk exposure.

- **Platform Utilization:** Craft3 has built a robust operating platform to support scaled loan origination, portfolio management, accounting, compliance and reporting. Over the next five years, we will utilize this platform to provide management expertise to fund owners, including foundations with emphasis on emerging/growing Mission Related Investment (MRI) strategies; municipalities with aligned economic development strategies (capitalized by Urban Renewal Agency resources); and cooperatives in rural communities with aligned economic development strategies (capitalized by the USDA Rural Economic Development Loan & Grant Program).
- **New Markets Tax Credit (NMTC):** Craft3 successfully deployed \$83 million in NMTC allocation during 2005–2011, predominantly in rural communities and Indian Country. We have maintained our reputation for lending both inside and outside of NMTC structures with our own capital and without allocation, and strengthened our internal capacity to manage the complex accounting and compliance functions associated with NMTC investing. Craft3 will seek additional NMTC allocation in Round 15 (FY 2018) and in subsequent rounds to grow this line of business.
- **Loan Guarantees, Loan Sales and Loan Participations:** Craft3 has access to several government guarantee products and has often strategically utilized an active secondary market to sell guaranteed portions of commercial loans for liquidity and fee income. These programs include the USDA Business & Industry (B&I) and Rural Energy Assistance Program (REAP) Guarantees and the SBA Community Advantage Guarantee. In the next five years, we will further utilize loan sales, guarantees and loan participations to reduce demands on our liquidity, capitalization expense, loan loss reserve expense and portfolio-wide risk exposure. This tactic will be particularly useful for large commercial transactions, but may be useful for other loans in our portfolio. For example, Craft3 has also packaged and sold portions of our consumer portfolio. Over the longer term, Craft3 may explore the use of responsibly structured collateralized debt obligations (CDOs) to finance loans whereby loans within a pool serve as collateral for a bond.
- **Future Trends:** Over the next five years, Craft3 will be mindful of two trends that may present opportunities to advance capitalization goals.
 - Pay for Success investments (“social impact bonds”) involve a loan to a nonprofit provider to fund a program intended to resolve or prevent a persistent social issue. The loan is capitalized by investors and paid back by end payers (typically governments) if forecasted measureable social outcomes are achieved. Most examples in the U.S. have been focused on systemic social challenges (e.g., educational attainment, prison recidivism avoidance, etc.), which are inherently difficult since human behavior is difficult to predict. While the field is still nascent in the United States, Craft3 may find opportunities related to conservation or ecosystem services (e.g., Freshwater Trust) that it would be well positioned to pursue.
 - Craft3 has long stood out amongst our peers for our sophistication and intentionality to assess our mission performance using triple bottom line or resilience outcomes. As CDFIs advance and as Socially Responsible Investment (SRI) funds proliferate domestically, we must stay ahead of the curve through the assessment of current and emerging measures, data integrity, research and analysis of local and regional implications and dissemination. Our ability to stay in front of these trends and grow our capacity to articulate regional and systemic outcomes that result from our financing will position Craft3 for greater capitalization and partnerships, financial and otherwise.

COMMUNICATIONS AND EXTERNAL AFFAIRS

Craft3 has unique positioning in our region. We are one of a handful of entities focused on a regional strategy that works in communities across both Oregon and Washington, and the only one at large scale that uses capital as its driving tool. Craft3 combines innovation — the ability to invent workable capital solutions tailored to need and circumstance — with the capacity to implement. Finally, Craft3 has deep experience working to build trust between communities that often look past one another.

Craft3 conceives of external affairs as a mix of government affairs, strategic communication, relationship development, policy advocacy and lobbying. Since inception, Craft3 has taken an opportunistic approach to external affairs. But to reach a strategic goal of becoming a widely recognized and respected regional institution, Craft3 created an external affairs department in 2016, registered as a lobbying entity and began building the required internal infrastructure. Our external affairs work is based on: 1) a regional perspective that transcends the divisive framing of “urban” versus “rural” issues; and 2) participating in and building mission/product-aligned coalitions that support strategy and mission impacts.

EXTERNAL AFFAIRS THEMES:

- **Resource Development:** As Craft3 looks to develop new capitalization and liquidity, there will be instances where advocacy and policy efforts are necessary to ensure available and emerging programs work for Craft3 and other non-bank loan funds. In Oregon, for example, we are seeking to make CDFIs eligible for programs in which regulated depositories participate, such as the Business Oregon Capital Access Program (CAP) and the Credit Enhancement Fund (CEF). In Washington, we would like an arrangement whereby the Department of Financial Institutions provides sufficient oversight for Craft3 to participate in federal government guarantee programs while allowing us to retain flexibility in our lending.
- **A Deliberate and Respected Voice:** External affairs gives Craft3 a clear, deliberate voice that can influence decision-makers, attract resources, build credibility and recruit new partners. Craft3’s voice grows out of its storybook — the hundreds of examples where through capital or other services we have created benefit to communities across our region. We will revise how we market, communicate and deploy our stories to audiences that can help us achieve our mission goals.

- **Coalitions and Partnerships:** To succeed regionally we must have a local political and policy presence in the form of networks and alliances across our eight subregions. Craft3 will use external affairs to build or participate in mission- or product-aligned coalitions, as we did in Oregon to gain legislative approval for a low-interest septic replacement loan program. Similarly, Craft3 has a reputation as a capable implementation and financing partner. Craft3 performed this role with the City of Astoria for nearly 20 years and has served a similar function for the Washington Department of Commerce. External affairs will help Craft3’s efforts to expand upon this role.

The overall impact of our external affairs can be summarized as two-fold: 1) solidifying our presence as a community institution in our touch points of people, places and sectors; and 2) creating more opportunities for Craft3 to foster and demonstrate economic, ecological and family resilience at a regional scale. Through its networking, partnerships, collaborations and voice, external affairs gives us a toolkit for positioning Craft3 as the “go-to” institution for delivering capital-based solutions across a wide spectrum of issues.

INNOVATION, STRATEGY AND SHARED LEARNING

Over the next five years Craft3 will strengthen its ability to innovate strategies and products, evaluate our effectiveness and share the resulting lessons across the company. In the past, Craft3’s innovations have largely originated with and been driven by senior management. Moving forward we will encourage innovation as an organization-wide capacity whereby the ideas and the energy for innovation can be harnessed from throughout the organization.

Accordingly, Craft3 will build out an Innovation and Evaluation Center (IEC) from its existing R&D department. Historically, the R&D department has been charged with executing large-scale high priority projects, such as Craft3’s geographic expansion into eastern Oregon and Washington. The new IEC will retain those functions but will also play a supporting role for a broader range of activities. Our aim is to continue the large-scale “planned” innovation R&D has previously performed while strengthening our abilities at opportunistic innovation and at evaluation and continuous improvement of our existing products, services and lines of business.

INNOVATION, STRATEGY AND SHARED LEARNING THEMES:

- Projects and Strategies:** Research, test and implement large-scale efforts that could potentially have transformative impact in the communities we serve. These transformative efforts will likely involve significant partnerships with outside entities, have the capacity to move large amounts of capital, could potentially be rolled out over multiple offices or large parts of our service area and thus have regional-scale impacts. Some of these efforts may involve developing new functions or programs for Craft3 outside the scope of our normal roles. Some possible strategies and projects include: 1) developing a land banking capability — acquiring and controlling mission-critical land parcels or buildings until they can be transferred to the appropriate developer or conservation entity; 2) developing advisory services for mission-related investors; and 3) pursuing and establishing new mutually beneficial partnership opportunities with banks, credit unions and other CDFIs.
- Product Development, Product Refinement:** Assist Craft3’s commercial and consumer lending departments in developing new loan products or refine existing loan products so they would be more effective or be delivered more efficiently. IEC would lead a team composed of members from the relevant lending department and other parts of Craft3 through a disciplined product design and testing cycle.
- Internal Evaluation and Data:** Product development and product refinement will be guided by evaluation of existing products and services and the impacts they are having in our communities. IEC will develop protocols for ongoing data collection for key programs and products and will also have the capability to do in-depth evaluations to extract lessons learned.
- Knowledge Sharing:** Successful innovation is stimulated by and feeds off knowledge. Knowledge is also a strategic asset, which gives Craft3 the capacity to add more value to customers and stakeholders and to catalyze greater impact. Craft3 has not leveraged the considerable knowledge held by its individuals into an institution-wide resource. Our objective is to take insight and experiences embodied in individuals, impart them to the organization as a whole and embed them in organizational practices and procedures. Further, we wish to foster more internal dialogue, reflection and thought as part of a culture of continuous learning, innovation and improvement.
- Product Innovation Fund:** Craft3 will create and capitalize an internal innovation fund for new product design, product enhancement and pilot testing. Innovations generally must clear barriers of product design, prototype testing, capital raising, partnership development and (sometimes) policy change before they can be brought to market. An internal innovation resource will allow these innovation projects to move forward pending receipt of targeted funds for larger-scale testing and roll-out. The Innovation Fund will give Craft3 more flexibility and more runway to act quickly but also systematically on new possibilities.



CHARLES AND SHARON B.

Scio, Oregon

“Even on just Social Security income, we make too much money to qualify for a grant program that would have helped us take care of things. We really were coming up blank and didn’t have any idea where we could go to get help — until we found the Craft3 Clean Water Loan.”

- Charles B., Homeowner



Goose Point Oyster in Bay Center, Washington, Craft3 Business Loan

IV. OUTCOMES

TIMELINE AND OUTCOME MEASURES

We will measure progress to this strategic plan on an annual basis. A timeline with measurable outcomes will be evaluated annually and used to inform themes and priorities for the coming year's planning cycle (See Attachment #5).

The broad strategies articulated in this plan will drive a refined annual planning process for Craft3 over the next five years. Detailed annual plans will be developed by all business units that describe their priorities, tactics, action steps and measurement goals around five specific categories:

- Outreach and Production
- Innovation
- Portfolio Quality and Capital Management
- Systems and Efficiency
- Team Development

FINANCIAL PROJECTIONS

As described throughout, this 5-year plan pushes Craft3 deeper into the region and puts the goal of overall corporate growth behind efforts to support and measure deeper impacts for communities, people and business sectors. The plan calls for growth, but at a more modest pace presented in the previous 5-year plan. The financial model embraces a balance between the growth that we feel is sufficient to allow us to accomplish our goals and an acknowledgement that our business model must operate within a set of borrowing constraints that dampen balance sheet growth and push Craft3 to use our net assets aggressively.

THE MODEL WAS DESIGNED TO ASSESS:

- The feasibility of the expected net growth in assets under management;
- The mix and amount of funding sources to support that growth; and
- The relative benefits of further diversifying assets under management and income streams between on- and off-balance sheet assets.

On-Balance Sheet Resources: The projections present steady balance sheet growth. In the previous 5-year plan (2012 through 2016), the balance sheet grew 74 percent, from \$91 million to \$159 million, an increase of \$68 million. This plan, through the end of 2022, projects 39 percent growth

from \$156 million to \$216 million, an increase of \$60 million.

Net Asset Growth: Corporate net worth is historically the most significant governor of balance sheet growth, and we expect that trend to continue, and in fact be more pronounced given the current policy environment at the state and federal levels. We are expecting slower growth in net assets as compared to the previous stretch. Over the last 5-year plan net assets grew from \$31 million to \$45 million, or 45 percent. Over the next 5 years, net assets are projected to grow 36 percent, from \$48 million to \$65 million. Slower growth here can be attributed primarily to higher interest costs on additional debt, a lag in New Markets Tax Credit fee income in the first years of the plan and conservative fundraising projections.

Debt Management: Over the last 5 years Craft3 financed the significant growth of its loan portfolio with a combination of debt and retained earnings. While the amount of outstanding debt grew, our leverage as measured by debt to net assets remains manageable and in line with peers (as determined by Aeris Ratings). We expect to continue to fund our balance sheet growth with a combination of debt and retained earnings while maintaining appropriate leverage. Over the 5-year plan, we project debt outstanding to increase from \$106 million to \$148 million. Our debt to net assets ratio will increase modestly from 2.2 to 2.7 by 2019 with a subsequent reduction to 2.3 by 2022.

Off-Balance Sheet Resources: A key part of the capital package for the next five years is the availability of managed funds/off-balance-sheet resources. The projected growth of loan production depends on moving a sizable share of business and community loan production off-balance sheet in order to maintain compliance with the capital ratio. The primary component of off-balance-sheet resources will be New Markets Tax Credits (NMTC). The plan assumes deployment of \$120 million in NMTCs through two allocations over the next five years. In addition, this plan assumes a cumulative \$27 million in managed funds deployed through established strategic channels. It is important to note that our goal is to push all managed funds through our established outreach strategies. From the outside, most clients should not know if the dollar they are receiving is from the balance sheet of Craft3 or belongs to another investor and is only originated and serviced by Craft3.

Earned Income: Total projected gross income for the period is \$99 million compared to \$70 million over the prior plan period. The most significant earnings center is interest income on earning loans, which represents 64 percent of all income. Fee income derived from the management of NMTC allocations will be a small but important source of income, approximately 1.7 percent over the period. NMTC fees are earned up front, and arrive over the course of the investment with limited “work” on our part, providing a low-overhead source of income.

Capital Grants: We are projecting limited change in the sources of capital grants. Key sources are U.S. Department of the Treasury’s CDFI Fund, other state opportunities — particularly around clean water loans — and large foundation cultivations based in part on our tighter strategic focus and dedication to innovation. Grant income over the new plan period is projected at \$26 million, 26 percent of all income. Over the 2012 to 2016 period, grant income was \$35.5 million, accounting for nearly half of all revenue. This plan takes a much more conservative approach to grant income as a function of both the policy environment as well as the reality that the “wells” we pull from for grant support are increasingly shallow as compared to our overall size.

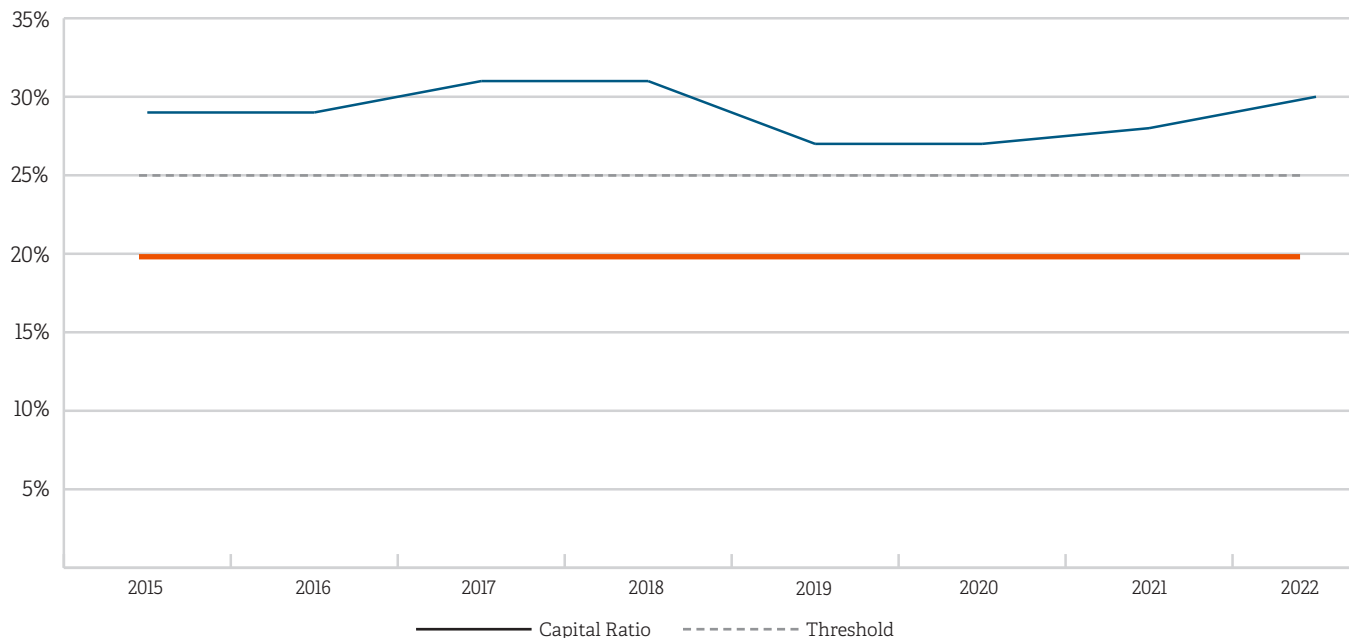
Productivity and Expense: Total gross income over the 5-year period increases 41 percent, from \$70 to \$99 million while personnel costs increase 58 percent, from \$26 to \$41 million. The disproportionate increase in personnel costs is a result of our going “deeper” approach as well as new staffing around innovation and evaluation. That said, personnel expenses as a percentage of gross income will reduce on an annual basis over the 5-year period as these investments produce results.

Loan Production and Portfolio Growth: Business and community lending projections captured a variability in demand across the time period, engineering a year over year decrease in new production from 2019 to 2020. This is the result of a couple of factors: 1) we are expecting a decrease in average loan size as we ramp up small dollar loan product production, and we will pursue a planned reduction in large dollar loans to manage exposure to large credits, both of which will depress gross production numbers somewhat; and 2) available liquidity during that period will be adversely affected by the repayment of the Cap Corp note payable during the plan period, which requires the use of cash and adds to the amount of debt that must be raised to fund lending activities. Off-balance sheet, non-NMTC resources will become a significant factor in 2018–2022, supporting

liquidity, but keeping a small amount of new loans off the Craft3 consolidated balance sheet. As a result, the portfolio grows by a net \$35 million from 2017–2019, but only \$27 million from 2019–2022.

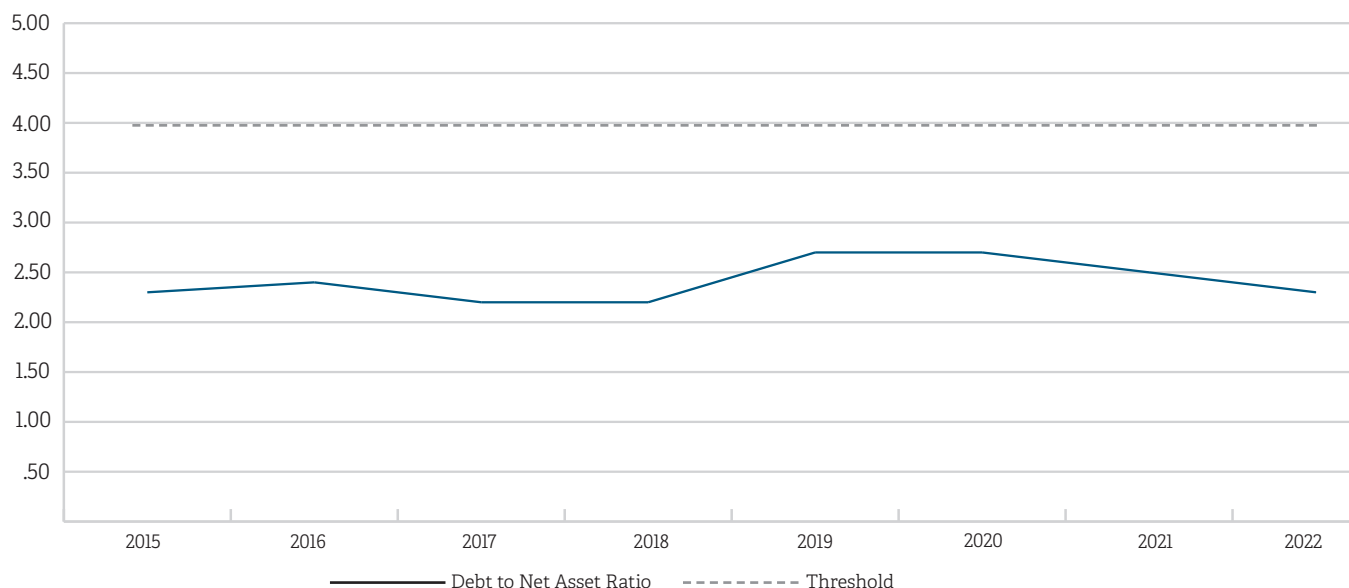
CAPITAL RATIO

The chart below shows the critical ratio with regard to debt management. The capital ratio is our net assets as a percentage of total assets. The planned borrowing brings us closer to the 25 percent “threshold” that represents Craft3’s current internal target ratio level. The ratio is then projected to move away from the threshold as the mix of on- and off-balance sheet production shifts. Note that the maximum allowable leverage ratio according to current borrowing covenants is 20 percent.



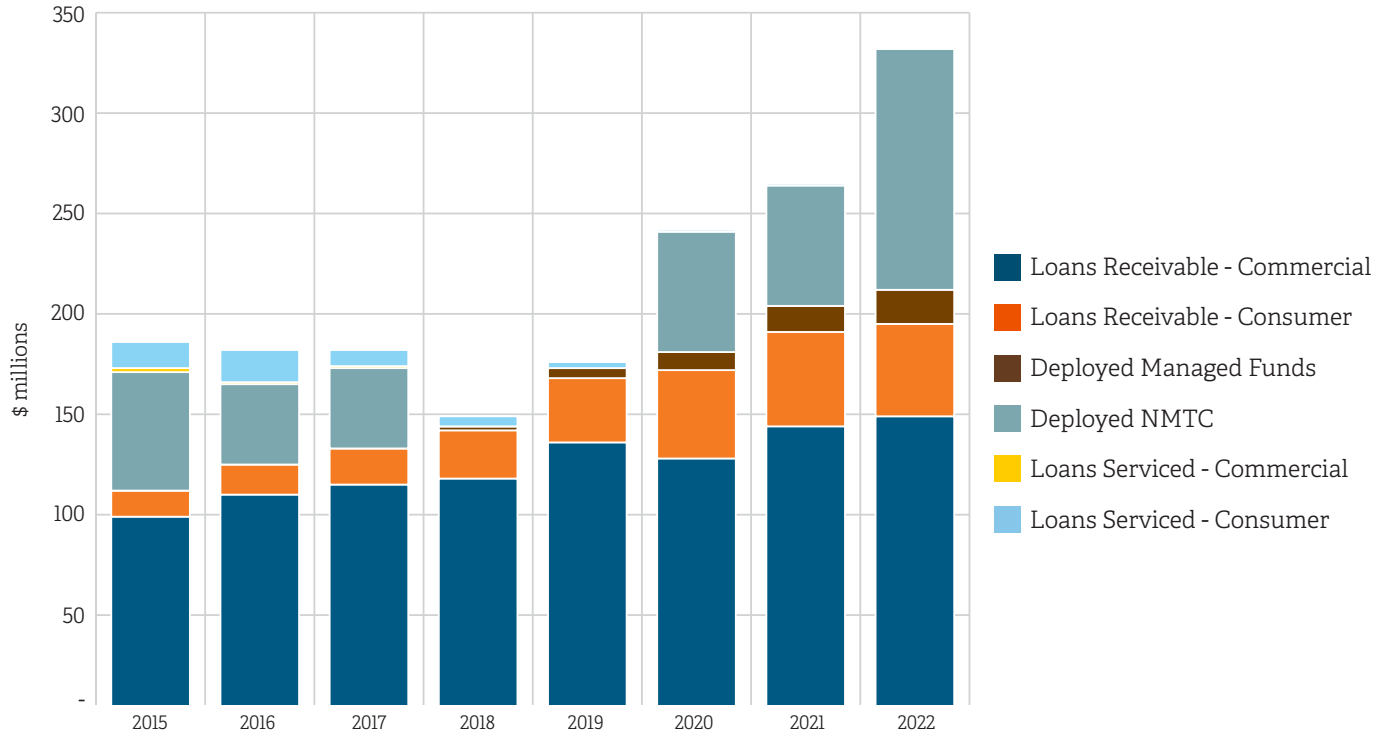
DEBT TO NET ASSETS RATIO

Another view on capitalization and leverage is our debt to net assets ratio. As shown below, leverage is expected to remain well within our internal target threshold of 4.0. The ratio increases modestly from 2.2 in 2017 to 2.7 in 2019 and then eases back to 2.3 by 2022 as our net assets increase and more loans are funded off-balance sheet.



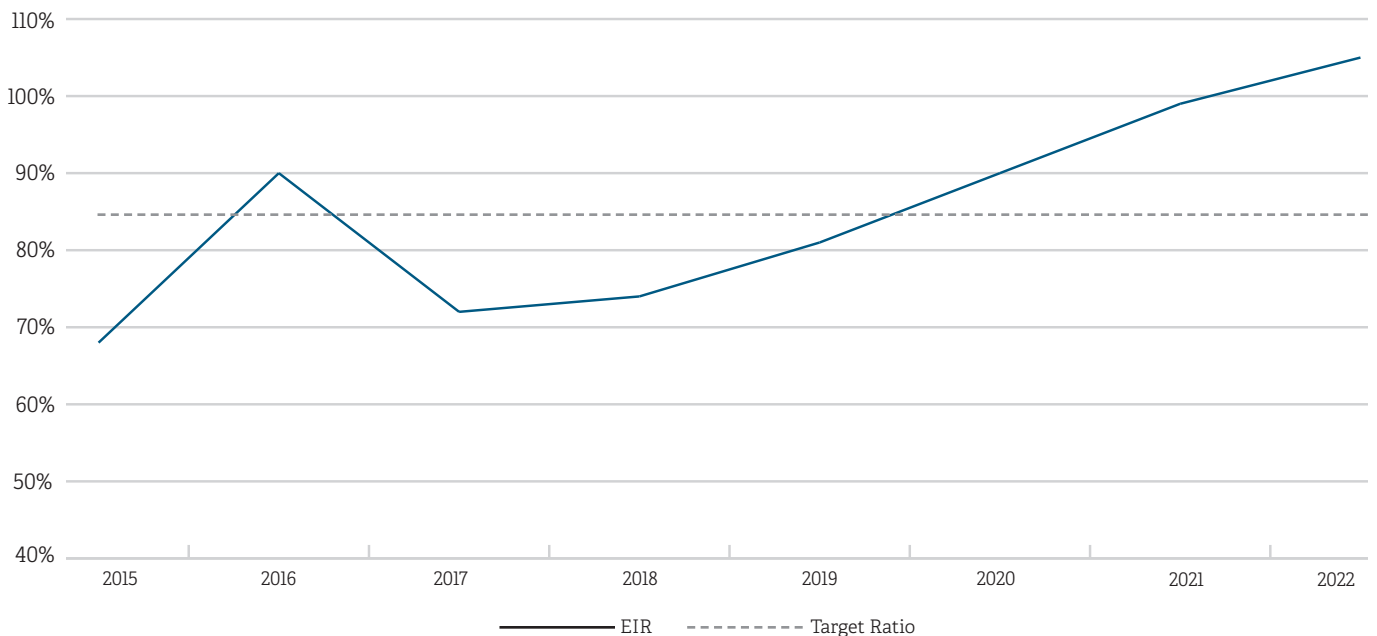
TOTAL ASSETS UNDER MANAGEMENT

NMTC (gray blue) and Managed Funds (brown) provide increasing amounts of available capital in 2020. Building momentum for the Managed Funds portfolio will be a critical need starting in 2018.



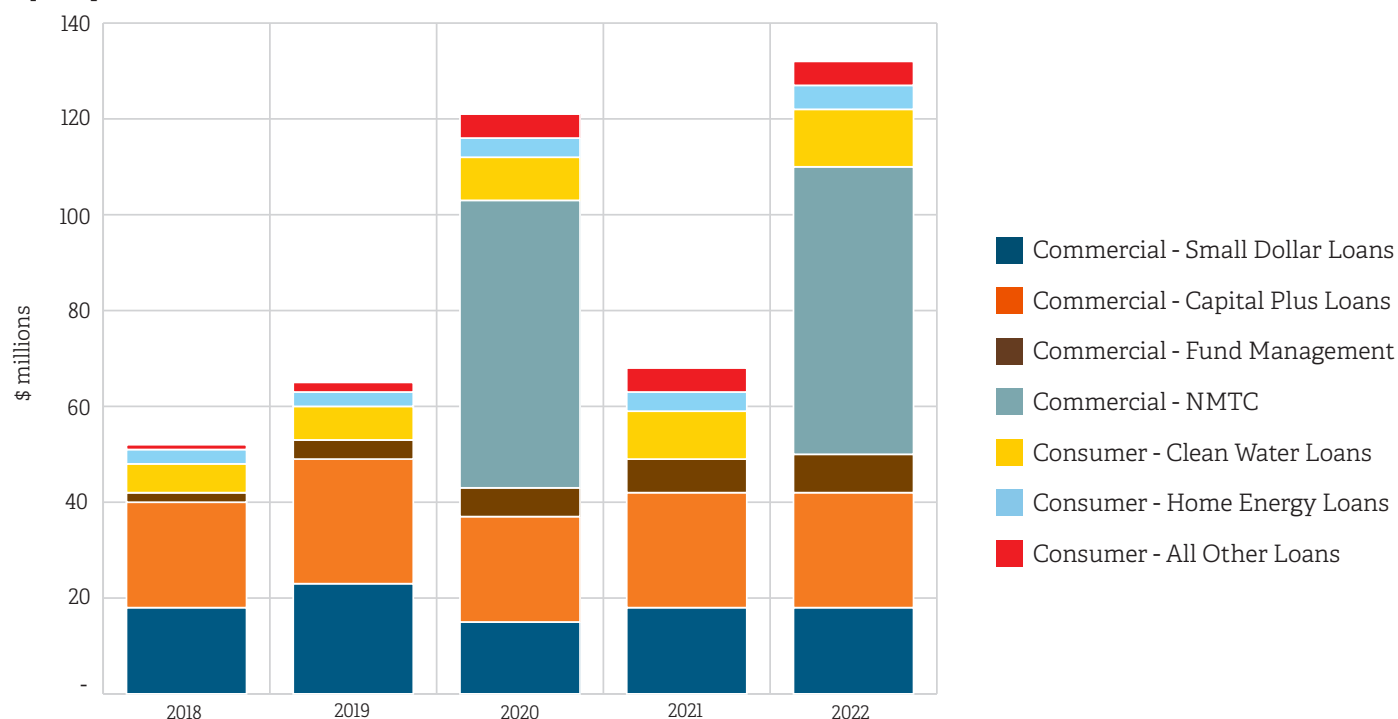
EARNED INCOME RATIO

The continued increase above the 85 percent target level late in the planning period is primarily due to the increased fee income from the NMTC portfolio and, to a lesser extent, fee income from off-balance sheet fund management. The NMTC fee revenue tapers off in later years (not shown in the chart) unless allocations continue.



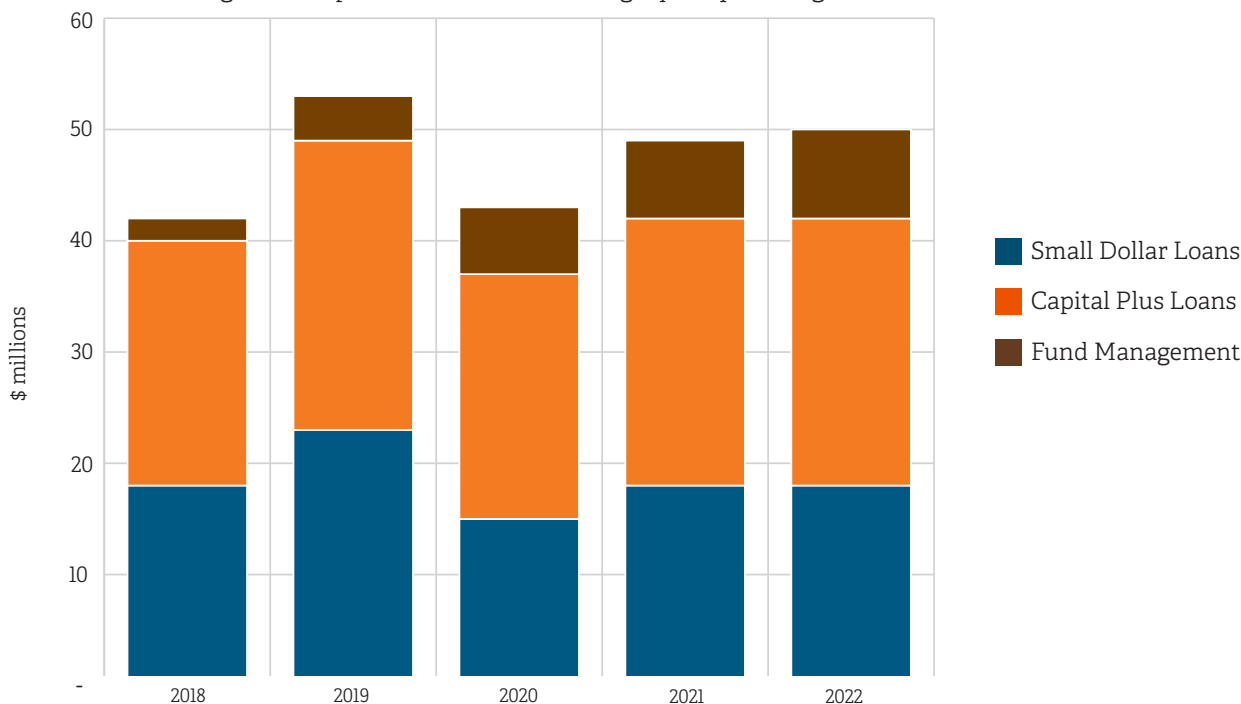
TOTAL NEW PRODUCTION, ALL LENDING TYPES

Consumer lending shows slow, steady growth with the gradual addition of new product production. Business and community lending outputs are dramatically impacted by NMTC deployment years (2020 and 2022) and a reduction in on-balance sheet liquidity in 2020.



BUSINESS AND COMMUNITY LENDING BY CATEGORY (EXC. NMTC DEPLOYMENTS) — DOLLARS OF NEW PRODUCTION

Core business and community lending (excluding NMTC) begins to diversify along loan types and risk management strategies in 2018. Small dollar loans will make up more of new production, reducing dependence on larger (\$2 million or greater) transactions. Managed funds provide a source of lending liquidity starting in 2018.



BALANCE SHEET

Timeline	2015	2016	2017	2018	2019	2020	2021	2022
Plan Year Number				1	2	3	4	5
Units \$								
ASSETS								
Cash & Investments Capital	28,425,712	31,553,461	19,118,931	18,275,000	21,000,000	22,000,000	22,000,000	22,000,000
Current Loans Receivable - Commercial	18,049,998	17,083,269	14,480,621	21,254,355	24,448,643	24,817,888	25,953,168	26,856,333
Current Loans Receivable - Consumer	692,329	1,199,559	1,371,024	1,332,338	2,016,888	7,461,142	9,461,733	10,920,393
Other Current Assets	3,762,772	3,120,819	4,217,330	4,217,330	4,217,330	4,217,330	4,217,330	4,217,330
Total Current Assets	50,930,811	52,957,108	39,187,906	45,079,023	51,682,861	58,496,359	61,632,231	63,994,055
Long Term Loans Receivable, net of Current Portion - Commercial	80,831,632	93,274,403	100,543,466	96,825,396	111,377,153	113,059,265	118,231,098	122,345,515
Long Term Loans Receivable, net of Current Portion - Consumer (Loan Loss Reserve)	11,834,065 (5,887,066)	13,375,434 (6,219,467)	17,101,411 (6,537,417)	22,868,774 (8,409,192)	30,386,272 (9,706,597)	36,067,594 (10,365,443)	37,742,294 (10,864,563)	34,840,150 (11,043,268)
Net Long Term Loans Receivable	86,778,631	100,430,370	111,107,460	111,284,978	132,056,828	138,761,416	145,108,828	146,142,396
Other Assets	6,566,421	5,983,039	5,336,775	5,186,819	5,036,864	4,886,908	4,736,952	4,586,997
Total Long Term Assets	93,345,052	106,413,409	116,444,235	116,471,798	137,093,692	143,648,324	149,845,780	150,729,393
Total Assets	144,275,863	159,370,517	155,632,141	161,550,821	188,776,553	202,144,684	211,478,011	214,723,448
LIABILITIES								
Non-CapCorp Existing Debt - Current Loans Payable	13,136,849	9,499,188	12,330,928	2,231,661	2,903,342	3,284,342	3,385,549	3,328,977
CapCorp Existing Debt - Current Loans Payable	-	1,500,000	4,500,000	4,500,000	6,866,667	-	-	-
Payables	768,984	1,035,788	510,830	510,830	510,830	510,830	510,830	510,830
Other Current Liabilities	3,860,105	1,798,869	782,331	782,331	782,331	782,331	782,331	782,331
Total Current Liabilities	17,765,938	13,833,845	18,124,089	8,024,822	11,063,170	4,577,503	4,678,710	4,622,138
Non-CapCorp Existing Debt - Long Term Loans Payable, Net of Current Portion	84,001,097	78,716,064	77,847,493	96,953,264	126,134,080	142,686,398	147,083,306	144,625,545
CapCorp Existing Debt - Long Term Loans Payable, Net of Current Portion	-	21,000,000	11,366,667	6,866,667	-	-	-	-
Other Long Term Liabilities	442,220	391,368	362,192	362,192	362,192	362,192	362,192	362,192
Total Long Term Liabilities	84,443,317	100,107,432	89,576,352	104,182,123	126,496,272	143,048,590	147,445,498	144,987,737
Total Liabilities	102,209,255	113,941,277	107,700,441	112,206,945	137,559,442	147,626,092	152,124,208	149,609,875
Existing Net Assets + Retained Earning	42,066,608	45,429,240	47,931,700	47,931,700	49,343,876	51,217,110	54,518,591	59,353,803
Current Year Net Income	-	-	-	1,412,176	1,873,235	3,301,481	4,835,211	5,759,771
Net Assets	42,066,608	45,429,240	47,931,700	49,343,876	51,217,110	54,518,591	59,353,803	65,113,574
Total Liabilities & Net Assets	144,275,863	159,370,517	155,632,141	161,550,821	188,776,553	202,144,684	211,478,011	214,723,448

INCOME STATEMENT

Timeline	2015	2016	2017	2018	2019	2020	2021	2022
Plan Year Number				1	2	3	4	5
Units \$								
REVENUE AND OTHER SUPPORT								
Grant Revenue								
Operating Grants Received	647,500	585,400	539,463	782,250	500,000	500,000	500,000	500,000
Capital Grants Received	11,100,778	4,171,853	6,424,984	4,850,000	4,500,000	4,500,000	4,500,000	4,500,000
Portfolio Income								
Interest Income on Outstanding Loans	6,050,567	8,333,459	9,553,256	10,223,198	11,672,480	13,078,806	13,878,138	14,506,091
Loan Fee Income	1,957,137	1,247,604	1,206,948	1,032,499	1,282,776	1,119,970	1,288,723	1,375,800
Other Revenue								
Loan Sale Income	-	93,027	-	-	-	-	-	-
Fee-Based Services Income	853,531	1,615,375	631,171	492,826	155,741	284,335	1,093,801	1,253,416
Interest Income on Investments	1,162,990	188,466	194,256	143,392	137,063	157,500	165,000	165,000
Total Revenue and Other Support	21,772,503	16,235,184	18,550,078	17,524,165	18,248,059	19,640,610	21,425,663	22,300,307
EXPENSES								
Operating Expense								
Personnel Expense	5,478,728	6,016,034	6,390,672	7,559,724	8,075,307	8,317,198	8,563,926	8,735,204
All Other Operating Expenses	3,095,962	3,350,018	2,611,415	3,530,000	3,600,600	3,672,612	3,746,064	3,820,986
Depreciation and Amortization	159,979	148,681	141,207	149,956	149,956	149,956	149,956	149,956
Interest Expense								
Interest Expense	2,018,060	3,185,223	3,583,356	3,000,534	3,251,557	3,540,517	3,631,385	3,655,686
Loan Loss Provision								
Loan Loss Reserve Expense	4,009,877	172,596	3,320,967	1,871,775	1,297,405	658,847	499,120	178,705
Total Expenses	14,762,606	12,872,552	16,047,617	16,111,989	16,374,824	16,339,129	16,590,451	16,540,536
Change in Net Assets	7,009,897	3,362,632	2,502,461	1,412,176	1,873,235	3,301,481	4,835,211	5,759,771



Floralma Torres in East Portland, Oregon, Craft3 Clean Water Loan

#1 HISTORIC RESILIENCE METRICS

Loan Activity	Cumulative
Commercial	
Commercial Loans Closed*	\$397,694,502
Consumer	
Clean Water Loans Closed	\$22,935,024
Home Energy Loans Closed	\$48,749,797
Ada Developers Academy Loans Closed	\$1,070,945
Other	
Managed Funds	\$1,253,198
Total Value of Production	\$471,703,466
Total Number of Transactions	6,072
Economic Resilience	
Increase Entrepreneurship	
Start-ups Financed (firms)	249
Entrepreneurs of Color & Woman-/Immigrant-/Veteran-Owned Businesses	551
Support Economic Growth	
Jobs Created and/or Retained	12,962
Investment Leveraged	\$1,145,912,605
Living Wage Jobs Created and/or Retained**	1,841
Invest in Critical Industries	
Green Production Business**	\$28,806,243
Manufacturing/Value-Added Processing	\$113,310,959
Ecological Resilience	
Land: Preserve Landscapes that Support Ecosystems	
Working Landscapes/Conservation Lands (acres)	21,648
Air: Reduce Impact on Climate Change	
Greenhouse Gases Averted or Sequestered** (metric tons)	204,052
Water: Improve Water Quality & Supply	
Clean Water Treated/Conserved/Developed (gallons)	198,789,536
Impact: Minimize Business & Community Impact on Nature	
Firms Minimizing Environmental Impact**	76
MBTUs of Energy Conserved**	2,338,531
Family Resilience	
Support Greater Economic Opportunity	
Jobs Created in High Poverty Areas	3,307
Businesses Financed in High Poverty Areas	233
Education/Training Slots Projected	60,945
Strengthen Access to Essential Services	
Low-Income Households Assisted	94,221
Organizations Serving the Low-Income**	32
Preserving/Building Assets	
Consumer Loans to Low-Income Homeowners	1,176
Local Ownership	\$1,630,963,277

*Began collecting in 2014 **Includes Craft3 Capital Corporation, Future Energy Fund and NMTC

#2 WHAT WE BELIEVE

INTEGRITY

- We make decisions based on our foundation principles.
- We do what we say we will do.
- There is consistency between our personal and professional values.
- We want and need to hear the truth, even when it is difficult.
- We tell the truth, even when it is difficult.
- We are considerate in when and how we talk to each other or about each other.

RESPECT

- We treat others as we wish to be treated.
- We do our jobs well so others may succeed at theirs.
- We value and actively seek diversity.
- We seek clarity in our communications with each other.
- We assume our fellow employees have the best intentions.
- We laugh with each other and not at each other.

COLLABORATION

- We choose to work together dynamically.
- We consistently share our experience and skills, our thoughts and efforts.
- We believe in and rely on the value of each other's contributions.
- We strive for shared understanding on vision and goals.
- We commit to activities that serve our mutual benefit and common goals.
- We achieve collective results that we cannot accomplish alone.

INCLUSION

- We acknowledge that we are dissimilar and that we have differences.
- We seek to understand and to be understood.
- We accept people for who they are and where they are.
- We listen to each other without judgment or prejudice.
- We find creative paths to move through real differences.
- We create bonds with each other by finding common ground.

AFFIRMATION

- We validate the strengths that characterize each person.
- We recognize that everyone has legitimate input.
- We hold ourselves accountable and expect accountability from others.
- We accept small mistakes as a learning experience.
- We assert the value that each brings to the effort.
- We champion personal and professional growth.

INNOVATION

- We do not accept the world as it is.
- We recognize value where others do not.
- We seek new ways of thinking and doing things.
- We explore new ideas with discipline.
- We allocate risk effectively to support innovation.
- We emphasize the importance of outcomes from our innovation.

#3 COMPANYWIDE COMPETENCIES

CONSULTATIVE DECISION MAKING

Seeks collaborative discussion and provides constructive feedback when requested; makes efficient decisions with established ownership. Identifies a group of people who will be consulted and notified for each significant decision. Exhibits genuine collaborative intent when interfacing with impacted parties including peers, reports and managers. Encourages permanence of this process by creating a repeatable, predictable system of communication.

OWNERSHIP

Proactively identifies and understands responsibilities and deliverables, both within a team and the organization. Shares lessons learned from successes and mistakes, contributing to institutional knowledge. Builds and protects the Craft3 brand consistently and thoughtfully.

DELEGATION/ACCOUNTABILITY

Promotes growth of others and team performance by transferring ownership of appropriate responsibilities. Ensures clarity around expectations, both received and delivered. Sets reasonable deadlines and holds self and others responsible for commitments.

RESPECT

Receives and delivers feedback objectively, seeking to continuously improve. Tells the truth even when it is difficult. Works to resolve issues one on one before involving others. Performs duties with excellence in ways that enable all team members to do likewise. Provides adequate advance notice of new procedures, events and deadlines to colleagues.

COACHING AND MENTORING

Provides direct feedback and information to peers, reports and managers in order to support the organization's culture and strategies. Expresses ideas effectively and influences others through a high level of personal presence. Supports others in development of competencies.

FLEXIBILITY

Keeps an open mind and contributes to inevitable change. Endorses the collaborative decisions of others even if not in full agreement.

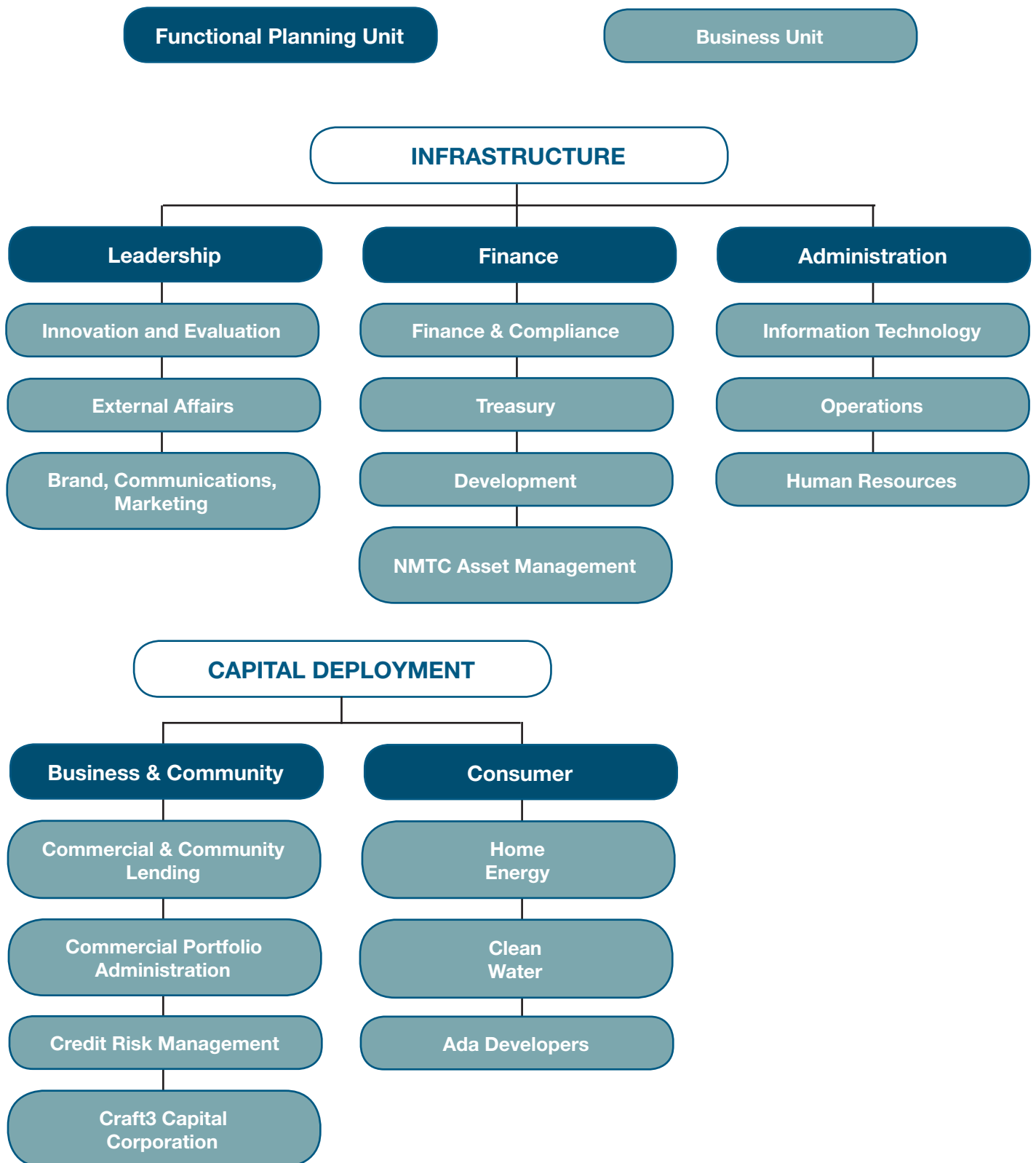
BENCH STRENGTH (TEAM DEVELOPMENT)

Understands and reinforces roles of all team members. Recognizes and develops emerging leaders. Acts with integrity and authenticity to support the mission of the organization. Helps others develop and learn technical skills to enhance the skill set of each individual.

COMPLIANCE

Adheres to applicable regulatory and company policies, procedures and systems. Expediently notifies and/or consults with appropriate parties to prevent and resolve policy violations.

#4 CRAFT3 BUSINESS UNITS



#5 TIMELINE

	Timeline per Strategic Plan				
Targeted Outreach Strategies	2018	2019	2020	2021	2022
Launch one to two new Sector Strategies per year					
Phase implementation of eight Place Strategies					
Make current product mix available in all offices					
Product Strategies	2018	2019	2020	2021	2022
Expand Clean Water to serve 2-state region					
Develop two to three new consumer products					
Develop two to three new commercial products					
Implement strategy for catalytic investments					
Capitalization and Revenue	2018	2019	2020	2021	2022
Secure two syndicated regional bank debt facilities					
Apply for and secure NMTC allocation					
Expand sales channels for impact investor notes					
Develop two geographic/product targeted funds					
Secure four Fund Management relationships					
Communication and External Affairs	2018	2019	2020	2021	2022
Expand state level advocacy/policy position					
Create new capital resource opportunities					
Improve our messaging, narrative and targeting					
Innovation	2018	2019	2020	2021	2022
Develop Innovation Evaluation Center (IEC)					
Develop and implement Product Design Cycle					
Capitalize internal Innovation Fund					
Evaluation protocols added to annual planning					
Data Utilization and IT Platforms	2018	2019	2020	2021	2022
Develop strategy for strategic utilization of data					
Develop and implement architecture and systems					
Implement reporting, graphic interactive use					
Implement technology improvement processes					
Next Generation	2018	2019	2020	2021	2022
Establish cross-functional team opportunities					
Create new strategies for professional growth					
Revise on-boarding, enhance leadership training					
Establish platform for org-wide knowledge sharing					



REACH US

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Oregon

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