



Capital Impact Investment Notes

Up to \$250,000,000

Interest rates set with each offering

| | |
|--------------------------------|---|
| Total Aggregate Offering | \$250,000,000 |
| Term/Maturity | Various terms of up to 20 years |
| Interest Rates | Interest rates will be fixed rate and are set at the time of issuance and are determined by current market conditions. Interest rates will be set forth in the accompanying pricing supplement. |
| Minimum Investment Requirement | \$1,000 |
| Status | Unsecured debt obligations |

Lead Agent

InspereX

Investor dollars are not used to pay sales concessions or any other expenses of the offering.

Prospectus dated August 5, 2024

Included in this Prospectus is the essential information related to the Capital Impact Investment Notes (the “Notes”), fixed income securities that raise capital to financially support impact investments targeted towards underserved communities across the United States. Prospective investors are advised to read this Prospectus carefully prior to making any decisions to invest in the Notes. The Notes are issued by Capital Impact Partners (“Capital Impact”), a District of Columbia nonprofit corporation organized at the direction of the United States Congress that is a tax-exempt Internal Revenue Code 501(c)(3) public charity and is a Community Development Financial Institution (“CDFI”) certified by the U.S. Department of the Treasury Community Development Financial Institutions Fund (the “CDFI Fund”). Capital Impact’s national headquarters are located at 1400 Crystal Drive, Suite 500, Arlington, Virginia 22202. Capital Impact’s telephone number is (703) 647-2300. Specific terms of the Notes will be described in a separate pricing supplement. The Notes will be global book-entry Notes, which means that they may be purchased electronically through a prospective investor’s brokerage account and settled through the Depository Trust Company (“DTC”).

Capital Impact will offer Notes through registered broker-dealers. The Notes may be offered to or through InspereX LLC (“InspereX”) as lead agent for resale (“Lead Agent”) to other registered broker-dealers. InspereX, or any other agent appointed by Capital Impact, is not required to purchase or sell any specific amount of Notes but will sell the Notes on a best-efforts basis. Through this offering with InspereX, Capital Impact expects to receive net proceeds from sales after sales compensation to InspereX based on the maturity of the Notes sold, ranging from \$997 per \$1,000 of 1-year Notes to \$970 per \$1,000 of 20-year Notes. Capital Impact estimates that the total expenses of the offering excluding sales compensation will be approximately \$500,000, or 0.20% of the total aggregate, resulting in estimated net proceeds ranging from \$242,000,000 to \$248,750,000 if the total amount of Notes being offered are sold. Capital Impact may independently add other selling agents to the platform.

The Notes are subject to certain risks, discussed in the section entitled “Risk Factors” beginning on page 18.

Investors are cautioned not to rely on any information not expressly set forth in this Prospectus (or any related pricing supplement). Investors are advised to read this Prospectus and any related pricing supplement carefully prior to making any decision to purchase the Notes. No person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this Prospectus, and if given or made, such information or representation must not be relied upon as having been made by Capital Impact.

This Prospectus and any related pricing supplement are intended to provide potential investors with information necessary to make an informed investment decision. However, nothing contained herein is intended as legal, accounting, tax or investment advice, and it should not be taken as such. A prospective investor should consult his or her own legal, tax, and/or financial advisor concerning potential investments in the Notes. An investor must rely on his or her own evaluations of Capital Impact, the Notes, and the terms of this offering, including the merits and risks involved.

In this Prospectus and in the course of its operations, Capital Impact will make a number of forward-looking statements. The words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” and other similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying these forward-looking statements. Statements in this Prospectus, including

those contained in the section entitled “Risk Factors,” describe factors, among others, that could contribute to or cause such differences.

Neither the Notes nor the adequacy of this Prospectus have been approved, disapproved, or passed on by the Securities and Exchange Commission (the “SEC”), any state securities commission, or any other regulatory body. Any representation to the contrary is a criminal offense.

None of the SEC, any state securities commission, nor any other regulatory body have passed upon whether the offering can be sold in compliance with existing or future suitability or conduct standard, including the “best interest” standard established pursuant to Regulation Best Interest under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

The Notes are not and will not be insured or guaranteed by the Federal Deposit Insurance Company (“FDIC”), the Securities Investment Protection Corporation (“SIPC”), or any other agency.

This Prospectus does not constitute an offer nor the solicitation of an offer to sell to any person in any state or any other political jurisdiction in which such offer or solicitation may not lawfully be made. This Prospectus does not constitute an offer by a broker-dealer in any state where that broker-dealer is not qualified to act as a broker-dealer. Federal and state securities laws may affect Capital Impact’s ability to continue to sell the Notes in certain states. As of the date hereof, the Notes will be offered for sale in the United States, excluding the State of Arkansas and the State of Washington and any territories thereof.

The Notes are being offered under an exemption from federal registration pursuant to Section 3(a)(4) of the Securities Act of 1933, as amended (the “Securities Act”), and Section 3(c)(10) of the Investment Company Act of 1940, as amended (the “Investment Company Act”). The SEC has not made an independent determination that these Notes are exempt from registration.

There is not expected to be any secondary market in the Notes. The Notes may not be transferred or resold except as permitted under the Securities Act, the Exchange Act, and applicable state securities laws. Accordingly, investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

InspereX has advised Capital Impact that at its discretion it may purchase and sell Notes, but that it is not obligated to buy or sell Notes or make a market in the Notes and may suspend or permanently cease that activity at any time.

The Notes will be offered on a continuous basis. Capital Impact has not set a date for termination of this offering in the event it elects to terminate the offering prior to the sale of the total aggregate offering amount.

FOR RESIDENTS OF ALABAMA ONLY:

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 37(H) OF THE ALABAMA SECURITIES ACT AND SECTION 3(A)(4) OF THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION OR WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. NEITHER THE ALABAMA SECURITIES COMMISSION NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED OF THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FOR RESIDENTS OF FLORIDA ONLY:

THESE SECURITIES HAVE NOT BEEN REGISTERED IN THE STATE OF FLORIDA. THE SECURITIES WILL BE SOLD PURSUANT TO THE ELEEMOSYNARY EXEMPTION IN FLORIDA STATUTES SECTION 517.015(9).

FOR RESIDENTS OF GEORGIA ONLY:

THESE SECURITIES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES COMMISSIONER OF THE STATE OF GEORGIA PURSUANT TO RULE 590-4-2-.07. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF ANY OF THESE SECURITIES.

IN ORDER TO REMAIN IN COMPLIANCE WITH THE POLICIES ESTABLISHED BY THE GEORGIA DIVISION OF SECURITIES AND BUSINESS REGULATION, AUTOMATIC REINVESTMENT AT MATURITY (AS DISCUSSED ON PAGE 12) WILL NOT BE OFFERED TO GEORGIA INVESTORS.

CAPITAL IMPACT HAS FILED NOTICE TO SELL UP TO \$250,000,000 OF THE NOTES IN THE STATE OF GEORGIA. IF AND WHEN \$250,000,000 IN THE NOTES HAVE BEEN SOLD IN THE STATE OF GEORGIA, UNDER THIS EXEMPTION, WHICH INCLUDES NEW SALES AS WELL AS RENEWALS, CAPITAL IMPACT MUST FILE NOTICE OF A NEW ISSUE OF SECURITIES IN THE STATE OF GEORGIA BEFORE IT MAY EFFECT ANY ADDITIONAL NEW SALES OR RENEWALS.

AS REQUIRED BY STATE LAW, ALL RESIDENTS OF GEORGIA HAVE THE OPTION OF RESCINDING THEIR INVESTMENT WITHIN 72 HOURS OF THE EXECUTION OF A WRITTEN AGREEMENT TO PURCHASE OR TO REINVEST A NOTE AT MATURITY. PLEASE NOTE THAT NO INVESTOR IN THE STATE OF GEORGIA HAS EVER EXERCISED THIS OPTION.

FOR RESIDENTS OF INDIANA ONLY:

THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, THE SECURITIES OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY

IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR RESIDENTS OF KENTUCKY ONLY:

THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION KRS 292.400(9) OF THE KENTUCKY SECURITIES ACT.

FOR RESIDENTS OF LOUISIANA ONLY:

THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA UNDER SECTION 51-705(B) OF THE LOUISIANA REVISED STATUTES. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF THESE SECURITIES.

FOR RESIDENTS OF MICHIGAN ONLY:

THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION AUTHORIZATION AS DESCRIBED BY SECTION 201(G) OF MICHIGAN'S UNIFORM SECURITIES ACT, MCL 451.2201(G). THE STATE OF MICHIGAN DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE TRUTH, MERITS, OR COMPLETENESS OF ANY PROSPECTUS OR ANY OTHER INFORMATION FILED WITH THIS STATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR RESIDENTS OF OHIO ONLY:

IN ORDER TO REMAIN IN COMPLIANCE WITH POLICIES ESTABLISHED BY THE OHIO DIVISION OF SECURITIES, AUTOMATIC REINVESTMENT AT MATURITY (AS DISCUSSED ON PAGE 12) WILL NOT BE OFFERED TO OHIO INVESTORS. OHIO INVESTORS SHALL NOT INVEST MORE THAN 10% OF THEIR LIQUID NET WORTH IN THE ISSUER, AFFILIATES OF THE ISSUER, AND IN ANY OTHER NON-TRADED DEBT INVESTMENT PROGRAM. "LIQUID NET WORTH" IS DEFINED AS THAT PORTION OF NET WORTH (TOTAL ASSETS EXCLUSIVE OF PRIMARY RESIDENCE, HOME FURNISHINGS, AND AUTOMOBILES, MINUS TOTAL LIABILITIES) COMPRISED OF CASH, CASH EQUIVALENTS, AND READILY MARKETABLE SECURITIES.

FOR RESIDENTS OF OREGON ONLY:

IN ORDER TO REMAIN IN COMPLIANCE WITH POLICIES ESTABLISHED BY THE OREGON DIVISION OF FINANCE AND CORPORATE SECURITIES, AUTOMATIC REINVESTMENT AT MATURITY (AS DISCUSSED ON PAGE 12) WILL NOT BE OFFERED TO OREGON INVESTORS. CAPITAL IMPACT WILL REGISTER TO SELL \$250,000,000 OF NOTES IN OREGON PURSUANT TO THIS PROSPECTUS DURING A 12-MONTH PERIOD.

FOR RESIDENTS OF PENNSYLVANIA ONLY:

A REGISTRATION STATEMENT WITH RESPECT TO THE SECURITIES OFFERED BY THIS PROSPECTUS HAS BEEN FILED IN THE OFFICES OF THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES IN HARRISBURG,

PENNSYLVANIA. SUCH REGISTRATION STATEMENT INCLUDED CERTAIN EXHIBITS ONLY SUMMARIZED OR ALLUDED TO IN THE PROSPECTUS, AND ARE AVAILABLE FOR INSPECTION AT THE HARRISBURG OFFICE OF THE COMMISSION DURING REGULAR BUSINESS HOURS. THE HARRISBURG OFFICE IS LOCATED IN MARKET SQUARE PLAZA, 17 N. SECOND STREET, SUITE 1300, HARRISBURG, PENNSYLVANIA 17101. REGULAR BUSINESS HOURS ARE MONDAY THROUGH FRIDAY, 8:30 AM TO 5:00 PM. THE PHONE NUMBER FOR THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES IS (717) 787-8059.

IF YOU HAVE ACCEPTED AN OFFER TO PURCHASE THESE SECURITIES MADE PURSUANT TO A PROSPECTUS WHICH CONTAINS A WRITTEN NOTICE EXPLAINING YOUR RIGHT TO WITHDRAW YOUR ACCEPTANCE PURSUANT TO SECTION 207(M) OF THE PENNSYLVANIA SECURITIES ACT OF 1972, YOU MAY ELECT, WITHIN TWO BUSINESS DAYS AFTER THE FIRST TIME YOU HAVE RECEIVED THIS NOTICE AND A PROSPECTUS (WHICH IS NOT MATERIALLY DIFFERENT FROM THE FINAL PROSPECTUS) TO WITHDRAW FROM YOUR PURCHASE AGREEMENT AND RECEIVE A FULL REFUND OF ALL MONEYS PAID BY YOU. YOUR WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A WRITTEN NOTICE (INCLUDING A NOTICE BY FACSIMILE OR ELECTRONIC MAIL) TO CAPITAL IMPACT OR INSUPERX INDICATING YOUR INTENTION TO WITHDRAW. IT IS THE POSITION OF THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES THAT INDEMNIFICATION IN CONNECTION WITH VIOLATION OF SECURITIES LAWS IS AGAINST PUBLIC POLICY AND VOID.

THE PAYING AGENT IS U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION ("U.S. BANK"), LOCATED AT 100 WALL STREET, SUITE 600, NEW YORK, NY 10005 ("PAYING AGENT").

THE LEAD AGENT AUTHORIZED TO AFFECT SALES OF THE NOTES THROUGH ITS SELLING GROUP IS INSUPERX, LOCATED AT 25 SE 4TH AVENUE, SUITE 400, DELRAY BEACH, FL 33483. INSUPERX HAS BEEN AUTHORIZED BY CAPITAL IMPACT TO OFFER THE NOTES FOR SALE AND RESELL THE NOTES TO OTHER REGISTERED BROKER-DEALERS THAT ARE MEMBERS OF INSUPERX'S NETWORK OF SELECTED DEALERS.

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

FOR RESIDENTS OF TENNESSEE ONLY:

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION SET FORTH IN THE SECURITIES ACT OF 1933. THESE SECURITIES HAVE BEEN REGISTERED WITH THE TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE. SUCH REGISTRATION DOES NOT CONSTITUTE A RECOMMENDATION OR ENDORSEMENT OF ANY SECURITY, NOR HAS THE TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS OFFERING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE PAYING AGENT IS U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION ("U.S. BANK"), LOCATED AT 100 WALL STREET, SUITE 600, NEW YORK, NY 10005 ("PAYING AGENT").

THE LEAD AGENT AUTHORIZED TO AFFECT SALES OF THE NOTES THROUGH ITS SELLING GROUP IS INSUPERX LLC, LOCATED AT 25 SE 4TH AVENUE, SUITE 400, DELRAY BEACH, FL 33483. INSUPERX LLC HAS BEEN AUTHORIZED BY CAPITAL IMPACT TO OFFER THE NOTES FOR SALE AND RESELL THE NOTES TO OTHER

REGISTERED BROKER-DEALERS THAT ARE MEMBERS OF INSPEREX LLC'S NETWORK OF SELECTED DEALERS, AND BROKER-DEALERS MAY RE-OFFER THE NOTES TO THEIR RETAIL AND INSTITUTIONAL CUSTOMERS. INSPEREX LLC MAY ALSO RE-OFFER THE NOTES TO ITS INSTITUTIONAL CUSTOMERS. INSPEREX AND OTHER SELLING AGENTS APPOINTED BY CAPITAL IMPACT MAY REOFFER THE NOTES TO THEIR RETAIL AND INSTITUTIONAL CUSTOMERS AS APPLICABLE.

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

FOR RESIDENTS OF VERMONT ONLY:

IN ORDER TO REMAIN IN COMPLIANCE WITH THE POLICIES ESTABLISHED BY THE VERMONT DEPARTMENT OF FINANCIAL REGULATION, AUTOMATIC REINVESTMENT AT MATURITY (AS DISCUSSED ON PAGE 12) WILL NOT BE OFFERED TO VERMONT INVESTORS.

FORWARD-LOOKING STATEMENTS

Statements contained in this Prospectus that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act. Also, when Capital Impact uses any of the words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend” or similar expressions, it is making forward-looking statements. These forward-looking statements are not guaranteed and are based on Capital Impact’s present intentions and on Capital Impact’s present expectations and assumptions. These statements, intentions, expectations, and assumptions involve risks and uncertainties, some of which are beyond Capital Impact’s control, that could cause actual results or events to differ materially from those anticipated or projected. Purchasers of Notes should not place undue reliance on these forward-looking statements, as events described or implied in such statements may not occur. Except as required by law, Capital Impact undertakes no obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise.

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OFFERING SUMMARY

This section summarizes the legal and financial terms of the Notes that are described in more detail in the section entitled “Description of the Notes” beginning on page 59. Final terms of any particular Note, including the public offering price, will be determined at the time of sale and will be contained in the accompanying pricing supplement relating to those Notes. The terms in that pricing supplement may vary from and supersede the terms contained in this Prospectus, including the terms contained in this summary section and in the section entitled “Description of the Notes.” Before making a decision to purchase a Note, investors are advised to read the more detailed information appearing elsewhere in this Prospectus and in the accompanying pricing supplement.

In this prospectus, unless the context indicates otherwise, the words “we,” “Capital Impact,” “our,” “ours” and “us” refer to Capital Impact Partners and all of its consolidated subsidiaries (which consolidated subsidiaries do not include CDC Small Business Finance Corporation (“CDC”) or its subsidiaries). The term “you” refers to a prospective investor.

| Key Investment Terms | |
|------------------------------------|---|
| Issuer | Capital Impact Partners, a District of Columbia nonprofit corporation and certified CDFI. |
| Securities Offered | Up to \$250,000,000 of Capital Impact Investment Notes (the “Notes”). |
| Authorized Denominations | Minimum investment of \$1,000. |
| Term of Investments | Notes may be purchased for various terms up to 20 years. |
| Interest Rates and Payment Options | Interest rates will be fixed rate and are set at the time of issuance and are determined by current market conditions. Interest rates for the Notes will be set forth in the accompanying pricing supplement relating to those Notes. Interest payments will be made quarterly. |
| Offering Period | No termination date has been set for this offering. |
| Note Purchases | The Notes are available for purchase in book-entry form, which means they may be purchased electronically through the investor’s brokerage account and settled through DTC. As of the date hereof, the Notes will be offered and sold only in the United States, excluding the |

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| | State of Arkansas and the State of Washington and any territories thereof. |
| Use of Proceeds | The proceeds of the offering will be used primarily to fund initiatives that meet critical needs in low-income communities across the United States, including through Capital Impact’s subsidiaries, affiliates, strategic partners, joint ventures and third-party intermediaries, including CDC, Equitable Prosperity Manager, LLC (“Equitable Prosperity”) and Momentus Securities, LLC (“Momentus Securities”), as further described on page 34. We may allow investors who offer to purchase a minimum of \$2,000,000 in Notes to request that we use the proceeds of the Notes purchased by such investor for a particular purpose (i.e., to benefit vulnerable populations in a particular geography, or to meet a critical need in a particular industry or sector). We will weigh a variety of factors when considering such requests, including, in particular, whether or not the use of the proceeds to benefit such population, geography, or sector is aligned with our non-profit, tax-exempt purposes and strategic plan, and will accept or decline such requests in its sole discretion. The proceeds of the offering may also be used to purchase securities or other assets that will be leveraged to support our lending and investment activities and general operations, and to further our general corporate purposes. |
| Distribution of Notes | We will offer the Notes through registered broker-dealers. The Notes may be offered to or through InspereX as Lead Agent for resale. InspereX, or any other agent appointed by us, is not required to purchase or sell any specific amount of Notes but sells the Notes on a best-efforts basis. |
| Interest Accrual and Interest Periods | Notes begin to accrue interest on the issuance date and mature on the relevant anniversary of issuance. Interest accrues on a 360-day year |

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| | <p>based on twelve 30-day months. Interest is paid out quarterly and cannot be reinvested.</p> <p>The interest payment dates for a Note will be the fifteenth day of every third month, commencing in the third succeeding calendar month following the month in which the Note is issued, unless such calendar day is not a business day, in which case the interest payment shall be made on the next succeeding business day. The first payment of interest under a Note shall be an amount equal to interest accruing during the period commencing on the closing date of the Note and ending on the day preceding the fifteenth day of the third full calendar month that follows such closing date (the "First Interest Period"). The interest accrual period does not include each interest payment date. Subsequent payments of interest under the Note shall be in an amount equal to interest accruing during each period of three calendar months that follow the First Interest Period.</p> |
| Ranking | <p>The Notes constitute unsecured debt obligations of Capital Impact. Capital Impact has secured obligations that rank senior to the Notes and has other unsecured debt obligations, including previously issued and outstanding Capital Impact Investment Notes, that will rank equally with the Notes. The notes will also be structurally subordinated to the indebtedness and other liabilities of Capital Impact's subsidiaries (to the extent of the value of the assets of those subsidiaries). As described more fully on page 34, neither CDC nor any of its subsidiaries are guarantors of the Notes and the assets of CDC and its subsidiaries are not available to satisfy Capital Impact's obligations under the Notes.</p> |
| Redemption | <p>Notes may be redeemable by us prior to stated maturity at our option, as provided in the relevant pricing supplement. Notes will not be repayable at the option of the Note holder prior</p> |

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|-----------------------------------|--|
| | to stated maturity date, except as provided under “Survivor’s Option” below. |
| Survivor’s Option | In the limited circumstances set forth below, a holder of Notes may sell the Notes back to us prior to stated maturity. This sale option can only be made by the authorized representative of the beneficial owner of the Notes within one year following the death of the beneficial owner of the Notes, so long as the Notes were owned by the beneficial owner or his or her estate at least six months prior to the request and certain documentation requirements are satisfied. This feature is referred to as a “Survivor’s Option.” The right to exercise the Survivor’s Option is subject to (i) a limit on total exercises by all holders of Notes in any calendar year of the greater of (x) \$1,000,000 or (y) 1% of the aggregate principal balance of all Notes outstanding at the end of the most recently completed calendar year, and (ii) a limit on individual exercises by any holder of Notes in any calendar year of \$250,000. Additional details on the Survivor’s Option are described in the section entitled “Description of Notes—Survivor’s Option” on page 61. |
| Options at Maturity/Reinvestments | Principal is automatically repaid at maturity. Investors may reinvest their repaid principal by purchasing new Notes at then-current interest rates and terms offered by us. |
| Covenants | The Notes are subject to the terms of an indenture (the “Indenture”), with U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association) (“U.S. Bank”) serving as indenture trustee (the “Indenture Trustee”). The Indenture contains certain affirmative and negative covenants. |
| Risk Factors | Please refer to “Risk Factors” beginning on page 18. |

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| Tax Consequences | Amounts paid by an investor to purchase the Notes are not deductible for federal tax purposes. Any interest paid on the Notes to an investor is taxable. Please refer to “Description of the Notes - Interest Payments and Tax Considerations” on page 63. |
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SUMMARY FINANCIAL INFORMATION

The tables below set forth select financial information as of and for the years ended December 31, 2019 through 2023. This information is based on historical audited financial statements for Capital Impact and its consolidated subsidiaries, and should be read in conjunction with the financial statements attached to this Prospectus as Appendix I. For the avoidance of doubt, this financial information does not include any financial information of CDC.

Capital Impact Partners and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2019 through December 31, 2023

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| Assets | | | | | |
| Cash and cash equivalents - unrestricted | \$ 48,413,099 | \$ 59,662,347 | \$ 73,212,984 | \$ 67,806,764 | \$ 44,233,703 |
| Cash and cash equivalents - restricted | 24,627,037 | 27,638,893 | 25,053,259 | 20,560,201 | 26,424,133 |
| Accounts and interest receivable | 2,796,591 | 2,314,277 | 2,831,834 | 4,262,594 | 7,455,892 |
| Contributions receivable | 1,925,000 | - | 250,000 | 2,600,000 | - |
| Investments | 38,705,826 | 36,279,999 | 33,922,261 | 42,359,730 | 41,473,089 |
| Mortgage Backed and US Treasury Securities | 69,466,573 | 66,386,667 | 59,429,070 | 29,230,723 | 33,822,580 |
| Loans receivable ⁽¹⁾ | 371,351,435 | 371,116,831 | 364,076,525 | 382,419,078 | 499,585,126 |
| Less: allowance for credit losses | (13,154,705) | (13,482,640) | (13,355,265) | (13,622,171) | (12,573,430) |
| Loans receivable, net | 358,196,730 | 357,634,191 | 350,721,260 | 368,796,907 | 487,011,696 |
| Loans receivable - subsidiaries ⁽²⁾ | 33,833,895 | 30,730,771 | 27,105,392 | 20,227,669 | 19,868,695 |
| Loans receivable - intercompany | - | - | - | - | 2,500,000 |
| Other real estate owned | - | - | - | - | 658,498 |
| Other assets | 2,959,813 | 3,118,407 | 2,928,134 | 2,831,666 | 3,643,329 |
| Right of use assets ⁽⁶⁾ | 10,794,995 | 9,496,017 | 8,637,426 | 7,898,991 | 9,428,191 |
| Total assets | \$591,719,559 | \$593,261,569 | \$584,091,620 | \$ 566,575,245 | \$ 676,519,806 |
| Liabilities and Net Assets | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 3,043,820 | \$ 3,847,742 | \$ 5,033,519 | \$ 7,002,491 | \$ 10,847,230 |
| Refundable advance liability | 7,245,759 | 8,853,592 | 6,694,569 | 6,172,250 | 9,735,754 |
| Revolving lines of credit | 54,000,000 | 29,500,000 | - | 46,000,000 | 69,500,000 |
| Notes payable | 70,655,976 | 61,924,794 | 52,230,970 | 54,242,446 | 68,786,736 |
| Investor Notes, net | 134,570,907 | 159,538,327 | 183,197,579 | 201,306,219 | 262,805,148 |
| Subordinated debt | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 14,500,000 |
| Federal Home Loan Bank borrowing | 47,271,304 | 47,271,304 | 47,271,304 | 24,000,000 | 24,000,000 |
| Bond loan payable | 58,908,325 | 61,077,161 | 58,849,113 | 5,000,000 | 5,000,000 |
| Notes payable - subsidiaries | 35,906,016 | 30,696,140 | 27,384,895 | 24,193,922 | 24,193,922 |
| Liability for CECL - loan commitments ⁽⁷⁾ | - | - | - | - | 2,917,764 |
| Lease liabilities ⁽⁶⁾ | 13,208,278 | 12,442,193 | 11,463,612 | 10,588,824 | 11,991,765 |
| Total liabilities | 427,310,385 | 417,651,253 | 394,625,561 | 381,006,152 | 504,278,319 |
| Net assets: | | | | | |
| Without donor restrictions ⁽⁴⁾ | 106,859,410 | 121,469,936 | 120,919,519 | 115,654,148 | 106,347,815 |
| Noncontrolling interest in consolidated subsidiaries ⁽³⁾ | 30,104,079 | 20,572,345 | 20,572,345 | 20,572,345 | 20,572,345 |
| Total without donor restrictions | 136,963,489 | 142,042,281 | 141,491,864 | 136,226,493 | 126,920,160 |
| With donor restrictions ⁽⁵⁾ | 27,445,685 | 33,568,035 | 47,974,195 | 49,342,600 | 45,321,327 |
| Total net assets | 164,409,174 | 175,610,316 | 189,466,059 | 185,569,093 | 172,241,487 |
| Total liabilities and net assets | \$591,719,559 | \$593,261,569 | \$584,091,620 | \$ 566,575,245 | \$ 676,519,806 |

(1) As of December 31, 2023, Capital Impact had \$8,290,895 of outstanding receivables from unsecured loans, or 1.7% of all outstanding loans receivable.

(2) Capital Impact's subsidiaries had no outstanding receivables from unsecured loans at December 31, 2023.

- (3) As of December 31, 2018 and 2019, this represents the non-managing member's 80% equity interest in Community Investment Impact Fund, LLC and Community Investment Impact Fund II, LLC, which is exclusive of Capital Impact's equity interest. On January 1, 2020, Community Investment Impact Fund II, LLC merged with Community Investment Impact Fund, LLC, which decreased the non-managing member's equity interest to 70%. As such, as of December 31, 2020 - 2023, this represents the non-managing member's 70% equity interest in Community Investment Impact Fund, LLC.

Per ASU 2016-14, Capital Impact now classifies net assets into two categories: Without donor restrictions and With donor restrictions.

- (4) Net assets without donor restrictions means that contributions are available for unrestricted use.

- (5) Net Assets with donor restrictions are contributions with donor-imposed time or purpose restrictions.

- (6) Per ASU 2016-02, Capital Impact now recognizes lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. The new standard is effective for the fiscal year beginning January 1, 2019.

- (7) Per ASU 2016-13, Capital Impact now recognizes a liability for Current Expected Credit Losses (CECL) on the statement of financial position. The new standard is effective for the fiscal year beginning after December, 31, 2022. Capital Impact adopted the standard on January 1, 2023.

Capital Impact Partners and Subsidiaries
Consolidated Statements of Activities
For Years ended December 31, 2019 through December 31, 2023

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|--------------------|-------------------|-------------------|--------------------|---------------------|
| Changes in net assets w/without donor restrictions: | | | | | |
| Financial activity: | | | | | |
| Financial income: | | | | | |
| Interest income on loans | \$ 23,118,073 | \$ 23,426,997 | \$ 21,999,678 | \$ 22,838,542 | \$ 26,888,711 |
| Loan fees | 989,576 | 879,695 | 751,999 | 723,032 | 389,267 |
| Investment income, net | 4,321,328 | 2,802,042 | (399,959) | (4,394,506) | 3,554,364 |
| Gain / (loss) on equity method investments | (181,184) | 1,502,237 | 110,112 | (466,532) | 770,537 |
| Gain / (loss) on NMTC unwind | (11,844) | (420) | 23,600 | (21,845) | - |
| Total financial income | 28,235,949 | 28,610,551 | 22,485,430 | 18,678,691 | 31,602,879 |
| Financial expense: | | | | | |
| Interest expense | 10,975,588 | 11,368,935 | 10,312,851 | 10,753,248 | 16,489,064 |
| Provision (credit) for loan losses | 1,631,866 | 713,095 | 13,875 | 266,906 | (308,991) |
| Total financial expense | 12,607,454 | 12,082,030 | 10,326,726 | 11,020,154 | 16,180,073 |
| Net financial income | 15,628,495 | 16,528,521 | 12,158,704 | 7,658,537 | 15,422,806 |
| Revenue and support: | | | | | |
| Loan servicing fees | 1,419,708 | 1,228,083 | 1,103,502 | 1,383,433 | 1,580,738 |
| Fees | 1,270,797 | 623,448 | 1,023,369 | 1,345,051 | 1,459,523 |
| Asset management fees from investments | - | - | - | 125,097 | 1,568,719 |
| Contract revenue | - | - | 57,648 | 719,570 | 1,244,007 |
| Contributions | - | 15,000,000 | 2,000,000 | 9,065,225 | 94,000 |
| Gain on debt extinguishment | - | - | - | 6,452,689 | 352,238 |
| Inter-company fee income | - | - | - | 1,553,228 | 3,395,383 |
| Other income | 108,310 | 348,175 | 122,469 | 118,602 | 527,332 |
| Net assets released from restrictions | 6,958,858 | 8,190,657 | 14,110,281 | 15,310,283 | 32,177,179 |
| Total revenue and support | 9,757,673 | 25,390,363 | 18,417,269 | 36,073,178 | 42,399,119 |
| Expenses: | | | | | |
| Innovative community lending program | 11,238,214 | 12,074,387 | 16,564,633 | 14,907,624 | 18,072,528 |
| Technical assistance | - | - | - | 16,374,510 | 22,144,126 |
| Total program expenses | 11,238,214 | 12,074,387 | 16,564,633 | 31,282,134 | 40,216,654 |
| Support expenses: | | | | | |
| Management and general | 10,229,848 | 12,719,502 | 11,977,331 | 14,883,845 | 21,290,552 |
| Fundraising | 899,203 | 1,295,402 | 1,604,226 | 1,848,796 | 2,320,344 |
| Total expenses | 22,367,265 | 26,089,291 | 30,146,190 | 48,014,775 | 63,827,550 |
| Change in net assets w/without donor restrictions before noncontrolling interest activities | 3,018,903 | 15,829,593 | 429,783 | (4,283,060) | (6,005,625) |
| Noncontrolling interest - capital contribution | 5,100,000 | - | - | - | - |
| Noncontrolling interest - distribution | (1,339,804) | (4,983,306) | (980,200) | (982,311) | (1,012,132) |
| Noncontrolling interest – return of investment | - | (5,767,495) | - | - | - |
| Change in net assets without donor restrictions | 6,779,099 | 5,078,792 | (550,417) | (5,265,371) | (7,017,757) |
| Change in net assets w/with donor restrictions | | | | | |
| Investment Income , net | 249,945 | 62,924 | 30,639 | 77,325 | 304,422 |
| Grant revenue | 4,437,574 | 14,250,083 | 28,485,802 | 16,601,363 | 27,851,484 |
| Net assets released from restrictions | (6,958,858) | (8,190,657) | (14,110,281) | (15,310,283) | (32,177,179) |
| Change in net assets with donor restrictions | (2,271,339) | 6,122,350 | 14,406,160 | 1,368,405 | (4,021,273) |
| Change in net assets | 4,507,760 | 11,201,142 | 13,855,743 | (3,896,966) | (11,039,030) |
| Net assets, beginning | 159,901,414 | 164,409,174 | 175,610,316 | 189,466,059 | 185,569,093 |
| Cumulative change in accounting policy ⁽¹⁾ | - | - | - | - | (2,288,576) |
| Net assets, ending | \$ 164,409,174 | \$ 175,610,316 | \$ 189,466,059 | \$ 185,569,093 | \$ 172,241,487 |

(1) Per ASU 2016-13, Capital Impact recognized a cumulative-effect adjustment for the changes in the allowances for credit losses. The new standard is effective for the fiscal year beginning after December, 31, 2022. Capital Impact adopted the standard on January 1, 2023.

Additional Summary Financial Information

| Selected Financial Data | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---------------|----------------|---------------|---------------|-------------------------------|
| Cash and cash equivalents, (Unrestricted and Restricted) | \$73,040,136 | \$87,301,240 | \$98,266,243 | \$88,366,965 | \$70,657,836 |
| Amount of unsecured loans receivable | \$11,287,287 | \$10,172,217 | \$10,773,690 | \$9,571,877 | \$8,290,895 |
| Loan delinquencies as a percent of loans receivable ⁽¹⁾ | 0.3% | 0.1% | 2.0% | 0.2% | 1.0% |
| Notes payable and revolving lines of credit | \$124,655,976 | \$91,424,794 | \$52,230,970 | \$100,242,446 | \$138,286,736 |
| Notes payable subsidiaries | \$35,906,016 | \$30,696,140 | \$27,384,895 | \$24,193,922 | \$24,193,922 |
| Amount of notes redeemed during the fiscal year | \$10,368,000 | \$17,126,000 | \$10,302,000 | \$46,795,000 | \$41,370,000 |
| Amount of Capital Impact Investment Notes sold | \$46,904,000 | \$42,537,000 | \$33,866,000 | \$64,955,000 | \$103,039,000 |
| Other long-term debt | \$108,679,629 | \$110,848,465 | \$108,620,417 | \$31,500,000 | \$43,500,000 |
| Net assets without donor restrictions before noncontrolling interest | \$106,859,410 | \$121,469,936 | \$120,919,519 | \$115,654,148 | \$106,347,815 |
| Change in Net Assets ⁽²⁾ | \$4,507,760 | \$11,201,142 | \$13,855,743 | \$(3,896,966) | \$(11,039,030) ⁽³⁾ |
| Non-managing member's net equity interest activities in Community Investment Impact Fund, LLC and Community Investment Impact Fund II, LLC included in change in net assets | \$3,760,196 | \$(10,750,801) | \$ (980,200) | \$(982,311) | \$(1,012,132) |
| Net assets as a percentage of total assets | 27.8% | 29.6% | 32.4% | 32.8% | 25.5% |
| Net Assets without donor restrictions before noncontrolling interest as a percentage of total assets ⁽²⁾ | 18.1% | 20.5% | 20.7% | 20.4% | 15.7% |
| Net Assets without donor restrictions before noncontrolling interest as a percentage of total assets less subsidiaries debt ⁽²⁾ | 19.2% | 21.6% | 21.7% | 21.3% | 16.3% |
| Net Assets without donor restrictions before noncontrolling interest plus subordinated debt as a percentage of total assets less subsidiaries debt ⁽²⁾ | 19.7% | 22.0% | 22.2% | 21.8% | 18.5% |
| Total liabilities, net less subsidiaries debt as a percentage of net assets | 238.1% | 220.3% | 193.8% | 192.3% | 278.7% |

(1) Includes loan balances on which payments of principal or interest are delinquent ninety (90) days or more and non-accruing balances.

(2) Net assets without donor restrictions means that contributions are available for unrestricted use.

(3) Per ASU 2016-13, Capital Impact recognized a cumulative-effect adjustment for the changes in the allowances for credit losses in the amount of \$(2,288,576). The new standard is effective for the fiscal year beginning after December, 31, 2022. Capital Impact adopted the standard on January 1, 2023.

RISK FACTORS

An investment in the Notes involves various material risks, including the loss of principal. Prior to any investment, and in consultation with their financial and legal advisors, investors should carefully consider, among other matters, the following risk factors and the other information contained in this Prospectus before deciding whether to purchase Notes. There can be no assurance that the following list of risks associated with an investment in the Notes is comprehensive. Additional risks not presently known to us or that are currently deemed immaterial could also materially and adversely affect our financial condition, results of operations, business, and prospects.

Risks associated with the Notes and the Offering

The Notes are not secured by any of our assets and will be effectively subordinated to any of our existing or future secured indebtedness.

The Notes are general unsecured obligations of Capital Impact and will be effectively subordinated to any of the Capital Impact's existing and future secured indebtedness, to the extent of the value of the collateral securing such indebtedness. As of December 31, 2023, Capital Impact's outstanding secured indebtedness was \$24,000,000. The secured indebtedness consists of the \$24,000,000 outstanding under Capital Impact's secured credit facility with the Federal Home Loan Bank of Atlanta ("FHLB-A"). The FHLB-A secured credit facility provides Capital Impact with the ability to draw up to 20% of its total assets. As of December 31, 2023, the total available borrowings under the FHLB-A secured credit facility were \$99,375,086. Payment of principal and interest will depend solely upon the financial condition of Capital Impact. Further, no sinking fund or other similar deposit has been or will be established by us to ensure payment of the Notes except as may be required by law. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding, Capital Impact's secured creditors (and the secured creditors of Capital Impact's subsidiaries) have priority over investors in Notes, and will be entitled to recover from the collateral securing such indebtedness prior to any payment being made to holders of Notes. Thus, our assets, including any collateral securing other obligations, may be insufficient to fully satisfy our obligation to repay the Notes. Therefore, the relative risk level is higher for the Notes than for Capital Impact's secured indebtedness.

The Notes will be effectively subordinated to any existing or future indebtedness of Capital Impact's subsidiaries.

Capital Impact's subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the Notes or to make funds available to Capital Impact to do so. As a result, the Notes will be effectively subordinated to all existing and future obligations (including trade payables) of Capital Impact's subsidiaries, and the claims of creditors of those subsidiaries, including trade creditors, will have priority as to the assets and cash flows of those subsidiaries. As of December 31, 2023, Capital Impact's subsidiaries' outstanding indebtedness was \$24,193,922. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to Capital Impact's subsidiaries, holders of their indebtedness, including their trade creditors, will be entitled to payment on their claims from assets of those subsidiaries.

The Notes are not FDIC or SIPC insured, are not bank instruments, and are subject to investment risks.

The Notes are not FDIC or SIPC insured or otherwise insured or guaranteed by any governmental agency; nor are the Notes certificates of deposit or deposit accounts with a bank, savings and loan association, credit

union or other financial institution regulated by federal or state authorities. As a result, investors are at risk of possible loss of principal invested.

We are offering the Notes on a best-efforts sales basis and there is no minimum sales requirement.

The sale of the Notes is a best-efforts offering and there is no minimum sales requirement. Thus, a low sales volume may not prompt cancellation of the offering or cause us to refund Note purchases to existing investors.

The interest rate applicable to a Note is fixed at the time of issue.

Interest rates offered for the Notes may change at our discretion and will be driven by market conditions and the current interest rate environment. Should interest rates rise, we are not legally obligated to pay a higher rate or to redeem the principal of a Note prior to its maturity. Moreover, the marketability and value of the Notes may decline in a rising interest rate environment. Risks of investment in the Notes may be greater than implied by a relatively low interest rate on the Notes.

The market value of the Notes may be adversely affected by a decrease in the credit ratings assigned to the Notes or Capital Impact.

There is no assurance that any ratings assigned to the Notes or to Capital Impact at the time of issuance will not be lowered or withdrawn at any time, which could adversely affect the market price and marketability of the Notes.

We may redeem the Notes prior to maturity.

We have a discretionary right to redeem all or a portion of the Notes prior to maturity. This enables us to manage our leverage relative to our liquidity needs. If we elect to exercise this right with respect to your Notes, the redemption of your Notes will prevent you from realizing the full value of your investment through the scheduled maturity date.

The Survivor's Option may be limited in amount.

We have a discretionary right to limit the aggregate principal amount of Notes subject to the Survivor's Option that may be exercised in any calendar year to an amount equal to the greater of \$1,000,000 or 1% of the outstanding principal amount of all Notes outstanding as of the end of the most recent calendar year. We also have the discretionary right to limit to \$250,000 in any calendar year the aggregate principal amount of Notes subject to the Survivor's Option that may be exercised in such calendar year on behalf of any individual deceased beneficial owner of Notes. Accordingly, no assurance can be given that exercise of the Survivor's Option for the desired amount will be permitted in any single calendar year.

Holders of Notes will depend in part on the Indenture Trustee enforcing provisions of the Indenture.

We have made arrangements with U.S. Bank to serve as Indenture Trustee. The Indenture defines the possible events of default that could cause the Indenture Trustee to accelerate Note payment obligations (see "Certain Key Indenture Provisions"). The Indenture does not ensure or secure the repayment of the Notes.

Individual holders of Notes may be unable to control actions taken under the Indenture.

The consent or approval of the holders of a specified percentage of the aggregate principal amount of all outstanding series of Notes is required before various actions may be taken under the Indenture. These actions include the appointment of a successor Indenture Trustee following an Indenture Trustee resignation, the amendment of the Indenture under specified circumstances, the waiver of Events of Default, and certain other events. There can be no assurance that your interests with respect to actions under the Indenture will coincide with those of other investors.

Holders of Notes can only act indirectly through DTC and the Indenture Trustee.

Note transactions are settled through DTC. As is standard to facilitate such electronic transactions, DTC represents the Notes with one or more global certificates registered in the nominee name of “Cede & Co.,” the nominee of DTC, rather than in the name of the investor or investor’s nominee. To exercise their rights under the Indenture, beneficial owners can only act indirectly through DTC and its participating organizations under their established rules. The Indenture Trustee does not track the beneficial owners of global book-entry Notes, and cannot directly provide information regarding beneficial ownership of the Notes to us.

There is not expected to be any secondary market in the Notes.

The Notes will not be listed for sale on any securities exchange and the nature of this offering does not afford the opportunity of a public or secondary market in the Notes. Consequently, the purchase of a Note should be viewed as an investment to be held to maturity.

Holders of Notes should be aware of certain tax consequences.

Although Capital Impact is a 501(c)(3) nonprofit corporation, the interest paid or accrued on the Notes will be taxable as ordinary income to you in the earlier of the year it is paid or the year it is accrued, depending on your method of accounting. You should be provided with an IRS Form 1099 by your broker in January of each year detailing the interest earned on their investments in the prior year. You will not receive a receipt for a charitable contribution and will not be entitled to a charitable deduction for the purchase of the Notes. You should consult with your tax advisor regarding any tax treatment of the Notes.

Risks associated with Capital Impact

We may not be able to repay our obligations under the Notes if there is a material adverse effect in our financial condition or results of operations.

Payment of the Notes depends on our ability to generate revenues sufficient to cover debt service on the Notes and all our other indebtedness while meeting our operating expenses and other cash requirements. No representation can be made or assurance given that revenues will be realized by us in amounts sufficient to make the payments necessary to meet our obligations and to make debt service payments on the Notes as they become due. Our future revenues and expenses are subject to, among other things, the capabilities of our management, future economic conditions and a variety of non-economic and other conditions, many of which are unpredictable or not within our control. Our net assets decreased in fiscal year 2023 and no representation can be made or assurance given that our net assets will not decrease in the future. The payment of principal and interest on the Notes, as well as our other obligations, may be adversely impacted by these factors.

Examples of these factors include, but are not limited to, the following:

- *General lending risks.* Although we have established due diligence and payment monitoring procedures, there can be no guarantee that borrowers will repay us promptly or at all. While we intend to pay our investors on schedule, defaults or untimely repayments of investments may result in our having insufficient capital to satisfy all outstanding Notes. Specific lending risks include:
 - *General commercial real estate investment risk.* A significant portion of our loan portfolio consists of assets with first lien mortgages on commercial real estate. Our borrowers derive cash flows and value from the performance of the commercial real estate and thus we are subject to general risks of investments in commercial real estate. These risks include:
 - Declines in the value of real estate;
 - Risks related to general and local economic conditions, including a health epidemic or pandemic described further on page 26;
 - Dependency on management skills of the borrower or third-party property management firm;
 - Risk depending on the timing of cash flows from the underlying mortgage properties;
 - Increases in property taxes and operating expenses, including energy costs;
 - Changes in zoning laws and other governmental rules, regulations and fiscal policies; compliance with existing legal and regulatory requirements, including environmental controls and regulations;
 - Expenses incurred in the cleanup of environmental problems;
 - Risks related to the type and use of a particular commercial property; and
 - Casualty or condemnation losses, including where liability and casualty insurance does not provide full protection.
 - *Changes in interest rates.* Our earnings and cash flows depend substantially upon our net interest income. Net interest income is the difference between interest income earned on our loans, and interest expense paid on interest-bearing liabilities, such as borrowed funds. Interest rates are sensitive to many factors that are beyond our control, including general economic conditions, competition and policies of various governmental and regulatory agencies and, in particular, the policies of the Board of Governors of the Federal Reserve System. Interest rate changes could influence not only the interest we receive on loans and investments and the amount of interest we pay on borrowings, but these changes could also affect: (1) our ability to originate loans; (2) the fair value of our financial assets and liabilities, including our investment portfolio; and (3) the average duration of our interest-earning assets. This also includes the risk that interest-earning assets may be more responsive to changes in interest rates than interest-bearing liabilities, or vice versa (repricing risk), the risk that the individual interest rates or rate indices underlying various interest-earning assets and interest-bearing liabilities may not change in the same degree over a given time period (basis risk), and the risk of changing interest rate relationships across the spectrum of interest-earning asset and interest-bearing liability maturities (yield curve risk), including a prolonged flat or inverted yield curve environment. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations.

- *Prepayment and refinancing risk.* Prepayment and refinancing rates may adversely affect the value of our loan portfolio. Prepayment and refinancing rates on loans may be affected by a number of factors including, but not limited to, the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the loans, possible changes in tax laws, other opportunities for investment, and other economic, social, geographic, demographic and legal factors and other factors beyond our control. Consequently, prepayment and refinancing rates cannot be predicted with certainty and no strategy can completely insulate us from prepayment or other such risks. In periods of declining interest rates, prepayment and refinancing rates on loans generally increase. If general interest rates decline at the same time, the proceeds of such prepayments and refinancings received during such periods are likely to be reinvested by us in loans yielding less than the yields on the loans that were prepaid or refinanced.
- *Sector concentration risk.* We finance commercial real estate, mixed use real estate and other projects in the healthcare, education, affordable housing and community development sectors. If one or more of these sectors experiences a financial downturn, our borrowers may have difficulty making loan payments.
- *Geographic concentration risk.* As of December 31, 2023, 22% of our revenue-generating loan portfolio was concentrated in California and 19% of our loan portfolio was concentrated in Michigan. If one or more of these geographic areas experiences a financial downturn, our borrowers may have difficulty making loan payments.
- *Illiquidity risk.* Loans made by us are typically illiquid as there is no secondary market for community development loans. While investment diversification, credit analysis, and limited maturity can reduce the risk of loss, there can be no assurance that we will be able to liquidate our position in any particular loan, that borrowers will repay us promptly, or that losses will not occur.
- *Adequacy of loan loss reserve.* We maintain a loan loss reserve in accordance with GAAP; it is reviewed quarterly by the Senior Director & Credit Officer and the Board of Directors (see “Lending Activities – Credit Quality and Risk Management – Loss Reserve” on page 44). However, the loan loss reserve may not be adequate to meet all potential losses.
- *Charitable purpose.* In furtherance of our charitable purpose, we lend money to borrowers which are not able to obtain financing at competitive market rates from conventional lenders such as regulated retail or commercial banks; the reasons for this vary, but often relate to the creditworthiness of the borrower and the availability or value of the collateral the borrower is able to offer to support the credit risk represented by a loan to the borrower. As a result, there is a higher risk that our loans may not be repaid.
- *Lack of control.* We may not have control over certain of our investments. Our ability to manage our portfolio of investments may be limited by the form in which they are made. In certain situations, we may:
 - acquire only a minority and/or a non-controlling participation in an underlying loan;
 - engage in intermediary lending by making a loan to another financial institution with a distinct mission, underwriting practices and asset management capabilities, which in turn, makes loans to borrowers;

- engage in intermediary investing by making equity investments in joint ventures with a distinct mission, underwriting practices and asset management capabilities, which in turn, make investments, which may be in the form of equity or debt, in projects that help us accomplish our charitable purpose to support underserved communities; or
- rely on independent third-party management or servicing with respect to the management of our loans.

Our rights to control the process following a borrower default may be subject to the rights of others whose interests may not be aligned with its own.

- *Limits on access to capital.* A significant portion of our revenue is derived from grants obtained through federal programs, private foundations and other institutions. In addition, we rely heavily on allocations of funds from various tax credit programs offered by the CDFI Fund. Receipt of grants and access to tax credit programs are neither guaranteed, nor renewable. They are also often associated with lengthy and stringent application processes, which can make them difficult to obtain. Periods of economic hardship may cause a decrease in the availability of grant funding as grant funding sources adopt more conservative financial practices. Budgetary constraints or shifts in the programmatic priorities of federal and private funding sources may also cause a decrease in the availability of CDFI Fund allocations and grants that are targeted to our mission. Because of the uncertain nature of grant receipts or allocations from the CDFI Fund, there is a risk that a sudden reduction in funding could occur, which may adversely impact our ability to repay our obligations as they come due. We also depend on sales of Notes, bank financing, transaction or asset specific funding arrangements, asset sales and other sources of financing to execute our business plan. Our inability to access such funding at acceptable interest rates or at all could have a material adverse effect on our results of operations, financial condition and business (see “A health epidemic or pandemic, including the coronavirus outbreak, may have an adverse effect on our business” below).
- *Other investments.* In addition to our lending program, we make investments in, and grants to, cooperatives, cooperative-like organizations, non-profit organizations, CDFIs, private investment funds, including investment funds managed by Equitable Prosperity (“Equitable Prosperity Funds”) (see “Broker-Dealer and Investment Adviser Activities,” page 34), joint ventures and others involved in supporting programs that are generally related to our mission. The scale, scope, or focus of these investments may change over time, consistent with Board approval and oversight. These investments may be in the form of equity, debt (including small business loans) or revenue/profit sharing arrangements. Some of these investments, which are often not subject to our normal underwriting standards, tend to be higher risk investments than those in our loan portfolio. In certain cases, our investments may be in the form of minority equity investments where we do not control the underwriting or asset management of the investments. If these investments are not recoverable, it will result in a reduction of capital available to support our lending activities.
- *Loan servicing and portfolio management.* In addition to providing capital directly to end borrowers, we also service loans owned by third parties and engage in lending activities through our wholly owned subsidiaries. Capital Impact’s subsidiaries are typically formed specifically for the purpose of lending to borrowers operating within a particular industry or geography, and are typically financed through senior-subordinate debt structures by us and third-party investors. Capital Impact manages all aspects of the business of these subsidiaries, including the origination and servicing of loans made by the subsidiaries. We bear risk relating to our servicing obligations and the conflicts of interest that may exist in cases where we or any of our affiliates are both a servicer and a lender to a subsidiary.

We may also suffer reductions in servicing income if our origination of new loans is slower than the pace of maturing loans.

- *Technical assistance.* We also provide technical assistance (e.g., consulting services) to a wide range of stakeholders, including project borrowers, community development organizations, strategic partners, policy makers and internal business units. When providing these services to unaffiliated third parties, we bear the risk of both payment and performance in relation to the underlying technical assistance agreement. Failure to perform services to the satisfaction of the third-party client may result in non-payment and/or legal action against us.
- *New business activities.* We may enter into new business ventures or alter our existing business model in order to achieve greater social impact consistent with our charitable purpose. For example, we may expand the number and type of loan products or programs we offer; adjust our risk tolerance parameters with respect to new or existing business; change the manner or scope of our asset acquisition strategies, including through loan sales, purchases, and participations; change the manner or scope of our investment management strategies by engaging in joint ventures or establishing investment vehicles with, or by selling or contributing assets to, related or unrelated third parties; expand the industries or geographic areas in which we operate; or offer new forms of technical assistance or other innovative products or services. For example, in 2021, Capital Impact entered into a strategic alliance with CDC, as further described on page 34. In addition, in 2022, through taxable, for-profit subsidiaries, we launched broker-dealer and investment advisory businesses. These activities generate revenue streams in the form of fee income and commissions (whether related to placement of securities, financing, investment management or investment banking). One or more our affiliates may also receive a profit allocation or carried interest in connection with its investment advisory activities. Although our intention in undertaking new business activities or altering our existing business model includes increasing our social impact, losses related to these activities may adversely impact our financial condition or present a risk of litigation or regulatory oversight not currently present in our existing business model.

We may incur or guaranty additional debt which may hinder our ability to pay debt service on the Notes.

As of the date of this Prospectus, we have sold approximately \$507,584,000 aggregate principal amount of Capital Impact Investment Notes since the launch of the program in 2017, of which approximately \$174,464,000 was sold under the Prospectus dated August 31, 2023. In addition, in connection with Capital Impact's strategic alliance with CDC, as further described on page 34, Capital Impact has guaranteed approximately \$45,712,132 aggregate principal amount of CDC's indebtedness as of December 31, 2023. We may issue additional Notes under the Indenture pursuant to supplemental indentures or other unsecured indebtedness and Capital Impact may guarantee additional CDC indebtedness without the consent or approval of the owners of any Notes then outstanding. However, through December 31, 2024, management does not expect Capital Impact to guarantee more than \$125,000,000 aggregate principal amount of CDC's indebtedness. CDC's cash and cash equivalents (unrestricted and restricted) at December 31, 2023 was approximately \$26 million, with approximately \$62 million of net assets without donor restrictions and total liabilities as a percentage of total net assets of approximately 84%. The outstanding Capital Impact Investment Notes, any additional Notes or any additional unsecured indebtedness will rank equally with the Notes. The Indenture does not limit the amount of additional Notes or other unsecured indebtedness that may be issued or guaranteed. The incurrence by Capital Impact of additional indebtedness or guarantees of CDC indebtedness may adversely affect its ability to make payments required on the Notes. Further, if Capital Impact incurs additional indebtedness or guarantees additional CDC indebtedness, the market perception of

our ability to pay debt service on the Notes, regardless of our actual ability to make such payments, may result in a decrease in the marketability of the Notes.

Changes in federal and state priorities and regulations may adversely affect us.

Changes in funding priorities and regulations by the federal and state governments, such as support for Federally Qualified Health Centers or charter schools and in affordable housing, could have an adverse effect on the sectors where we provide financing. As an example, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, changes to funding regulations may hinder Capital Impact's ability to provide financing to charter schools. No assurances can be provided as to how governmental funding in these areas may vary over the term of any loan made by us. Changes in funding priorities and regulations could hinder our ability to make loans or affect the ability of our borrowers to make loan payments. In addition, future changes in federal or state laws, rules, or regulations governing the sale of securities by religious, charitable, or other nonprofit organizations may make it more difficult for us to offer the Notes. Such an occurrence could result in a decrease in the amount of the Notes sold by us, which could potentially affect our operations and ability to meet our obligations to noteholders.

Failure of Capital Impact or CDC to meet existing debt obligations on any debt agreement could result in a cross-default under other debt agreements, which could adversely affect our business, operations and financial condition.

Capital Impact's and CDC's existing debt is (and any future debt likely will be) structured through debt agreements, many of which contain (or will contain) provisions for financial covenants that Capital Impact and CDC must maintain in order to avoid an event of default. If Capital Impact or CDC were to fail to maintain a financial covenant in any of the debt agreements, it would trigger an event of default in not only that particular debt agreement, but also in all other debt agreements that contain a cross-default mechanism. If Capital Impact defaults on its debt agreements or CDC defaults on its debt agreements, in light of Capital Impact's guarantee of CDC indebtedness, it would negatively impact our financial condition and ability to pay interest and principal under the Notes when due.

Any change in Capital Impact's non-profit, tax exempt or CDFI status could negatively impact its ability to meet its obligations under the Notes.

Federal authorities have determined that Capital Impact is a CDFI certified by the CDFI Fund and is also exempt from federal and state taxation on the basis of its charitable purpose. These determinations rest upon a number of conditions and assumptions that must continue to be met on an ongoing basis. If Capital Impact fails to comply with any of these conditions or assumptions, Capital Impact could lose its CDFI, non-profit or tax-exempt status. If Capital Impact loses its non-profit or tax-exempt status, it will be subjected to federal and/or state taxation. If Capital Impact became subject to federal or state taxation, this could negatively impact its financial viability and cash flow, and its ability to sell Notes pursuant to exemptions for non-profit charitable securities, all of which could ultimately negatively impact its ability to meet its obligations under the Notes. If Capital Impact loses its CDFI status, it will no longer be able to participate in the various programs that are only available to CDFIs. These programs include the CDFI Fund Financial Assistance Awards; Technical Assistance Awards; and the CDFI Fund BGP. The inability to benefit from CDFI Fund programs would pose a serious challenge to Capital Impact's ability to operate. Finally, a loss of Capital Impact's or CDC's non-profit, tax exempt or CDFI status would result in an event of default under certain of Capital Impact's and CDC's debt agreements and other agreements with third parties, which defaults would negatively impact our financial condition and ability to pay interest and principal under the Notes when due.

Failure of Capital Impact to comply with the National Consumer Cooperative Bank Act could negatively impact its ability to meet its obligations under the Notes.

Capital Impact was formed in 1982 as a District of Columbia nonprofit corporation that is a tax-exempt 501(c)(3) public charity at the direction of the United States Congress, pursuant to amendments to the National Consumer Cooperative Bank Act (“NCCBA”) adopted in 1981. Capital Impact was formed to support the development of cooperatives in underserved communities. While we actively engage in activities that are fully consistent with the intent and purpose of the NCCBA, and seeks to engage with cooperatives, we have expanded our impact beyond cooperatives to other organizations that embrace two core and foundational principles of cooperation: voluntary and open membership and democratic member control, and which serve members of a low or moderate income, or otherwise underserved, community. The NCCBA does not subject Capital Impact to any Federal regulatory oversight. However, Capital Impact could be examined or audited in the future, if the United States Congress were to take action to authorize Federal oversight, or a Federal agency or department (such as the General Accounting Office) were to successfully assert that it possessed the authority to exercise oversight of Capital Impact. Any Federal oversight resulting in a determination that Capital Impact failed to comply with the NCCBA could ultimately negatively impact its ability to meet its obligations under the Notes.

Investments in readily marketable securities are subject to market risk, which may have a material adverse impact on our financial condition and results of operation.

A portion of our liquid assets (including a portion of the proceeds of this offering) is or may be invested in readily marketable securities, such as mortgage-backed securities (“MBS”), and is therefore subject to market risks. As a result, we may incur losses if the market values of those investments decline. We may grow our MBS portfolio in order to leverage capital through its FHLB-A secured credit facility. The MBS may be subject to periodic “mark-to-market” valuations, which may have a negative, interim effect on the reported value of the MBS prior to realization of an investment in the MBS.

Holders of Notes are subject to risk associated with our bankruptcy or insolvency.

If Capital Impact, a subsidiary, or another affiliated company seeks relief under bankruptcy or related laws, a bankruptcy court could attempt to consolidate its assets into the bankruptcy estate, possibly resulting in delayed or reduced payments to noteholders. While we or the Indenture Trustee are permitted to hold certain segregated funds as Paying Agent under the Indenture, the enforceability in bankruptcy of any pledge of such segregated funds may be limited. Furthermore, there is some risk that a bankruptcy court would deem segregated funds held by us or the Indenture Trustee as assets of the bankrupt estate.

Our loss of key management personnel could adversely affect our operating performance and ability to pay interest and principal under the Notes when due.

We are dependent on the efforts of our key management. Competition for senior management personnel can be intense and we may not be able to retain our key management. Although we believe qualified replacements could be found for any departures of key management, the loss of their services could adversely affect our operating performance and ability to pay interest and principal under the Notes when due. In addition, the governing agreements of the Equitable Prosperity Funds generally provide investors with the ability to terminate the investment period in the event that certain “key persons” in the fund do not meet the specified time commitment to the fund or its affiliates.

A health epidemic, pandemic, or similar outbreaks may have an adverse effect on our business.

Our business could be materially and adversely affected by the outbreak of a widespread health epidemic or pandemic, particularly if located in regions where we derive a significant amount of our loan-portfolio revenue. To the extent the operations of our borrowers are adversely affected, our borrowers' ability to meet their loan obligations may be adversely affected, which, in turn, could lead to loan default, which would adversely affect our results of operations. Finally, the outbreak of a widespread health epidemic or pandemic could lead to volatility and disruption in global financial markets, which could adversely affect our ability to obtain financing to execute our business plan and increase the volatility of the daily mark-to-market values of the underlying securities in our mortgage-backed securities portfolio.

Shared directors of Capital Impact and CDC could result in conflicts of interests.

Capital Impact and CDC have substantially overlapping Board members, and the meetings of the Boards of Directors of both organizations are primarily held jointly. As a result of the sharing of directors, persons associated with CDC will be in a position to exercise significant influence over Capital Impact's affairs, which influence might not be consistent with the interests of some of our noteholders. In addition, directors of both Capital Impact and CDC have fiduciary duties to both entities. As a result, such directors could experience a conflict of interest between their duties to Capital Impact and CDC in the future, which may have an adverse effect on our business and prospects.

Shared executive officers of Capital Impact and CDC result in a split in management time and could result in conflicts of interest.

Capital Impact and CDC each have substantially overlapping executive management teams, including Ellis Carr, Capital Impact's President and Chief Executive Officer, serving as President and Chief Executive Officer of both organizations. Some of these officers are also involved in the activities of Equitable Prosperity and Momentum Securities, the taxable, for-profit subsidiaries of Capital Impact (see "Broker-Dealer and Investment Adviser Activities," page 34). Accordingly, Capital Impact's executive management team splits their time between Capital Impact and CDC, and those taxable, for-profit subsidiaries. Although Capital Impact believes that its management will spend sufficient time to meet their responsibilities, the amount of time devoted to Capital Impact will depend on specific circumstances at any given point in time. As a result, in a given period, management may spend less than a majority of their time on Capital Impact's matters. The diversion of management's time and attention may have an adverse effect on our business and prospects.

As a result of the sharing of executive management, persons associated with CDC will be in a position to exercise significant influence over Capital Impact's affairs, which influence might not be consistent with the interests of our noteholders. As a result, such officers could experience a conflict of interest between their duties to Capital Impact and CDC in the future, which may have an adverse effect on our business and prospects.

We face risks relating to cybersecurity threats that could cause loss of confidential information and other business disruptions.

We rely extensively on information technology systems to process transactions and manage our business, and our business is at risk from and may be impacted by cybersecurity incidents. These could include attempts to gain unauthorized access to our data and computer systems as well as attacks on third party's information technology systems that we rely on to provide important information technology services relating to key business functions, such as payroll. Cyber-attacks can be both individual and/or highly organized attempts by very sophisticated hacking organizations. A cyber-attack could compromise the confidential information of our employees, tenants and vendors. A successful attack could adversely affect

our business operations, results of operations or financial condition by, among other things, disrupting our collection of revenue, interfering with our ability to satisfy our financial obligations by restricting access to our assets, or causing inaccuracies in our financial reporting. We employ a number of measures to prevent, detect and mitigate these threats, which include password encryption, frequent password change events, firewall detection systems, anti-virus software in-place, frequent backups, a redundant data system for core applications and penetration testing; however, there is no guarantee such efforts will be successful in preventing a material cybersecurity incident.

Our broker-dealer and investment advisory activities are subject to a number of risks

As described under “Description of the Issuer – Broker-Dealer and Investment Adviser Activities” beginning on page 34 below, we commenced broker-dealer and investment advisory activities in 2023. These activities represent new offerings for which we have limited prior experience. These activities expose us to a number of risks, including:

- *Extensive regulation, which could subject us to additional costs and significant penalties.* Broker-dealer and investment advisory activities are subject to extensive regulation under federal and state laws by governmental agencies, supervisory authorities and self-regulatory organizations. The costs and uncertainty related to complying with such regulations is significant. These regulations affect our business operations and impose capital, client protection, and market conduct requirements on Capital Impact’s regulated subsidiaries as well as restrictions on the activities that Capital Impact’s regulated subsidiaries are allowed to conduct. We may also become subject to increasing regulatory scrutiny as our operations grow. Regulators have broad discretion in connection with their supervisory and enforcement activities and examination policies, and the regulated subsidiaries’ activities and related governmental and self-regulatory oversight could negatively impact us and our business strategy indirectly and/or directly. Despite efforts to comply with applicable legal requirements, there are a number of risks, particularly in areas where applicable laws or regulations may be unclear or where regulators could revise their previous guidance. Any enforcement actions or other proceedings brought by regulators against Capital Impact, its regulated subsidiaries or their respective officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension, disqualification or expulsion, or other disciplinary sanctions, including limitations on business activities, any of which could harm our reputation and adversely affect our results of operations and financial condition.
- *Failure to meet capital adequacy and liquidity guidelines could affect Capital Impact’s financial condition.* Capital Impact’s regulated broker-dealer subsidiary must meet certain capital and liquidity standards, subject to qualitative judgments by regulators about the adequacy of their capital and internal assessment of their capital needs. Capital Impact may have to provide or supplement the broker-dealer subsidiary’s minimum capital requirement to the extent the broker-dealer, a new business in its initial stages, is unable to secure the required funds. Failure by Capital Impact’s regulated broker-dealer subsidiary to meet minimum capital requirements could result in certain mandatory and additional discretionary actions by regulators that, if undertaken, could have a negative impact on us.
- *Investment advisory operations may subject us to fiduciary or other legal liability for investor losses.* Investment advisory and fund management services are complex activities and include investment advisory and back office operational functions such as investment selection, compliance with investment restrictions, regulatory compliance, recordkeeping and accounting, asset valuation, corporate actions, account reconciliations, and distributions to fund investors. Capital Impact

provides certain operational and back office services to its investment adviser subsidiary on a contractual basis. Failure to meet industry and regulatory standards in performing investment and operational functions could subject Capital Impact's regulated investment advisor subsidiary and Capital Impact itself to regulatory sanctions, penalties or litigation and result in reputational damage, liability to clients and investors, and the termination of investment advisory and other client agreements and the withdrawal of assets under management.

USE OF PROCEEDS

The proceeds of the offering will be used primarily to fund initiatives that meet critical needs in low-income communities across the United States, including through Capital Impact's subsidiaries, affiliates, strategic partners, joint ventures and third-party intermediaries, including CDC, Equitable Prosperity and Momentus Securities, as further described on page 34. The proceeds of the offering may also be used to purchase securities or other assets that will be leveraged to support our lending activities and general operations, and for general corporate purposes.

Consistent with our existing projects, initiatives that are funded using the proceeds from the offering are expected to be focused in the healthcare, education, affordable housing and community development sectors. Proceeds will also be used to provide technical assistance to borrowers and other market participants as projects are developed in order to increase the likelihood that its borrowers' projects will be successful and have a positive impact on the communities they serve. We typically invest in cooperatives, cooperative-like organizations, non-profit organizations, and CDFIs that are dedicated to supporting these sectors. In addition, proceeds from the offering may also be used to make investments in Equitable Prosperity and the Equitable Prosperity Funds (*see* "Broker-Dealer and Investment Adviser Activities," page 34) or investments in the form of equity, debt (including small business loans) or revenue/profit sharing arrangements, in entities supporting programs that are generally consistent with our mission.

We may allow investors who offer to purchase a minimum of \$2,000,000 in Notes to request that we use the proceeds of the Notes purchased by such investor for a particular purpose (i.e., to benefit vulnerable populations in a particular geography, or to meet a critical need in a particular industry or sector). We will weigh a variety of factors when considering such requests, including, in particular, whether or not the use of the proceeds to benefit such population, geography, or sector is aligned with our non-profit, tax-exempt purposes and strategic plan, and will accept or decline such requests in our sole discretion.

DESCRIPTION OF THE ISSUER

Overview

Capital Impact is a District of Columbia nonprofit corporation, formed in 1982 pursuant to Title 2 of the National Consumer Cooperative Bank Act of 1978, as amended, at the direction of the United States Congress. Capital Impact is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, as amended (the “Code”), and a public charity, as described in Section 509(a)(1) and Section 170(b)(1)(A)(vi) of the Code. Our principal executive office is located in Arlington, Virginia; we also have offices located in Oakland, California; Detroit, Michigan; New York, New York; and Austin, Texas. In 2011, Capital Impact was certified as a CDFI by the CDFI Fund.

Mission

Our charitable purpose is to provide financial services and technical assistance to cooperatives and other organizations which support underserved communities. We accomplish our charitable purpose by (i) financing projects in the healthcare, education, affordable housing and community development sectors, (ii) providing technical assistance to borrowers and other market participants as projects are developed in order to increase the likelihood that our borrowers’ projects will be successful and have a positive impact on the communities they serve, and (iii) investing in entities supporting programs that are generally consistent with our mission. Through capital and commitment, we help people build communities of opportunity that break barriers to success.

Strategy

Our business strategy is one that supports comprehensive community revitalization and is specifically designed to actualize our vision of a nation of communities built on a foundation of equity, inclusiveness, and cooperation, in which high-quality healthcare, healthy foods, affordable housing, and a quality education are accessible to everyone present in the community. Our business strategy may develop over time, consistent with Board approval and oversight, as a result of the strategic alliance with CDC, as further described on page 34.

Cooperatives, cooperative-like organizations, and other organizations that are dedicated to supporting these sectors receive financial support (primarily in the form of loans) and technical assistance (primarily in the form of sector-specific expertise) from us in furtherance of our charitable purpose. We believe that we are strategically positioned to bring people together in a spirit of cooperation to create businesses, provide services and develop property in their own communities, thus increasing access to goods, developing needed infrastructure to support commerce and essential community services and opening fair and efficient markets to a greater segment of the population.

As discussed in more detail in the section on the “Strategic Alliance with CDC and Momentum Capital” below, Capital Impact’s business strategy also includes working alongside CDC to provide a unique suite of financing products and programs that support community efforts to create strong, vibrant, and healthy places of opportunity, and will increase the impact and financial sustainability of both organizations.

Lending

Our core business is to lend capital to organizations engaged in community development projects that are aligned with our mission. A typical borrower is an organization involved in developing commercial real estate that creates affordable housing or becomes the backbone for community-based services in one of our sectors; examples include charter schools and community health centers. Although we offer a variety of debt products to our borrowers at different stages of the borrower's life cycle, as more fully described below, a typical loan is one that is secured by a first lien on commercial real estate. Because borrowers in our sectors are often unable to obtain financing at competitive rates directly from conventional lenders, such as regulated retail or commercial banks, we pride ourselves on sourcing and providing capital to mission-oriented borrowers at competitive rates and/or on terms that are generally more flexible than those that may be available to the borrowers in the traditional capital markets.

Although we operate on a nationwide basis, our lending products provide facilities-related financing targeted to key community pillars located primarily in one of our five core geographies, which are anchored by the locations of our offices and staff. This strategy targets capital and commitment across multiple sectors simultaneously, such as affordable housing, charter schools, healthy food retailers, community health centers and community-based aging projects, to create a set of interconnected resources that work to strengthen each other. At the present time, our investments are concentrated in California, Michigan and northern Ohio, the Washington, D.C. metropolitan area, the New York City metropolitan area and central Texas (Austin, San Antonio, Dallas/Fort Worth and Houston). These geographic concentrations may shift in the ordinary course of business as we evaluate our business strategy, including new opportunities that arise in new geographies, and our concentration risk, which may result in a re-balancing of our portfolio.

We often work with local and national strategic partners, including community development organizations, private foundations, other CDFIs and the community development groups within commercial banks, to establish viable ties to the communities we serve, enhance our market presence and increase the scope of the financial products and technical assistance that we can bring to market. Our strategic partners are selected based on a variety of factors, including mission alignment, commitment to a particular sector or geography, community ties and financial strength.

In addition to providing capital directly to project borrowers, Capital Impact engages in lending activities with its strategic partners through its wholly owned subsidiaries, affiliates and third-party intermediaries, including CDC, as further described on page 34, and through the purchase and sale of whole loans and fractional loan participations.

Capital Impact's subsidiaries are typically formed specifically for the purpose of lending to borrowers operating within a particular sector or geography and are typically financed by Capital Impact and its strategic partners through senior-subordinate debt structures. The senior-subordinate debt structures used to capitalize the subsidiaries allow Capital Impact to provide project borrowers with financing on flexible terms and afford its strategic partners an opportunity to more broadly share risk in markets that have historically been difficult for them to finance at market rates. Capital Impact manages all aspects of the business of these subsidiaries, including the origination and servicing of loans made by the subsidiaries. These subsidiaries are actively engaged in sector-specific or geographically focused lending activities.

Our intermediary lending relationships allow us to finance the lending activity of other lenders to achieve scale in an area in which the intermediary has a particular focus or expertise. Examples of intermediaries

financed by us include joint ventures, cooperative loan funds, non-profit organizations, including CDC, as further described on page 34, and other CDFIs. In each case, the mission, underwriting practices and asset management capabilities of the intermediary are believed to be aligned with those of us.

The purchase and sale of whole loans and fractional loan participations, directly by Capital Impact or through special purpose entities or joint ventures, enable us to create liquidity, manage credit risk and diversify our portfolio.

Sources of capital used to finance or otherwise support our programs include: institutional debt, grants, guarantees, credit enhancements and program-related investments, the Notes and special purpose entities, joint ventures or private investment funds. Most of this capital originates from Federal government programs, private foundations, retail investors, or other institutions focused on using our established lending platform to scale community development efforts.

Servicing and Portfolio Management

In addition to servicing a portfolio of loans for itself and, for a customary fee, its wholly owned subsidiaries, Capital Impact also services commercial loans that are owned in whole or in part by strategic partners, affiliated or unaffiliated funds, including special purpose entities and joint ventures, with similar community development goals, or that are a part of tax credit transactions in which Capital Impact is also a leverage lender or allocatee. Servicing clients typically bring capital and sector-specific expertise to transactions in which we have an interest, but do not have the necessary servicing platform or personnel to service their own loans or loans of the type originated by us for community development purposes. Servicing includes the management of billing and payment applications and responding to the immediate needs of the borrower. We generate fee revenue when we perform servicing on behalf of third parties and limits this activity to transactions in which the strategy and mission of the parties, or the underlying community development purpose of the loans being serviced, is aligned; it is not a service that is marketed independently of our core competency in community development. Our portfolio management team manages all aspects of each loan over its life, and monitors loan performance and the credit risk relating to each loan.

Technical Assistance

Although we do not generate a substantial amount of revenue through our technical assistance activities, we view technical assistance as being core to our mission and critical to the success of our project borrowers and the communities we serve. Our technical assistance activities include research, writing, analytics and consulting in areas in which our team of professionals have industry-recognized expertise. Our technical assistance benefits a wide range of stakeholders, including existing and potential project borrowers, community development organizations, strategic partners, policy makers and internal business units, all of whom are dedicated to actualizing our vision for a more inclusive and equitable society.

Other Investments

In addition to our lending program, we make investments in, and grants to, cooperatives, cooperative-like organizations, non-profit organizations, CDFIs, private investment funds (including Equitable Prosperity Funds), joint ventures and others involved in supporting programs that are generally related to our mission. The scale, scope, or focus of these investments may change over time, consistent with Board approval and oversight. These investments may be in the form of equity, debt (including small business loans) or revenue/profit sharing arrangements. Some of these investments, which generally are not subject to our normal underwriting standards, tend to be higher risk investments than those in our loan portfolio. In certain

cases, our investments may be in the form of minority equity investments where we do not control the underwriting or asset management of the investments. If these investments are not recoverable, it will result in a reduction of capital available to support our lending activities.

Strategic Alliance with CDC and Momentus Capital

On July 15, 2021, Capital Impact consummated a transaction with CDC, a California nonprofit corporation, which is a Certified Development Company as certified by the U.S. Small Business Administration, whereby Capital Impact and CDC operate together to focus on economic empowerment and equitable wealth creation but remain as separate legal and tax entities. The strategic alliance provides for Capital Impact and CDC the unique ability to deliver a full suite of financial products and programs that support community efforts to create strong, vibrant, and healthy places of opportunity, designed to increase the impact and financial sustainability of both organizations.

In connection with the strategic alliance, Capital Impact amended its organizational documents to (i) convert from a membership to a non-membership organization and (ii) revise its Board makeup (as described further below). Each of Capital Impact and CDC has reconstituted its Boards of Directors to have substantially overlapping Board membership, and the meetings of the Boards of Directors of both organizations are primarily held jointly to ensure consistency of approach on overall strategy and business planning. In addition, Capital Impact and CDC have substantially overlapping executive management teams with Ellis Carr, Capital Impact's President and Chief Executive Officer, serving as President and Chief Executive Officer of both organizations.

Each of Capital Impact and CDC continue to have separate audited financial statements of it and its consolidated subsidiaries, but they also have combined audited financial statements. To enable each organization to benefit from the combined financial strength of both organizations, Capital Impact and CDC cross-guarantee most of the other party's debt and are co-borrowers on other obligations. However, neither CDC nor its subsidiaries are obligors or guarantors of the Notes. As a result, the audited financial statements included in this Prospectus reflect financial information of Capital Impact and its consolidated subsidiaries only, which excludes CDC and its subsidiaries. In addition, our business and operations described in this Prospectus do not include the business and operations of CDC and its subsidiaries. Capital Impact and CDC are continuing to evaluate whether CDC will become a guarantor or co-issuer of the Notes in the future.

In July 2022, the strategic alliance of Capital Impact and CDC (along with CDC's subsidiary, Ventures Lending Technologies) was rebranded as Momentus Capital, although each of Capital Impact and CDC will continue operating as a separate entity committed to serving its key market and clients, complementing Capital Impact's and CDC's shared missions of community development and support for small businesses.

Broker-Dealer and Investment Adviser Activities

Stemming from research that uncovered significant demand for investment capital in communities across the country, we believe that it can play a deeper role in communities than with our core lending activities. Leveraging our current footprint and market positions, we have developed a business plan for an intermediary role in community development finance to help bridge the gap between capital sources and community development projects by offering a range of financial services.

As part of this strategy, in February 2022, through a taxable subsidiary, we acquired an SEC-registered broker-dealer and a member of FINRA which has been renamed Momentus Securities. Momentus Securities is a mission-driven investment bank that connects institutional investors with community organizations through

community-centric securities offerings and other services that raise capital for funding Capital Impact's and CDC's shared mission – community development and support for small businesses. Its licenses for institutional brokerage, with primary focus on investment banking and mergers and acquisitions advisory, among other transactional businesses, have been approved by FINRA effective in March 2023.

We also control Equitable Prosperity, a taxable indirect wholly-owned investment adviser subsidiary, which currently serves as an investment adviser to one or more private Equitable Prosperity Funds. Equitable Prosperity is an investment adviser registered with the SEC under the U.S. Investment Advisers Act of 1940, as amended. The Equitable Prosperity Funds are exempt from registration as investment companies under the U.S. Investment Company Act of 1940, as amended. Equitable Prosperity has also partnered with a large global corporation to make investments in diverse businesses through an Equitable Prosperity Fund and may continue to enter into similar strategic partnerships or alliances in the future. As of December 31, 2023, Equitable Prosperity had approximately \$1,800,000 of assets, representing less than 1% of our total assets and, for the year ended December 31, 2023, revenues derived from Equitable Prosperity represented less than 3% of our revenue. Equitable Prosperity may, in the future, manage the assets of additional Equitable Prosperity Funds. Equitable Prosperity Funds are typically organized as limited partnerships (or limited liability companies) in which investors are limited partners (or members) who do not take part in the fund's management or operations. They provide capital and participate in the Equitable Prosperity Fund's profits and losses while Equitable Prosperity manages the fund's assets and operations for investment management fees and a profit share.

The Equitable Prosperity Funds, while for-profit business enterprises, currently intend to invest, whether in the form of equity, debt or revenue/profit sharing arrangements, in growth-stage small and medium sized community businesses as part of bolstering our community development-focused program and mission to support small businesses. Equitable Prosperity Fund investments, which are not subject to our normal underwriting standards, tend to be higher risk investments than those in our loan portfolio. In certain cases, our investments may be in the form of minority equity investments where we do not control the underwriting or asset management of the investments. If these investments are not recoverable, it will result in a reduction of capital available to support our lending activities. In April 2024, Equitable Prosperity closed its first Equitable Prosperity Fund with an aggregate capital commitment of approximately \$171 million.

These broker-dealer and investment advisory activities are intended to generate revenue streams in the form of fee income, profit share and commissions (whether related to placement of securities, financing, investment management or investment banking).

Demonstrated Results

Our dedication to our mission has led us to become recognized as a leader in community development in communities across the country. Notably, as of December 31, 2023, we have:

- disbursed more than \$3.1 billion to organizations that provide services to more than 6.6 million people in low-income communities annually;
- become a significant non-profit community health center lender in the country, with more than \$1 billion deployed to Federally Qualified Health Centers and other community-based health care providers, touching 3.8 million patients nationwide;
- provided close to \$1 billion in financing to charter schools serving over 3,000 students annually;
- deployed over \$200 million to healthy food retailers and wholesalers that have eliminated food deserts and other low access areas;
- disbursed approximately \$210 million to the revitalization of housing and mixed-use facilities in Detroit, Michigan; and
- disbursed over \$650 million toward the financing of affordable housing units.

LENDING ACTIVITIES

Loan Products

We offer the following loan products to organizations operating in or supporting the community healthcare, education, affordable housing, and community development sectors:

- revolving lines of credit;
- working capital financing;
- bridge financing;
- construction and renovation loans;
- tenant improvement loans;
- real estate acquisition loans;
- predevelopment loans;
- permanent loans; and
- equipment loans.

Although our loans are typically secured by a first lien on the real estate or other business assets of the borrower, we sometimes take a subordinated or unsecured position in a transaction. We believe that this flexibility enables us to support borrowers throughout their life cycles, and that this support leads to greater social impact in the communities we serve. Determinations regarding the level of credit risk that is supportable in a particular transaction, including the type and amount of collateral required to secure our position, are made in accordance with our underwriting guidelines and the underwriting and approval process described below.

Lending Criteria

Because we are a public charity, we place strong emphasis during the evaluation process on the connection between the borrower's project and our charitable purpose and mission. We consider the likelihood that the borrower's project will drive societal change in a community or sector served by us and may give greater weight to the potential social impact of the project than it does to other factors that traditionally drive the credit decisions of commercial banks. When considering mission alignment, we typically focus on the degree to which the project will:

- benefit low-income or disadvantaged populations;
- increase access to goods and services in underserved communities;
- develop needed infrastructure to support commerce;
- drive further development and density within a targeted area; and
- support our core cooperative principles of equity and inclusion.

Potential loans are evaluated by our Credit Committee to determine the fit with our overall strategy and mission, and then potential loans move to underwriting to determine if the credit and risk requirements set forth in our underwriting guidelines are met. The factors used to evaluate potential loans include:

- how the proposed loan fits within our strategy for the sector or geography;
- the risk of the loan relative to the risk allocations within our portfolio by sector and geography and the overall credit quality of the portfolio;
- the financial strength of the borrower;
- the financial projections for the project to be financed;

- the ability of the borrower to repay the loan obligation;
- the value of the collateral for the loan (if any);
- the need for and availability of additional credit support if the creditworthiness of the borrower is questionable or the value of the collateral is low;
- the success of other similar projects completed by the borrower (if any);
- the availability of capital to finance the transaction at competitive rates; and
- the interest of third parties, such as community development organizations, CDFIs, community banks and private foundations, to partner on the transaction, including, for example, through co-lending arrangements, or loan sales or participations, directly or through special purpose entities or joint ventures.

Our mission focus during the evaluation process differentiates us from our for-profit peers in the financial services and banking industries and may result in the extension of credit to higher risk borrowers consistent with our mission.

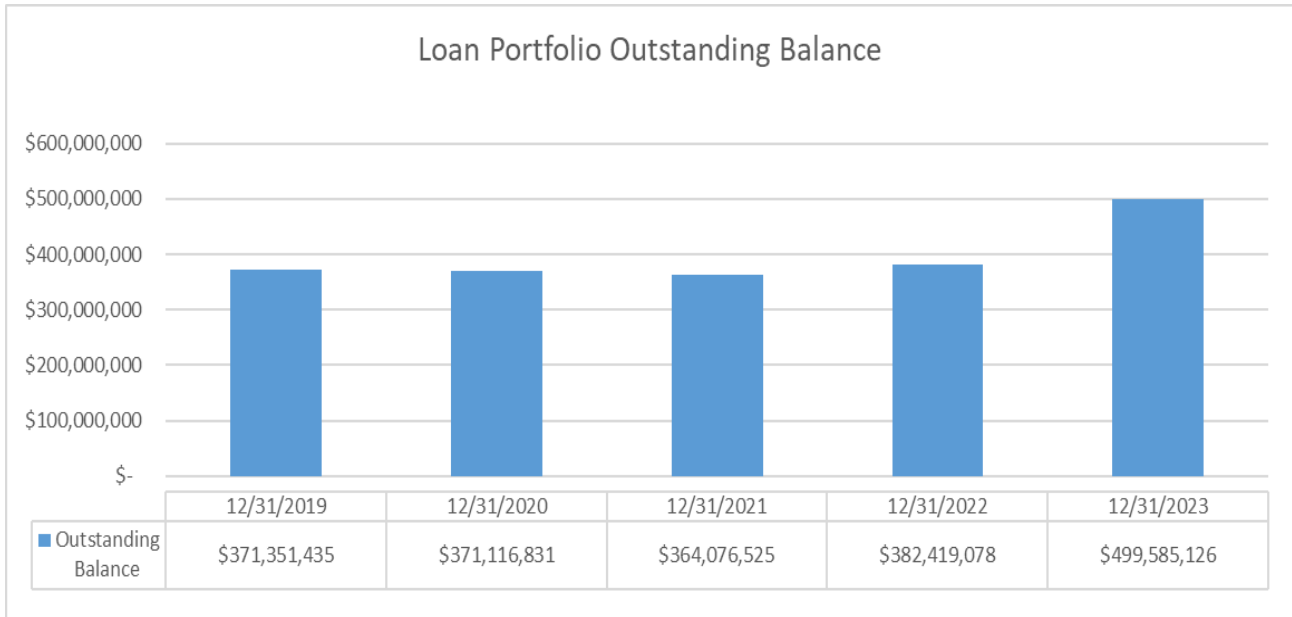
We maintain a loan policy that provides a framework for and expectations to management regarding the scope and nature of our lending, in furtherance of our mission and tax-exempt purposes. The loan policy is reviewed and approved by our Board of Directors on an annual basis.

Loan Portfolio

Our loan portfolio consists of loans reflected in our loans receivable balance as set forth in our accompanying audited financial statements. The loans receivable balance includes loans disbursed through Capital Impact as well as Capital Impact’s portion of loans disbursed through five consolidated subsidiaries.¹ Capital Impact earns revenue (which may include interest, management fees, servicing fees, and other revenue) related to its subsidiary loans and loans it manages on behalf of unaffiliated third parties; but these loans are not reflected in our loans receivable balances set forth in the accompanying audited financial statements.

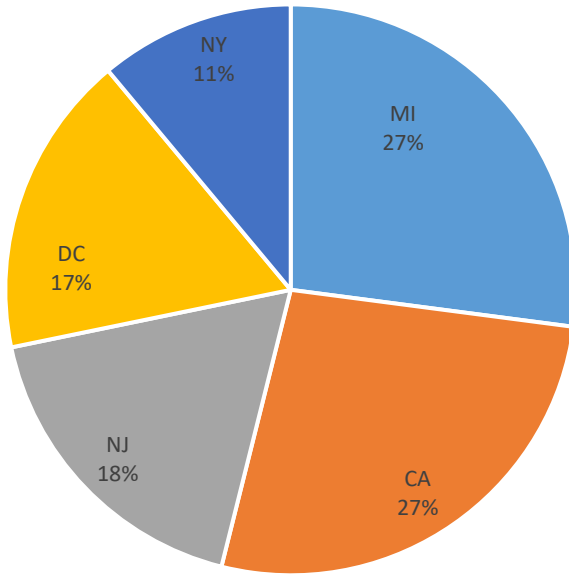
Our loan portfolio is illustrated in the below chart.

¹ Five subsidiaries were consolidated on Capital Impact’s financial statements during the period of 2019 to 2023: FPIF, LLC, Detroit Neighborhoods Fund, LLC, Community Investment Impact Fund, LLC (“CIIF”), Community Investment Impact Fund II, LLC (“CIIF II”) and Alliance Securities Manager, LLC. CIIF commenced operations as of December 13, 2017 and CIIF II merged with and into CIIF as of January 1, 2020 and is no longer in existence. Alliance Securities Manager, LLC commenced operations as of December 10, 2021. Equitable Prosperity Fund I GP LLC (“EPF GP”) is a Delaware limited liability company and wholly-owned subsidiary of Capital Impact and is a single purpose entity that holds the general partner interest in Equitable Prosperity Fund I LP, commencing operations on June 10, 2022.

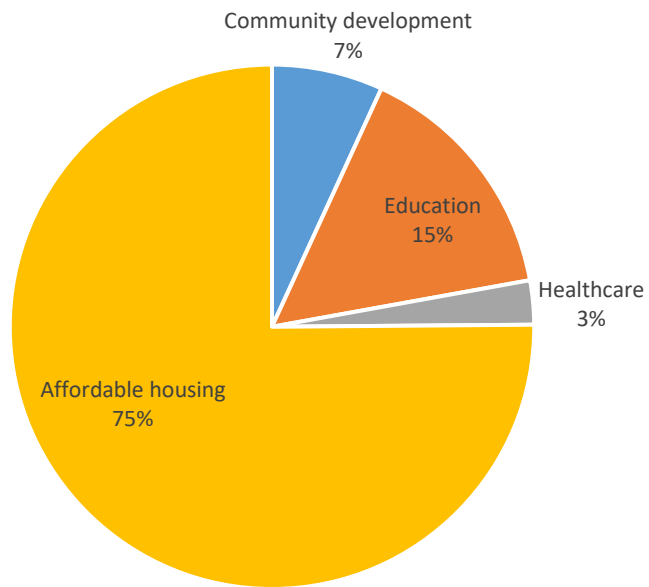


In the normal course of business, we make commitments to extend loans and lines of credit, which are not reflected in our financial statements until they are disbursed. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Our unfunded loan commitment balance as of December 31, 2023 was \$97,258,796, the detail of which is illustrated in the following charts.

Unfunded Loan Commitments Concentration by Geography (Top 5 States)



Unfunded Loan Commitments Concentration by Sector



Lending Process: Underwriting and Approval

Each new loan is evaluated in a multi-phase process that is both formal and documented to ensure that the loan is aligned with our mission and strategy, the credit risk represented by the loan falls within acceptable risk parameters and the structure and terms of the loan serve to mitigate identified risks to the extent possible.

Screening Committee. Each new loan is evaluated on a preliminary basis by a Screening Committee, comprised of a Director of Loan Originations, Head of Credit, a portfolio management representative, and the Head of National Programs or a designee. The Screening Committee evaluates the loan to determine its fit with our lending strategy, the requirements of a particular lending initiative (if applicable), and the resources available to fund it. If the Screening Committee approves the memo, the loan officer prepares a term sheet that is reviewed by the responsible Director of Loan Originations. If the term sheet is accepted by the responsible Director of Loan Originations, a loan officer then underwrites the loan and prepares a credit memo that is submitted for credit approval.

Credit Approval. All loans require final credit approval from the following personnel: (i) Community Development Real Estate (CDRE) Loan Officer, Director of National Underwriting, and Director CDRE and Loan Workout for loans up to \$4 million and (ii) Head of Credit and Senior Vice President for CDRE for loans above \$4 million. For loans above \$10 million, the President and Chief Executive Officer must approve in addition to the foregoing approves for loans in excess of \$4 million.

Underwriting. Once approved by the required parties, a loan moves to underwriting and a non-binding term sheet is typically issued to the prospective borrower. Our underwriting group is overseen by the Director of National Underwriting. This group underwrites all loans that have successfully moved through the screening process and had a term sheet accepted by the borrower. During underwriting, due diligence is completed; all exceptions to our underwriting guidelines, pricing guidelines, and any applicable lending initiative requirements (including those identified earlier by the approvers) are noted, together with any potential mitigants, and the structure of the proposed loan is modified, if and to the extent necessary to address residual risk. The underwriting is submitted for review and approval to the required approvers. If the aggregate principal amount of the loan exceeds the credit limit established by our Board of Directors, it must also be approved by the Chief Executive Officer prior to submission to and approval by the Board's Finance & Risk Committee.

Approval Letters. Approval of all loans, with the exception of New Market Tax Credit (NMTC) transactions and California Primary Care Association (CPCA) loans, will be evidenced by issuance of an approval letter issued to the borrower after the loan is approved, or such other documentation acceptable to management. In a NMTC transaction, reservation letters are issued to reserve NMTC allocation, and the underwriting occurs at the same time as the structuring and legal work so an approval letter is unnecessary. The CPCA loan program is a standardized program with minimal underwriting requirements, no negotiated terms, and fast moving from application to closing so approval letters were deemed unnecessary. The approval letters are based on a template that incorporates key loan terms set forth in the credit memo and has been approved by our Legal department. Should a loan be complex or have unique points, the approval letter will be reviewed by an attorney in our Legal department for accuracy and completeness. The applicable CDRE Regional Director or the National CDRE Director is required to review all approval letters prior to signing.

Closing. Licensed attorneys within our Legal department work with staff in its Lending and Operations departments to document and close all approved loans. Our Legal department has developed and

consistently leverages standardized forms and processes to manage risks that vary based on the type and location of transaction. Outside counsel is consulted by our Legal department if subject matter expertise is not resident within the department.

Disbursements and Servicing. The Servicing department adds the details of each loan and other borrower-related information into Capital Impact's loan accounting system to enable proper reporting and management of the asset. Servicers manage billing, payment application and any immediate issues and questions from the borrower. Construction management staff actively manages all aspects of each construction loan, including the general contractor relationship, contract, and other due diligence review, draw requests and disbursements, and construction budget management. These processes are intended to ensure that loans are disbursed to borrowers in accordance with applicable loan documentation when conditions to disbursement have been satisfied; payments from borrowers are collected and deposited into the appropriate corporate account(s); an appropriate portion of the payments are remitted to the investors in the loan (if any); and other ministerial functions related to the loan have been completed.

Portfolio Management. Each loan is assigned a risk rating when the loan is closed; ratings are assigned in accordance with our underwriting guidelines. Risk ratings are re-evaluated and adjusted (if necessary) on a periodic basis.

Our portfolio management team, with the support of our Legal department, manages all aspects of each loan over its life, including delinquencies, waivers, amendments, and modifications, and monitors loan performance and the credit risk related to each loan by conducting annual site visits and periodic loan reviews. The frequency and scope of the site visits and loan reviews vary depending on the risk rating assigned to the loan; risk rating adjustments are typically made as a result of information acquired during the portfolio management process.

Credit Quality and Risk Management

Oversight. We have quarterly internal Risk Management/System Operations meetings. Credit quality metrics and trends, the allowance for loan loss, and new loan programs are evaluated and discussed at these meetings led by the Head of Credit Operations. Key risk, operations and accounting personnel attend and participate in the meetings. Issues identified during the meetings are assigned to appropriate personnel for resolution.

Risk Rating System and Loan Review. Capital Impact maintains a risk rating system that is applied to all loans originated by it or its subsidiaries and to all third-party loans that are serviced by us. The risk rating system identifies the risks that exist in the portfolio, supports the development of the allowance for loan loss, and provides guidance regarding the level of resources that should be devoted to monitoring a particular credit.

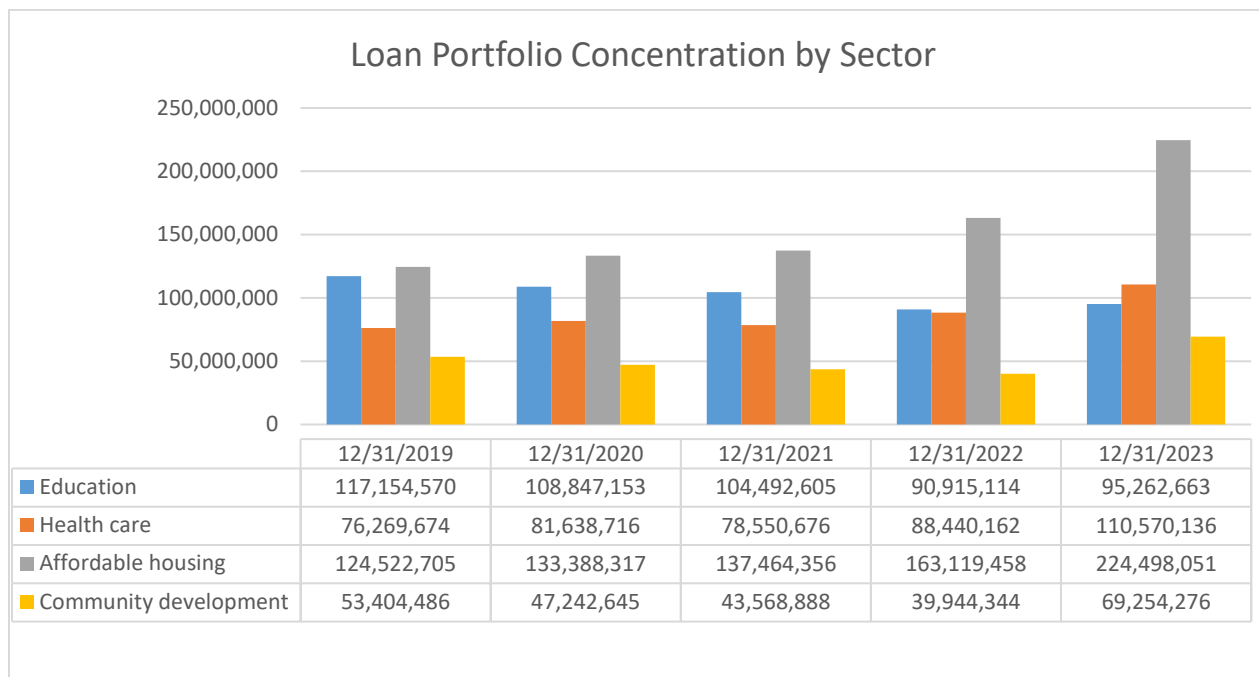
The risk ratings are evaluated each year in the ordinary course of the audit of our financial statements. Additionally, a random sampling of the loan portfolio is reviewed at least once per year by an independent consultant. The results of the independent loan reviews, which examine, among other things, the risk ratings assigned to the loans, are presented to our Board of Directors.

Diversification and Concentration. We seek to diversify risk by lending in a variety of sectors and geographies. However, consistent with our strategy and mission, we are focused in several specific sectors and geographies. Our sectors at the present time are: healthcare, education, housing, food systems and a place based initiative in Detroit. Overlaying the sectors is a focus on particular geographies – specifically California, Michigan and northern Ohio, the Washington, D.C. metropolitan area, the New York City metropolitan area

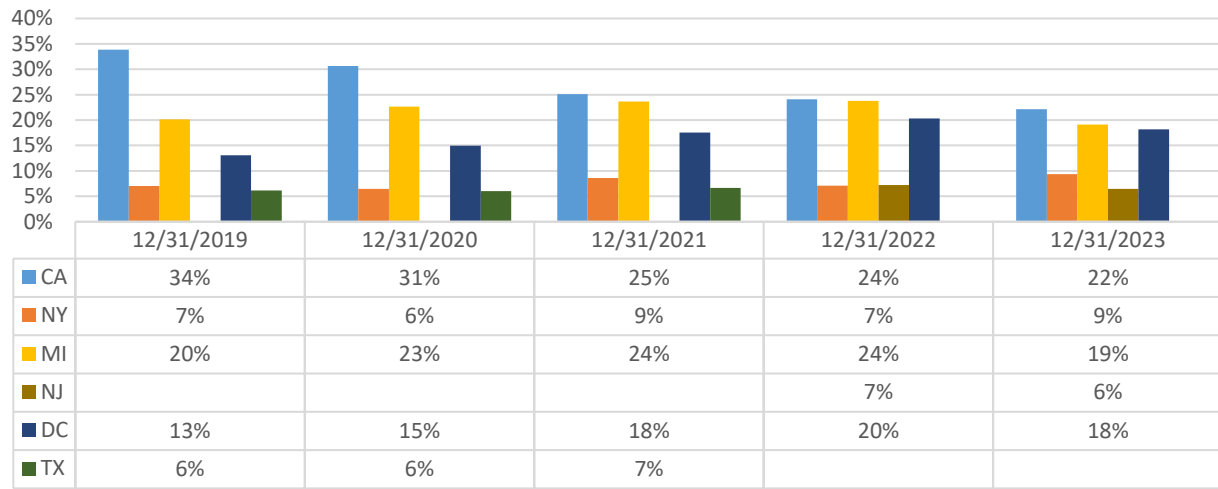
and central Texas (Austin, San Antonio, Dallas/Fort Worth and Houston), with growth opportunities in other geographies subject to evaluation. We also have concentrations in the areas of loan product and loan size. No single loan or borrower represents 10% or greater of our total loan portfolio as of December 31, 2023.

We do not have established quantitative lending concentration or geographic limits, but actively monitor the loan portfolio on a quarterly basis. Concentration and geographic risks, and any related changes in approach, are reported to our Board of Directors on a regular basis.

The following charts illustrate our sector-specific and geographic concentrations. Concentrations will shift over time as new opportunities in new sectors or geographies are integrated into our strategic plan, or as the Senior Director & Credit Officer determines that shifts in approach are advisable to manage risk:



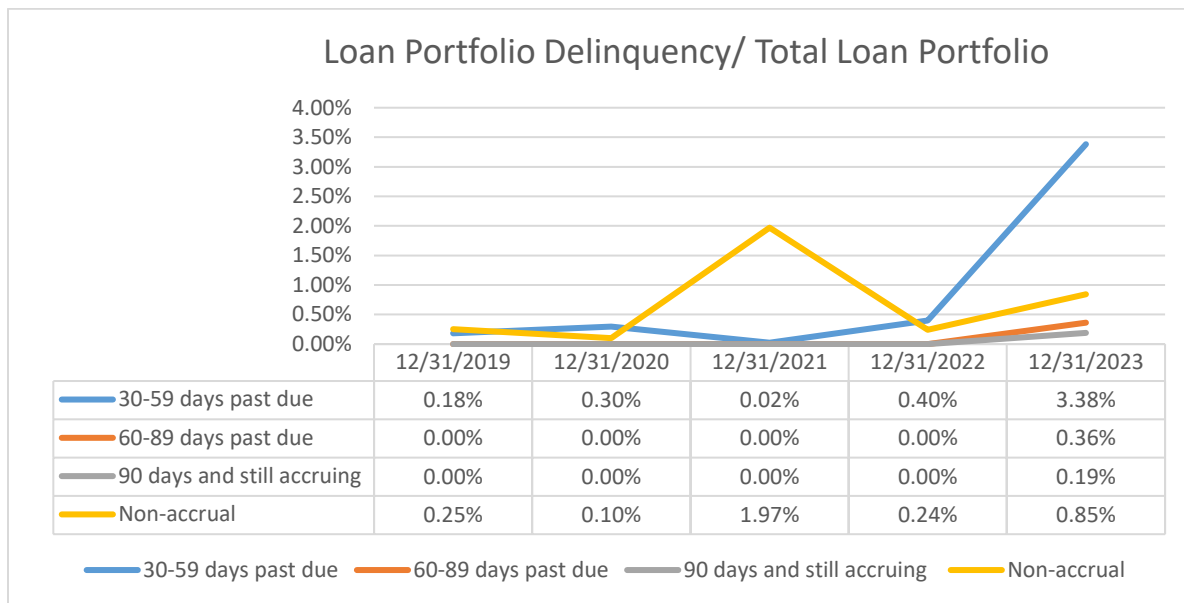
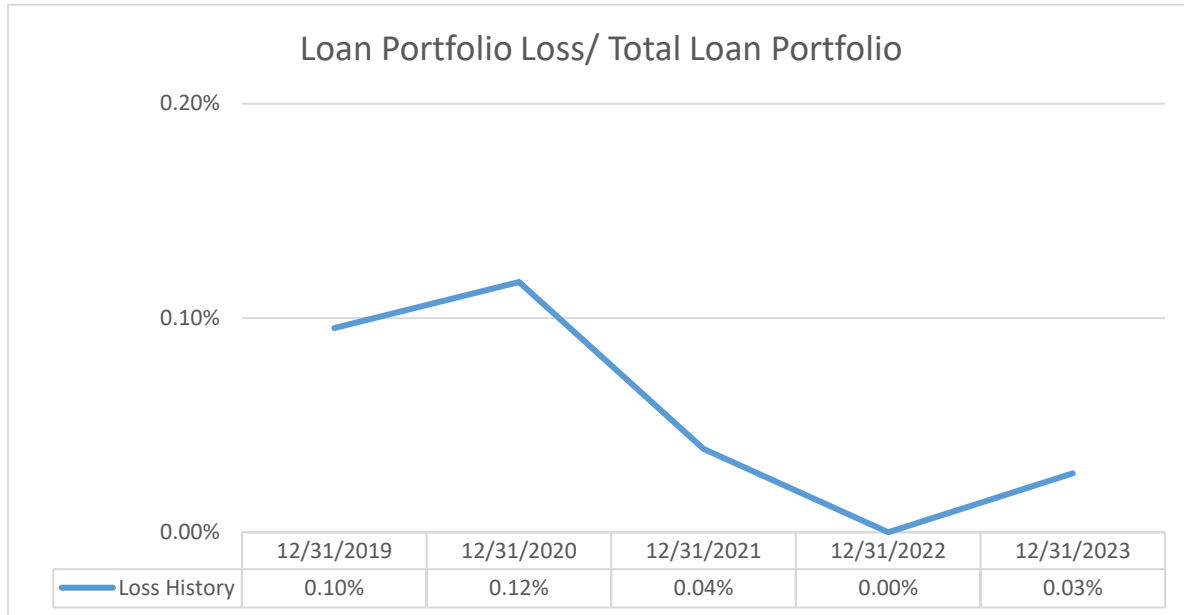
Consolidated Loan Portfolio: Concentration by Geography (Top 5 States)



¹ New Jersey was not part of the top 5 states from years 2019-2021. Texas is not part of top 5 states from years 2022- 2023.

Loss Reserve. We maintain a general allowance for loan loss that is used to reserve against losses in the loan portfolio funded on our balance sheet. Establishing an appropriate level of allowance for loan loss involves both objective and subjective measures. First, we apply a general reserve percentage on all loans in our portfolio based on risk rating assigned. This process provides a numerical calculation to be used as a base figure for the actual allowance. Second, impaired loans are identified as incurred. Each loan is evaluated quarterly to determine the sufficiency of collateral coverage. If appropriate, the value may be discounted further. The outstanding balance (or ultimate commitment) of the loan is compared to the discounted value of the collateral and a specific reserve is identified if the collateral is insufficient. This additional reserve is added to the general reserve calculation. Third, we perform a trend analysis on six areas of risk and, if needed, increase the allowance by the calculated amounts. Upon totaling the results of these three steps, a calculation is done to determine the variance from the actual allowance in existence on our financial records. Our goal is to have that variance in the range of +/- 5%.

The following charts illustrate our loan portfolio performance history from 2019 to 2023.



Loans in the 30-59 day past due category increased from \$1,517,992 at 12/31/2022 to \$16,896,457 at 12/31/2023, including loans in non-accrual status which increased to \$4,225,220 at 12/31/23 compared to \$933,055 at 12/31/22. The majority of the past due loans are in the housing sector and represent loans with either maturity default or other form of covenant default/violations where Capital Impact is working directly with the borrowers and/or the participating lenders on extensions, modifications and other forms of loan amendment to assist the borrowers.

INVESTING ACTIVITIES

Our investment policy is to invest its liquid assets in securities that are intended to: (i) preserve principal, (ii) ensure adequate liquidity, (iii) manage interest rate exposure, and (iv) achieve desired rates of return, except to the extent that we make potentially higher risk investments, including but not limited to investments in one or more Equitable Prosperity Funds, as more fully described under “Risk Factors” above. These potentially higher-risk investments are typically in cooperatives, cooperative-like organizations, non-profit organizations, CDFIs and others involved in supporting programs that are generally related to our mission. In addition, we invest in securities that are used to provide us with a base of eligible collateral to enable us to borrow under our FHLB-A credit facility.

Our investment and liquidity management policies are reviewed and approved by the Board each year, and only the Board may approve amendments to such policies. It is the responsibility of the Chief Financial Officer to monitor and report compliance with the policies, and the Chief Financial Officer, together with their designees are authorized to make investments that are in compliance with the investment and liquidity policies. The following table depicts our cash, cash equivalents, and investments from 2021 to 2023. In 2023, our investments generated \$3,554,364 of net income. The net income is the result of interest income from investments and unrealized net gains incurred from Mortgage Backed Securities portfolio. The Alternative Investments category within this table represents a mix of our equity method investments, marketable equity securities, and debt investments.

| | 2021 | 2022 | 2023 |
|---|--------------|--------------|--------------|
| Cash, cash equivalents - Unrestricted | \$73,212,984 | \$67,806,764 | \$44,233,703 |
| Cash, cash equivalents - Restricted | \$25,053,259 | \$20,560,201 | \$26,424,133 |
| Mortgage Backed and US Treasury Securities | \$59,429,070 | \$29,230,723 | \$33,822,580 |
| Alternative Investments | \$33,922,261 | \$42,359,730 | \$41,473,089 |

BOARD OF DIRECTORS

Our Board is responsible for setting our mission, vision and direction, and for supervising our executive officers. Accordingly, the Board approves our strategic plan; sets annual corporate goals, which are measured against the strategic plan; approves the annual budget; approves our annual audited financial statements; evaluates executive performance and sets executive compensation; resolves potential conflicts of interest; and ensures that appropriate financial controls are in place.

The Board is comprised of a total of seventeen (17) individuals and one vacant board seat. The Board is divided into three classes that are nearly as equal in size as is practicable. Any directors elected to replace those of the class whose terms expire shall be elected to hold office for three (3) years and until their respective successors shall have been duly elected and qualified. No person shall be eligible to be nominated for election as a non-employee director after having served as a director for a period of nine (9) years or more since July 15, 2021. We strive to fill Board vacancies when they occur with individuals who possess core competencies and backgrounds that are aligned with our mission and strategy, and that are complementary to the qualifications of the directors who are re-elected to serve another term. Board members are reimbursed for out-of-pocket expenses related to Board activities and are eligible to receive a stipend for their service.

The Board may (but is not required to) designate and appoint committees. The Board prescribes the powers and functions of each committee. The Board has constituted the following standing committees: an Executive Committee; a Finance and Risk Committee; an Audit Committee; a Governance Committee; a BRIDGE (Building Robust Inclusion for the Development of Governance and Engagement) Committee. The committee structure is re-evaluated on an annual basis and may change at the discretion of the Board.

Regular meetings of the Board are held at least quarterly at places and times fixed by the Board. Regular meetings of each Board committee are held at places and times fixed by the committee.

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

The following individuals presently serve on our Board:

Oswaldo Acosta (Class III). Oswaldo Acosta is the President and CEO of CityFirst Enterprises (CFE). He joined CFE in early 2019, bringing his lending, project finance, and entrepreneurial experience to lead the organization's efforts in advancing the region's economic development agenda. Since then, he has led the design and implementation of the strategic expansion of CFE activities to new investment categories, including clean energy, small business, and residential mortgage lending. Prior to CFE, Mr. Acosta launched a food distribution company, was head of the Small Business group at the Latino Economic Development Center, part of the commercial lending group at Self-Help, and served as an economic consultant for Stone & Webster in London, UK, before being assigned to lead projects with The World Bank in Washington, D.C. Currently, he is a member of the Impact Investment Committee of the Baltimore Community Foundation and sits on the Board of Directors for Baltimore's Impact Hub. He recently joined Greater Baybrook Alliance's board. Mr. Acosta is also a member of the Board of Directors of CDC. Mr. Acosta holds a B.S. in Economics from Monterrey Institute of Technology, a M.A. in Political Economy from the United Kingdom's University of Essex, and an MSC in Economic Regulation from the London School of Economics and Political Science.

Rick Benito (Class I). Rick Benito is a retired senior vice president and national SBA executive at Bank of America. In that role, he supported the bank's national Small Business Administration (SBA) sales and support teams. Mr. Benito joined Bank of America in 1995 after 7 years at Wells Fargo, having served in a variety of roles at both banks. Mr. Benito's previous career experience includes the Xerox Corporation and serving as a Lieutenant in the United States Navy. Mr. Benito remains active in Bank of America's Community Volunteer Network in San Diego. He has served on a number of boards and other civic organizations with a focus on education, veterans' issues, and economic development. Mr. Benito is also a member of the Board of Directors of CDC. He completed the Consumer Bankers Association Graduate School of Retail Bank Management program at the University of Virginia and is a graduate of LEAD San Diego. He received his Bachelor of Science degree in Business Administration from Valparaiso University in Indiana.

Alaina C. Beverly (Class II). Alaina Beverly is the Executive Vice President of the Black Economic Alliance (BEA) Foundation. She previously served as the Assistant Vice President for Urban Affairs in the Office of Federal Relations at the University of Chicago from 2017 to 2024, where she was responsible for sharing the University's research, scholarship, and models of urban investment with federal policymakers and national partners. At the University of Chicago, Ms. Beverly successfully launched Urban America Forward, an annual convening of national civil rights leaders, scholars, community-based practitioners, and foundations to examine evidence-based policies to further equity in America's cities. Ms. Beverly was previously a principal at the Raben Group from 2010 to 2013, where she provided strategic planning, communications, government relations, and third-party partnership services to a broad range of non-profit, corporate and philanthropic clients. Ms. Beverly served as Associate Director, Office of Urban Affairs at the White House from 2009-2010. Ms. Beverly earned a B.A. in Political Science and African American Studies from Stanford University, and a J.D. from the University of Michigan Law School.

Erik Caldwell (Class II). Erik Caldwell is the CEO of Metropolis IQ Technology, Inc., an innovative artificial intelligence company providing economic and workforce development insights to local governments. Before founding Metropolis IQ, Erik served as the Vice President of Data Strategy at The Atlas, leading the development and launch of buyer intent and market intelligence products. Mr. Caldwell brings extensive experience in local government, having held positions as Chief Sustainability Officer, Deputy Chief Operating Officer, and Economic Development Director for the City of San Diego. In these roles, he leveraged data analytics to promote a culture of data-driven decision-making, significantly advancing sustainable practices and economic development in the region. Mr. Caldwell is also a member of the Board of Directors of CDC.

Sheryl Cameron (Class II). Sheryl Cameron is the Executive Director for the SBA Solutions Group at JPMorgan Chase. She has over 42 years of banking experience, the last 28 specializing in SBA lending. Ms. Cameron oversees sales and operation teams that provide support for SBA products offered by Chase. She has designed and facilitated access to capital seminars at multiple Chase for Business events to provide valuable insights to small business owners on how to use credit to grow their business and manage cash flow. She also sits on the Board of Directors for the National Association of Government Guaranteed Lenders (NAGGL) and National Association of Development Companies. Sheryl has been an instructor for NAGGL for over twenty-two years. Previously, she was a member of the NAGGL Technical Issues Committee and Large Lender Committee along with serving as Committee Chairperson for the Automation Committee. Ms. Cameron also sits on the Board of Directors for the National Association of Development Companies and CDC. Ms. Cameron graduated summa cum laude from Western International University with a bachelor's degree in Finance.

Ellis Carr (Class III). Ellis Carr is the President and CEO of Capital Impact and CDC. Mr. Carr has more than 20 years of experience in the for-profit and nonprofit financial sectors. He became President & CEO of CDC Small Business in 2021 and has served as the President & CEO of Capital Impact since 2016, originally joining Capital

Impact as CFO in 2012. Prior to joining Capital Impact, he held various positions in the investments, capital markets, strategy, and corporate finance areas within Freddie Mac, and in fixed-income fund management both domestically and abroad at Deutsche Bank. Mr. Carr is an Aspen Institute Finance Leader Fellow and sits on the boards of the Marguerite Casey Foundation, Expanding Black Business Credit and the Housing Partnership Network, as well as Morgan Stanley's Community Development Advisory Board. Mr. Carr is also a member of the Board of Directors of CDC.

Mr. Carr has been recognized among the "Most Creative People in Business" by Fast Company, and has received multiple awards from the Washington Business Journal, including "Nonprofit Leader of the Year" in 2022.

Kurt Chilcott, Vice Chair of Board (Class I). Kurt Chilcott is the retired President and CEO of CDC. For over 35 years, Mr. Chilcott has been dedicated to economic development and creating access to responsible and affordable capital for small businesses. Mr. Chilcott served as the President and CEO of CDC from 1998-2021, helping the organization to become the leading small business lender in the country. While there he helped pioneer a variety of new mission-based lending products and advanced strategic initiatives to raise capital. Mr. Chilcott now serves as the Vice Chair of the Board of Directors of CDC and also serves on the boards of the National Association of Development Companies, the California Endowment, and the International Economic Development Council. Prior to leading CDC, Mr. Chilcott worked for the City of San Diego to help reshape its economic development strategy creating one of the first industry cluster-based regional economic development strategies in the nation and leading the revitalization of numerous underserved communities throughout San Diego. Mr. Chilcott received his bachelor's degree from Harvard University and a Master of Public Policy degree from University of California, Berkeley.

Grace Chionuma (Class III). Grace Chionuma is the Co-Head of the Affordable Housing and Community Development Finance Group within Public Finance Banking at Morgan Stanley and a member of the Municipal Securities Operating Committee. She leads Morgan Stanley's capital markets coverage of CDFIs, NonProfit Affordable Housing Developers, and charter schools. Ms. Chionuma has led several CDFI debt IPOs including for Local Initiatives Support Corporation, Enterprise Community Loan Fund, Low Income Investment Fund, and BlueHub Loan Fund. She has worked with Freddie Mac on affordable housing securitizations and Freddie Mac's first issuance under its Social Bond Framework which financed affordable housing loans. In addition, she has worked with foundations including the Ford Foundation and the MacArthur Foundation to raise capital from institutional investors to increase grants during the COVID-19 and economic crisis of 2020. Ms. Chionuma is also a member of the Board of Directors of CDC. Ms. Chionuma earned her B.A. at Dartmouth College, completing majors in both Government and Philosophy; and she earned her M.B.A. at Yale University School of Management.

Gary Cunningham, Chair of Board (Class III). Gary Cunningham is a Senior Advisor for the New School's Institute on Race, Power, and Political Economy, where he leverages his extensive experience to address economic inequalities. Previously, Mr. Cunningham was the President and CEO of Prosperity Now. Under Mr. Cunningham's leadership, Prosperity Now focused on moving from just mitigating the effects of a broken racist system to transforming that system by testing, investing, and scaling what works. Mr. Cunningham is a recognized and respected expert on entrepreneurship, job creation, and racial wealth equity and is a sought-after thought leader on issues related to building a more inclusive economy. Prior to joining Prosperity Now, he served as President and CEO of the Metropolitan Economic Development Association in the Twin Cities, where he was recognized as an innovator in minority business development. Earlier, Mr. Cunningham held senior leadership positions in philanthropic, community development, health care, housing, and transportation organizations. Mr. Cunningham is also a member of the Board of Directors of CDC. Mr.

Cunningham earned a Bachelor of Arts degree in Public Policy from Metropolitan State University, and a Master of Public Administration from Harvard University's Kennedy School of Government. He serves on a number of Boards including the Association for Enterprise Opportunity, and Artspace.

Jennifer Smith Dolin (Class I). Jennifer Smith Dolin is the founder and principal of a real estate consulting firm specializing in real estate project management and organizational development. She has clients in California-based community development corporations, national real estate development non-profits, and Bay Area social service organizations. She is the interim vice president of real estate at Christian Church Homes, a national non-profit that provides housing to seniors. She is the Jobs Committee Chair at ICA Cristo Rey School in San Francisco, a low-income girls' high school. She is the former Board Chair for National Cooperative Bank, N.A. (NCB). She previously served as the Vice President of Operations for Mercy Housing California, managing resident social services, commercial retail development, and relocation services for low-income multi-family housing. Ms. Dolin is also a member of the Board of Directors of CDC. Her commitment to community revitalization began in New York City where she worked in the economic development department of Common Ground. She received her Bachelor of Science degree in Business from Santa Clara University.

Casey P. Fannon (Class III). Casey Fannon is CEO and President of National Cooperative Bank and leads its Executive Council, a team of senior managers representing business development units and functional areas across the company. Since joining NCB in 1996, Mr. Fannon has dedicated his entire career to National Cooperative Bank and has served as its President since March 2020. Prior to becoming President, Mr. Fannon was Chief Lending Officer and has worked in new product and market development, commercial real estate, capital markets, and has managed NCB's loan and deposit production across all NCB's customer segments. Mr. Fannon is also a member of the Board of Directors of CDC and also currently serves on the Board of Directors of The National Grocers Association (NGA), a national trade association representing the retail and wholesale community grocers nationwide. Mr. Fannon received a BS in Finance from Bentley University and is a Chartered Financial Analyst charter holder.

Pedro I. Goitia (Class II). Mr. Goitia is a retired Partner from KPMG, where he spent his entire career (32 years). After spending 11 years in the audit department serving banking and other financial institutions, he was promoted to Partner in 1995 and moved to the advisory department to specialize in the structured finance and mortgage banking industries. During his 21 years as a Partner, he led/co-led the securitization group, served as account representative for several large local and national securitization and mortgage banking clients and was project manager on multi-year engagements involving risk management process, financial reporting processes/controls and compliance testing of credit agreements. Throughout his career, Mr. Goitia was heavily involved in diversity and inclusion initiatives, serving as Partner Champion of the D.C. Area Hispanic Latino Network and Trustee of the KPMG Foundation. Mr. Goitia is also a member of the Board of Directors of CDC. Mr. Goitia earned a B.S.B.A. from Washington University in St. Louis in 1983 and a Master's Degree in Accountancy from the George Washington University in 1984. He is a Certified Public Accountant.

Gail Markulin (Class II). Gail Markulin is the retired Director of Capital Markets for the Federal Home Loan Bank-Office of Finance (FHLBank); Ms. Markulin worked at FHLBank for more than 27 years, serving in various capital markets positions. Ms. Markulin served on the Board of Directors for Aspire! Afterschool Learning and previously volunteered as a tutor and mentor with AHC, Inc., a nonprofit affordable housing developer of low- and moderate-income housing in Virginia, Maryland and Washington, D.C. Ms. Markulin is also a member of the Board of Directors of CDC. Ms. Markulin earned an M.B.A. in Finance from George Washington University and a B.A. from Pennsylvania State University.

Tyler Orion (Class I). Tyler Orion is Co-Founder and Officer of Precision Healthcare Ecosystem, a nonprofit pioneering a new model of healthcare focused on patient education and empowerment, primarily through its flagship program, Project Apollo. Ms. Orion has decades of experience in enterprise development and business incubation. She served as interim President and COO of CONNECT, having served as President and Chief Executive Officer of the San Diego Regional Technology Alliance (RTA) until its merger with CONNECT in 2005. CONNECT is a technology business accelerator dedicated to the creation and sustained growth of innovative, science-based companies. She has served on numerous boards for companies and non-profit organizations and has been recognized by San Diego Business Journal and others for her leadership in the regional entrepreneurial ecosystem. Ms. Orion is also a member of the Board of Directors of CDC. Ms. Orion earned her M.B.A. in Health Services Management from Webster University, her bachelor's degree from Thomas A. Edison College, and studied Drama/Directing at Carnegie-Mellon University.

Frank Robinson (Class III). Frank Robinson recently retired from his role as the Diverse Markets Executive and Community-Based Programs Manager for MUFG Union Bank, now part of U.S. Bancorp, which he held since 1996. In this capacity, Mr. Robinson strategically advised the bank and partners with Commercial, Business Banking, Small Business Administration, Affluent and High Net Worth lines of business. This enabled a diverse client engagement and culture with a focus on Black/African-American, Latinx, Asian, Native Americans, LGBTQ, veterans, and female clients. He was also in charge of the bank's student run branch program, the financial education centers, and Corporate Social Responsibility's special projects. In 2003, he became a vice president and segment manager of Business Diversity Lending for the bank, in this capacity he oversaw the bank's Special Purpose Credit Program. Mr. Robinson is also a member of the Board of Directors of CDC. Mr. Robinson earned a bachelor's degree in business management from California State University, San Bernardino. He is also a graduate of Pacific Coast Banking School at the University of Washington. Mr. Robinson serves on the board of the Educating Young Minds and is the Western Province Chairman of the Kappa 100 for Kappa Alpha Psi Fraternity, Inc.

Tom Topuzes (Class I). Tom Topuzes is President and CEO of Thomas Topuzes & Associates, a consultancy that provides a wide range of services to organizations in the public, private, and non-profit sectors. He and his firm advise clients across the United States and Mexico on strategic planning, trans-border commerce, financial institution regulatory relations, and more. His professional experience includes executive roles at multiple banks, government service as the Region XI SBA Administrator and within the Office of the Governor of California, and private legal practice. Mr. Topuzes has been deeply involved in his community, serving as director, trustee, advisor or founder to over a dozen leading organizations in sectors as diverse as banking, education, health, local, state and national agencies, and economic development. Mr. Topuzes is also a member of the Board of Directors of CDC. He received his bachelor's degree from San Diego State University and his J.D. from the Thomas Jefferson School of Law. He also holds an associate's degree from San Diego Mesa College. He served in the United States Air Force and is an active member of the State Bar of California.

Dan Varner (Class I). Dan Varner has been the Chief Executive Officer of Goodwill Industries of Greater Detroit, a non-profit organization focused on employment training, education, support and job placement programs for residents of Greater Detroit, since 2016. Mr. Varner served as Chief Executive Officer at Excellent Schools Detroit from 2011 to 2016, and worked as a Program Officer at the W.K. Kellogg Foundation on both the Michigan and Education & Learning teams from 2010 to 2011. Mr. Varner was the cofounder of Think Detroit where he served as the Chief Operating/Finance Officer from 2000 to 2006 and the Chief Executive Officer of Think Detroit PAL, which was the result of a merger with the Detroit Police Athletic League, from 2006 to 2010. Mr. Varner is also a member of the Board of Directors of CDC. Mr. Varner earned a B.A. from the University of Michigan and a J.D. from the University of Michigan Law School.

The following sets forth board member compensation during 2023:

| Board Member | Compensation (2023) |
|------------------------------|----------------------------|
| Alaina Beverly | 5,000.00 |
| Jennifer Smith-Dolin | 5,000.00 |
| Casey Fannon | 5,000.00 |
| Pedro Goitia | 5,000.00 |
| Gail Markulin | 5,000.00 |
| L. Ray Moncrief ¹ | 2,500.00 |
| Daniel Varner | 5,000.00 |
| Rick Benito | 5,000.00 |
| Erik Caldwell | 5,000.00 |
| Sheryl Cameron | - |
| Kurt Chilcott | 6,250.00 |
| L. Tyler Orion | 5,000.00 |
| Frank Robinson | 5,000.00 |
| Tom Topuzes | 5,000.00 |
| Oswaldo Acosta | 5,000.00 |
| Grace Chionuma | - |
| Gary Cunningham | 6,250.00 |
| Total | 75,000.00 |

¹ Retired in June 2023.

MANAGEMENT TEAM AND KEY EMPLOYEES

Our principal executive office is located at 1400 Crystal Drive, Suite 500, Arlington, Virginia 22202.

Ellis Carr, President and Chief Executive Officer. Ellis Carr is the President and CEO of Capital Impact and CDC. Mr. Carr has more than 20 years of experience in the for-profit and nonprofit financial sectors. He became President & CEO of CDC Small Business in 2021 and has served as the President & CEO of Capital Impact since 2016, originally joining Capital Impact as CFO in 2012. Prior to joining Capital Impact, he held various positions in the investments, capital markets, strategy, and corporate finance areas within Freddie Mac, and in fixed-income fund management both domestically and abroad at Deutsche Bank. Mr. Carr is an Aspen Institute Finance Leader Fellow and sits on the boards of the Marguerite Casey Foundation, Expanding Black Business Credit and the Housing Partnership Network, as well as Morgan Stanley's Community Development Advisory Board. Mr. Carr is also a member of the Board of Directors of CDC.

Mr. Carr has been recognized among the "Most Creative People in Business" by Fast Company, and has received multiple awards from the Washington Business Journal, including "Nonprofit Leader of the Year" in 2022.

Natalie Gunn, Chief Financial Officer. Natalie Nickens Gunn is responsible for formulating and executing Capital Impact's financial road map, capital base expansion, and investor relations. In her position, she has raised and closed on more than \$300 million of capital. She also manages the overall direction for accounting, tax, audit, treasury, and financial planning and analysis. Mrs. Gunn also serves as Chief Financial Officer of CDC. Mrs. Gunn has corporate financing and accounting experience across the public and private sectors, including serving as Capital Impact's Controller before stepping into the Chief Financial Officer position. In 2020, the Washington Business Journal named her to their "Women Who Mean Business" List honoring the region's most influential businesswomen. Prior to joining Capital Impact, she held senior positions at the Government National Mortgage Association (Ginnie Mae), NCB, Capital Automotive REIT, Host Hotels and Resorts and PricewaterhouseCoopers. Mrs. Gunn is a Certified Public Accountant and graduated magna cum laude from Hampton University with a degree in accounting, and serves on the Board and Finance Committee of Pathways for Housing, DC and the Board of Trustees for St. Stephen's & St. Agnes School.

Brian McEvoy, General Counsel, Chief Compliance Officer and Corporate Secretary. As General Counsel, Chief Compliance Officer, and Corporate Secretary, Brian McEvoy leads the legal and compliance functions at Capital Impact. Brian has significant experience in the commercial, multifamily/housing, real estate and finance sectors, including broad experience in commercial lending and structured finance, equity, securitization, policy and strategy, product and platform development, risk management, operations, regulatory and compliance. Mr. McEvoy also serves as General Counsel, Chief Compliance Officer and Corporate Secretary of CDC. Most recently he was Vice President and Deputy General Counsel at Fannie Mae. Prior to joining Fannie Mae, Brian was in private practice in large, national law firms. Brian graduated summa cum laude from Towson University, where he received a Bachelor of Science in Business Administration and Management, with dual concentrations in Finance and Marketing. He graduated with honors from the University of Maryland Francis King Carey School of Law, where he received a Juris Doctor.

Kim Dorsett, Chief Human Resources Officer. Kimberly Dorsett is responsible for developing and executing Capital Impact's human resource strategy in support of the overall business plan and strategic direction of the organization. This includes overseeing areas of succession planning, talent acquisition, organizational and performance management, training and development, compensation and benefits administration, and diversity, equity, and inclusion. She has more than 20 years of experience in the financial services and construction industries. Mrs. Dorsett also serves as Chief Human Resources Officer for CDC. Prior to joining

Capital Impact in 2016, first as a Director and then as Senior Director in 2018, she was the Human Resources Director for Federal Home Loan Banks – Office of Finance. Mrs. Dorsett graduated from Bethune-Cookman University with a bachelor’s degree in Business Administration, and from Marymount University with a master’s degree in Management.

Jaret Ings, Senior Director of Finance and Treasurer. Jaret Ings has the responsibility of overseeing the Treasury and Financial Analysis functions, which includes cash and investment management, debt portfolio management, debt capital markets, investor relations, compliance, managing bank relationships, and financial analysis. Mr. Ings also serves as Treasurer of CDC. Prior to joining Capital Impact, Mr. Ings served in a senior treasury leadership capacity at National Railroad Passenger Corporation (“Amtrak”). Prior to joining Amtrak, Mr. Ings worked in Corporate Banking and Financial Services with PNC Bank, N.A., SunTrust Bank, N.A. and Ford Motor Credit Company. Mr. Ings is a graduate of Florida Agricultural & Mechanical University (B.S. Business Administration, Finance Concentration) and Florida Atlantic University (M.B.A., Accounting Concentration).

Matt Wehland, Chief Operations Officer. Matt Wehland is responsible for Capital Impact and CDC’s business operations strategy and execution. This includes Lending Operations, Portfolio Management, Credit, Information Technology, Data Operations, Compliance, Facilities Management, and the affiliated Ventures+ SAAS platform. Mr. Wehland joined Capital Impact in 2019 and served as the Senior Director of Lending Operations prior to assuming the role of COO in 2022. He has more than 25 years of experience in the financial services industry. Prior to joining Capital Impact, he served as Senior Vice President at both Capital One and National Cooperative Bank. Mr. Wehland graduated from the University of Maryland, College Park with a degree in Political Science. He currently serves as a board member for his local housing cooperative.

Karla Gill, Chief Technology Officer. Karla Gill is responsible for Capital Impact and CDC’s technology infrastructure. In her role overseeing the integration of new technologies that make our work more effective, she manages the Ventures Lending Technologies, IT, and data analytics and development teams. Karla brings 30 years of experience with both for-profit and nonprofit organizations and management consulting spanning the financial services, hospitality, and telecommunications industries. She served as Chief Information & Innovation Officer at MissionSquare Retirement leading digital transformation and previously held IT Vice President roles at Marriott International pioneering emerging technologies. Karla earned her Master of Science in Information Systems and her Bachelor of Science in Computer Science from Virginia Tech. She serves on the Capitol CIO Advisory Board and VT Computer Science and Business Information Technology Advisory Boards.

EXECUTIVE COMPENSATION

The following table lists the total compensation of our executive management team during the year ended December 31, 2023. No staff member receives sales-related commissions.

| Name | Title | Compensation (2023) |
|-------------------------------------|---|----------------------------|
| Ellis Carr | President and Chief Executive Officer | \$862,564 |
| Natalie Gunn | Chief Financial Officer | \$440,449 |
| Brian McEvoy | General Counsel, Chief Compliance Officer and Corporate Secretary | \$360,194 |
| Kim Dorsett | Chief Human Resources Officer | \$308,457 |
| Raymond Guthrie ¹ | Head of Capital Deployment | \$429,245 |
| Matthew Wehland | Chief Operating Officer | \$349,095 |
| Karla Gill | Chief Technology Officer | \$334,830 |

¹ Mr. Guthrie departed Capital Impact in 2023.

LEGAL PROCEEDINGS

There are no material legal proceedings presently pending against us or any of our directors, officers, or employees acting in their capacity as our representatives.

CAPITALIZATION

Our capitalization as of December 31, 2023 is shown below.

| | Amount Outstanding |
|---|----------------------|
| Debt: | |
| Revolving Lines of Credit | \$69,500,000 |
| Notes Payable | \$68,786,736 |
| Investment Notes | \$265,412,000 |
| Subordinated debt | \$14,500,000 |
| FHLB-A | \$24,000,000 |
| Bond Loan Payable | \$5,000,000 |
| Subtotal Debt | \$447,198,736 |
| Less Investment Notes issuance costs | (\$2,606,852) |
| Total Debt ⁽⁴⁾ | \$444,591,884 |
| | |
| Net Assets: | |
| Without Donor Restrictions ⁽¹⁾ | \$106,347,815 |
| Noncontrolling Interest ⁽²⁾ | \$20,572,345 |
| Total Net Assets without donor restrictions | \$126,920,160 |
| With Donor Restrictions ⁽³⁾ | \$45,321,327 |
| Total Net Assets | \$172,241,487 |
| | |
| Total Capitalization | \$616,833,371 |

¹ Net assets without donor restrictions have no external restrictions regarding their use or function.

² Represents the non-managing member's 70% equity interest in Community Investment Impact Fund, which is exclusive of our equity interest.

³ Net assets with donor restrictions have donor-imposed restrictions such as (i) fulfilling a specified purpose, and/or (ii) the passage of a specified amount of time regarding use or function.

⁴ Total Debt does not include subsidiary debt or lease obligations, AP and other Accrued Exp, Refundable lines of credit or CECL liability.

Additional information on our net assets as of December 31, 2023 is shown below:

| Purpose | Portion of Total Net Assets | Restriction(s) and Possible Uses |
|--|------------------------------------|---|
| Net Assets without Donor Restrictions | | |
| Without Donor Restrictions | 62% | Unrestricted |
| Noncontrolling Interest | 12% | Unrestricted |
| Net Assets with Donor Restrictions | | |
| Programs | 5% | General Operating |
| Credit Enhancement | 11% | Credit Enhancement |
| Financing | 10% | Lending Activity |
| Total | 100% | |

Debt Composition and Sources

Sources of Debt at December 31, 2023

| Type of Investor | Number of Investors | Total Debt Payable | % of Total Debt Payable | Average per Investor |
|--------------------------------|----------------------------|---------------------------|--------------------------------|-----------------------------|
| Financial Institutions | 4 | \$125,000,000 | 28% | \$31,250,000 |
| Foundations/CDFI | 5 | \$32,786,736 | 7% | \$6,557,347 |
| Federal Government/FHLB | 1 | \$24,000,000 | 5% | \$24,000,000 |
| Total¹ | 10 | \$181,786,736 | 41% | \$18,178,674 |

¹ Does not include Capital Impact Investment Notes, of which \$265,412,000 was outstanding as of December 31, 2023 (representing 59% of total loans payable as of December 31, 2023), as these notes are held by investors in book-entry form through their brokerage account. Thus, the identity of investors in Capital Impact Investment Notes is unknown.

With the exception of its revolving lines of credit, our debt carries a fixed rate.

Although we do not have a policy in place which specifically limits the level of senior secured indebtedness that can be incurred by us, there are a number of policies and practices in place that address the issue, including (i) a Board-approved policy called the “Delegations of Authority,” which requires management to seek the approval of the Board prior to incurring indebtedness, (ii) multiple third party credit agreements, which require us to actively monitor and manage financial covenants, including covenants relating to the level and type of indebtedness incurred by us, (iii) the supervision and oversight of enterprise risk by the Senior Director & Credit Officer, pursuant to our Enterprise Risk Management Policy, and (iv) the supervision

and oversight of the General Counsel and Chief Compliance Officer with respect to risk-related compliance matters.

Remaining Term on Debt at December 31, 2023

| Year of Debt Maturity | Total Debt Maturing ¹ | % of Total Debt |
|------------------------------|---|------------------------|
| 2024 | \$131,279,206 | 29% |
| 2025 | \$40,980,530 | 9% |
| 2026 | \$57,234,000 | 13% |
| 2027 | \$42,245,000 | 9% |
| 2028 and Beyond | \$175,460,000 | 40% |
| Total | \$447,198,736 | 100.0% |

¹ This excludes issuance costs.

Largest Debt Investors at December 31, 2023

| Five Largest Investors | Dollar Amount Outstanding | % of Total Loans Payable | Final Maturity | Characteristics | Secured or Unsecured |
|--|----------------------------------|---------------------------------|--|-----------------------------|-----------------------------|
| JPMorgan Chase | \$43,350,000 | 10% | September 2024 & December 2029 | Financial Institution | Unsecured |
| Wells Fargo | \$29,875,000 | 7% | September 2024 & October 2035 | Financial Institution | Unsecured |
| FHLB | \$24,000,000 | 5% | June 2027, December 2027 & December 2029 | Federal Government/ FHLB | Secured |
| Deutsche Bank | \$17,375,000 | 4% | September 2024 | Financial Institution | Unsecured |
| The California Endowment | \$15,000,000 | 3% | December 2027 & August 2030 | Foundation | Unsecured |
| Total Debt from Five Largest Investors ¹ | \$129,600,000 | 29% | | | |

¹ Does not include Capital Impact Investment Notes, of which \$265,412,000 was outstanding as of December 31, 2023 (representing 59% of total loans payable as of December 31, 2023), as these notes are held by investors in book-entry form through their brokerage account. Thus, the identity of investors in Capital Impact Investment Notes is unknown.

DESCRIPTION OF THE NOTES

This section provides detail on the legal and financial terms of the Notes. Final terms of any particular Note will be determined at the time of sale and will be set forth in the accompanying pricing supplement relating to those Notes, and may vary from and supersede the terms set forth in this Prospectus. Before deciding to purchase any Notes, investors should read the more detailed information appearing elsewhere in this document.

What is a Capital Impact Investment Note?

The Capital Impact Investment Notes are notes issued by us that help channel investment capital to social and economic impact investments in the United States. The Notes pay a fixed interest rate that is determined by market conditions at issuance and can be purchased with a term of 1, 3, 5, 7, 10, 15, or 20 years.

Seniority; Security

The Notes are unsecured general obligations of Capital Impact. Capital Impact has outstanding other unsecured general obligations and secured obligations. Moreover, the Indenture does not restrict Capital Impact from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Notes. Finally, Capital Impact's subsidiaries have outstanding obligations and the Notes will be effectively subordinated to such obligations.

Who Can Invest

The Notes are marketed to both individual and institutional investors.

Minimum Investment

The minimum investment for the Notes is \$1,000.

Distribution

We will offer the Notes through registered broker-dealers. The Notes may be offered to or through InspereX, as Lead Agent for resale to other registered broker-dealers. InspereX, or any other agent appointed by us, is not required to purchase or sell any specific amount of Notes but sells the Notes on a best-efforts basis.

How to Invest / Purchase Method

The Notes are available for purchase in book-entry form, which means they may be purchased electronically through the investor's brokerage account and settled through DTC. Interest rates are set at the time of issuance and are determined by current market conditions. Interest rates for the Notes will be set forth in the accompanying pricing supplement relating to those Notes. The DTC arrangement is described below in the section entitled "— Book-Entry Notes and DTC" on page 64. U.S. Bank serves as issuing agent, registrar, and Paying Agent of global book-entry Notes. We have appointed InspereX as the Lead Agent, which in turn has established a selling group of registered broker-dealers. Notes may be purchased through any broker-dealer participating in the InspereX selling group. Investors must consult the current pricing supplement, available from participating brokerages, in addition to this Prospectus for applicable Note terms. To purchase Notes, please contact your financial advisor or brokerage firm.

CUSIP Numbers

We will assign CUSIP numbers at the time Notes are offered for sale. “CUSIP” is an acronym that refers to Committee on Uniform Security Identification Procedures and the nine-digit, alphanumeric CUSIP numbers that are used to identify securities such as the Notes. A CUSIP number, similar to a serial number, is assigned to each maturity of a security issue. For more information regarding CUSIP numbers, please see the applicable pricing supplement or visit our website www.capitalimpact.org.

Trust Indenture

All Notes are subject to a Trust Indenture, with U.S. Bank serving as Indenture Trustee. Under the Trust Indenture and subject to the terms of the Trust Indenture, the Indenture Trustee will take specified actions on behalf of noteholders in the event of a default on the Notes. Certain issues relating to the Trust Indenture are set forth beginning on page 67. Upon request, we will provide copies of the Trust Indenture, which defines the rights of noteholders.

Interest Accrual and Interest Periods

Notes begin to accrue interest on the issuance date and mature on the relevant anniversary of issuance. Interest accrues on a 360-day year based on twelve 30-day months. Interest is paid out quarterly and cannot be reinvested. Interest rates on the Notes will be fixed rate.

The interest payment dates for a Note will be the fifteenth day of every third month, commencing in the third succeeding calendar month following the month in which the Note is issued, unless such calendar day is not a business day, in which case the interest payment shall be made on the next succeeding business day. The first payment of interest under a Note shall be an amount equal to interest accruing during the period commencing on the closing date of the Note and ending on the fifteenth day of the third calendar month that follows such closing date (the “First Interest Period”). Subsequent payments of interest under the Note shall be in an amount equal to interest accruing during each period of three calendar months that follow the First Interest Period. Interest will be payable to the person in whose name a Note is registered at the close of business on the regular record date before each interest payment date. The first payment of interest on any Note originally issued between a regular record date and an interest payment date will be made on the interest payment date following the next succeeding regular record date to the registered owner of the Note on such next succeeding regular record date. The principal and interest payable at maturity will be paid to the person in whose name the Note is registered at the time of payment. Unless otherwise specified in the applicable pricing supplement, the regular record date for an interest payment date will be the first calendar day of the month in which the interest payment date falls.

Options at Maturity / Reinvestments

Principal is automatically repaid at maturity, but investors have the option to reinvest their repaid principal by purchasing new Notes at then-current interest rates and terms offered by us.

Redemption

Notes may be redeemable by us prior to stated maturity at our option, as provided in the relevant pricing supplement. Notes will not be repayable at the option of the noteholder prior to stated maturity date, except as provided under “Survivor’s Option” below or in the relevant pricing supplement.

Survivor's Option

Subject to the repayment limitations described below, the "Survivor's Option" is a provision in the Notes pursuant to which we agree to repay the Notes, if requested by the authorized representative of the beneficial owner of those Notes, following the death of the beneficial owner of the Notes, so long as the Notes were owned by that beneficial owner or the estate of that beneficial owner at least six (6) months prior to the request and certain documentation requirements are satisfied.

Upon the valid exercise of the Survivor's Option and the proper tender of the Notes for repayment, subject to the repayment limitations described below, we will repay the Notes, in whole or in part, at a price equal to 100% of the principal amount of the deceased beneficial owner's interest in the Notes plus unpaid interest accrued to the date of repayment.

To obtain repayment pursuant to exercise of the Survivor's Option for Notes, the deceased beneficial owner's authorized representative must provide the following items to the broker or other entity through which the beneficial interest in the Notes is held by the deceased beneficial owner within one year of the date of death of the beneficial owner:

- a written instruction to such broker or other entity to notify DTC of the authorized representative's desire to obtain repayment pursuant to exercise of the Survivor's Option;
- appropriate evidence satisfactory to the Indenture Trustee and us (a) that the deceased was the beneficial owner of the Notes at the time of death and his or her interest in the Notes was owned by the deceased beneficial owner or his or her estate at least six months prior to the request for repayment, (b) that the death of the beneficial owner has occurred, (c) of the date of death of the beneficial owner, and (d) that the representative has authority to act on behalf of the beneficial owner;
- if the interest in the Notes is held by a nominee of the deceased beneficial owner, a certificate or letter satisfactory to the Indenture Trustee and us from the nominee attesting to the deceased's beneficial ownership of such Notes;
- a written request for repayment signed by the authorized representative of the deceased beneficial owner with the signature guaranteed by a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company having an office or correspondent in the United States;
- if applicable, a properly executed assignment or endorsement;
- tax waivers and any other instruments or documents that the Indenture Trustee and we reasonably require in order to establish the validity of the beneficial ownership of the Notes and the claimant's entitlement to repayment; and
- any additional information the Indenture Trustee or we reasonably require to evidence satisfaction of any conditions to the exercise of the Survivor's Option or to document beneficial ownership or authority to make the election and to cause the repayment of the Notes.

In turn, the broker or other entity will deliver each of these items to the Indenture Trustee, together with evidence satisfactory to the Indenture Trustee from the broker or other entity stating that it represents the deceased beneficial owner.

A beneficial owner of a Note is a person who has the right, immediately prior to such person's death, to receive the proceeds from the disposition of that Note, as well as the right to receive payment of the principal of the Note.

The death of a person holding a beneficial ownership interest in a Note as a joint tenant or tenant by the entirety with another person, or as a tenant in common with the deceased holder's spouse, will be deemed the death of a beneficial owner of that Note, and the entire principal amount of the Note held in this manner will be subject to repayment by us upon exercise of the Survivor's Option. However, the death of a person holding a beneficial ownership interest in a Note as tenant in common with a person other than such deceased holder's spouse will be deemed the death of a beneficial owner only with respect to such deceased person's interest in the Note, and only the deceased beneficial owner's percentage interest in the principal amount of the Note will be subject to repayment.

The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial ownership interests in a Note will be deemed the death of the beneficial owner of that Note for purposes of the Survivor's Option, regardless of whether that beneficial owner was the registered holder of the Note, if the beneficial ownership interest can be established to the satisfaction of the trustee. A beneficial ownership interest will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Transfers to Minors Act or Uniform Gifts to Minors Act, community property or other joint ownership arrangements between a husband and wife. In addition, the beneficial ownership interest in a Note will be deemed to exist in custodial and trust arrangements where one person has all of the beneficial ownership interest in that Note during his or her lifetime.

We have the discretionary right to limit the aggregate principal amount of Notes as to which exercises of the Survivor's Option shall be accepted by us from authorized representatives of all deceased beneficial owners in any calendar year to an amount equal to the greater of \$1,000,000 or 1% of the aggregate principal amount of all Notes outstanding as of the end of the most recent calendar year. We also have the discretionary right to limit to \$250,000 in any calendar year the aggregate principal amount of Notes as to which exercises of the Survivor's Option shall be accepted by us from the authorized representative of any individual deceased beneficial owner of Notes in such calendar year. In addition, we will not permit the exercise of the Survivor's Option except in principal amounts of \$1,000 and multiples of \$1,000 and, in the event that the limitations described in this paragraph would result in the partial repayment of any Note, the principal amount of such Note remaining outstanding after repayment must be at least \$1,000.

An otherwise valid election to exercise the Survivor's Option may not be withdrawn. Each election to exercise the Survivor's Option will be accepted in the order that elections are received by the Indenture Trustee, except for any Note the acceptance of which would contravene any of the limitations described in the preceding paragraph. Notes accepted for repayment through the exercise of the Survivor's Option normally will be repaid on the first interest payment date that occurs twenty (20) or more calendar days after the date of the acceptance. Each tendered Note that is not accepted in any calendar year due to the application of any of the limitations described in the preceding paragraph will be deemed to be tendered in the following calendar year in the order in which all such Notes were originally tendered. If a Note tendered through a valid exercise of the Survivor's Option is not accepted, the Indenture Trustee will deliver a notice by first-

class mail to the authorized representative of the deceased beneficial owner that states the reason that Note has not been accepted for repayment.

All other questions regarding the eligibility or validity of any exercise of the Survivor's Option will be determined by us, in our sole discretion, which determination will be final and binding on all parties. For the avoidance of doubt, we also retain the right to reject in our sole discretion any exercise of the Survivor's Option where the deceased held no or only a minimal beneficial ownership interest in the Notes and entered into arrangements with third parties in relation to the Notes prior to death for the purpose of permitting or attempting to permit those third parties to directly or indirectly benefit from the exercise of the Survivor's Option.

For assistance with the exercise of the Survivor's Option, please contact U.S. Bank by email at cts.survivor.options@usbank.com or call 800-934-6802.

Events of Default

Notes will become immediately due and payable upon the occurrence of certain insolvency events related to us, as specified in Section 5.01 of the Indenture. Upon the occurrence of other "Events of Default" with respect to any series of Notes specified in Section 5.01 of the Indenture, the Indenture Trustee may, and shall, if so directed by the holders of not less than twenty-five percent (25%) of the aggregate outstanding amount of such Series of Notes, declare that the Notes are immediately due and payable. Such events include, among other things, non-payment of principal or interest.

Secondary Market

The nature of this offering does not presently afford the opportunity of a secondary market. The Lead Agent and other agents appointed by us may make secondary market transactions, but are not obligated to do so. Consequently, the purchase of a Note should be viewed as an investment to be held to maturity.

Interest Payments and Tax Considerations

This summary of U.S. federal income tax considerations is for general information purposes only, is not relevant to all noteholders of the Notes, and is not tax advice. This summary does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to a particular noteholder in light of the prospective noteholder's circumstances. For instance, it does not address special rules that may apply if the noteholder is a financial institution or tax-exempt organization, or if the noteholder is not a "U.S. Person" within the meaning of the Internal Revenue Code or holds its investment in the notes in an Individual Retirement Account (IRA). This summary deals only with Notes that are held as "capital assets" within the meaning of Section 1221 of the Code and are acquired for cash upon original issuance at their initial "issue price".

Stated interest

It is anticipated, and this discussion assumes, that the Notes will be issued at par or at a discount that is less than a "de minimis" amount for United States federal income tax purposes.

Any interest paid or accrued on a Note will be ordinary income to the holder for federal income tax purposes, at the time received or accrued. Although the Issuer is a 501(c)(3) organization, a noteholder is not entitled

to a deduction with respect to the Notes it purchases. The purchase of a Note is not deemed a charitable contribution.

In addition, for certain noteholders, if the interest paid to the noteholder is below the applicable federal rate the IRS may impute income up to that applicable federal rate.

Sale, exchange, retirement, redemption or other disposition of the Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a holder will recognize gain or loss equal to the difference, if any, between the amount realized upon the sale, exchange, retirement, redemption or other taxable disposition (less an amount equal to any accrued but unpaid stated interest, which will be taxable as interest income to the extent not previously included in income) and such holder's adjusted tax basis in the Note. A holder's adjusted tax basis in a Note will generally be its U.S. dollar cost for that Note. Any gain or loss recognized will generally be capital gain or loss and will generally be long term capital gain or loss if the holder has held the Note for more than one year. Long term capital gains of non-corporate U.S. holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information reporting and backup withholding

In general, information reporting requirements will apply to payments of stated interest on a Note and the proceeds from a sale, exchange, retirement, redemption or other taxable disposition of a Note paid to non-exempt noteholders. Payments described in the previous sentence may be subject to "back-up withholding" of U.S. federal income tax if a non-exempt noteholder fails to furnish a correct Social Security Number or tax identification number, or if the Internal Revenue Service ("IRS") informs the applicable withholding agent that the noteholder is subject to back-up withholding.

If the laws addressed in this "Interest Payments and Tax Considerations" summary change, this summary could become inaccurate. This summary is based on the Code, the regulations promulgated under the Code and administrative interpretations and court decisions existing as of the date of this Prospectus. These authorities could be changed either prospectively or retroactively by future legislation, regulations, administrative interpretations, or court decisions. Accordingly, this summary may not accurately reflect the tax consequences of an investment in the Notes after the date of this Prospectus.

If you are considering the purchase of Notes, you should consult your tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of the Notes and accepting a below-market rate of return on your investment, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.

Book-Entry Notes and DTC

We will issue the Notes in the form of one or more permanent global book-entry Notes fully registered and deposited with or on behalf of DTC and registered in the name of Cede & Co., as nominee of DTC.

DTC has advised us as follows:

- DTC is a limited-purpose trust company under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a

“clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered under Section 17A of the Securities Exchange Act.

- DTC holds securities that its participants deposit and facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities, through electronic computerized book-entry changes in participants’ accounts, thereby eliminating the need for physical movement of securities certificates.
- Direct participants include securities brokers and dealers, trust companies, clearing corporations and other organizations.
- DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is owned by the users of its regulated subsidiaries.
- Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.
- The rules applicable to DTC and its participants are on file with the SEC.

We have provided the following descriptions of the operations and procedures of DTC solely as a matter of convenience. These operations and procedures are solely within the control of DTC and may be subject to change. Neither we nor the Indenture Trustee takes any responsibility for these operations or procedures, and you are urged to contact DTC or its participants directly to discuss these matters.

We expect that under procedures established by DTC:

- Upon deposit of the global Notes with DTC or its custodian, DTC will credit through its internal system the accounts of its direct participants with portions of the principal amounts of the global book-entry Notes.
- Ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC or its nominee, with respect to interests of direct participants, and the records of direct and indirect participants, with respect to interests of persons other than participants.

The laws of some jurisdictions require purchasers of securities to take physical delivery in definitive form. Accordingly, the ability to transfer interests in the book-entry Notes represented by a global book-entry Note to those persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in Notes represented by a global book-entry Note to pledge or transfer those interests to persons or entities that do not participate in DTC’s system, or otherwise to take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global book-entry Note, DTC or that nominee will be considered the sole owner or holder of the Notes represented by that global book-entry Note for all purposes under the Indenture and under the Notes. Except as provided below, owners of beneficial interests in a global book-entry Note will not be entitled to have Notes represented by that global book-entry Note registered in their names, will not receive or be entitled to receive physical delivery of a certificated Note and will not be considered the owners or holders thereof under the Indenture or under the Notes for any purpose, including with respect to the giving of any direction, instruction or approval to the Indenture

Trustee. Accordingly, each beneficial holder owning a beneficial interest in a global book-entry Note must rely on the procedures of DTC and, if that beneficial holder is not a direct or indirect participant, on the procedures of the participant through which that beneficial holder owns its interest, to exercise any rights of a holder of Notes under the Indenture or the global book-entry Notes.

Neither we nor the Indenture Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to the Notes.

Payments on the Notes represented by the global book-entry Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. We expect that DTC or its nominee, upon receipt of any payment on the Notes represented by a global book-entry Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the global book-entry Note as shown in the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the global book-entry Note held through such participants will be governed by standing instructions and customary practice as is now the case with Notes held for the accounts of customers registered in the names of nominees for such customers. The participants will be responsible for those payments.

Payments on the Notes represented by the global book-entry Note will be made in immediately available funds. Transfers between participants in DTC will be effected in accordance with DTC rules and will be settled in immediately available funds.

CERTAIN KEY INDENTURE PROVISIONS

Indenture Covenants

The Indenture contains the following covenants:

Existence; Tax-Exempt and Non-Profit Status. Capital Impact will keep in full effect its existence, rights and franchises as a corporation under the laws of the District of Columbia (unless it becomes, or any successor issuer hereunder is or becomes, organized under the laws of any other state, in which case such successor issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture and the Notes. Capital Impact is and at all times until the termination of this Indenture will be organized and operated exclusively for religious, educational, benevolent, charitable, or reformatory purposes exempt from federal income taxes under Section 501(c)(3) of the Code, and not for pecuniary profit, and no part of the net earnings of Capital Impact inures or shall inure to the benefit of any person, private stockholder, or individual. Capital Impact is and shall at all times be excluded from the definition of an investment company under Section 3(c)(10)(B) of the Investment Company Act.

Merger, Consolidation or Sale of Assets. Capital Impact may not consolidate or merge with or into, or transfer all or substantially all of its assets to, any person unless: (i) either Capital Impact shall be the resulting or surviving entity or such person (A) is a corporation organized and existing under the laws of the United States, a State thereof or the District of Columbia, (B) is organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purposes exempt from federal income taxes under Section 501(c)(3) of the Code, and not for pecuniary profit, (C) has no part of its net earnings which inures or shall inure to the benefit of any person, private stockholder, or individual, and (D) is excluded from the definition of an investment company under Section 3(c)(10)(B) of the Investment Company Act; (ii) if Capital Impact is not the resulting or surviving entity, such person assumes by supplemental indenture satisfactory to the Indenture Trustee all of the obligations of Capital Impact under the Notes and the Indenture; and (iii) immediately before and immediately after the transaction no event of default exists.

Indenture Events of Default

“Events of Default,” wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- a) Failure to pay on any Payment Date the full amount of accrued interest on any Note, which failure continues unremedied for ten (10) or more calendar days after such Payment Date;
- b) Failure to pay the principal of or premium (if any) on, any Note, on its related Maturity Date, which failure continues unremedied for ten (10) or more calendar days after such Maturity Date;
- c) Failure on the part of Capital Impact to observe or perform any covenants or agreements set forth in the Indenture (other than a covenant or agreement of Capital Impact a breach of which is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of one or more Series of Notes other than such Series), which failure has a material adverse effect on the Noteholders and which continues unremedied for a period of sixty (60) calendar days after there has been given

- written notice to Capital Impact by the Indenture Trustee, or to Capital Impact by the holders of at least a majority in outstanding principal amount of the Notes of such Series, a written notice specifying such Default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” under the Indenture;
- d) Any representation or warranty made by Capital Impact in the Indenture proves to have been incorrect in any material respect and continues to be incorrect in any material respect for sixty (60) days after written notice and as a result of which the interests of the Noteholders are materially and adversely affected;
 - e) The occurrence of an Insolvency Event relating to Capital Impact;
 - f) Capital Impact becomes an “investment company” within the meaning of the Investment Company Act;
 - g) This Indenture is required to become qualified under the Trust Indenture Act of 1939, as amended; or
 - h) Capital Impact fails to provide to the Indenture Trustee the Issuer Payment Confirmation in accordance with section 3.01(b)(ii) of the Indenture, which failure continues unremedied for ten (10) or more days.

Information Concerning the Indenture Trustee

If an Event of Default occurs, the holders of specified percentage amounts of the then outstanding Notes will have the right to direct the Indenture Trustee to exercise remedies in accordance with the terms of the Indenture, subject to certain exceptions. The Indenture Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless such Holder shall have offered to the Indenture Trustee security and indemnity satisfactory to it against any loss, liability or expense.

HOW TO INVEST / PLAN OF DISTRIBUTION

Investors must consult the relevant pricing supplement, available from participating broker-dealers, in addition to this Prospectus for applicable Note terms.

The public offering price of the Notes will be set forth in the relevant pricing supplement. Please note that proceeds from the sale of the Notes will not be used to pay commissions or any other costs related to the sale of the Notes; all commissions or related costs will be paid from our operating budget and will therefore not be charged to investors.

Capital Impact has entered into a Selling Agent Agreement with InspereX, as the Lead Agent, and InspereX may resell the Notes to certain broker-dealers (the “selected dealers”). Notes may be purchased through any selected dealer that has entered into a Master Selected Dealer Agreement with InspereX. Selected dealers who effect transactions have agreed to sell Notes in accordance with the terms of this Prospectus. Through this offering with InspereX, we receive net proceeds from sales after sales compensation to InspereX and broker dealers based on the maturity of the Notes sold, from \$997 per \$1,000 of 1-year Notes to \$970 per \$1,000 of 20-year Notes. While we receive net proceeds after sales of less than the full par value, it uses operating funds to cover the discount such that each investor receives the full par value of a Note.

InspereX, as the Lead Agent, may purchase the Notes at a selling concession not in excess of 0.300% of the principal amount per the 1-year Notes and not in excess of 3.000% of the principal amount per the 20-year

Notes. In the event InspereX sells the Notes to other selling agents, InspereX may pass all or a portion of such selling concession to other selling agents.

Except for Notes sold to level-fee accounts, Notes offered to the public will be offered at the public offering price set forth in the applicable pricing supplement. Selected dealers purchasing Notes on an agency basis for non-level fee client accounts shall purchase Notes at the public offering price. Notes purchased by the selected dealers for their own account may be purchased at the public offering price less the applicable concession. Notes purchased by the selected dealers on behalf of level-fee fiduciary or retirement accounts may be sold to such accounts at the public offering price less the applicable concession, in which case, such selected dealers will not retain any portion of the sales price as compensation.

As of the date hereof, the Notes will be offered for sale in the United States, excluding the State of Arkansas and the State of Washington and any territories thereof.

FINANCIAL REPORTING

Within 120 days of the fiscal year end, we send or make available to all current investors in the Notes the audited financial statements for the most recent fiscal year end. The most recent financial statements are also available on our website <http://www.capitalimpact.org> and upon written request to us.

APPENDIX I
AUDITED FINANCIAL STATEMENTS

Consent of Independent Auditors

We agree to the inclusion in Appendix I to the Capital Impact Partners Prospectus dated August 5, 2024 of our report, dated March 27, 2024, on our audits of the consolidated financial statements of Capital Impact Partners and Subsidiaries as of December 31, 2023 and 2022 and for the years then ended.

CohnReznick LLP

Bethesda, Maryland
August 5, 2024

Capital Impact Partners and Subsidiaries

Consolidated Financial Statements with Independent
Auditor's Report

December 31, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Capital Impact Partners and Subsidiaries

Opinion

We have audited the consolidated financial statements of Capital Impact Partners and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Capital Impact Partners and Subsidiaries as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Capital Impact Partners and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Capital Impact Partners and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CohnReznick LLP

Bethesda, Maryland
March 27, 2024

Capital Impact Partners and Subsidiaries

Consolidated Statements of Financial Position December 31, 2023 and 2022

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash and cash equivalents – unrestricted | \$ 44,233,703 | \$ 67,806,764 |
| Cash and cash equivalents – restricted | 26,424,133 | 20,560,201 |
| Accounts and interest receivable | 7,455,892 | 4,262,594 |
| Contributions receivable | - | 2,600,000 |
| Investments | 41,473,089 | 42,359,730 |
| Mortgage backed securities | 33,822,580 | 29,230,723 |
| Loans receivable | 499,585,126 | 382,419,078 |
| Less: allowance for credit losses | (12,573,430) | (13,622,171) |
| Loans receivable, net | 487,011,696 | 368,796,907 |
| Loans receivable – subsidiaries | 19,868,695 | 20,227,669 |
| Loans receivable - intercompany | 2,500,000 | - |
| Other real estate owned | 658,498 | - |
| Other assets | 3,643,329 | 2,831,666 |
| Right of use assets | 9,428,191 | 7,898,991 |
| Total assets | \$ 676,519,806 | \$ 566,575,245 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 10,847,230 | \$ 7,002,491 |
| Refundable advance liability | 9,735,754 | 6,172,250 |
| Revolving lines of credit | 69,500,000 | 46,000,000 |
| Notes payable | 68,786,736 | 54,242,446 |
| Investor notes, net | 262,805,148 | 201,306,219 |
| Subordinated debt | 14,500,000 | 2,500,000 |
| Federal Home Loan Bank borrowing | 24,000,000 | 24,000,000 |
| Bond loan payable | 5,000,000 | 5,000,000 |
| Notes payable – subsidiaries | 24,193,922 | 24,193,922 |
| Liability for CECL - loan commitments | 2,917,764 | - |
| Lease liabilities | 11,991,765 | 10,588,824 |
| Total liabilities | 504,278,319 | 381,006,152 |
| Net assets: | | |
| Without donor restrictions | 106,347,815 | 115,654,148 |
| Noncontrolling interest in a consolidated subsidiary | 20,572,345 | 20,572,345 |
| Total without donor restrictions | 126,920,160 | 136,226,493 |
| With donor restrictions | 45,321,327 | 49,342,600 |
| Total net assets | 172,241,487 | 185,569,093 |
| Total liabilities and net assets | \$ 676,519,806 | \$ 566,575,245 |

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| Changes in net assets without donor restrictions: | | |
| Financial activity: | | |
| Financial income: | | |
| Interest income on loans | \$ 26,888,711 | \$ 22,838,542 |
| Loan fees | 389,267 | 723,032 |
| Investment income (loss), net | 3,554,364 | (4,394,506) |
| Gain (loss) on equity method investments | 770,537 | (466,532) |
| Loss on NMTC unwinds | - | (21,845) |
| Total financial income | 31,602,879 | 18,678,691 |
| Financial expense: | | |
| Interest expense | 16,489,064 | 10,753,248 |
| Provision for credit losses | (308,991) | 266,906 |
| Total financial expense | 16,180,073 | 11,020,154 |
| Net financial income | 15,422,806 | 7,658,537 |
| Revenue and support: | | |
| Loan servicing fees | 1,580,738 | 1,383,433 |
| Fees | 1,459,523 | 1,345,051 |
| Asset management fees from investments | 1,568,719 | 125,097 |
| Contract revenue | 1,244,007 | 719,570 |
| Contributions | 94,000 | 9,065,225 |
| Gain on debt extinguishment | 352,238 | 6,452,689 |
| Inter-company fee income | 3,395,383 | 1,553,228 |
| Other income | 527,332 | 118,602 |
| Net assets released from donor restrictions | 32,177,179 | 15,310,283 |
| Total revenue and support | 42,399,119 | 36,073,178 |
| Non-financial expenses: | | |
| Innovative community lending program | 18,072,528 | 14,907,624 |
| Technical assistance | 22,144,126 | 16,374,510 |
| Total non-financial program expenses | 40,216,654 | 31,282,134 |
| Support expenses: | | |
| Management and general | 21,290,552 | 14,883,845 |
| Fundraising | 2,320,344 | 1,848,796 |
| Total non-financial expenses | 63,827,550 | 48,014,775 |
| Change in net assets without donor restrictions before noncontrolling interest activities | (6,005,625) | (4,283,060) |
| Noncontrolling interest – distributions | (1,012,132) | (982,311) |
| Change in net assets without donor restrictions | (7,017,757) | (5,265,371) |
| Changes in net assets with donor restrictions: | | |
| Investment income, net | 304,422 | 77,325 |
| Grant revenue | 27,851,484 | 16,601,363 |
| Net assets released from donor restrictions | (32,177,179) | (15,310,283) |
| Change in net assets with donor restrictions | (4,021,273) | 1,368,405 |
| Change in net assets | (11,039,030) | (3,896,966) |
| Net assets, beginning | 185,569,093 | 189,466,059 |
| Cumulative change in accounting policy | (2,288,576) | - |
| Net assets, ending | \$ 172,241,487 | \$ 185,569,093 |

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

**Consolidated Statements of Functional Expenses
Years Ended December 31, 2023 and 2022**

| 2023 | Program Expenses | | Support Expenses | | |
|------------------------------|---------------------------|----------------------|------------------------|---------------------|----------------------|
| | Innovative | Technical Assistance | Management and General | Fundraising | Total |
| | Community Lending Program | | | | |
| Interest expense | \$ 16,489,064 | \$ - | \$ - | \$ - | 16,489,064 |
| Provision for credit losses | (308,991) | - | - | - | (308,991) |
| Salaries and benefits | 15,632,551 | 2,363,701 | 12,643,421 | 1,447,823 | 32,087,496 |
| Inter-company management fee | - | - | 275,821 | 30,647 | 306,468 |
| Professional fees | 142,578 | - | 1,461,118 | 99,333 | 1,703,029 |
| Contractual services | 834,200 | 1,243,593 | 2,061,621 | 301,862 | 4,441,276 |
| Corporate development | 103,414 | - | 819,512 | 90,627 | 1,013,553 |
| Lease expense | 487,943 | - | 802,426 | 77,765 | 1,368,134 |
| Insurance | - | - | 392,445 | 34,474 | 426,919 |
| Travel and entertainment | 409,167 | - | 515,397 | 43,097 | 967,661 |
| Training and tuition | 73,835 | - | 214,609 | 22,174 | 310,618 |
| Grant expense | - | 18,536,832 | - | - | 18,536,832 |
| Depreciation | 60,287 | - | 136,147 | - | 196,434 |
| Technology | 50,189 | - | 1,116,420 | 107,838 | 1,274,447 |
| Other | 278,364 | - | 851,615 | 64,704 | 1,194,683 |
| | \$ 34,252,601 | \$ 22,144,126 | \$ 21,290,552 | \$ 2,320,344 | \$ 80,007,623 |

| 2022 | Program Expenses | | Support Expenses | | |
|------------------------------|---------------------------|----------------------|------------------------|---------------------|----------------------|
| | Innovative | Technical Assistance | Management and General | Fundraising | Total |
| | Community Lending Program | | | | |
| Interest expense | \$ 10,753,248 | \$ - | \$ - | \$ - | \$ 10,753,248 |
| Provision for credit losses | 266,906 | - | - | - | 266,906 |
| Salaries and benefits | 12,447,015 | 1,903,958 | 8,562,780 | 1,063,596 | 23,977,349 |
| Inter-company management fee | 4,814 | - | 294,299 | 32,700 | 331,813 |
| Professional fees | 130,735 | - | 1,360,689 | 114,758 | 1,606,182 |
| Contractual services | 913,891 | 1,582,854 | 1,065,967 | 271,382 | 3,834,094 |
| Corporate development | 112,823 | - | 857,533 | 95,066 | 1,065,422 |
| Lease expense | 479,941 | - | 631,768 | 69,662 | 1,181,371 |
| Insurance | - | - | 305,480 | 33,850 | 339,330 |
| Travel and entertainment | 259,050 | - | 266,188 | 22,842 | 548,080 |
| Training and tuition | 32,978 | - | 139,373 | 15,486 | 187,837 |
| Grant expense | - | 12,887,698 | - | - | 12,887,698 |
| Depreciation | 71,110 | - | 148,433 | - | 219,543 |
| Technology | 40,090 | - | 872,225 | 96,914 | 1,009,229 |
| Other | 415,177 | - | 379,110 | 32,540 | 826,827 |
| | \$ 25,927,778 | \$ 16,374,510 | \$ 14,883,845 | \$ 1,848,796 | \$ 59,034,929 |

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

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

| | 2023 | 2022 |
|---|----------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (11,039,030) | \$ (3,896,966) |
| Noncontrolling interest activities | (1,012,132) | (982,311) |
| Change in net assets before noncontrolling interest activities | (10,026,898) | (2,914,655) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Provision (used in) for credit losses | (308,991) | 266,906 |
| Depreciation | 196,434 | 219,543 |
| Amortization of notes issuance costs | 265,832 | 312,006 |
| Straight-line rent expense | 1,151,280 | 1,053,126 |
| (Gain) loss on investments | (605,095) | 4,965,762 |
| (Gain) loss on equity method investments | (770,537) | 466,532 |
| Loss on NMTC unwind | - | 21,845 |
| Distribution on earnings from equity method investments | 211 | 2,871 |
| Loss on disposal of assets | - | 7,156 |
| Accretion of interest on loans | 19,396 | 36,370 |
| Decrease (increase) in: | | |
| Accounts and interest receivable | (3,193,298) | (1,430,760) |
| Contributions receivable | 2,600,000 | (2,350,000) |
| Other real estate owned | (658,498) | - |
| Other assets | (611,746) | (119,661) |
| (Decrease) increase in: | | |
| Accounts payable and accrued expenses | 3,866,416 | 1,941,219 |
| Refundable advance liability | 3,563,504 | (522,319) |
| Lease liabilities | (1,277,539) | (1,189,479) |
| Net cash provided by operating activities | (5,789,529) | 766,462 |
| Cash flows from investing activities: | | |
| Loan originations and advances | (160,458,810) | (99,721,684) |
| Loan purchases | (3,453,165) | (2,347,209) |
| Loan repayments | 38,746,233 | 68,281,701 |
| Loan sales | 7,889,133 | 15,444,639 |
| Loan repayments - subsidiaries | 358,974 | 6,877,723 |
| Loan originations and advances - intercompany | (2,500,000) | - |
| Proceeds from return on investment from equity investment | 2,302,239 | 1,508,937 |
| Proceeds from sale and distributions of investments | 25,609,738 | 7,514,135 |
| Purchase of investments, net | (26,172,640) | (17,539,320) |
| Proceeds from mortgage backed securities | 6,894,225 | 36,877,063 |
| Purchase of mortgage backed securities | (10,963,359) | (12,056,947) |
| Purchase of furnishings and equipment | (396,351) | - |
| Acquisition of a subsidiary, net of cash acquired | - | (10,570) |
| Net cash provided by investing activities | (122,143,783) | 4,828,468 |
| Cash flows from financing activities: | | |
| Proceeds from notes payable | 22,024,894 | 20,475,106 |
| Repayment of notes payable | (7,500,000) | (18,500,000) |
| Proceeds from bond payable | - | 5,000,000 |
| Repayment of bond loan payable | - | (58,849,113) |
| Proceeds from subordinated debt payable | 14,500,000 | - |
| Repayment of subordinate notes payable | (2,500,000) | - |
| Proceeds from Federal Home Loan Bank borrowing | - | 3,000,000 |
| Repayment of Federal Home Loan Bank borrowing | - | (26,271,304) |
| Proceeds from issuance of Investor Notes, net | 102,788,192 | 64,896,270 |
| Repayment of investor Notes | (41,370,000) | (46,795,000) |
| Payment of issuance cost of investor Notes | (185,094) | (304,636) |
| Capital distribution paid - noncontrolling interest | (1,033,809) | (954,558) |
| Repayment of notes payable - subsidiaries | - | (3,190,973) |
| Proceeds from lines of credit | 68,000,000 | 86,000,000 |
| Repayment of lines of credit | (44,500,000) | (40,000,000) |
| Net cash used in financing activities | 110,224,183 | (15,494,208) |
| Net (decrease) increase in cash and cash equivalents | (17,709,129) | (9,899,278) |
| Cash and cash equivalents - beginning | 88,366,965 | 98,266,243 |
| Cash and cash equivalents - ending | \$ 70,657,836 | \$ 88,366,965 |

Capital Impact Partners and Subsidiaries

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

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Cash and cash equivalents consist of: | | |
| Cash and cash equivalents – unrestricted | \$ 44,233,703 | \$ 67,806,764 |
| Cash and cash equivalents – restricted | 26,424,133 | 20,560,201 |
| | <u>\$ 70,657,836</u> | <u>\$ 88,366,965</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest | \$ 15,819,378 | \$ 10,610,021 |
| Additions to right of use assets and liabilities obtained from operating leases | \$ 2,341,792 | \$ - |
| Supplemental schedule of noncash operating activities: | | |
| Loan forgiveness | \$ 137,480 | \$ - |
| Supplemental schedules of noncash investing and financing activities: | | |
| Distributions payable to noncontrolling interest included in accounts payable | \$ 245,512 | \$ 267,189 |
| Non-cash transfer included in loans receivable | \$ - | \$ 300,000 |
| Non-cash transfer from loans receivable to other real estate owned | \$ 658,498 | \$ - |
| Supplemental disclosure of cumulative effect of adoption of new accounting standard | | |
| Cumulative effect of current expected credit losses (CECL) | \$ 2,288,576 | \$ - |

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies

Description of activities: Capital Impact Partners is a nonprofit organization without capital stock organized under the laws of the District of Columbia at the direction of the U.S. Congress in 12 U.S. Code 3051(b). The purpose of Capital Impact Partners is to provide industry altering financial services and technical assistance programs designed to spark systemic change for lasting economic progress. Capital Impact Partners empowers communities to create more affordable cooperative homeownership, access to healthy foods, housing and services for the elderly, and facilities for health care centers and charter schools. The Community Development Financial Institutions Fund of the U.S. Treasury Department has designated Capital Impact Partners as a certified Community Development Financial Institution (“CDFI”).

Effective February 8, 2021, Capital Impact Partners amended its organizational documents. The amendments were primarily to convert from a membership to a non-membership organization and to revise the board makeup and size requirements in relation to the membership conversion.

CDC Small Business Finance Corp. (“CDC”) is a California not-profit organization committed to serving the capital needs of small businesses in California, Nevada, and Arizona. CDC is a Certified Development Company certified by the U.S. Small Business Administration. Its mission is to champion the growth of diverse small companies in its communities through advocacy and lending services. CDC arranges industrial and commercial real estate, and business development loans for small business companies located throughout the states of California, Nevada, and Arizona.

Effective April 1, 2021, Capital Impact Partners’ and CDC aligned their operations under one chief executive officer and a joint board of directors. The strategic alliance between Capital Impact Partners and CDC, which closed on July 15, 2021, innovates how capital and investments flow into historically disinvested communities to advance economic empowerment and equitable wealth creation. Capital Impact Partners and CDC remain as separate legal and tax entities with no control over the other.

Capital Impact Partners and CDC cross guarantee most of the other party’s debt, and are co-borrowers on other obligations to enable each organization to benefit from the combined financial strength of both organizations.

Capital Impact Partners and CDC have substantially overlapping executive management teams with Ellis Carr, Capital Impact Partners’ President and Chief Executive Officer, serving as President and Chief Executive Officer of both organizations.

In July 2022, the strategic alliance of Capital Impact Partners and CDC was rebranded as Momentum Capital, although each of Capital Impact Partners and CDC continues operating as separate entities committed to serving its key market and clients, complementing Capital Impact Partners and CDC’s shared missions of community development and support for small businesses.

On December 10, 2021, Alliance Securities Manager LLC (“ASM”), a Delaware limited liability company and taxable wholly-owned subsidiary of Capital Impact Partners, entered into a Membership Interest Purchase Agreement (“Purchase Agreement”) to purchase all the rights, title and interest in RPS Securities LLC (“RPS”), a member broker-dealer of the Financial Industry Regulatory Authority (“FINRA”). On February 11, 2022, RPS’ continuing membership application was approved by FINRA and shortly after, on February 17, 2022, ASM acquired all of the interests in RPS pursuant to the Purchase Agreement and renamed RPS as Alliance Securities LLC effective February 17, 2022. Soon after Alliance Securities, LLC was renamed Momentum Securities LLC (“Momentum Securities”).

On June 10, 2022, Capital Impact Partners formed two entities:

- 1) Equitable Prosperity Manager LLC (“EPM”) is a wholly-owned investment adviser and a subsidiary of ASM.
- 2) Equitable Prosperity Fund I GP LLC (“EPF GP”) is a Delaware limited liability company and wholly-owned subsidiary of Capital Impact Partners and a single purpose entity that holds the general partner interest in Equitable Prosperity Fund I LP (“EPF”).

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

EPF, formed on June 10, 2022, is a growth stage impact investment fund designed to fill the capital gap needed to propel community-centric enterprises to scale and create measurable impact. Capital Impact Partners' capital contributions currently account for 31.92% of the aggregate capital contributions to EPF.

The broker-dealer and investment advisory activities related to these entities are intended to generate revenue streams in the form of fee income and commissions (whether related to placement of securities, financing, investment management or investment banking). One or more affiliates of Capital Impact Partners, including EPM may also receive a profit allocation or carried interest in connection with its investment advisory activities.

The following table provides information on Capital Impact Partners' various subsidiaries:

| Subsidiary Name | Ownership % | Purpose of Subsidiary | Included in Consolidated Financials |
|--|-------------|--|-------------------------------------|
| Community Solutions Group, LLC | 100% | Subsidiary of Capital Impact Partners formed to foster development and provide technical assistance to cooperative organizations and similar non-profit organizations and provide capital in support of development projects by making strategic grants and business planning advances. This entity had no activity in 2023 and 2022. | Yes |
| NCBCI Education Conduit, LLC | 100% | Subsidiary of Capital Impact Partners formed to facilitate, encourage and assist in financing charter schools. This entity holds Capital Impact Partner's interest in the Charter School Financing Partnership (CSFP), LLC. This entity had no activity in 2023 and 2022. | Yes |
| Impact NMTC Holdings II, LLC | 100% | Subsidiary of Capital Impact Partners formed to act as a non-managing member for NMTC Community Development Entities (CDEs) with Capital Impact Partners acting as managing member. This entity had no activity in 2023 and 2022. | Yes |
| Detroit Neighborhoods Fund, LLC (DNF, LLC) | 100% | Subsidiary of Capital Impact Partners formed to provide financing for mixed-use and multi-family rental housing and healthy foods retail in underserved areas in Detroit, Michigan. | Yes |
| FPIF, LLC | 100% | Subsidiary of Capital Impact Partners formed to channel funds to a predominately low income population aged 50+. | Yes |
| Community Investment Impact Fund, LLC | 30% | The purpose of this fund is to engage solely in the business of, directly or indirectly, owning, holding for investment, exchanging, selling and disposing of investments in loans and other related activities. Capital Impact Partners is the managing member of this entity. Community Investment Impact Fund II, LLC merged with and into this entity, on January 1, 2020. Effective January 1, 2020, Capital Impact Partners increased its managing member ownership from 20% to 30%. | Yes |
| Alliance Securities Manager LLC | 100% | This LLC is a holding company created to house the interests in investment business lines. This company is the parent company of Momentus Securities LLC and Equitable Prosperity Manager LLC which provides investment advisory services to multiple funds and is currently an Exempt Reporting Adviser. | Yes |
| Equitable Prosperity Fund I GP LLC | 100% | This LLC is a single purpose entity that holds the General Partner interest in Equitable Prosperity Fund I LP. | Yes |

Capital Impact Partners' principal sources of revenue and support are interest income and fees earned from its lending activities, grants, contracts/technical assistance and contributions.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

Significant accounting policies:

Basis of presentation: The consolidated financial statements (collectively, the financial statements) are in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which have been applied on a consistent basis and follow general practices within the not-for-profit industry.

Principles of consolidation: The financial statements include the accounts of Capital Impact Partners and its consolidated subsidiaries, which include Community Solutions Group, LLC, NCBCI Education Conduit, LLC, Detroit Neighborhoods Fund, LLC, FPIF, LLC, Community Investment Impact Fund, LLC, Impact NMTC Holdings II, LLC, Alliance Securities Manager LLC, Momentus Securities LLC, Equitable Prosperity Manager LLC and Equitable Prosperity Fund I GP LLC. All intercompany balances and transactions are eliminated in consolidation.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain amounts for the prior year have been reclassified to conform to the current year presentation; specifically, technical assistance reclassifications to align with current business activity.

Unrestricted cash and cash equivalents: Unrestricted cash and cash equivalents consist of cash and investment securities with original maturities at the date of purchase of less than 90 days.

Restricted cash and cash equivalents: Capital Impact Partners has certain restricted cash and cash equivalents that are held per terms of grant and loan agreements.

Investments: Investments in equity securities, money market funds, Mortgage Backed Securities with readily determinable fair values are stated at fair value measured, as more fully described in Note 21. Capital Impact Partners’ investment in Real Estate Investment Trust (“REIT”), and other investments are stated at estimated fair value, as more fully described in Note 21. Interest and dividend income are recognized when earned. Any unrealized or realized gains or losses are reported in the Consolidated Statements of Activities and Changes in Net Assets as a change in assets without donor restrictions, unless explicit donor intent or law restricts their use, in which case unrealized or realized gains or losses are reported in the Consolidated Statements of Activities and Changes in Net Assets as a change in assets with donor restrictions. Investment return is reported net of investment expenses. Capital Impact Partners recognizes an average prepayment term of 10 years for the accretion of premium/discount on Mortgage Backed Securities. This accelerated term relates to the increase in mortgage payoffs due to refinancing of homes. The accretion is reported with investment income, net assets without donor restrictions.

Investments in other entities are accounted for under the equity or the cost method depending on Capital Impact Partners’ voting interest and the degree of control or influence Capital Impact Partners may have over the operations of these entities, as noted below:

Investments in New Markets Tax Credit entities: Investments in New Markets Tax Credit (“NMTC”) entities are accounted for under the equity method of accounting under which Capital Impact Partners’ share of net income or loss is recognized in the Consolidated Statements of Activities and Changes in Net Assets and added or subtracted from the investment account, and distributions received are treated as a reduction of the investment account.

Investment in ROC USA, LLC: Capital Impact Partners has a 23.81% voting interest in ROC USA, LLC and 33% equity investment in ROC USA, LLC and is accounting for its investments in ROC USA, LLC under the equity method of accounting. Accordingly, Capital Impact Partners’ share of the change in net assets without donor

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

restrictions of the affiliate is recognized as income or loss in Capital Impact Partners' Consolidated Statements of Activities and Changes in Net Assets and added to or subtracted from the investment account. Dividends received from the affiliate are treated as a reduction of the investment account. Capital Impact Partners appoints two of the eleven directors of the Board of Directors. The purpose of ROC USA, LLC is to aid people living in manufactured home communities, through technical assistance, loans, training and assistance in the purchase of their communities and the operation of those communities as resident-owned and/or controlled entities.

Investment in Charter School Financing Partnership, LLC: Capital Impact Partners has a 20% voting interest in Charter School Financing Partnership, LLC ("CSFP") and is accounting for its investment in CSFP under the equity method of accounting. Accordingly, Capital Impact Partners' share of net income of the affiliate is recognized as income or loss in Capital Impact Partners' Consolidated Statements of Activities and Changes in Net Assets and added to or subtracted from the investment account. Dividends received from the affiliate are treated as a reduction of the investment account. Capital Impact Partners appoints one of the five managers of the Board of Managers. CSFP was established to encourage, facilitate and assist charter schools with financing and educational related activities.

Investment in FHLB Stock: In January 2015, Capital Impact Partners became a member of the Federal Home Loan Bank of Atlanta ("FHLBank Atlanta") and is required to maintain an investment in capital stock in FHLBank Atlanta. The FHLBank Atlanta stock does not have a readily determinable value as ownership is restricted and there is no ready market for this stock. As a result, the stock is carried at cost and management evaluates periodically for impairment based on the ultimate recovery of the cost basis of the stock. No impairment was noted as of December 31, 2023 or 2022.

Investment in Workforce Affordable Housing Fund I, LLC: In July 2019, Capital Impact Partners became a 96% non-controlling member in the Investment in Workforce Affordable Housing Fund I, LLC ("WAHF") and is accounting for its Investment under the equity method of accounting. Capital Impact Partners does not consolidate WAHF since it is not the managing member and the managing member controls the entity. The purpose is to invest in multifamily affordable housing properties located in specified areas in the U.S. Housing properties are to be acquired, held for investment then sold. Members record their proportionate share of income or loss from the properties and gain/loss upon sale of the property.

Investment in Equitable Prosperity Fund and Equitable Prosperity General Partner LLC: Capital Impact Partners' capital contributions currently account for 31.92% of the aggregate capital contributions to EPF. EPF is a growth stage impact investment fund designed to fill the capital gap needed to propel community-centric enterprises to scale and create measurable impact. Capital Impact Partners is accounting for its investment in EPF GP under the equity method of accounting. Accordingly, Capital Impact Partners' share of net income/loss of EPF, through EPF GP, is recognized as income/loss in Capital Impact Partners' Consolidated Statements of Activities and Changes in Net Assets and added to or subtracted from the investment account.

Noncontrolling interest in consolidated subsidiaries: The noncontrolling interest represents the equity interest in Community Investment Impact Fund, LLC ("CIIF") exclusive of Capital Impact Partners' interest. CIIF is a for-profit entity, which is jointly owned by Capital Impact Partners (managing member with 30% ownership) and Annaly Social Impact LLC ("Annaly") (non-managing member with 70% ownership). The non-managing member does not have substantive kick-out rights or substantive participating rights and therefore cannot consolidate. CIIF shall engage solely in the business of owning, holding for investment, exchanging, selling and disposing of investments in loans and other activities related or incidental to the foregoing business.

The operating agreements outline the "waterfall" of funds for CIIF to distribute to its investors. Distributions include: 1) operating cash to Annaly until such time it achieves a preferred return, and 2) remaining operating cash allocated to Annaly and Capital Impact Partners. In addition, commencing in 2024, distributions also include principal payments to Annaly until its capital contributions have returned, and then principal payments to Capital Impact

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

Partners until its capital contributions have been returned. Any remaining distributable principal shall be allocated to Annaly and Capital Impact Partners.

Other Real Estate Owned (OREO): Real estate acquired through foreclosure or other proceedings is carried at estimated fair value, indicated by current appraisal, less estimated costs of disposal. The appraised value may be discounted based on Management's review and changes in market conditions. Costs of improving OREO are capitalized to the extent that the carrying value does not exceed its fair value less estimated selling costs. Subsequent valuation adjustments, if any, are recognized as a charge to lending expenses on the Consolidated Statements of Activities and Changes in Net Assets. Holding costs are charged to current period expense. Gains and losses on sales are recognized in financial income (loss) as they occur.

Loans receivable:

Loans: Loans are stated at their principal amounts outstanding, net of deferred loan fees. Interest income is accrued daily at the loans' respective interest rates. Related direct loan origination fees and costs are deferred and amortized over the life of the loans. Fees relating to expired commitments are recognized as non-interest income. If a commitment is exercised during the commitment period, the fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

Impaired loans: Through the year ended December 31, 2022, until the adoption of ASC 326, a loan is considered impaired when, based on current information and events, it is probable that Capital Impact Partners will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is generally measured on a loan-by-loan basis using the fair value of collateral, since Capital Impact Partners' loans are largely collateral dependent.

Impaired loans also include troubled debt restructurings ("TDRs"), if any, where management has modified loan terms and made concessions to borrowers in financial difficulty. These concessions could include a reduction of interest rate on the loan, payment extensions, forbearance or other actions intended to maximize collection. Consequently, the allowance for loan losses related to TDRs is based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral-dependent loans.

Non-accrual loans: The accrual of interest on outstanding loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. When the accrual of interest ceases, any unpaid interest previously recorded as income is deducted from income. Any future payments received are applied to reduce principal. At such time as full collection of the remaining recorded balance is expected in the ordinary course of business, interest payments are recorded as interest income on a cash basis. Loans may be reinstated to accrual status when all payments are brought current and, in the opinion of management, collection of the remaining principal and interest can reasonably be expected. If at any time collection of principal or interest is considered doubtful, all or some portion of the loan is charged off for financial reporting purposes, although collection efforts may still continue.

Allowance for loan losses: Through the year ended December 31, 2022, until the adoption of ASC 326, the allowance for losses is a valuation reserve that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. It is established through a provision for loan losses charged to expense. Loans deemed to be uncollectible, such as debt discharged in bankruptcy or collateral deterioration, are charged against the allowance. Subsequent recoveries, if any, are credited to the allowance. The allowance is maintained at a level believed adequate by management to absorb estimated potential losses after considering

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

changes, past loss experience, the nature of the portfolio and current economic conditions. However, the allowance is an estimate that could change if there are significant changes in the portfolio and/or economic conditions.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value for collateral dependent loans or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience and expected losses given Capital Impact Partners' internal risk rating process. Other adjustments are made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not reflected in the historical loss or risk rating data.

Upon adoption of ASC 326-13, Capital Impact Partners' routinely evaluates the credit worthiness of the Borrower, at least annually, and establishes an allowance for loan losses. Capital Impact Partners' estimates its CECL Reserve using datapoints that may include the likelihood of default and expected loss given default and other inputs which may include the risk rating of the loan, financial performance of the borrower compared to financial projections, and how recently the loan was originated compared to the measurement date. Estimating the CECL Reserve requires significant judgment with respect to various factors, including (i) the appropriate historical loan loss reference data, (ii) the expected timing of loan repayments, (iii) calibration of the likelihood of default to reflect the risk characteristics of Capital Impact Partners' loans and (iv) Capital Impact Partners' current and future view of the macroeconomic environment. Capital Impact Partners may consider qualitative factors to estimate its CECL Reserve. Additionally, Capital Impact Partners' considers whether Borrowers are experiencing financial difficulty and whether the delays in payment are insignificant.

Transfers of financial assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from Capital Impact Partners, (2) the transferee obtains the right to pledge or exchange the transferred assets and no condition both constrains the transferee from taking advantage of that right and provides more than a trivial benefit for the transferor, and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

Contributions receivable: Capital Impact Partners accounts for contributions received as without donor restriction or with donor restrictions depending on the existence or nature of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions as to time or purpose depending on the nature of the restriction. When the donor restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions. Contributions receivable, which represents unconditional promises to give, are recognized as revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give, which depend on the existence of both performance barriers and right of return language are recorded as deferred revenue.

Other assets: Other assets include deposits, a recoverable grant, prepaid expenses, and furniture, equipment and leasehold improvements (see Note 10).

Right of use assets / lease liabilities: Capital Impact Partners recognizes right of use assets and lease liabilities on the Consolidated Statements of Financial Position for all leases with terms longer than 12 months. Right of use assets and lease liabilities are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term, using the incremental borrowing rate. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the Consolidated Statements

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

of Activities and Changes in Net Assets. Lease expense is recognized on a straight-line basis over the term of the lease. The options to extend the lease term are not included in the right of use assets and liabilities recorded, when applicable. Capital Impact Partners has elected the practical expedient of not separating lease components from non-lease components.

Investor Notes: Capital Impact Partners launched an Investor Notes (“Investor Notes”) program in 2017. The proceeds of the offerings are used primarily to fund initiatives that meet critical needs in low income communities across the United States, including through Capital Impact Partners’ subsidiaries and third-party intermediaries. The proceeds of the offerings may also be used to purchase securities or other assets that will be leveraged to support Capital Impact Partners’ lending activities and general operations. The Investor Notes are offered through registered broker-dealers and are available for purchase in book-entry form, which means they may be purchased electronically through the investor’s brokerage account and settled through the Depository Trust Company (“DTC”). Capital Impact Partners incurs agent and other fees to issue the Investor Notes program. The fees include legal and accounting fees which are capitalized in accordance with U.S. GAAP and amortized using the effective-yield method over the term of the Investor Notes and are presented net of the Investor Notes on the Consolidated Statements of Financial Position.

US Bank has been designated as the trustee to the indenture governing the terms of the Investor Notes and in this capacity US Bank serves as paying agent for the Investor Notes. The Investor Notes constitute unsecured debt obligations of Capital Impact Partners.

Net assets: Capital Impact Partners classifies net asset into two categories: Without Donor Restrictions and With Donor Restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. Donor restricted net assets can be released from restriction when the time restrictions expire or the contributions are used for their intended purpose at which time they are reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions. Donor restricted funds also include donor contributions to be utilized in perpetuity as a revolving loan fund totaling \$12,532,653 and \$11,155,000, respectively, at December 31, 2023 and 2022.

Revenue recognition: Capital Impact Partners generally measures revenue based on the amount of consideration Capital Impact Partners expects to receive for the transfer of services to a customer, then recognizes this revenue when or as Capital Impact Partners satisfies its performance obligations under the contract, except in transactions where U.S. GAAP provides other applicable guidance. Material revenue streams are reported separately on the Consolidated Statements of Activities and Changes in Net Assets.

Revenue recognized at a point in time includes NMTC suballocation fees, unused fee, portfolio amendment/modification fees, covenant waiver fees and fund management fees.

NMTC suballocation fees are paid to Capital Impact Partners from the community development entity (“CDE”) for Capital Impact Partners’ allocation of its NMTC award to the CDE. The fees are a percentage of the qualified equity investment (“QEI”) made from the investor member to the CDE. The performance obligation by Capital Impact Partners is to assist in the transfer of its NMTC allocation to a CDE; therefore, the performance obligation is satisfied and revenue recognized when the deal closes.

Unused fees are paid to Capital Impact Partners from borrowers with revolving line of credit loans; equal to 15 basis points of the difference between the maximum available loan amount and average aggregate amount outstanding during the immediately preceding year. The unused fees are recognized upon receipt.

Portfolio amendment/modification fees are paid to Capital Impact Partners from borrowers. Borrowers request amendments to their existing loan agreement. The Portfolio team members determine the amount of work

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

necessary to incorporate the requested amendments. Fees can range from \$500 - \$2,500 based on the complexity of the update.

Covenant waiver fees are paid to Capital Impact Partners from borrowers. Borrowers pay a flat fee of \$250 to waive immaterial covenant requirements.

As an investor member of WAHF, Capital Impact Partners earned an annual fund management fee. The equity investment fund management fee is a flat annual amount that ranges from \$30,000 to \$50,000 and recognized upon receipt.

Revenue recognized over a period of time includes Asset Management Fees and Guarantee Fees:

Asset management fees are earned by Capital Impact Partners for management services for NMTC programs and includes assisting with NMTC program requirements. These performance obligations are estimated to be satisfied evenly over the life of each loan. The fee is either based on basis points of the outstanding balance of a loan or a flat fee. The fee is accrued monthly and paid quarterly. Asset management fees earned from subsidiaries are eliminated upon consolidation.

In December 2020, the California Primary Care Association ("CPCA") established the CPCA COVID Response Loan Fund to finance loans to California community healthcare centers. Capital Impact Partners serves as both the Program Administrator and Servicer of loans originated by this fund. As Program Administrator of these off-balance sheet loans, Capital Impact Partners reviews and manages the loan application process. This role entitles Capital Impact Partners to earn a fund underwriting fee of 1% per loan, which is recognized upon receipt in the Consolidated Statements of Activities and Changes in Net Assets. In addition, Capital Impact Partners has committed to guarantee payments on defaulted loans for up to 5% of the total amount disbursed, not to exceed \$1.5 million. As loans are originated, the guarantee fees are recorded as a contingent liability and offset to underwriting fee income.

Asset management fees from investments: Capital Impact Partners recognizes investment management fees earned by EPM as part of its third-party investment management advising to one or more private funds.

Loan servicing fees: Capital Impact Partners recognizes loan servicing fees on the loans that it services for third parties. These fees are earned over the life of the loan.

Gain on extinguishment of debt: Capital Impact Partners realized a gain on the extinguishment of FHLB Atlanta debt and CDFI Bond debt and is included in the Consolidated Statements of Activities and Changes in Net Assets. The gain from extinguishment of debt include the write-off of unamortized debt issuance costs, debt discount, and/or premium. See Note 13 for details.

Innovative community lending program: Capital Impact Partners provides loans and other kinds of financial services and support (i.e., financial analysis, real estate development tools and training) to cooperative and cooperative-like organizations serving low income people and communities.

Technical assistance: Working with federal, state and local agencies, long-term care providers, small businesses, housing developers and community development corporations, Capital Impact Partners' team of experts enable affordable homeownership, small business development, and safe, humane community-based long-term care.

Functional expense allocation: The costs of providing various programs, technical assistance and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include the departments of President's Office, National Programs, Information Technology, Human Resources, Finance, Legal, Communications and Investments. These departments also

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

benefit various programs. Any direct program related invoices such as Professional Fees and Contractual Services, specific to the teams noted above, are reported as program or technical assistance expenses. Salaries and benefits, travel and entertainment, depreciation and certain other expenses are allocated as a percentage of time worked on program specific duties.

Income taxes: Capital Impact Partners is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, Capital Impact Partners qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal corporate income taxes. Management evaluated Capital Impact Partners' tax positions and concluded that Capital Impact Partners had

taken no uncertain tax positions that require adjustment to the financial statements. Consequently, no accrual for federal or state tax liability for interest and penalties was deemed necessary for the years ended December 31, 2023 and 2022. Capital Impact Partners files tax returns in the U.S. federal jurisdiction and California. Generally, Capital Impact Partners is no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2019.

CIIF is a consolidated subsidiary of Capital Impact Partners and is a Delaware limited liability company. The entity files an annual tax return to report the income, deductions, gains, losses, etc., from its operations. The entity does not pay federal income tax but pays non-resident withholding taxes to California. All profits or losses pass through to its members, Capital Impact Partners and Annaly. Each member includes its share of the entity's income/loss on its tax return, whereas Annaly pays applicable non-resident withholding tax.

ASM is a consolidated subsidiary of Capital Impact Partners and is a Delaware limited liability company and is taxable as a C corp. This company is the parent company of Momentus Securities LLC and Equitable Prosperity Manager LLC. ASM income is subject to income taxes and ASM files a separate tax return from Capital Impact Partners and accounts for income taxes in accordance with FASB's guidance on Accounting for Income Taxes. ASM has no material deferred tax asset or liability and has concluded that it has no material uncertain tax positions to be recognized at this time. ASM's wholly-owned subsidiaries are disregarded entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by ASM on its income tax return. Accordingly, the wholly-owned subsidiaries are not required to file income tax returns with the Internal Revenue Service or other taxing authorities.

Recent accounting pronouncements

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments –Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which introduced an expected credit loss model for the impairment of financial assets measured at amortized cost. The model replaces the probable, incurred loss model for those assets and broadens the information a CDFI must consider in developing its expected credit loss estimate for assets measured at amortized cost. On January 1, 2023, Capital Impact Partners adopted ASU No. 2016-13 and recorded a cumulative effect adjustment in relation to the change in accounting policy of \$2,288,576.

Upcoming accounting pronouncements not yet adopted:

There are no upcoming accounting pronouncements.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Cash and Cash Equivalents

Cash and cash equivalents, including restricted balances, consist of the following at December 31:

| | <u>2023</u> | <u>2022</u> |
|------------------------------|----------------------|----------------------|
| Cash in bank | \$ 49,559,537 | \$ 72,603,715 |
| Overnight investments | 1,367,497 | 1,519,196 |
| Other short-term investments | 15,713,101 | 12,048,894 |
| U.S. Treasury Bills | 4,017,701 | 2,195,160 |
| | <u>\$ 70,657,836</u> | <u>\$ 88,366,965</u> |
| Unrestricted | \$ 44,233,703 | \$ 67,806,764 |
| Restricted | 26,424,133 | 20,560,201 |
| | <u>\$ 70,657,836</u> | <u>\$ 88,366,965</u> |

Restricted cash and cash equivalents are held, per respective agreements, for the following purposes: a) lending for the affordable housing in low income community, b) to cover loan losses under a charter school loan program from the United States Department of Education ("USED") and c) other programs.

Note 3. Liquidity

Capital Impact Partners regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to maximize the return on investment of its funds not required for annual operations.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Liquidity (Continued)

As of December 31, 2023, and 2022, the following financial assets are available to meet annual operating needs of the 2023 and 2022 fiscal year, respectively:

Liquidity

| | 2023 | 2022 |
|--|----------------------|----------------------|
| Total assets at year-end: | | |
| Cash and cash equivalents – unrestricted | \$ 44,233,703 | \$ 67,806,764 |
| Cash and cash equivalents – restricted | 26,424,133 | 20,560,201 |
| Accounts and interest receivable | 7,455,892 | 4,262,594 |
| Contributions receivable | - | 2,600,000 |
| Loans receivable, net | 487,011,696 | 368,796,907 |
| Loans receivable – subsidiaries | 19,868,695 | 20,227,669 |
| Loans receivable – intercompany | 2,500,000 | - |
| Other real estate owned | 658,498 | - |
| Other assets | 3,643,329 | 2,831,666 |
| Investments | 41,473,089 | 42,359,730 |
| Mortgage backed securities | 33,822,580 | 29,230,723 |
| Right of use assets | 9,428,191 | 7,898,991 |
| Total assets | <u>676,519,806</u> | <u>566,575,245</u> |
| Less amounts not available to be used within one year: | | |
| Cash and cash equivalents – unrestricted – subsidiaries | (21,821,117) | (21,844,285) |
| Cash and cash equivalents – restricted | (26,424,133) | (20,560,201) |
| Contributions receivable | - | (2,600,000) |
| Loans receivable, due after one year, net | (364,711,919) | (314,134,282) |
| Loans receivable – subsidiaries | (19,868,695) | (20,227,669) |
| Other assets | (3,643,329) | (2,831,666) |
| Investments | (41,473,089) | (42,359,730) |
| Investments in pledged mortgage backed securities | (29,581,714) | (26,084,534) |
| Unfunded loan commitments | (97,258,796) | (76,285,864) |
| Right of use assets | (9,428,191) | (7,898,991) |
| Assets not available to be used within one year | <u>(614,210,983)</u> | <u>(534,827,222)</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 62,308,823</u> | <u>\$ 31,748,023</u> |

Note 4. Concentration of Credit Risk and Concentration of Contributions

Capital Impact Partners maintains cash in various financial institutions. Cash balances at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

At December 31, 2023 and 2022, Capital Impact Partners had uninsured balances of \$50,324,613 and \$71,765,808, respectively, that are included in cash and cash equivalents. Capital Impact Partners has not experienced any losses in such accounts. Capital Impact Partners' management believes it limits any significant credit risk by placing its deposits with high quality financial institutions. Uninsured amounts of \$6,953,826 and \$3,626,210 are held in short-term investments, in sweep accounts and non-bank money market accounts at December 31, 2023 and 2022, respectively.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Concentration of Credit Risk and Concentration of Contributions (Continued)

As indicated in Note 8, a substantial portion of the loan portfolio is represented by loans to affordable housing projects. Most affordable housing loans have reserves established to mitigate risk of borrower payment issues. In addition, a substantial portion of the loan portfolio is represented by loans to charter schools. The viability of the borrowers and their ability to honor their contracts is dependent upon their ability to retain their charters. Approximately 19% and 21% of the portfolio represents loans made to entities associated with the NMTC program at December 31, 2023 and 2022, respectively. Approximately 22% and 24% of the portfolio represents loans made in the state of California and approximately 19% and 24% in the state of Michigan at December 31, 2023 and 2022.

During the years ended December 31, 2023 and December 31 2022, approximately \$16,190,000, or 59% of total restricted grants and contributions, were from two donors and \$11,200,000, or approximately 43% of total restricted grants and contributions, were from two donors, respectively.

Note 5. Investments

Investments consist of the following as of December 31:

| | 2023 | 2022 |
|--|----------------------|----------------------|
| Marketable equity securities | \$ 495,215 | \$ 401,556 |
| Real estate investment trust | 2,113,113 | 2,068,750 |
| Other investments | 286,671 | 286,674 |
| Total investments at fair value (Note 21) | 2,894,999 | 2,756,980 |
| Equity method investments: | | |
| ROC USA, LLC | 4,069,129 | 3,608,302 |
| Charter School Financing Partnership, LLC | 343,752 | 343,752 |
| Workforce Affordable Housing Fund I, LLC | 20,926,261 | 22,812,857 |
| Equitable Prosperity Fund and Equitable Prosperity Fund I GP LLC | 10,709,439 | 10,523,957 |
| Alliance Securities Manager LLC | 107,710 | 107,710 |
| Other equity method investment | 363,094 | 375,435 |
| Equity method investments in New Markets Tax Credit entities (Note 18) | 22,005 | 18,537 |
| Total equity method investments | 36,541,390 | 37,790,550 |
| Investments at cost | 1,536,700 | 1,312,200 |
| Debt investment | 500,000 | 500,000 |
| | <u>\$ 41,473,089</u> | <u>\$ 42,359,730</u> |

Investment gain/loss consists of the following during the year ended December 31:

| Investment gain (loss), net: | 2023 | 2022 |
|---|---------------------|-----------------------|
| Interest income, net | \$ 2,861,047 | \$ 500,514 |
| Dividend income | 88,222 | 70,742 |
| Unrealized gain (loss) on marketable securities and investments | 856,202 | (3,214,486) |
| Net realized loss on sale of mortgage backed securities | (251,107) | (1,751,276) |
| | <u>\$ 3,554,364</u> | <u>\$ (4,394,506)</u> |

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

Investment in Alliance Securities Manager LLC: On December 10, 2021, ASM entered into the Purchase Agreement to purchase all the rights, title and interest in RPS Securities, a member broker-dealer of FINRA. On February 11, 2022, RPS' continuing membership application was approved by FINRA and shortly after, on February 17, 2022, ASM acquired all of the interests in RPS pursuant to the Purchase Agreement and renamed RPS as Alliance Securities LLC. Soon after Alliance Securities LLC was renamed Momentus Securities. During the year ended December 31, 2023 and 2022, Capital Impact Partners recorded contributions of \$3,334,333 and \$17,837,710 respectively, which is eliminated upon consolidation, and investment loss of \$4,693,309 and \$2,810,588, respectively.

The following is a summary of financial information for the years ended December 31, 2023 and 2022 for ASM:

| | 2023 | 2022 |
|------------------------|---------------|---------------|
| Total assets | \$ 16,833,523 | \$ 16,676,802 |
| Total liabilities | 3,165,377 | 1,649,681 |
| Total members' capital | 13,668,146 | 15,027,121 |
| Total revenue | 1,979,896 | 125,097 |
| Total expenses | 6,673,205 | 2,935,685 |
| Net loss | (4,693,309) | (2,810,588) |

Investment in Equitable Prosperity Fund I and Equitable Prosperity Fund I GP LLC: Capital Impact Partners' capital contributions currently accounts for 31.92% of the aggregate capital contributions to Equitable Prosperity Fund I, a growth stage impact investment fund designed to fill the capital gap needed to propel community-centric enterprises to scale and create measurable impact. During the year ended December 31, 2023, Capital Impact Partners sold \$24,200,000 of investments to EPF, of which \$16,107,050 was acquired by Capital Impact Partners in 2023. Capital Impact Partners, as an investor in EPF, contributed capital of \$8,830,572 and recorded an investment loss of \$141,238. During the year ended December 31, 2022, Capital Impact Partners originated \$17,292,950 of equity investments and sold \$6,500,000 investments to EPF. Capital Impact Partners, as an investor in EPF, recorded an investment loss of \$182,897.

The following is a summary of unaudited financial information for the years ended December 31, 2023 and 2022 for Equitable Prosperity Fund I:

| | 2023 | 2022 |
|-------------------------------|----------------------|---------------------|
| Total assets | \$ 34,467,477 | \$ 6,869,335 |
| Total liabilities | 7,264,977 | 558,896 |
| Total members' capital | 27,202,500 | 6,310,439 |
| Total revenue | 2,301,130 | 183,641 |
| Total expenses | 2,847,233 | 886,278 |
| Net loss | (546,103) | (702,637) |

ROC USA, LLC: In February 2019, Capital Impact Partners contributed an additional \$750,000 into ROC USA, LLC and amended the existing operating agreement (reflecting Capital Impact Partners' prior \$500,000 investment) to incorporate this new equity investment. The revised operating agreement allows for the investor members to receive distributions equal to 5% of their capital contribution. Capital Impact Partners received a distribution during each of the years ended December 31, 2023 and 2022 totaling \$46,875 and \$62,500, respectively. The allocation of the change in net assets without donor restriction and voting rights remained consistent with the original agreement at 33.33% and 33.33%, respectively. As provided for in the operating agreement of ROC USA, LLC, there are certain limitations affecting

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

member capital withdrawals. For the years ending December 31, 2023 and 2022, Capital Impact Partners recognized a gain of \$507,702 and loss of \$26,430, respectively.

The following is a summary of financial information for the years ended December 31, 2023 and 2022, for ROC USA, LLC:

| | 2023 | 2022 |
|---|----------------|----------------|
| Total assets | \$ 150,583,834 | \$ 134,867,839 |
| Total liabilities | 123,679,661 | 115,976,998 |
| Net assets | 26,904,173 | 18,890,841 |
| Total revenue | 13,773,343 | 5,835,403 |
| Total expenses | 7,115,665 | 5,914,694 |
| Change in net assets without donor restrictions | 6,657,678 | (79,291) |

Workforce Affordable Housing Fund I, LLC: In December 2019, Capital Impact Partners invested in WAHF. The purpose of this transaction is to invest in multifamily affordable housing properties located in specific areas throughout the United States. During the years ended December 31, 2023 and 2022, Capital Impact Partners recorded distributions of \$2,302,239 and \$1,508,937, respectively. Capital Impact Partners' allocated gain was \$415,643 and loss was \$289,732 for the years ended December 31, 2023 and 2022, respectively.

The following is a summary of financial information for WAHF for the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|------------------------|---------------|---------------|
| Total assets | \$ 22,704,583 | \$ 24,728,482 |
| Total liabilities | 68,572 | 73,663 |
| Total members' capital | 22,636,011 | 24,654,819 |
| Total revenue | 503,507 | (227,217) |
| Total expenses | 70,545 | 74,587 |
| Net income (loss) | 432,962 | (301,804) |

Charter School Financing Partnership, LLC: As of December 31, 2023, and 2022, Capital Impact Partners had an investment in CSFP of \$343,752 and \$343,752, respectively. The net income of CSFP is allocated 18% to Capital Impact Partners and amounted to \$49,488, for the year ended December 31, 2022. CSFP's 2023 net income allocation is not available as of the audit date and will be recorded when received.

Other equity method investments: In 2018, Capital Impact Partners entered into an agreement to invest \$500,000 in Develop Detroit, a nonprofit developer in Detroit, Michigan. The balance recorded as of December 31, 2023 and 2022, was \$363,094 and \$375,435, respectively. Net gain (loss) recorded as of December 31, 2023 and 2022 was (\$12,341) and \$17,083, respectively.

Debt investment: In 2018, Capital Impact Partners entered into a debt investment with a CDFI in the cooperative sector. The balance recorded as of December 31, 2023 and 2022 was \$500,000.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

Investments at cost: Capital Impact Partners is a member of FHLBank Atlanta, whose mission is to support member's residential-mortgage and economic-development lending activities. FHLBank Atlanta is a cooperative bank that offers, among other services, competitively priced financing. As a requirement of membership, Capital Impact Partners was required to purchase Class A Membership Stock of \$250,000, which carries voting rights and is also an earning asset with dividends. Capital Impact Partners is required to purchase additional stock of 4.5% of each advance and pledge cash or securities as collateral for advances. At December 31, 2023 and 2022, the amount of stock held was \$1,536,700 and \$1,312,200, respectively. As of December 31, 2023, and 2022, Capital Impact Partners has outstanding advances from FHLBank Atlanta totaling \$24,000,000.

Note 6. Mortgage Backed Securities

Capital Impact Partners purchases Mortgage Backed and U.S. Treasury Securities in order to serve as collateral/pledge base for FHLBank Atlanta borrowings and also earns a return on these investments. Of the total purchased Mortgage Backed and U.S. Treasury Securities, \$29,581,714 and \$26,084,534 was pledged as of December 31, 2023 and 2022, respectively. The remaining unpledged balance, net of discount, which is available to secure future advances are \$4,240,866 and \$5,341,349 as of December 31, 2023 and 2022, respectively. Capital Impact Partners recognized a net loss of (\$251,107) and (\$1,751,276) on the sale of mortgage backed securities during 2023 and 2022, respectively.

The Mortgage Backed Securities by category as of December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---------------|---------------|
| Mortgage Backed Securities: | | |
| Federal Home Loan Mortgage Company (FHLMC) | \$ 1,069,272 | \$ 1,242,816 |
| Government National Mortgage Association (GNMA) | 2,963,024 | 2,119,828 |
| Uniform Mortgage Backed Securities (UMBS) | 29,790,284 | 25,868,079 |
| Total Mortgage Backed Securities | 33,822,580 | 29,230,723 |
| U.S. Treasury Securities | | |
| U.S. Treasury Bills (less than 3 months) - cash equivalent (Note 2) | - | 2,195,160 |
| Total Mortgage Backed and U.S. Treasury Securities | \$ 33,822,580 | \$ 31,425,883 |

Note 7. Contributions Receivable

As of December 31, 2023, and 2022, contributions receivable is \$0 and \$2,600,000, respectively, all due in one year.

As of December 31, 2023, and 2022, total conditional contributions receivable not recorded is \$9,231,833 and \$18,028,333, respectively. The conditional unrecorded receivables include a right of release dependent on available funding or satisfactory progress.

Note 8. Loans Receivable

Capital Impact Partners is a development finance organization and, in that capacity, originates higher risk development loans in the following primary market sectors: affordable housing, education, health care and community development. The loans originated by Capital Impact Partners are secured and unsecured and many times go to borrowers who may otherwise be unable to obtain conventional credit.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Loans Receivable (Continued)

Capital Impact Partners' loan portfolio is diversified in terms of sector. The following is the distribution of loans outstanding at December 31:

| By Sector: | 2023 | % | 2022 | % |
|---------------------------------|-----------------------|-----|-----------------------|-----|
| Education | \$ 95,262,663 | 24 | \$ 90,915,114 | 24 |
| Health care | 110,570,136 | 23 | 88,440,162 | 23 |
| Affordable housing | 224,498,051 | 43 | 163,119,458 | 43 |
| Community development | 69,254,276 | 10 | 39,944,344 | 10 |
| Total – Capital Impact Partners | 499,585,126 | 100 | 382,419,078 | 100 |
| Detroit Neighborhoods Fund, LLC | 15,368,695 | | 15,727,669 | |
| FPIF, LLC | 4,500,000 | | 4,500,000 | |
| | <u>\$ 519,453,821</u> | | <u>\$ 402,646,747</u> | |

Real estate loans are used to finance the development of affordable housing projects and to provide term financing to the operation of affordable housing projects once they have been completed. Loans that are made to finance development are usually short-term and are repaid from either a construction or permanent loan. Term loans take the form of mortgages and are repaid from the operations of the real estate cooperative. Interest rates range from 3.00% to 9.64% and maturities from May 31, 2023 to July 1, 2053. Loans with 2023 maturity dates are under internal review to extend their maturity.

The commercial lending portfolio is diverse. Loans range from lines of credit to term loans. Loans are typically secured by general business assets (e.g., real estate, inventory, receivables, fixed assets and leasehold interests). Loan underwriting decisions are made on the basis of the analysis of markets, management, and cash flow potential; and not primarily on the basis of collateral coverage. These loans are expected to be repaid from cash flows generated by the borrower's operating activities. Interest rates range from 0.00% to 10.00% and maturities from November 1, 2023 to December 1, 2045. Loans with 2023 maturity dates are under internal review to extend their maturity.

Subsidiaries:

Detroit Neighborhoods Fund, LLC (“DNF, LLC”): DNF, LLC was formed during 2014 under the laws of the state of Delaware. Capital Impact Partners is the sole member and manager of DNF, LLC. DNF, LLC was formed specifically for the purpose of providing financing for mixed-use and multi-family rental housing and healthy foods retail in underserved areas in Detroit, Michigan. As manager, Capital Impact Partners identifies, originates, closes and services the loans. For this role, Capital Impact Partners receives an annual loan servicing fee of 200 basis points of the average daily outstanding principal balance of each end borrower loan. The lenders have committed to lend an aggregate of \$30 million to the fund. The lenders in the fund are Capital Impact Partners, with a \$10 million commitment and J.P. Morgan Chase Community Development Corporation, with a \$20 million commitment. All loans from each investor are evidenced by individual promissory notes from each lender to DNF, LLC. The loans are with sole recourse to the DNF, LLC and include no obligation for repayment on the part of Capital Impact Partners. Interest rates range from 5.0% to 5.25% and maturities from March 1, 2025 to June 27, 2029.

FPIF, LLC: FPIF, LLC was formed during 2014 under the laws of the state of Delaware. Capital Impact Partners is the sole member and manager of FPIF, LLC. FPIF, LLC is organized as a special purpose entity to channel funds to a predominately low-income population aged 50+. The lenders had committed to lend an aggregate of \$72,666,667 to FPIF, LLC. FPIF, LLC is capitalized with \$7,266,667 or 10% subordinated debt from Capital Impact Partners, funded partly by a program related investment from AARP Foundation. The commitment expired on December 31, 2018. AARP Foundation's program related investment is included in the notes payable section of

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Loans Receivable (Continued)

the accompanying Consolidated Statements of Financial Position. The senior debt constitutes \$65,400,000 or 90% of the borrowings from a special purpose entity between Calvert Foundation and AARP Foundation. The remaining loan is with sole recourse to the FPIF, LLC and includes no obligation for repayment on the part of Capital Impact Partners. The loan's interest rate is 5.70% and matures on December 20, 2024.

Refer to Note 14. Notes Payable - Subsidiaries, for further details on subsidiary loans receivables.

Note 9. Credit Quality

Loan origination and risk management: Capital Impact Partners has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentration of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Capital Impact Partners' lending is focused on owner-occupied commercial real estate in its primary sectors, which include:

- Education
- Health care
- Affordable housing
- Community development

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. Capital Impact Partners mitigates this risk by focusing on owner-occupied commercial real estate transactions in its sectors of education and health care. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria.

Once it is determined that the borrower's management possesses sound ethics and solid business acumen, Capital Impact Partners' management examines current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee to attempt to reduce the risk of loss. Some short-term loans may be made on an unsecured basis.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality (Continued)

Age analysis of past due loans: The following tables represent an aging of loans by sector as of December 31, 2023 and 2022. The tables present the principal amount outstanding on the loans that may be past due for principal and/or interest payments contractually due:

| December 31, 2023 | 30 - 59 Days Past Due | 60 - 89 Days Past Due | 90 days and Still Accruing | Non-accrual | Total Past Due | Current | Total Loans |
|---------------------------------|--------------------------|--------------------------|-------------------------------|---------------------|----------------------|-----------------------|-----------------------|
| Education | \$ - | \$ - | \$ - | \$ 13,434 | \$ 13,434 | \$ 95,249,229 | \$ 95,262,663 |
| Health care | - | - | - | - | - | 110,570,136 | 110,570,136 |
| Affordable housing | 13,250,857 | 1,813,546 | 950,000 | 534,686 | 16,549,089 | 207,948,962 | 224,498,051 |
| Community development and other | 3,645,600 | - | - | 3,677,100 | 7,322,700 | 61,931,576 | 69,254,276 |
| | <u>\$ 16,896,457</u> | <u>\$ 1,813,546</u> | <u>\$ 950,000</u> | <u>\$ 4,225,220</u> | <u>\$ 23,885,223</u> | <u>\$ 475,699,903</u> | <u>\$ 499,585,126</u> |

| December 31, 2022 | 30 - 59 Days Past Due | 60 - 89 Days Past Due | 90 days and Still Accruing | Non-accrual | Total Past Due | Current | Total Loans |
|---------------------------------|--------------------------|--------------------------|-------------------------------|-------------------|---------------------|-----------------------|-----------------------|
| Education | \$ - | \$ - | \$ - | \$ 98,653 | \$ 98,653 | \$ 90,816,461 | \$ 90,915,114 |
| Health care | - | - | - | - | - | 88,440,162 | 88,440,162 |
| Affordable housing | 1,517,992 | - | - | - | 1,517,992 | 161,601,466 | 163,119,458 |
| Community development and other | - | - | - | 834,402 | 834,402 | 39,109,942 | 39,944,344 |
| | <u>\$ 1,517,992</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 933,055</u> | <u>\$ 2,451,047</u> | <u>\$ 379,968,031</u> | <u>\$ 382,419,078</u> |

Credit quality indicators: Capital Impact Partners assigns internal credit classifications at the inception of each loan. These ratings are reviewed by an independent third party on a semi-annual basis as well as periodic internal reviews based on Capital Impact Partners' credit guidelines and when loans are renewed. Quarterly reviews are required if the borrower fails to meet contractual expectations or other performance degradation that would warrant increased monitoring. If a loan is in default for a period of 90 days or more or when the contractual collection of principal or interest is in doubt, the loan is placed on nonaccrual status and the credit quality would be downgraded to substandard or doubtful. The following definitions summarize the basis for each classification.

Above Average: These borrowers have a clear ability to service debt from the primary repayment source, strong working capital position, acceptable leverage ratios, and stable operating trends. These borrowers must have current and regularly received financial information in the file, be in compliance with all financial covenants with no material delays in meeting reporting covenants, and be properly documented. Additionally, they have stable and experienced management, profitable operations for the past three years, sufficient cash flow to service debt, and if there is reliance on fund raising, it is minimal and history has proven it is a reliable source of income.

Pass: These borrowers have a clear ability to service debt from the primary repayment source and a history of strong financial performance. These loans may have a short-term or situational weakness that is expected to resolve within 24 months; examples include major construction or rehabilitation, business expansion to additional sites or services, large loan for borrower or lender and change in a key member of management. These borrowers must have current and regularly received financial information in the file, be in compliance with loan covenants, and be properly documented.

Watch: These borrowers are generally acceptable risks but show some signs of weakness in cash flow or financial strength or have short or unstable earnings history. The borrower may be unable to achieve projected operations and/or may have covenant violations. These loans are performing as agreed and may be characterized by uncertain industry outlook, cyclical or highly competitive, greater sensitivity to market forces and business cycles, full collateral coverage, insufficient current financial information or outdated loan officer review to determine repayment ability, or weak management.

Special Mention: These loans are currently protected but are potentially weak. These loans constitute an undue and unwarranted credit risk but not to the point of justifying a classification of substandard. The credit risk may be relatively minor yet constitute an unwarranted risk in light of the circumstances surrounding a specific loan. These loans may be characterized by a downward trend in sales profit levels and margins, cash flow strained in order to

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality (Continued)

meet debt repayment schedule, non-compliance with covenants, high leverage and weak liquidity, weak industry conditions or collateral impairment.

Substandard: These loans are inadequately protected by the current net worth and repayment capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that will jeopardize the liquidation of the debt. They are characterized by the distinct possibility that Capital Impact Partners will sustain some loss if the deficiencies are not corrected.

Doubtful: These loans have all the weaknesses of substandard loans with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important, and reasonably specific, pending factors which may work to the advantage and strengthening of the loan, a charge-off is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

The following tables summarize the loan portfolio by sector and the internally assigned credit quality ratings for those categories at December 31, 2023 and 2022:

| December 31, 2023 | Above Average | Pass | Watch | Special Mention | Substandard | Doubtful | Total |
|-------------------------------|---------------------|-----------------------|-----------------------|----------------------|----------------------|---------------------|-----------------------|
| Education | \$ 3,579,601 | \$ 38,308,445 | \$ 48,970,329 | \$ 4,029,921 | \$ 278,798 | \$ 95,569 | \$ 95,262,663 |
| Health Care | - | 39,869,596 | 64,936,549 | 2,598,162 | 3,165,829 | - | 110,570,136 |
| Affordable Housing | 624,066 | 12,476,856 | 146,606,755 | 27,460,700 | 37,329,674 | - | 224,498,051 |
| Community Development & Other | - | 20,946,542 | 31,495,685 | 13,731,898 | - | 3,080,151 | 69,254,276 |
| | <u>\$ 4,203,667</u> | <u>\$ 111,601,439</u> | <u>\$ 292,009,318</u> | <u>\$ 47,820,681</u> | <u>\$ 40,774,301</u> | <u>\$ 3,175,720</u> | <u>\$ 499,585,126</u> |

| December 31, 2022 | Above Average | Pass | Watch | Special Mention | Substandard | Doubtful | Total |
|-------------------------------|---------------------|----------------------|-----------------------|----------------------|----------------------|-------------------|-----------------------|
| Education | \$ 3,715,626 | \$ 41,645,868 | \$ 40,624,619 | \$ 4,471,315 | \$ 286,904 | \$ 170,782 | \$ 90,915,114 |
| Health Care | - | 21,461,700 | 60,710,234 | 6,268,228 | - | - | 88,440,162 |
| Affordable Housing | 647,678 | 12,229,906 | 119,605,636 | 20,949,958 | 9,511,280 | 175,000 | 163,119,458 |
| Community Development & Other | - | 13,709,378 | 11,564,324 | 13,800,231 | 687,402 | 183,009 | 39,944,344 |
| | <u>\$ 4,363,304</u> | <u>\$ 89,046,852</u> | <u>\$ 232,504,813</u> | <u>\$ 45,489,732</u> | <u>\$ 10,485,586</u> | <u>\$ 528,791</u> | <u>\$ 382,419,078</u> |

Allowance for loan losses: The allowance for loan losses as a percentage of loans outstanding as of December 31, 2023 and 2022, was 3.0% and 3.6%, respectively.

Capital Impact Partners performs a migration analysis of Capital Impact Partners' loan risk ratings and loan loss ratios in determining the allowance for loan loss calculation.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality (Continued)

The following tables summarize the allowance for loan losses as of and for the years ended December 31, 2023 and 2022, by sector and the amount of loans evaluated individually or collectively for impairment by sector:

| December 31, 2023 | Education | Health Care | Affordable Housing | Community Development | Total |
|--|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Allowance for credit losses: | | | | | |
| Beginning balance | \$ 2,031,179 | \$ 2,218,335 | \$ 7,648,492 | \$ 1,724,165 | \$ 13,622,171 |
| Charge-offs | - | - | - | (137,480) | (137,480) |
| Recoveries | - | - | - | 26,918 | 26,918 |
| Provisions | (883,022) | (809,586) | 271,993 | 482,436 | (938,179) |
| | <u>\$ 1,148,157</u> | <u>\$ 1,408,749</u> | <u>\$ 7,920,485</u> | <u>\$ 2,096,039</u> | <u>\$ 12,573,430</u> |
| Ending balance of allowance for credit losses: | | | | | |
| Individually evaluated for impairment | \$ - | \$ - | \$ - | \$ - | \$ - |
| Collectively evaluated for impairment | 1,148,157 | 1,408,749 | 7,920,485 | 2,096,039 | 12,573,430 |
| | <u>\$ 1,148,157</u> | <u>\$ 1,408,749</u> | <u>\$ 7,920,485</u> | <u>\$ 2,096,039</u> | <u>\$ 12,573,430</u> |
| Loan ending balances: | | | | | |
| Individually evaluated for impairment | \$ 13,434 | \$ - | \$ 534,686 | \$ 3,677,100 | \$ 4,225,220 |
| Collectively evaluated for impairment | 95,249,229 | 110,570,136 | 223,963,365 | 65,577,176 | 495,359,906 |
| | <u>\$ 95,262,663</u> | <u>\$ 110,570,136</u> | <u>\$ 224,498,051</u> | <u>\$ 69,254,276</u> | <u>\$ 499,585,126</u> |

| December 31, 2022 | Education | Health Care | Affordable Housing | Community Development | Total |
|--|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| Allowance for loan losses: | | | | | |
| Beginning balance | \$ 2,617,524 | \$ 2,444,706 | \$ 6,484,492 | \$ 1,808,543 | \$ 13,355,265 |
| Charge-offs | - | - | - | - | - |
| Recoveries | - | - | - | - | - |
| Provisions | (586,345) | (226,371) | 1,164,000 | (84,378) | 266,906 |
| | <u>\$ 2,031,179</u> | <u>\$ 2,218,335</u> | <u>\$ 7,648,492</u> | <u>\$ 1,724,165</u> | <u>\$ 13,622,171</u> |
| Ending balance of allowance for loan losses: | | | | | |
| Individually evaluated for impairment | \$ - | \$ - | \$ - | \$ 210,980 | \$ 210,980 |
| Collectively evaluated for impairment | 2,031,179 | 2,218,335 | 7,648,492 | 1,513,185 | 13,411,191 |
| | <u>\$ 2,031,179</u> | <u>\$ 2,218,335</u> | <u>\$ 7,648,492</u> | <u>\$ 1,724,165</u> | <u>\$ 13,622,171</u> |
| Loan ending balances: | | | | | |
| Individually evaluated for impairment | \$ 98,653 | \$ - | \$ - | \$ 4,474,993 | \$ 4,573,646 |
| Collectively evaluated for impairment | 90,816,461 | 88,440,162 | 163,119,458 | 35,469,351 | 377,845,432 |
| | <u>\$ 90,915,114</u> | <u>\$ 88,440,162</u> | <u>\$ 163,119,458</u> | <u>\$ 39,944,344</u> | <u>\$ 382,419,078</u> |

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality (Continued)

Impaired loans: The following tables summarize the impaired loans as of December 31, 2022. The tables segregate the loans by sector for impaired loans with specific allowances for losses and impaired loans without specific allowances.

| December 31, 2022 | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment | Interest Income Recognized* |
|-------------------------------------|------------------------|--------------------------------|----------------------|-----------------------------------|-----------------------------------|
| With no related allowance recorded: | | | | | |
| Education | \$ 98,653 | \$ 170,782 | \$ - | \$ 205,713 | \$ 2,550 |
| Health care | - | - | - | - | - |
| Affordable housing | - | - | - | - | - |
| Community development | 3,640,591 | 3,645,600 | - | 3,645,600 | - |
| Subtotal | 3,739,244 | 3,816,382 | - | 3,851,313 | 2,550 |
| With an allowance recorded: | | | | | |
| Education | - | - | - | - | - |
| Health care | - | - | - | - | - |
| Affordable housing | - | - | - | - | - |
| Community development | 834,402 | 834,402 | 210,980 | 870,358 | - |
| Subtotal | 834,402 | 834,402 | 210,980 | 870,358 | - |
| Total: | | | | | |
| Education | 98,653 | 170,782 | - | 205,713 | 2,550 |
| Health care | - | - | - | - | - |
| Affordable housing | - | - | - | - | - |
| Community development | 4,474,993 | 4,480,002 | 210,980 | 4,515,958 | - |
| Total | \$ 4,573,646 | \$ 4,650,784 | \$ 210,980 | \$ 4,721,671 | \$ 2,550 |

*Interest income recognized on a cash basis during 2022 was \$0.

Subsidiaries with loans, DNF, LLC and FPIF, LLC: These funds are structured so that if there are losses at the fund, they pass through to each of the lenders that funded the loans in the fund, first on a junior/subordinated debt level and then at the senior debt level. Therefore, in the event of a loss that exceeds Capital Impact Partners' junior portion of the loan, the applicable senior lender will absorb the remainder of the loss. Capital Impact Partners is not required to make up any payment shortages from borrowers due to other participating lenders. Additionally, certain funds (i.e., DNF, LLC) are required to maintain certain amounts of cash in the fund (until maturity) that will serve as an additional reserve to the senior lenders' position.

The structured fund documents do not account for the establishment of an allowance in the pricing of the ultimate loans to the borrowers and fees charged. The legal documents address how losses will be absorbed through the "waterfall" language in each fund. Typically, it is the junior lenders that take the first loss if there is no cash reserve or other enhancement that can absorb some portion of non-payment or charge off. The remainder of the loss is absorbed by the senior lender(s). Capital Impact Partners underwrites, services and manages all loans funded from these structured funds and therefore performs initial and ongoing routine evaluations of the performance of each loan's borrower and its ability to repay. Capital Impact Partners will evaluate each of the loans within these funds, individually, to determine allowance for loan loss levels. There was no allowance recorded as of December 31, 2023 and 2022.

Note 10. Other Assets

Included in other assets as of December 31, 2023 and 2022, are the following:

A cash pledge deposit balance of \$568,302 and \$542,124 as of December 31, 2023 and 2022, respectively, per a pledge and security agreement dated February 1, 2012 between Capital Impact Partners and CSFP. CSFP used funds borrowed from the Walton Family Foundation to fund a loan to Alliance for College-Ready Public Schools, a

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Other Assets (Continued)

charter school operator. The Walton Family Foundation requires CSFP to pledge a percentage of the unpaid principal of the loan to secure repayment of their loan. Capital Impact Partners used proceeds of a grant from the Department of Energy received in a prior year to satisfy the pledge requirement. In consideration of its obligation, Capital Impact Partners earns a monthly fee.

On September 1, 2015, Capital Impact Partners entered into an agreement with CoMetrics to provide a program related investment loan in the aggregate principal amount of \$300,000 to finance its business and operations, consistent with its cooperative purposes. The loan was funded in two separate tranches and pays interest at an initial rate of 1% and increases to 5% if CoMetric's earnings reach a certain level. Capital Impact Partners advanced \$300,000 as of December 31, 2021. In September 2022, the program related investment loan was restructured to a four-year loan, maturing on September 26, 2026 and classified as a loan. The program investment loan before restructure earned interest of \$2,773 and \$2,000 for the years ended December 31, 2023 and 2022, respectively.

\$0 and \$134,753 within the Other Assets for the years ended December 31, 2023 and 2022, respectively, represents a cash deposit to Globalization Partners, a payroll service provider implemented for Momentus Securities.

Capital Impact Partners has issued two recoverable grants to cover the grant recipients' remaining funds needed to close property acquisitions. The first grant, in the amount of \$250,000, was awarded to the Fresh Food Market/1406 Holding LLC using funds received from an award by the DC Deputy Mayor's Office of Planning and Economic Development. The second grant, in the amount of \$50,000, was awarded to Medici Road using funds received from an award from Amazon. Both of these recoverable grants will mature on December 31, 2024, and full repayment is due prior to maturity.

\$1,503,284 and \$1,073,984 within Other Assets for the years ended December 31, 2023 and 2022, respectively, represents Prepaid Assets and Security Deposits on leased property for Capital Impact Partners offices.

Goodwill was recorded as part of ASM's acquisition of all of the interests in RPS pursuant to the Purchase Agreement, net of FMV of assets/equity acquired. The goodwill fair value is evaluated for impairment annually. As of December 31, 2023, and 2022, goodwill recorded was \$10,570.

Furniture, equipment and leasehold improvements at December 31, 2023 and 2022, were comprised as follows:

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Furniture, equipment and software | \$ 1,427,445 | \$ 1,062,506 |
| Leasehold improvements | 1,932,763 | 1,909,896 |
| | 3,360,208 | 2,972,402 |
| Less accumulated depreciation and amortization | (2,099,035) | (1,902,169) |
| | <u>\$ 1,261,173</u> | <u>\$ 1,070,233</u> |

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Leases

Capital Impact Partners has operating leases for five corporate offices. Leases have remaining lease terms of 1 year to 10 years, some of which include options to extend the leases for up to 5 years. The components of lease expense were as follows:

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Operating lease cost - fixed | \$ 1,197,485 | \$ 1,109,360 |
| Operating lease cost - variable | 170,649 | 72,011 |
| | <u>\$ 1,368,134</u> | <u>\$ 1,181,371</u> |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | <u>\$ 1,277,539</u> | <u>\$ 1,189,479</u> |
| Non-cash investing and financing activities: | | |
| Additions to right of use assets obtained from operating lease | <u>\$ 2,341,792</u> | <u>\$ -</u> |
| Weighted average remaining lease term | | |
| Operating leases | 8 years | 9 years |
| Weighted average discount rate | | |
| Operating leases | 3.30% | 2.91% |
| Right of use assets | <u>\$ 9,428,191</u> | <u>\$ 7,898,991</u> |

Because we generally do not have access to the rate implicit in the lease, we utilize our incremental borrowing rate as the discount rate.

Maturities of lease liabilities were as follows:

| | |
|---------------------------|----------------------|
| Years ending December 31: | |
| 2024 | \$ 1,584,354 |
| 2025 | 1,630,065 |
| 2026 | 1,556,449 |
| 2027 | 1,513,679 |
| 2028 | 1,554,383 |
| Thereafter | <u>6,206,962</u> |
| Total lease payments | 14,045,892 |
| Less imputed interest | <u>(2,054,127)</u> |
| | <u>\$ 11,991,765</u> |

Capital Impact Partners signed a 15-year lease agreement for its Arlington, Virginia offices on October 19, 2016. The lease commitment period is from December 1, 2017 through November 30, 2032. The lease agreement provides for annual escalations on base rent and there is a 5-year renewal option after the initial 15-year lease term.

In September 2019, Capital Impact Partners entered into a new \$2 million operating lease to secure additional space for the Arlington, Virginia office. The lease is for 13 years and ends November 30, 2032.

In February 2023, Capital Impact Partners secured additional space in the New York office through a lease amendment. The lease extension is 5 years and ends May 31, 2033.

Capital Impact Partners also leases office space in Detroit, Michigan and Oakland, California. There is office space in Austin, Texas, secured with a one-year lease agreement.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Leases (Continued)

Lease incentives are amortized using the straight-line method over the respective lease term and are presented in Consolidated Statements of Activities and Changes in Net Assets as part of lease expense.

Note 12. Refundable Advance Liability

Capital Impact Partners reports a refundable advance liability for funds received from conditional contributions from various grantors. These contributions remain classified as a refundable advance until the agreed upon conditions or barriers are met. The refundable advance liability balance was \$9,735,754 and \$6,172,250 as of December 31, 2023 and 2022, respectively.

Note 13. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes

Notes and bond payable, revolving lines of credit, Investor Notes and subordinated debt as of December 31, 2023 and 2022, consist of the following:

| | Commitment | Available Undrawn | December 31, 2023 | December 31, 2022 | Interest Rate Range / Average Rate | Maturity Date Range |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------------------|--------------------------|
| Revolving lines of credit | \$ 150,000,000 | \$ 56,940,706 | \$ 69,500,000 | \$ 46,000,000 | 6.27% | September 2024 |
| Unsecured - fixed rate | 88,500,000 | - | 68,786,736 | 54,242,446 | 0% - 4.75% | May 2023 - August 2032 |
| Investor Notes | 265,412,000 | - | 265,412,000 | 203,743,000 | 1.00% - 5.20% | January 2023 - July 2037 |
| Subordinated debt | 14,500,000 | - | 14,500,000 | 2,500,000 | 2.00% | December 2023 |
| Federal Home Loan Bank borrowing | 123,375,086 | 99,375,086 | 24,000,000 | 24,000,000 | 2.83% | December 2029 |
| Bond payable | 10,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5.32% | August 2032 |
| | 651,787,086 | 161,315,792 | 447,198,736 | 335,485,446 | | |
| Investor Notes issuance cost | - | - | (2,606,852) | (2,436,781) | 2.13% -4.92% | |
| | <u>\$ 651,787,086</u> | <u>\$ 161,315,792</u> | <u>\$ 444,591,884</u> | <u>\$ 333,048,665</u> | | |

Capital Impact Partners has certain debt agreements that contain both operational and financial covenants requiring Capital Impact Partners to maintain minimum cash and cash equivalents balances and certain financial ratios.

Investor Notes: In 2023, Capital Impact Partners offered Investor Notes, continuous from its 2020 offering, for up to \$200,000,000. The Investor Notes are offered through registered broker-dealers and are available for purchase in book-entry form, which means they may be purchased electronically through the investor's brokerage account and settled through the DTC. The Investor Notes were issued in increments of \$1,000 or more and pay interest at a various fixed interest rates. The terms for the Investor Notes were one-year, three-year, five-year, seven-year, ten-year, fifteen-year and twenty-year maturities.

US Bank has been designated as the trustee to the indenture governing the Investor Notes and serves as a paying agent for the Investor Notes. The Investor Notes are senior to the subordinated loans. At December 31, 2023 and 2022, the Investor Note holders held \$265,412,000 and \$203,743,000, respectively, of the total Investor Notes payable balance. Interest rates range between 1.00% and 5.20%. Aggregate annual maturities of Investor Notes over each of the next five years and thereafter, as of December 31, 2023, are as follows:

| | |
|---------------------------|-----------------------|
| Years ending December 31: | |
| 2024 | \$ 57,282,000 |
| 2025 | 33,191,000 |
| 2026 | 48,734,000 |
| 2027 | 19,495,000 |
| 2028 | 63,254,000 |
| Thereafter | 43,456,000 |
| | <u>\$ 265,412,000</u> |

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes (Continued)

FHLB borrowing: As a member bank, Capital Impact Partners may request advances from FHLBank Atlanta. As of December 31, 2023, the outstanding balance was \$24,000,000 secured by Mortgage Backed Securities in the amount of \$29,581,714. As of December 31, 2022, the outstanding balance was \$24,000,000 secured by Mortgage Backed Securities in the amount of \$26,084,534. As of December 31, 2023, and 2022, Capital Impact Partners recognized a gain on FHLB debt extinguishment of \$352,238 and \$2,282,168, respectively, and included in the Consolidated Statements of Activities and Changes in Net Assets.

CDFI Bond Guarantee Program: The CDFI Bond Guarantee Program was enacted through the Small Business Jobs Act of 2010. The bond provides fixed-rate long-term capital, which can be used to finance eligible community and economic development purposes, such as small businesses, charter schools, health care facilities and affordable housing.

On September 25, 2014, Capital Impact Partners was awarded a \$55,000,000 allocation in the \$200,000,000 issuance of the CDFI Fund Bond Guarantee Program to Community Reinvestment Fund, USA. Capital Impact Partners committed 100% of its allocation and drew down on the bond by September 25, 2019 as required by the program. Under the program, bonds are purchased by the Federal Financing Bank and carry a 100% guarantee from the Secretary of the Treasury.

On July 15, 2016, Capital Impact Partners was awarded an additional \$40,000,000 allocation in the \$165,000,000 issuance of the CDFI Fund Bond Guarantee Program to Community Reinvestment Fund, USA. As a condition of the program, Capital Impact Partners must pledge eligible secondary borrower loans as collateral to draw on the loan. The loans bear interest at the applicable Federal Financing bank rate plus .375% liquidity premium at the time of each draw down. Capital Impact Partners, per the Bond Guarantee Program's requirements, had fully committed 100% of its allocation and drew down on the bond by July 15, 2021 as required by the program.

As of December 31, 2022, Capital Impact Partners recognized a gain on CDFI Bond Guarantee debt extinguishment of \$4,170,521 and is included in the Consolidated Statements of Activities and Changes in Net Assets.

US Bank Bond Payable: During 2022, US Bank purchased a \$5,000,000 Racial Equity Bond from Capital Impact Partners. The bond offering is up to \$10,000,000. Proceeds are used as capital to make loans in relation to its National Diversity in Development Loan Fund Initiative ("DiD"). The DiD seeks to provide financing to support impact in four key areas: wealth creation for borrowers, ensuring diversity in lending, growth in developers and their projects financed by Capital Impact Partners, and community development where Capital Impact Partners operates. As of December 31, 2023, and 2022, the bonds payable balance was \$5,000,000.

Aggregate annual maturities of Capital Impact Partners' borrowings over each of the next five years and thereafter, as of December 31, 2023, are as follows:

| | |
|---------------------------|-----------------------|
| Years ending December 31: | |
| 2024 | \$ 131,279,206 |
| 2025 | 40,980,530 |
| 2026 | 57,234,000 |
| 2027 | 42,245,000 |
| 2028 | 74,504,000 |
| Thereafter | 100,956,000 |
| | <u>\$ 447,198,736</u> |

U.S. GAAP requires interest expense and contribution revenue to be reported in connection with loans of cash to not-for-profit organizations that are interest free or that have below-market interest rates. The contribution is recognized at the time the loan is made and amortized using the effective interest method. The accretion increases interest expense and notes payable.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes (Continued)

For the Kellogg Foundation, Capital Impact Partners recognized interest expense of \$0 and \$649 for the years ended December 31, 2023 and 2022, respectively.

For the Ford Foundation received in 2014, Capital Impact Partners recognized interest expense of \$19,396 and \$35,721 for the years ended December 31, 2023 and 2022, respectively.

Aggregate interest accretion over the next year for Capital Impact Partners' loan with a below-market interest rate as of December 31, 2023 is \$2,794.

Note 14. Notes Payable – Subsidiaries

The notes payable under DNF, LLC and FPIF, LLC are with sole recourse to DNF, LLC and FPIF, LLC and include no obligation for repayment on the part of Capital Impact Partners.

| Subsidiary | Lender | Commitment | December 31, 2023 | December 31, 2022 | Interest Rate | Final Maturity Date | Payment Details |
|------------|-------------------------|-------------|----------------------|----------------------|---------------|------------------------|--|
| DNF, LLC | JPMorgan Chase | \$ - | \$ 19,693,922 | \$ 19,693,922 | 2.00% | June 2029 | Monthly interest, with consecutive quarterly principal payments beginning in June 2024 |
| FPIF, LLC | FPIF Feeder Facility LP | - | 4,500,000 | 4,500,000 | 3.13% | August 2031 | Monthly interest and principal |
| | | <u>\$ -</u> | <u>\$ 24,193,922</u> | <u>\$ 24,193,922</u> | | | |

Aggregate annual maturities of subsidiary borrowings over each of the next five years and thereafter, as of December 31, 2023, are as follows:

| | |
|---------------------------|----------------------|
| Years ending December 31: | |
| 2024 | \$ 4,642,083 |
| 2025 | 2,116,943 |
| 2026 | 210,860 |
| 2027 | 221,867 |
| 2028 | 232,169 |
| Thereafter | 16,770,000 |
| | <u>\$ 24,193,922</u> |

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 15. Net Assets with Donor Restrictions

Donor restricted net assets are those net assets whose use by Capital Impact Partners is limited by the donors for a special purpose or restricted to be used in a later period. At December 31, 2023 and 2022, donor restricted net assets consisted of the following:

| Purpose | 2023 | 2022 |
|--|----------------------|----------------------|
| Charter School Program | \$ 16,916,626 | \$ 16,594,196 |
| Revolving loan fund - Affordable Housing Financing | 12,532,653 | 11,155,000 |
| Affordable Housing Financing | 4,680,000 | 4,204,257 |
| Equity and Inclusion | 3,481,051 | 7,243,852 |
| Disability Financing | 500,000 | - |
| Healthy Food Financing | 3,081,000 | - |
| Financial Assistance | 257,028 | - |
| DC Entrepreneurs of Color Fund | 315,677 | 1,170,395 |
| Equitable Developer | 1,966,831 | 6,245,250 |
| Detroit Corridor Initiative | 1,083,816 | 883,912 |
| Aging Initiative | 108,789 | 245,983 |
| Racial and Health Equity | - | 5,279 |
| Various | 397,856 | 1,594,476 |
| | <u>\$ 45,321,327</u> | <u>\$ 49,342,600</u> |

Contributions receivable of \$0 and \$2,600,000, respectively, as of December 31, 2023 and 2022, were both time restricted and purpose restricted and are included in the above amounts.

Note 16. Fees

Material revenue streams are reported separately on the Consolidated Statements of Activities and Changes in Net Assets. Revenue is either recognized at a point in time or over a period of time.

Revenue recognized at a point in time includes NMTC suballocation Fees, fund management fees, unused fee income and portfolio amendment / modification fees. Revenue recognized over a period of time includes asset management fees and guarantee fees.

| <u>Fees – recognized at point in time</u> | 2023 | 2022 |
|---|---------------------|---------------------|
| NMTC suballocation fees | \$ 1,322,874 | \$ 1,293,750 |
| Unused fee income | - | 9,114 |
| Fund management fees | 47,992 | - |
| Covenant waiver fees | 500 | - |
| Portfolio amendment / modification fees | 85,182 | 38,250 |
| | <u>1,456,548</u> | <u>1,341,114</u> |
| <u>Fees – recognized over time</u> | | |
| Asset management fees | - | 962 |
| Guarantee fees | 2,975 | 2,975 |
| | <u>2,975</u> | <u>3,937</u> |
| | <u>\$ 1,459,523</u> | <u>\$ 1,345,051</u> |

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 17. Related Party Transactions

NCB and NCB Financial Savings Bank (NCB, FSB): Capital Impact Partners and its subsidiaries maintain cash accounts with NCB, FSB. Balances totaled \$20,817,150 and \$28,964,863 as of December 31, 2023 and 2022, respectively.

In the normal course of business, Capital Impact Partners, NCB and NCB, FSB will sell and purchase loan participations from each other. Capital Impact Partners' balance was \$14,098,250 and \$14,348,250 as of December 31, 2023 and 2022, respectively.

ROC USA, LLC: ROC USA Capital is a wholly-owned subsidiary of ROC USA, LLC (see Note 1). Capital Impact Partners has purchased loan participations from ROC USA Capital in the ordinary course of business. The balance for the purchased loan participation from ROC USA Capital as of December 31, 2023 and 2022, was \$6,693,856 and \$7,800,923, respectively. Capital Impact Partners services these loans; however, per an agreement between Capital Impact Partners and ROC USA, LLC, Capital Impact Partners does not earn a servicing fee.

CSFP: In December 2011, Capital Impact Partners purchased a \$500,000 participation in a \$3,500,000 investment made by the CSFP, in which Capital Impact Partners is a 20% partner. Capital Impact Partners appoints one of the five managers of CSFP's Board of Managers.

Develop Detroit: In 2018, Capital Impact Partners entered into an agreement to invest \$500,000 in Develop Detroit, a nonprofit developer in Detroit, Michigan. The balance recorded as of December 31, 2023 and 2022, was \$363,094 and \$375,435, respectively. A member of Capital Impact Partners executive management is a board member of the Housing Partnership Network, in which Develop Detroit is a lending affiliate within the Housing Partner Network.

Workforce Affordable Housing Fund I, LLC: In July 2019, Capital Impact Partners became a 96% non-controlling member in the Investment in WAHF. The NHP Foundation is the 4% controlling member. A member of Capital Impact Partners executive management team is a trustee of The NHP Foundation. The balance recorded as of December 31, 2023 and 2022, was \$20,926,261 and \$22,812,857, respectively.

CDC: In the normal course of business, Capital Impact Partners and CDC share labor, as outlined in a shared services agreement established in 2022. Capital Impact Partners utilized a portion of CDC labor and is recorded as Inter-company management fee in the Consolidated Statements of Activities and Changes in Net Assets. For the year ended December 31, 2023 and 2022, activity totaled \$306,468 and \$331,813, respectively. CDC utilized a portion of Capital Impact Partners labor and is recorded as Inter-company fee income in the Consolidated Statements of Activities and Changes in Net Assets. For the year ended December 31, 2023 and 2022, activity totaled \$3,395,383 and \$1,553,228, respectively.

During 2023, Capital Impact Partners issued two bridge loans to CDC to cover disbursements. As of December 31, 2023, Capital Impact Partners intercompany loans receivable totaled \$2,500,000.

Capital Impact Partners and CDC cross guarantee most of the other party's debt, and co-borrowers on the remaining obligations enabling each organization to benefit from the combined financial strength of both organizations.

ASM: In the normal course of business, Capital Impact Partners and Momentus Securities share labor and rent, as outlined in a shared services agreement established in 2022. Through Momentus Securities, ASM utilized a portion of Capital Impact Partners labor which is recorded as Inter-company management fee in the Consolidated Statements of Activities and Changes in Net Assets. For the year ended December 31, 2023 and 2022, activity totaled \$266,145 and \$2,247,007, respectively, which is eliminated upon consolidation.

In May 2023, Momentus Capital entered a ten-year, \$1.6 million lease with Capital Impact Partners for its New York office space. The lease ends on May 31, 2033. The corresponding right of use asset and lease liability is eliminated upon consolidation.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 17. Related Party Transactions (Continued)

Other: In the normal course of business, members of the Capital Impact Partners Board of Directors may be related to cooperatives receiving or eligible to receive loans. Capital Impact Partners has conflict of interest policies, which require, among other things, that a board member be disassociated from decisions that pose a conflict of interest, or the appearance of a conflict of interest.

Loans to applicants who are affiliated with a member of Capital Impact Partners are subject to the same eligibility and credit criteria, as well as the same loan terms and conditions, as all other loan requests. Any new loan made to an organization related to a member of the Board is reported to the Finance and Risk Committee at the next regular meeting. An analysis of the activity during the years ended December 31, 2023 and 2022, for the aggregate amount of these loans is as follows:

| | |
|----------------------------|----------------------|
| Balance, December 31, 2021 | \$ 14,371,430 |
| Net changes | <u>(142,374)</u> |
| Balance, December 31, 2022 | 14,229,056 |
| Net changes | <u>(1,107,067)</u> |
| Balance, December 31, 2023 | <u>\$ 13,121,989</u> |

Note 18. New Markets Tax Credit Program

During 2005, Capital Impact Partners implemented its NMTC program and has 29 and 24 limited liability companies (“LLCs”) that are CDEs, through December 31, 2023 and 2022, respectively.

The LLCs were formed to obtain qualified equity investments from investors and make qualified investments in Qualified Active Low-Income Community Businesses (“QALICB”) in accordance with the terms of the NMTC program pursuant to Section 45D of the Internal Revenue Code. Investors made capital contributions of approximately \$35,276,650 and \$34,500,000 to these LLCs during 2023 and 2022, respectively, in anticipation of receiving new markets tax credits of approximately \$13,757,894 and \$13,455,000 in 2023 and 2022, respectively. Capital Impact Partners serves as the managing member of these LLCs, contributed nominal capital and has financial interests in the NMTC entities noted below.

During 2023, no NMTC entities reached their seven-year transaction period and completely dissolved.

During 2022, five of the NMTC entities reached their seven-year transaction period and were completely dissolved. In connection with the dissolution of these entities, Capital Impact Partners incurred a loss of \$21,845, which is reflected in the Consolidated Statements of Activities and Changes in Net Assets for the year ended December 31, 2022.

Capital Impact Partners serves as the managing member of the following LLCs which includes LLCs with Chase NMTC entities below:

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. New Markets Tax Credit Program (“NMTC”) (Continued)

| | |
|-------------------|-------------------|
| Impact CDE 55 LLC | Impact CDE 70 LLC |
| Impact CDE 56 LLC | Impact CDE 71 LLC |
| Impact CDE 57 LLC | Impact CDE 72 LLC |
| Impact CDE 58 LLC | Impact CDE 73 LLC |
| Impact CDE 59 LLC | Impact CDE 74 LLC |
| Impact CDE 60 LLC | Impact CDE 75 LLC |
| Impact CDE 61 LLC | Impact CDE 76 LLC |
| Impact CDE 62 LLC | Impact CDE 77 LLC |
| Impact CDE 63 LLC | Impact CDE 78 LLC |
| Impact CDE 64 LLC | Impact CDE 79 LLC |
| Impact CDE 65 LLC | Impact CDE 80 LLC |
| Impact CDE 66 LLC | Impact CDE 81 LLC |
| Impact CDE 67 LLC | Impact CDE 82 LLC |
| Impact CDE 68 LLC | Impact CDE 83 LLC |
| Impact CDE 69 LLC | |

At December 31, 2023 and 2022, Capital Impact Partners had a .01% interest in each of the above entities.

The total amount of the investment is as follows:

| | Amount of Investment 2023 | Amount of Investment 2022 |
|--|---------------------------------|---------------------------------|
| Capital Impact Partners New Markets Tax Credit Entities | \$ 22,005 | \$ 18,537 |

The following is a summary of the audited financial information of these companies as of and for the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|-------------------|----------------|----------------|
| Total assets | \$ 219,695,182 | \$ 184,943,500 |
| Total liabilities | 327,183 | 262,065 |
| Members' capital | 219,367,999 | 184,681,435 |
| Total revenue | 3,524,368 | 3,009,982 |
| Total expenses | 2,015,495 | 1,673,294 |
| Net income | 1,508,873 | 1,336,688 |

Under the agreements with the LLCs, Capital Impact Partners earns fees for its initial services including investor syndication, LLC organization, loan origination, and NMTC sub-allocation. Capital Impact Partners also earns continuing fees for loan servicing. As explained in Note 16 material revenue streams recognized at a point in time or recognized over time are reported separately on the Consolidated Statements of Activities and Changes in Net Assets. During the years ended December 31, 2023 and 2022, Capital Impact Partners earned \$980,099 and \$830,198, respectively, of servicing fees from these LLCs. In addition, Capital Impact Partners reflected accounts receivable of \$234,757 and \$1,030, as of December 31, 2023 and 2022, respectively.

In most of the agreements with the LLCs, Capital Impact Partners could be responsible for reimbursing the LLCs in the event of recapture and/or loss of the tax credits for failure to comply with Section 45D of the Internal Revenue Code as a result of errors made by Capital Impact Partners in its role as Managing Member. In most cases, the

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. New Markets Tax Credit Program (“NMTC”) (Continued)

amount of reimbursement is limited to fees received or a multiple thereof. Capital Impact Partners has retained qualified consultants and implemented control systems to minimize the potential of any such recapture. Management believes the likelihood of recapture is remote and no liabilities have been recorded as of December 31, 2023 and 2022.

To date, Capital Impact Partners has been awarded eleven NMTC allocations, totaling \$742,000,000.

Note 19. Commitments and Contingencies

Capital Impact Partners is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers or business partners. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of these instruments reflect the extent of Capital Impact Partners' involvement in these particular classes of financial instruments. Capital Impact Partners' exposure to credit loss, in the event of nonperformance by the other party, is represented by the contractual or notional amount of those instruments. Capital Impact Partners uses the same credit policies in making commitments and conditional obligations as they do for on-balance sheet instruments.

In the normal course of business, Capital Impact Partners makes commitments to extend term loans and lines of credit, which are not reflected in the accompanying financial statements. The commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Capital Impact Partners evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Capital Impact Partners upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2023 and 2022, these outstanding commitments totaled \$97,258,796 and \$76,285,864, respectively.

Credit exposure related to these commitments is evaluated utilizing the same criteria as the allowance for loan loss for its loans receivable. Financial exposure related to these commitments is reported as liability for unfunded commitments on the Consolidated Statements of Financial Position and unfunded commitment expense on the Consolidated Statements of Activities and Changes in Net Assets, respectively. The liability for unfunded commitments is reclassified as a component of loans receivable, net of allowance for loan loss as the commitments convert to performing loans receivable on the Consolidated Statements of Financial Position.

Capital Impact Partners is committed to initiate the \$12.5 million Diversity in Development - Detroit Loan Fund. In May 2020, the Diversity in Development fund was launched to deploy low-cost and flexible construction financing to minority developers who live in and around Detroit, Michigan. The response to the loan fund led to successfully closing \$0 in loans through December 31, 2023 and \$9.4 million in loans through December 31, 2022. Capital Impact Partners funded more loans than initially committed due to high demand. Total loans closed under the fund was \$18.8 million. There are no additional closings for this fund after 2022.

Capital Impact Partners is committed to initiate a \$20 million Diversity in Development DMV (Washington, DC, Maryland and Virginia) Loan Fund over three-years, successfully closing \$0 in loans in 2023 and \$23 million in loans in 2022. The fund provides acquisition and pre-development loans to enable minority developers to acquire and develop affordable housing and other community facilities in the Washington D.C., Maryland and Virginia area. Capital Impact Partners funded more loans than initially committed due to high demand. Total loans closed under the fund was \$32.6 million. There are no additional closings for this fund after 2022.

Note 20. Employee Benefits

Capital Impact Partners' employees participate in the non-contributory defined contribution retirement plan and the 401(k) plan. Under the non-contributory defined contribution retirement plan, Capital Impact Partners contributes

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 20. Employee Benefits (Continued)

6% of a participant's annual salary into the plan. Total expenses for the retirement plan for the years ended December 31, 2023 and 2022, were \$869,757 and \$682,518, respectively. The employee thrift plan is organized under IRS Code Section 401(k) and Capital Impact Partners contributes up to 6% of each participant's annual salary. Contributions and expenses were \$979,945 and \$830,320 for 2023 and 2022, respectively.

Note 21. Fair Value

Fair value measurements: Capital Impact Partners uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with accounting guidance, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for Capital Impact Partners' various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

If there has been a significant decrease in the volume and the level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability. The classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities.

Level 2: Valuation is determined from observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3: Valuation is derived from model-based and other techniques in which one significant input is unobservable in the market and which may be based on Capital Impact Partners' own estimates about assumptions that a market participant would use to value the asset or liability.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 21. Fair Value (Continued)

Fair value on a recurring basis: The table below presents the financial assets and liabilities measured at fair value on a recurring basis:

| | December 31, | | | |
|------------------------------|----------------------|-------------------|----------------------|---------------------|
| | 2023 | Level 1 | Level 2 | Level 3 |
| Assets (liabilities): | | | | |
| Marketable equity securities | \$ 495,215 | \$ 495,215 | \$ - | \$ - |
| Real estate investment trust | 2,113,113 | - | - | 2,113,113 |
| Other investments | 286,671 | - | - | 286,671 |
| Mortgage backed securities | 33,822,580 | - | 33,822,580 | - |
| U.S. Treasury Securities | 4,017,701 | - | 4,017,701 | - |
| | <u>\$ 40,735,280</u> | <u>\$ 495,215</u> | <u>\$ 37,840,281</u> | <u>\$ 2,399,784</u> |

| | December 31, | | | |
|------------------------------|----------------------|-------------------|----------------------|---------------------|
| | 2022 | Level 1 | Level 2 | Level 3 |
| Assets (liabilities): | | | | |
| Marketable equity securities | \$ 401,556 | \$ 401,556 | \$ - | \$ - |
| Real estate investment trust | 2,068,750 | - | - | 2,068,750 |
| Other investments | 286,674 | - | - | 286,674 |
| Mortgage backed securities | 29,230,723 | - | 29,230,723 | - |
| U.S. Treasury Securities | 2,195,160 | - | 2,195,160 | - |
| | <u>\$ 34,182,863</u> | <u>\$ 401,556</u> | <u>\$ 31,425,883</u> | <u>\$ 2,355,424</u> |

The following is a description of the valuation methodologies used for instruments measured at fair value. These valuation methodologies were applied to all of Capital Impact Partners' financial assets and liabilities that are carried at fair value on a recurring basis.

Marketable equity securities: The fair value of these securities is the market value based on quoted market prices, or market prices provided by recognized broker dealers. Therefore, these assets are classified as Level 1.

Real estate investment trust ("REIT"): The fair value of the REIT is based upon a dividend yield capitalization method of establishing fair value developed by the REIT and communicated to its investors. It reflects the nature of the REIT's business, and measures the REIT's ability to produce cash flow to pay dividends. Under the dividend yield capitalization methodology, the expected dividends for the upcoming 12 months are projected, imputing a dividend payout ratio of 90%. This imputed forward-looking dividend is then capitalized at the Dow Jones Corporate Financials Index yield – a composite of 32, long-term bond issuances from established, creditworthy financial institutions. Fair value is derived by capitalizing the projected dividend per share at this market yield and is also supported by the REIT's net asset valuation ("NAV") under the rational that, the REIT is, at a minimum, worth the liquidation value of its assets. Therefore, these assets are classified as Level 3 and use Level 3 inputs to fair value.

Mortgage Backed and U.S. Treasury Securities: These securities receive interest income based on their stated interest rates and are classified as Level 2 instruments, as there are no quoted market prices in active markets for identical assets. The fair value is determined using models and other valuation methodologies, which are corroborated by market data.

Other investments: The fair value of other investments is generally based upon the ending capital value evidenced by the issuers' K-1 or audited financial statements. In some instances, equity method is used as most closely approximating fair value. Therefore, these assets are classified as Level 3.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 21. Fair Value (Continued)

Guarantee liability: The fair value of a guarantee liability is based the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guarantee.

There was no change in the valuation techniques used to measure fair value of investments in the years ended December 31, 2023 and 2022. There were no transfers into or out of Level 3 during the years ended December 31, 2023 and 2022.

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Beginning balance at January 1 | \$ 2,355,424 | \$ 1,879,384 |
| Total net gains included in change in net assets | 44,360 | 476,040 |
| Ending balance at December 31 | <u>\$ 2,399,784</u> | <u>\$ 2,355,424</u> |

Fair value on a nonrecurring basis: Certain financial instruments and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The table below presents the assets measured at fair value on a nonrecurring basis:

| | December 31, | | | |
|---|---------------------|-------------|-------------|---------------------|
| | 2023 | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Impaired loans, net of specific reserves | <u>\$ 4,225,220</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,225,220</u> |
| | | | | |
| | December 31, | | | |
| | 2022 | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Impaired loans, net of specific reserves | <u>\$ 4,362,666</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,362,666</u> |

Impaired Loans Net of Specific Reserves, which are measured for impairment using the loan's observable market price or the fair value of the collateral for collateral-dependent loans. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. Based on this information, impaired loans, net of specific reserves, are valued using Level 3 inputs. The valuation allowance for impaired loans is included in the allowance for loan losses in the Consolidated Statements of Financial Position.

Note 22. Noncontrolling Interest in Consolidated Subsidiaries

Capital Impact Partners presents the noncontrolling interest in CIIF, its consolidated subsidiary, as a separate line item within net assets in the Consolidated Statements of Financial Position as of December 31, 2023 and 2022.

CIIF began operations on December 13, 2017. CIIF II began operations on December 28, 2018 and merged into CIIF on January 1, 2020. A 10% equity contribution of \$3,763,007 by Capital Impact Partners increased its managing member ownership to 30% from 20% and reduced Annaly's non-managing member ownership to 70% from 80%.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 22. Noncontrolling Interest in Consolidated Subsidiaries (Continued)

A summary of the 2023 and 2022 activity follows:

| | CIIF | | |
|----------------------------|---------------------|----------------------|----------------------|
| | CIP | Annaly | Total |
| Balance, December 31, 2021 | \$ 8,948,522 | \$ 20,572,345 | \$ 29,520,867 |
| Net income | 350,522 | 982,311 | 1,332,833 |
| Distributions | (351,536) | (982,311) | (1,333,847) |
| Balance, December 31, 2022 | 8,947,508 | 20,572,345 | 29,519,853 |
| Net income | 406,431 | 1,012,132 | 1,418,563 |
| Distributions | (390,665) | (1,012,132) | (1,402,797) |
| Balance, December 31, 2023 | <u>\$ 8,963,274</u> | <u>\$ 20,572,345</u> | <u>\$ 29,535,619</u> |

Distributions of \$245,512 and \$267,189 were payable from CIIF to Annaly as of December 31, 2023 and 2022, respectively.

Note 23. Subsequent Events

Capital Impact Partners has evaluated its subsequent events (events occurring after December 31, 2023) through March 27, 2024, which represents the date the financial statements were issued.

Capital Impact Partners and Subsidiaries

Supplementary Information

Capital Impact Partners and Subsidiaries

Consolidating Statement of Financial Position December 31, 2023

| | Capital Impact Partners | Detroit Neighborhoods Fund, LLC | FPIF, LLC | Community Investment Impact Fund, LLC | Alliance Securities Manager LLC | Equitable Prosperity Fund 1 GP LLC | Eliminations | Total |
|--|-------------------------|---------------------------------|---------------------|---------------------------------------|---------------------------------|------------------------------------|------------------------|-----------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents – unrestricted | \$ 22,412,586 | \$ 4,501,577 | \$ 335,253 | \$ 3,284,786 | \$ 13,699,501 | \$ - | \$ - | \$ 44,233,703 |
| Cash and cash equivalents – restricted | 25,957,624 | 466,509 | - | - | - | - | - | 26,424,133 |
| Accounts and interest receivable | 6,982,806 | 136,803 | 24,541 | 238,127 | 1,207,193 | - | (1,133,578) | 7,455,892 |
| Contributions receivable | - | - | - | - | - | - | - | - |
| Investments | 63,996,180 | - | - | - | 107,710 | (323,515) | (22,307,286) | 41,473,089 |
| Mortgage backed securities | 33,822,580 | - | - | - | - | - | - | 33,822,580 |
| Loans receivable | 499,585,126 | - | - | - | - | - | - | 499,585,126 |
| Less: allowance for credit losses | (12,573,430) | - | - | - | - | - | - | (12,573,430) |
| Loans receivable, net | 487,011,696 | - | - | - | - | - | - | 487,011,696 |
| Loans receivable – subsidiaries | - | 25,215,656 | 5,000,000 | 26,765,888 | - | - | (37,112,849) | 19,868,695 |
| Loans receivable - intercompany | 2,500,000 | - | - | - | - | - | - | 2,500,000 |
| Other real estate owned | 658,498 | - | - | - | - | - | - | 658,498 |
| Other assets | 3,329,833 | - | - | - | 313,496 | - | - | 3,643,329 |
| Right of use assets | 9,428,191 | - | - | - | 1,505,623 | - | (1,505,623) | 9,428,191 |
| Total assets | \$ 656,099,994 | \$ 30,320,545 | \$ 5,359,794 | \$ 30,288,801 | \$ 16,833,523 | \$ (323,515) | \$ (62,059,336) | \$ 676,519,806 |
| Liabilities and Net Assets | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued expenses | \$ 9,414,166 | \$ 128,650 | \$ 24,436 | \$ 753,182 | \$ 1,659,754 | \$ 620 | \$ (1,133,578) | \$ 10,847,230 |
| Refundable advance liability | 9,735,754 | - | - | - | - | - | - | 9,735,754 |
| Due to subsidiaries | 26,765,888 | - | - | - | - | - | (26,765,888) | - |
| Revolving lines of credit | 69,500,000 | - | - | - | - | - | - | 69,500,000 |
| Notes payable | 68,786,736 | - | - | - | - | - | - | 68,786,736 |
| Investor Notes, net | 262,805,148 | - | - | - | - | - | - | 262,805,148 |
| Subordinated debt | 14,500,000 | - | - | - | - | - | - | 14,500,000 |
| Federal Home Loan Bank borrowing | 24,000,000 | - | - | - | - | - | - | 24,000,000 |
| Bond loan payable | 5,000,000 | - | - | - | - | - | - | 5,000,000 |
| Notes payable – subsidiaries | - | 29,540,883 | 5,000,000 | - | - | - | (10,346,961) | 24,193,922 |
| Liability for CECL - loan commitments | 2,917,764 | - | - | - | - | - | - | 2,917,764 |
| Lease liabilities | 11,991,765 | - | - | - | 1,505,623 | - | (1,505,623) | 11,991,765 |
| Total liabilities | 505,417,221 | 29,669,533 | 5,024,436 | 753,182 | 3,165,377 | 620 | (39,752,050) | 504,278,319 |
| Net assets: | | | | | | | | |
| Without donor restrictions | 105,361,446 | 651,012 | 335,358 | - | 13,668,146 | (324,135) | (13,344,012) | 106,347,815 |
| Noncontrolling interest in a consolidated subsidiary | - | - | - | 29,535,619 | - | - | (8,963,274) | 20,572,345 |
| Total without donor restrictions | 105,361,446 | 651,012 | 335,358 | 29,535,619 | 13,668,146 | (324,135) | (22,307,286) | 126,920,160 |
| With donor restrictions | 45,321,327 | - | - | - | - | - | - | 45,321,327 |
| Total net assets | 150,682,773 | 651,012 | 335,358 | 29,535,619 | 13,668,146 | (324,135) | (22,307,286) | 172,241,487 |
| Total liabilities and net assets | \$ 656,099,994 | \$ 30,320,545 | \$ 5,359,794 | \$ 30,288,801 | \$ 16,833,523 | \$ (323,515) | \$ (62,059,336) | \$ 676,519,806 |

See Independent Auditor's Report

Capital Impact Partners and Subsidiaries

Supplementary Information

Capital Impact Partners and Subsidiaries

Consolidating Statement of Activities Year Ended December 31, 2023

| | Capital Impact Partners | Detroit Neighborhoods Fund, LLC | FPIF, LLC | Community Investment Impact Fund, LLC | Alliance Securities Manager LLC | Equitable Prosperity Fund 1 GP LLC | Eliminations | Total |
|--|-------------------------|---------------------------------|-------------------|---------------------------------------|---------------------------------|------------------------------------|------------------------|-----------------------|
| Changes in net assets without donor restrictions: | | | | | | | | |
| Financial activity: | | | | | | | | |
| Financial income: | | | | | | | | |
| Interest income on loans | \$ 24,038,821 | \$ 1,318,054 | \$ 288,958 | \$ 1,670,743 | \$ - | \$ - | \$ (427,865) | \$ 26,888,711 |
| Loan fees | 389,267 | - | - | - | - | - | - | 389,267 |
| Investments income, net | 3,650,257 | 113,198 | 5,910 | 50,895 | 140,535 | - | (406,431) | 3,554,364 |
| Loss on equity method investments | (3,923,391) | - | - | - | - | (140,618) | 4,834,546 | 770,537 |
| Total financial income | 24,154,954 | 1,431,252 | 294,868 | 1,721,638 | 140,535 | (140,618) | 4,000,250 | 31,602,879 |
| Financial expense: | | | | | | | | |
| Interest expense | 15,924,325 | 798,698 | 193,906 | - | - | - | (427,865) | 16,489,064 |
| Provision for credit losses | (308,991) | - | - | - | - | - | - | (308,991) |
| Total financial expense | 15,615,334 | 798,698 | 193,906 | - | - | - | (427,865) | 16,180,073 |
| Net financial income | 8,539,620 | 632,554 | 100,962 | 1,721,638 | 140,535 | (140,618) | 4,428,115 | 15,422,806 |
| Revenue and support: | | | | | | | | |
| Loan servicing fees | 2,125,833 | - | - | - | - | - | (545,095) | 1,580,738 |
| Fees | 1,801,472 | - | - | - | - | - | (341,949) | 1,459,523 |
| Asset management fees from investments | - | - | - | - | 1,568,719 | - | - | 1,568,719 |
| Contract revenue | 1,244,007 | - | - | - | - | - | - | 1,244,007 |
| Contributions | 94,000 | - | - | - | - | - | - | 94,000 |
| Gain on debt extinguishment | 352,238 | - | - | - | - | - | - | 352,238 |
| Inter-company fee income | 3,661,528 | - | - | - | - | - | (266,145) | 3,395,383 |
| Other income | 224,060 | - | - | 32,630 | 270,642 | - | - | 527,332 |
| Net assets released from donor restrictions | 32,177,179 | - | - | - | - | - | - | 32,177,179 |
| Total revenue and support | 41,680,317 | - | - | 32,630 | 1,839,361 | - | (1,153,189) | 42,399,119 |
| Expenses: | | | | | | | | |
| Innovative community lending program | 18,026,832 | 526,724 | 94,232 | 311,784 | - | - | (887,044) | 18,072,528 |
| Technical assistance | 22,144,126 | - | - | - | - | - | - | 22,144,126 |
| Total program expenses | 40,170,958 | 526,724 | 94,232 | 311,784 | - | - | (887,044) | 40,216,654 |
| Support expenses: | | | | | | | | |
| Management and general | 14,846,376 | 12,575 | - | 23,921 | 6,673,205 | 620 | (266,145) | 21,290,552 |
| Fundraising | 2,320,344 | - | - | - | - | - | - | 2,320,344 |
| Total expenses | 57,337,678 | 539,299 | 94,232 | 335,705 | 6,673,205 | 620 | (1,153,189) | 63,827,550 |
| Change in net assets without donor restrictions before noncontrolling and controlling interest activities | (7,117,741) | 93,255 | 6,730 | 1,418,563 | (4,693,309) | (141,238) | 4,428,115 | (6,005,625) |
| Noncontrolling interest – distributions | - | - | - | (1,402,797) | - | - | 390,665 | (1,012,132) |
| Controlling interest - capital contributions | - | - | - | - | 3,334,333 | - | (3,334,333) | - |
| Change in net assets without donor restrictions | (7,117,741) | 93,255 | 6,730 | 15,766 | (1,358,976) | (141,238) | 1,484,447 | (7,017,757) |
| Change in net assets with donor restrictions: | | | | | | | | |
| Investment income, net | 304,422 | - | - | - | - | - | - | 304,422 |
| Grant revenue | 27,851,484 | - | - | - | - | - | - | 27,851,484 |
| Net assets released from donor restrictions | (32,177,179) | - | - | - | - | - | - | (32,177,179) |
| Change in net assets with donor restrictions | (4,021,273) | - | - | - | - | - | - | (4,021,273) |
| Change in net assets | (11,139,014) | 93,255 | 6,730 | 15,766 | (1,358,976) | (141,238) | 1,484,447 | (11,039,030) |
| Net assets, beginning | 164,110,363 | 557,757 | 328,628 | 29,519,853 | 15,027,122 | (182,897) | (23,791,733) | 185,569,093 |
| Cumulative change in accounting policy | (2,288,576) | - | - | - | - | - | - | (2,288,576) |
| Net assets, ending | \$ 150,682,773 | \$ 651,012 | \$ 335,358 | \$ 29,535,619 | \$ 13,668,146 | \$ (324,135) | \$ (22,307,286) | \$ 172,241,487 |

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Capital Impact Partners and Subsidiaries

Supplementary Information

Capital Impact Partners and Subsidiaries

Consolidating Statement of Financial Position December 31, 2022

| | Capital Impact Partners | Detroit Neighborhoods Fund, LLC | FPIF, LLC | Community Investment Impact Fund, LLC | Alliance Securities Manager LLC | Equitable Prosperity Fund 1 GP LLC | Eliminations | Total |
|--|-------------------------|---------------------------------|---------------------|---------------------------------------|---------------------------------|------------------------------------|------------------------|-----------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents – unrestricted | \$ 45,962,479 | \$ 4,061,709 | \$ 328,523 | \$ 906,312 | \$ 16,547,741 | \$ - | \$ - | \$ 67,806,764 |
| Cash and cash equivalents – restricted | 20,104,567 | 455,634 | - | - | - | - | - | 20,560,201 |
| Accounts and interest receivable | 4,577,668 | 148,174 | 24,541 | 256,284 | - | - | (744,073) | 4,262,594 |
| Contributions receivable | 2,600,000 | - | - | - | - | - | - | 2,600,000 |
| Investments | 66,226,649 | - | - | - | 107,710 | (182,897) | (23,791,732) | 42,359,730 |
| Mortgage backed securities | 29,230,723 | - | - | - | - | - | - | 29,230,723 |
| Loans receivable | 382,419,078 | - | - | - | - | - | - | 382,419,078 |
| Less: allowance for credit losses | (13,622,171) | - | - | - | - | - | - | (13,622,171) |
| Loans receivable, net | 368,796,907 | - | - | - | - | - | - | 368,796,907 |
| Loans receivable – subsidiaries | - | 25,574,630 | 5,000,000 | 29,145,390 | - | - | (39,492,351) | 20,227,669 |
| Other assets | 2,810,314 | - | - | - | 21,352 | - | - | 2,831,666 |
| Right of use assets | 7,898,991 | - | - | - | - | - | - | 7,898,991 |
| Total assets | \$ 548,208,298 | \$ 30,240,147 | \$ 5,353,064 | \$ 30,307,986 | \$ 16,676,803 | \$ (182,897) | \$ (64,028,156) | \$ 566,575,245 |
| Liabilities and Net Assets | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued expenses | \$ 5,142,806 | \$ 141,507 | \$ 24,436 | \$ 788,133 | \$ 1,649,681 | \$ - | \$ (744,072) | \$ 7,002,491 |
| Refundable advance liability | 6,172,250 | - | - | - | - | - | - | 6,172,250 |
| Due to subsidiaries | 29,145,390 | - | - | - | - | - | (29,145,390) | - |
| Revolving lines of credit | 46,000,000 | - | - | - | - | - | - | 46,000,000 |
| Notes payable | 54,242,446 | - | - | - | - | - | - | 54,242,446 |
| Investor Notes, net | 201,306,219 | - | - | - | - | - | - | 201,306,219 |
| Subordinated debt | 2,500,000 | - | - | - | - | - | - | 2,500,000 |
| Federal Home Loan Bank borrowing | 24,000,000 | - | - | - | - | - | - | 24,000,000 |
| Bond loan payable | 5,000,000 | - | - | - | - | - | - | 5,000,000 |
| Notes payable – subsidiaries | - | 29,540,883 | 5,000,000 | - | - | - | (10,346,961) | 24,193,922 |
| Lease liabilities | 10,588,824 | - | - | - | - | - | - | 10,588,824 |
| Total liabilities | 384,097,935 | 29,682,390 | 5,024,436 | 788,133 | 1,649,681 | - | (40,236,423) | 381,006,152 |
| Net assets: | | | | | | | | |
| Without donor restrictions | 114,767,763 | 557,757 | 328,628 | - | 15,027,122 | (182,897) | (14,844,225) | 115,654,148 |
| Noncontrolling interest in a consolidated subsidiary | - | - | - | 29,519,853 | - | - | (8,947,508) | 20,572,345 |
| Total without donor restrictions | 114,767,763 | 557,757 | 328,628 | 29,519,853 | 15,027,122 | (182,897) | (23,791,733) | 136,226,493 |
| With donor restrictions | 49,342,600 | - | - | - | - | - | - | 49,342,600 |
| Total net assets | 164,110,363 | 557,757 | 328,628 | 29,519,853 | 15,027,122 | (182,897) | (23,791,733) | 185,569,093 |
| Total liabilities and net assets | \$ 548,208,298 | \$ 30,240,147 | \$ 5,353,064 | \$ 30,307,986 | \$ 16,676,803 | \$ (182,897) | \$ (64,028,156) | \$ 566,575,245 |

See Independent Auditor's Report

Capital Impact Partners and Subsidiaries

Supplementary Information

Capital Impact Partners and Subsidiaries

Consolidating Statement of Activities Year Ended December 31, 2022

| | Capital Impact Partners | Detroit Neighborhoods Fund, LLC | FPIF, LLC | Community Investment Impact Fund, LLC | Alliance Securities Manager LLC | Equitable Prosperity Fund 1 GP LLC | Eliminations | Total |
|---|-------------------------|---------------------------------|----------------|---------------------------------------|---------------------------------|------------------------------------|---------------------|--------------------|
| Changes in net assets without donor restrictions: | | | | | | | | |
| Financial activity: | | | | | | | | |
| Financial income: | | | | | | | | |
| Interest income on loans | \$ 19,856,276 | \$ 1,434,688 | \$ 382,099 | \$ 1,601,294 | \$ - | \$ - | \$ (435,815) | \$ 22,838,542 |
| Loan fees | 688,673 | 34,359 | - | - | - | - | - | 723,032 |
| Investments income (loss), net | (4,080,013) | 23,418 | 1,797 | 10,814 | - | - | (350,522) | (4,394,506) |
| Loss on equity method investments | (3,277,120) | - | - | - | - | (182,897) | 2,993,485 | (466,532) |
| Loss on NMTC unwind | (21,845) | - | - | - | - | - | - | (21,845) |
| Total financial income | 13,165,971 | 1,492,465 | 383,896 | 1,612,108 | - | (182,897) | 2,207,148 | 18,678,691 |
| Financial expense: | | | | | | | | |
| Interest expense | 10,144,875 | 798,698 | 245,490 | - | - | - | (435,815) | 10,753,248 |
| Provision for credit losses | 266,906 | - | - | - | - | - | - | 266,906 |
| Total financial expense | 10,411,781 | 798,698 | 245,490 | - | - | - | (435,815) | 11,020,164 |
| Net financial income | 2,754,190 | 693,767 | 138,406 | 1,612,108 | - | (182,897) | 2,642,963 | 7,658,537 |
| Revenue and support: | | | | | | | | |
| Loan servicing fees | 1,984,276 | - | - | - | - | - | (600,843) | 1,383,433 |
| Fees | 1,698,261 | - | - | - | - | - | (353,210) | 1,345,051 |
| Asset management fees from investments | - | - | - | - | 125,097 | - | - | 125,097 |
| Contract revenue | 719,570 | - | - | - | - | - | - | 719,570 |
| Contributions | 9,065,225 | - | - | - | - | - | - | 9,065,225 |
| Gain on debt extinguishment | 6,452,689 | - | - | - | - | - | - | 6,452,689 |
| Inter-company fee income | 3,800,235 | - | - | - | - | - | (2,247,007) | 1,553,228 |
| Other income | 84,389 | - | - | 34,213 | - | - | - | 118,602 |
| Net assets released from donor restrictions | 15,310,283 | - | - | - | - | - | - | 15,310,283 |
| Total revenue and support | 39,114,928 | - | - | 34,213 | 125,097 | - | (3,201,060) | 36,073,178 |
| Expenses: | | | | | | | | |
| Innovative community lending program | 14,868,093 | 564,576 | 123,071 | 305,937 | - | - | (954,053) | 14,907,624 |
| Technical assistance | 16,374,510 | - | - | - | - | - | - | 16,374,510 |
| Total program expenses | 31,242,603 | 564,576 | 123,071 | 305,937 | - | - | (954,053) | 31,282,134 |
| Support expenses: | | | | | | | | |
| Management and general | 14,180,116 | 7,500 | - | 7,551 | 2,935,685 | - | (2,247,007) | 14,883,845 |
| Fundraising | 1,848,796 | - | - | - | - | - | - | 1,848,796 |
| Total expenses | 47,271,515 | 572,076 | 123,071 | 313,488 | 2,935,685 | - | (3,201,060) | 48,014,775 |
| Change in net assets without donor restrictions before noncontrolling and controlling interest a | (5,402,397) | 121,691 | 15,335 | 1,332,833 | (2,810,588) | (182,897) | 2,642,963 | (4,283,060) |
| Noncontrolling interest – distributions | - | - | - | (1,333,847) | - | - | 351,536 | (982,311) |
| Controlling interest - capital contributions | - | - | - | - | 17,837,710 | - | (17,837,710) | - |
| Change in net assets without donor restrictions | (5,402,397) | 121,691 | 15,335 | (1,014) | 15,027,122 | (182,897) | (14,843,211) | (5,265,371) |
| Change in net assets with donor restrictions: | | | | | | | | |
| Investment income, net | 77,325 | - | - | - | - | - | - | 77,325 |
| Grant revenue | 16,601,363 | - | - | - | - | - | - | 16,601,363 |
| Net assets released from donor restrictions | (15,310,283) | - | - | - | - | - | - | (15,310,283) |
| Change in net assets with donor restrictions | 1,368,405 | - | - | - | - | - | - | 1,368,405 |
| Change in net assets | (4,033,992) | 121,691 | 15,335 | (1,014) | 15,027,122 | (182,897) | (14,843,211) | (3,896,966) |
| Net assets, beginning | 168,144,355 | 436,066 | 313,293 | 29,520,867 | - | - | (8,948,522) | 189,466,059 |
| Net assets, ending | \$ 164,110,363 | \$ 557,757 | \$ 328,628 | \$ 29,519,853 | \$ 15,027,122 | \$ (182,897) | \$ (23,791,733) | \$ 185,569,093 |

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