

LISC IMPACT NOTES

A fixed income investment option available through the Venture Impact Program



Photos courtesy of LISC

FORGING VIBRANT, RESILIENT, AND INCLUSIVE COMMUNITIES OF OPPORTUNITY ACROSS AMERICA

Racial opportunity gaps – reflected in disparities in health and well-being, employment, wealth and financial security, business ownership underrepresentation, and overall quality of life, are increasingly dividing America. The opportunity gap does not stem from any single root. Instead, it arises from discrimination and exclusion that systems and policies like redlining have perpetuated, leading to enduring imbalances and unequal access to basic needs and economic opportunities. Access to capital, technical assistance, and training are some of the many meaningful ways that will help fuel economic opportunity, racial equity, and local income growth.

Local Initiatives Support Corporation (“LISC”) shares in the widespread sense of urgency to nurture systems that promote racial equity and is committed to this work as a deeply embedded part of its mission. In November 2020, LISC launched a social bond offering, called the Impact Notes (Notes) program. The proceeds of the offering are used to support neighborhood and community development organizations to (i) foster improvement of economic conditions, (ii) develop housing and other physical facilities, and (iii) provide services and activities that help to revitalize disinvested communities. In 2023-2024, up to \$10 million of net proceeds from the sale of Impact Notes will be used to fund projects building equity and wealth for BIPOC individuals, in support of an initiative LISC calls Project 10X.

LISC’s Impact Notes program is differentiated from other opportunities in the capital markets as it is one of few debt offerings from a CDFI that is investment grade-rated (AA- by S&P as of October 2022), publicly available, and aligned with the UN Sustainable Development Goals. As of December 2023, historical notes issued have ranged in terms between 1 and 15 years, and interest rates between 0.35% and 5.7%, depending on maturity. Notably, pricing for the Impact Notes issuances vary and are dynamic, corresponding to market conditions. This issuance opportunity offers a 3-year term (as of December 2023) at a fixed rate of 4.9%. The investment is a compelling fit for investors seeking a low-risk U.S.-based opportunity to generate moderate fixed returns while supporting community development and racial equity.

ABOUT LOCAL INITIATIVES SUPPORT CORPORATION (LISC)

LISC is a New York nonprofit organization and is certified as a CDFI by the U.S. Department of the Treasury’s CDFI Fund. The heart of LISC’s work in community development involves housing, retail and commercial development, and revitalization of community facilities. In addition to housing, LISC also seeks to catalyze opportunities in other ways: through strengthening local businesses, increasing financial opportunities for low- to moderate-income individuals, providing access to education, and crafting environments that promote safe communities.

Since 1979, LISC has invested \$29.7 billion into communities in the areas of affordable housing, health, education, community development, public safety, and employment. These investments have leveraged an additional \$82 billion to support the creation of 489,261 affordable homes and apartments for more than 1 million people, 279 early childhood centers for nearly 28,000 students, 130 financial opportunity centers serving 89,000+ individuals and 81.5 million square feet of retail and community facilities.

ABOUT THE VENTURE IMPACT PROGRAM (VIP)

VIP is an innovative way for MCF donors to engage in impact investing through philanthropy. Via a partnership with ImpactAssets – a market leader in impact investing – VIP enables philanthropic dollars to be directed towards both non-profit and for-profit companies that are seeking to make positive social or environmental impact.

For further information, contact Safia Kryger-Nelson at MCF, 415.464.2515 or skryger-nelson@marincf.org.



1 NO POVERTY



8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



ImpactAssets		RISK RETURN MATRIX		
RISK LEVEL	HIGH RISK			
	MODERATE RISK			
	LOW RISK		X	
		NON-MARKET RATE	NEAR-MARKET RATE	MARKET RATE
RELATIVE RETURN				



ImpactAssets		FUND SUMMARY
ASSET CLASS	Fixed Income	
TOTAL OFFERING SIZE	\$250MM; Cumulative amount of \$110.6 MM raised as of December 31, 2022	
TERM	3-Year*, ending 12/15/2026	
INTEREST RATE	4.9% fixed annual rate, paid quarterly*	
REDEMPTION	Principal is repaid at maturity, no redemptions prior.	
CALL OPTION	The Note is callable at 100% on December 15, 2024 and any time thereafter with not less than 30 calendar days' notice and not more than 60 calendar days' notice.	
GEOGRAPHY	United States	
IMPACT AREAS	Racial Equity; Community Development	
INVESTMENT MINIMUM	\$25,000	
INVESTMENT FEES	This investment recommendation will incur an additional fee of 0.40%.	
ILLUSTRATIVE INVESTMENT	<p>LISC's funding often sets off a chain of events that deliver impact in direct and indirect ways. Financing from LISC enables businesses to expand their operations, grow and diversify their staff, and benefits underserved communities.</p> <p>Legacy Cutz is a family-friendly, traditional barbershop founded in 2013 offering a broad range of services to the south-side Chicago neighborhood. LISC provided a \$19,050 acquisition loan that enabled Legacy Cutz to finance the purchase of a second commercial building, move and expand its operations currently located at a leased site. The transaction is a good example of Project 10X's lending activities supporting an African American-owned business located in a low-to-moderate income area. Read more on LISC's support of Legacy Cutz here and here.</p>	
STRENGTHS	<ul style="list-style-type: none"> • Successful 40+ year track record of community development lending and providing technical assistance to organizations supporting healthy communities. • LISC is known for its disposition and capacity to launch pilot programs – leveraging its network of community-based partners to test new strategies locally and then adapt them nationally for scale. • 87% of LISC's small business loans are to Black, Indigenous and people of color-owned small businesses and entrepreneurs of color. • LISC's loan portfolio has demonstrated strong performance over the last few years as evidenced by low-to-moderate delinquency rates and net write-offs and sustained portfolio quality during and following the onset of the COVID-19 pandemic. Further, the underlying portfolio from the Impact Notes program has yielded performance of 100% loans repaid. 	
RISKS	<ul style="list-style-type: none"> • Recent years has seen some material management changes and transitions. However, current members of executive leadership have long tenures (9+ years) and governance at the board level is strong with multi-disciplinary directors. • Macro risks including interest rate sensitivity and a potentially declining economy may have material adverse impacts on the financial condition of LISC's borrowers. However, LISC tightened its underwriting guidelines in early 2023 to help mitigate credit risks in uncertain economic environments and will prioritize transactions that are less sensitive to increases in interest rates and that reduce loan portfolio turnover. 	

*For direct investment opportunities based on more recent note issuances, please contact the Client Engagement team

There is no guarantee that any projection, forecast or opinion around any given investment will be realized with respect to impact, performance or liquidity. Past performance does not guarantee future results.

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