



CNOTE GROUP, INC.

PRIVATE PLACEMENT MEMORANDUM FOR

“WISDOM FUND”

ADJUSTABLE RATE PROMISSORY NOTES

Dated for reference purposes only: March 18, 2019

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR SOLICITATION OF AN OFFER TO BUY. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THIS OFFERING OR THE SECURITIES OR DETERMINED IF THIS MEMORANDUM IS TRUTHFUL OR COMPLETE.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS, ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM OR OTHERWISE PURSUANT TO THE OFFERING DOCUMENTS.

THE INVESTMENT DESCRIBED HEREIN INVOLVES A HIGH DEGREE OF RISK OF LOSS. SEE RISK FACTORS IN “*RISK FACTORS*” AND THROUGHOUT THE MEMORANDUM.

*CAPITALIZED TERMS USED IN THIS MEMORANDUM BUT NOT ELSEWHERE DEFINED
HEREIN SHALL HAVE THE MEANINGS SET FORTH ON EXHIBIT A.*

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NOTICES

General Notices to All Investors

Investment in this Offering involves a high degree of risk, and investors should not invest any funds in this Offering unless they can afford to lose their entire investment. In making an investment decision, investors must rely on their own examination of the terms of this Offering, including the merits and risks involved. See “*Risk Factors.*”

ONLY INFORMATION OR REPRESENTATIONS CONTAINED IN THE OFFERING DOCUMENTS, INCLUDING THIS MEMORANDUM, MAY BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY IN CONNECTION WITH THIS OFFERING. INVESTORS ARE CAUTIONED NOT TO RELY UPON ANY INFORMATION NOT EXPRESSLY SET FORTH IN THE OFFERING DOCUMENTS. No person has been authorized to give any information or to make any representations other than those contained in this Memorandum in connection with the offer being made hereby, and if given or made, such information or representations must not be relied upon as having been authorized by the Company. The Platform is not a part of, and is not incorporated into, this Memorandum, and should not be considered part of the Offering Documents.

The information presented is as of the date set forth on the cover page hereof unless another date is specified, and neither the delivery of this Memorandum nor any sale hereunder shall create any implication that there have been no changes in the information presented subsequent to such date(s).

The statements contained herein are based on information believed to be reliable. No warranty can be made as to the accuracy of such information or that circumstances have not changed since the date such information was supplied. NEITHER THE COMPANY NOR ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES, OR OTHER AGENTS ASSUME ANY RESPONSIBILITY FOR THE INACCURACY OF THE INFORMATION CONTAINED HEREIN.

Prospective investors are not to construe the contents of this Memorandum as legal, investment, or tax advice. Prospective investors should consult their advisors as to legal, investment, tax, and related matters concerning an investment by such prospective investors in the Company. COMPANY, ITS RESPECTIVE MANAGERS, OFFICERS AND OWNERS AND ANY OTHER REPRESENTATIVE OF ANY OF THE FOREGOING DO NOT ASSUME ANY RESPONSIBILITY FOR ECONOMIC, LEGAL OR TAX ADVICE CONCERNING THIS INVESTMENT, OR THE ECONOMIC, LEGAL OR TAX CONSEQUENCES OF THIS INVESTMENT TO ANY INVESTOR. NO REPRESENTATION OR WARRANTY IS MADE AS TO WHETHER OR THE EXTENT TO WHICH, THE INTERESTS CONSTITUTE A LEGAL INVESTMENT OR A SUITABLE INVESTMENT FOR THE PROSPECTIVE PURCHASER.

Jurisdictional Notices

NOTICE TO RESIDENTS OF ALL STATES: IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE 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. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. PURCHASERS SHOULD BE MADE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NOTICE TO FLORIDA RESIDENTS ONLY: IF THE SECURITIES ARE SOLD TO, AND ACQUIRED BY, FIVE OR MORE FLORIDA RESIDENTS IN A TRANSACTION EXEMPT UNDER SECTION 517.061 OF THE FLORIDA SECURITIES ACT, EACH FLORIDA INVESTOR MAY HAVE THE RIGHT TO WITHDRAW HIS, HER, OR ITS INVESTMENT WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION MADE BY SUCH INVESTOR, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THIS MEMORANDUM TO SUCH INVESTOR, WHICHEVER OCCURS LATER. EACH INVESTOR ELECTING TO EXERCISE SAID RIGHT SHALL SUBMIT A WRITTEN NOTICE TO THE COMPANY AT THE ADDRESS SPECIFIED IN THIS MEMORANDUM PRIOR TO THE EXPIRATION OF THE TIME PERIOD PROVIDED UNDER THE ACT CLEARLY AND UNEQUIVOCALLY INDICATING INVESTOR'S DESIRE TO WITHDRAW HIS, HER OR ITS INVESTMENT IN THE SECURITIES.

NOTICE TO NEW YORK RESIDENTS ONLY: THIS MEMORANDUM HAS NOT BEEN REVIEWED BY THE ATTORNEY GENERAL OF THE STATE OF NEW YORK PRIOR TO ITS ISSUANCE AND USE. THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Cautionary Note Regarding Forward-Looking Statements

This document contains “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, regarding events, conditions, and financial trends that may affect the Company’s future plans of operation, business strategy, operating results, and financial position. Except for historical information contained herein, the matters discussed in this document, in particular, statements that use forward-looking terminology such as “believes,” “intends,” “anticipates,” “may,” “will,” “should,” or “expects,” or the negative or other variation of these or similar words, are intended to identify

forward-looking statements that are subject to risks and uncertainties including, but not limited to, increased competition, financing, governmental action, legal actions, and other unforeseen factors. Although the Company believes the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations are reasonable or that they will be correct. Moreover, the financial results reported herein, if any, are not necessarily an indication of future prospects of the Company. Future results may differ materially.

All subsequent written or oral forward-looking statements attributable to the Company are expressly qualified in their entirety by the cautionary statements included in this document. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur.

OVERVIEW

CNote is an early-stage financial technology company with a pending B Corp certification. We use the majority of investors' capital to provide loans to Community Development Financial Institutions (CDFIs), which organizations are certified by the CDFI Fund, and which, in turn, directly provide loans to underserved segments of the population, such as women- and minority-owned businesses. Since inception through October 15, 2018, we have lent to CDFIs over \$10 million.

The Company is now conducting this Offering to make available for purchase the Notes by accredited investors, as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act (hereinafter, “**accredited investors**”). The Company aims to deploy the proceeds of this Offering to CDFI partners that make loans to women-owned businesses in an effort to close the wealth gap for women in the United States. The Notes are subject to the terms and conditions set forth in the Offering Documents. See “*About the Offering*” for more information.

Background on CDFIs

In order to receive certification by the U.S. Department of the Treasury, CDFIs, which are typically non-profit community lenders, must demonstrate a strong commitment to financial performance and community impact. Based on a 2014 report by the Opportunity Finance Network (OFN), the national association for CDFIs, we estimate that funding from CDFIs have created over 1,000,000 jobs in the United States since their beginnings, and as of January 2016, the CDFI Fund reported that CDFIs have assets totaling over \$100 billion, including loans to borrowers such as schools, community centers, affordable housing and minority and women-owned businesses.

CDFIs have been in existence for over 20 years and originated from the Riegle Community Development and Regulatory Improvement Act of 1994. Over the last two decades, CDFIs have grown to become an approximately \$100 billion industry with participation from nearly every major bank in the United States. Despite these traditional sources of funding, the demand for loans made by CDFIs continues to grow faster than available traditional sources of funding, with the shortfall reaching over \$600 million, leading many CDFIs to seek new sources of diversified capital. CNote aims to provide a new source of capital to CDFIs – namely, capital raised from investors via our Platform.

Wisdom Fund Collaborative

The Wisdom Fund Collaborative (the “Collaborative”) is a national effort among various for-profit and nonprofit organizations, including the Company (California), the CDC Small Business Finance (California), TruFund Financial Services, Inc. (New York), Carolina Small Business Development Fund (North Carolina), Lift Fund Corporation (Texas), and Fund Consulting (Illinois). The mission of the Collaborative is to work together to bring new thinking, experimentation and sustainable solutions to drive wealth creation for low to moderate income and minority women in the United States by developing new, inclusive practices, including exploring and developing new underwriting, distribution and product efforts.

Utilizing a multi-dimensional approach, the Collaborative seeks to deploy additional capital into women-led businesses to fund innovation, product development, distribution channels and financial coaching resources. The deployment will occur in 3 phases, and lessons and best practices learned from each phase will be carried into the next in order to better design and implement products targeted to women-led businesses.

In keeping with our commitment to the Collaborative, we are conducting this Offering to drive more capital to low- to moderate-income and minority women entrepreneurs in the United States with a particular emphasis on women of color.

ABOUT THE OFFERING

The Offering, the terms of which are described in the Offering Documents, consists of the sale and issuance of the Notes. See “*Risk Factors*” and the other information in this Memorandum and documents incorporated by reference for factors that should be considered before deciding to invest in the Offering. Investors should be prepared to hold their Notes to maturity.

Restricted Securities

The Offering is being conducted pursuant to certain exemptions from registration under the applicable rules of the Securities Act, and specifically Rule 506(c) of Section 4(a)(2) thereunder. As such, the Notes have not been registered under the Securities Act nor under applicable state securities laws and may not be sold or transferred unless such Securities are subsequently registered under the Securities Act and such state securities laws or an exemption from such registration is available.

Eligible Investors

The Notes shall only be offered to and purchased by accredited investors. As required under the Securities Act, the Company may, as a condition to the sale and issuance of a Note to any purchaser, take reasonable steps to verify that all purchasers of the Notes are “accredited investors” as defined under Rule 501 of Regulation D promulgated under the Securities Act. Such steps may include, but are not limited to, review of purchasers’ tax returns and forms, statements of banks and securities holdings, and consumer reports.

Summary of Key Terms of the Notes

The Notes are subject to certain terms with respect to accrual of interest, repayment of the Notes, and other terms specified in the Notes and the Subscription Agreement. The key terms of the Notes are summarized below and are further described in the Notes and the Subscription Agreement. In the event of any conflict between the summary contained herein, on the one hand, and the terms of the Notes or the Subscription Agreement, on the other hand, the terms of the Notes or the Subscription Agreement, as applicable, shall govern.

Interest rate	4% per year, commencing on the Accrual Date (as defined in the Notes), and payable quarterly.
Maturity date	60 months
Payment	Payment on the Notes (principal and interest) is dependent on the Company’s receipt of payment on the underlying loans made to our CDFI partners (the “ Underlying Loans ”). As such, the interest and/or principal of the Notes may be partially reduced or eliminated in the event that the Company does not receive full payment on the Underlying Loans.

Withdrawal	Investors may not withdraw principal prior to maturity, and should expect to hold the Notes to maturity.
Prepayment	Principal and interest payable prior to maturity at the election of the Company without premium or penalty.

Issuance of the Notes

We issue the Notes in a series of Closings (as defined in the Subscription Agreement), which occur as soon as reasonably practicable after the Company has obtained commitments from investors to purchase an aggregate of at least \$100,000 (the “**Closing Threshold**”) in principal of the Notes. We refer to the date on which a Closing occurs as the “Closing Date.” Once an investor completes the subscription process and commits to purchase the Notes (either manually via the execution of the Subscription Agreement and the Note, or electronically via the CNote Platform when such functionality becomes available on the CNote Platform), and subject to the Company’s verification of such investor’s status as an accredited investor, an investor is deemed to have committed to invest at the next Closing. Until a Closing Threshold is reached, an investor may modify the amount such investor will invest by changing the amount of the Notes the investor elects to purchase. On the Closing Date, the investor shall ensure that the principal amount of the investors’ Note(s) has been transferred to CNote, except that if the investor subscribes for the Notes via the CNote Platform, funds will be drawn from the investor’s bank account. The Notes begin to accrue interest on the date when the funds are deployed with CDFIs, as more fully described in the Notes.

Use of Proceeds

The Company’s aim is to have the funds generated from this Offering lent to CDFI partners that will originate loans to businesses led by women (particularly, women of color) in connection with the Wisdom Fund Collaborative. However, while the Company intends to drive the capital raised through this Offering to women-led businesses, our CDFI partners may lend some portion of the funds to other demographics depending on the supply and demand for capital.

Tax Consequences

Prospective investors are urged to consult their own tax advisors regarding the tax consequences of purchasing, owning, and disposing of the Securities in light of their personal investment circumstances.

How to Invest

To invest in the Notes, investors must sign the Subscription Agreement and the Note and transfer the principal amount of the Note to the Company’s bank account.

ABOUT THE COMPANY

We were incorporated in Delaware in April 2016 and began operations in April 2016. Our principal address is 2323 Broadway, Oakland, CA 94612.

Financial Information

To date, the Company has incurred business losses as a result of investment in the development of technology and business processes, including forming relationships with CDFI partners and other institutional partners, and anticipates that such losses will continue for the foreseeable future. The Company expects that the development of such technology and relationships will contribute to its long-term growth and success, although there is no guarantee that the Company will achieve its intended results.

The Company is currently financed by proceeds from the sale and issuance of Simple Agreements for Future Equity in the aggregate amount of \$1,619,500, and is currently seeking additional funding through the sale and issuance of convertible promissory notes. During the next 12 months, the Company intends to primarily fund its operations through the sale of securities convertible into the Company's capital stock to third parties and related parties, as well as increase operating revenues. There are no assurances that management will be able to raise capital on terms acceptable to the Company or increase revenues and margins enough to sustain operations. If we are unable to obtain sufficient amounts of additional capital, we may be required to reduce the scope of our planned operations, which could harm our business, financial condition and operating results.

Management

Catherine Berman

Ms. Berman co-founded CNote and has served as our President and Chief Executive Officer and a member of our Board of Directors since June 2016. Before launching CNote, Ms. Berman served as Managing Director of Charles Schwab, one of America's leading financial services businesses. At Schwab, Ms. Berman led a strategy division focusing on the future of financial services. Prior to Schwab, Ms. Berman maintained a host of management positions including Senior Vice President of Astia (venture capital), Strategy & Operations Manager at Deloitte Consulting, LLP (management consulting) and Vice President of Evins Communications, LLC. Her international work experience spans from India to Israel with extensive work in Central and South America. Her last startup, Global Brigades, grew into a multi-million dollar firm in less than four years and is now the world's largest student development firm. Ms. Berman graduated magna cum laude from Boston University and received her MBA from the University of Oxford where she founded the Oxford Women in Business Network.

Yuliya Tarasava

Ms. Tarasava co-founded CNote and has served as our Chief Operating Officer, Treasurer, Secretary and a member of our Board of Directors since the company's inception. Ms. Tarasava

began her career conducting intensive quantitative research on new market opportunities and designing investment solutions across asset classes for AMG Funds—a \$75 billion asset firm providing access to boutique investment strategies. Ms. Tarasava then went on to Summit Rock Advisors, a \$10 billion OCIO firm, where she developed and implemented the firm’s proprietary analytics and risk management framework. Most recently, she worked with a high-growth financial services company in Kenya where she led both product development and scale strategy efforts working directly with the company’s chief executive officer. Her prior experience also includes creating an investment education portal in Russia and providing pro-bono consulting for non-profits and startups around the world. Ms. Tarasava graduated magna cum laude from Belarusian State University and received her MS in Finance from Fairfield University.

Advisory Board

Suparna Bhasin

Ms. Bhasin is CEO of She Creates Change and a thought leader in change management and executive coaching. She currently runs an international impact investment fund.

Alex Dang

Mr. Dang is Director of Lending for Opportunity Fund, one of the largest micro lending organizations in California. He maintains extensive experience in product development and partnerships.

Anna Fabian

Ms. Fabian is Senior Director of Product at SoFi, a leading financial technology company. Prior to SoFi, Anna had leadership positions at Wells Fargo and Chase Securities. She has deep experience developing and managing products in both large financial institutions and startups.

Emily Jennings

Ms. Jennings is a seasoned finance professional and served previously as Director of Institutional Capital at SoFi and Vice President of Barclays. She is currently Head of Finance at Branch.

Cheryl Traverse

Ms. Traverse is a serial entrepreneur and has been CEO of 5 successful technology companies. She secured funding, set the strategic direction, delivered market-leading products, built revenue traction and created successful exits for all 5 companies.

Our Platform

Our technology-driven Platform allows the Company to aggregate investor capital to make loans to CDFIs. As of September 30, 2018, CNote is investing in over 20 CDFIs that create impact in over 37 states.

Our Platform allows investors to commit to purchase our Investment Products, including the Notes offered hereby, upon completion of the registration process. The Platform is open to institutional, accredited, and non-accredited investors. Our accredited investors (“Reg. D”) invest via Regulation D of the Securities Act and our non-accredited investors are able to invest via Regulation A (“Reg. A+”) of the Securities Act.

Periodically, depending on the availability of, and demand for, capital, we use the aggregated investor capital to make loans to our CDFI partners. Proceeds from the Notes may be aggregated with funds from institutional, accredited, and non-accredited investors to collectively fund the loans to CDFI partners. Final decisions on use of proceeds allocations will be made by management on a loan-by-loan basis for each CDFI partner.

The loans we make are used by our CDFI partners, along with their other sources of financing, primarily to lend to a variety of small businesses and other borrowers whom our CDFI partners have underwritten and backed. Our CDFI partners lend primarily to segments traditionally underserved by major financial institutions. Currently, the aim is to have the majority of the funds generated from this Offering lent to CDFI partners that will originate loans to women-owned businesses through the Wisdom Fund Collaborative (as discussed above). Although CNote is not involved in our CDFI partners’ vetting procedures, we monitor our CDFI partners’ lending activities.

We may provide investors with information and stories on historical loans made and projects funded, and may also provide metrics such as percentage of businesses supported by our CDFI partners that are, for example, women-owned. However, we will not be directly connecting investors to CDFI partners or to their borrowers. Further, these stories and metrics are for informational purposes only, and we do not make any representations about, or solicit contributions to, a particular loan to a particular CDFI partner. The Company does not provide information about current investment opportunities and investors do not have the ability to direct their investments to a particular CDFI partner, or to a particular borrower. Past performance is not indicative of future results.

Our Business Model

Under our business model, we generate revenue by keeping the difference between the interest rate we charge our CDFI partners and the interest distributed to our investors.

The loans we make to CDFI partners are full recourse to the CDFI partners. The loans to CDFI partners are not amortizing and CDFI partners repay the loans quarterly through electronic bank payments. We are currently legally authorized to lend in 45 states plus the District of Columbia as a non-bank commercial lender, and we are in the process of applying for a California finance lenders license.

Our Process

CNote aggregates investors' contribution amounts from its Platform periodically. CNote's proprietary technology algorithm will decide how to allocate the aggregated contributions among the different CDFI partners. This algorithm will ensure that investors' capital is properly spread out across CDFI partners, to maximize diversification for our investors and to mitigate risk. In turn, our CDFI partners lend to a variety of small businesses, often times spread across geographic areas and in varying amounts of principal, which further diversifies the risk for our investors.

CDFI Partners

Our credit policy targets potential CDFI partners with higher creditworthiness and stable financial situation. In order to borrow from CNote, potential CDFI partners must display characteristics indicative of a healthy loan portfolio and a durable financial situation. The factors we consider include repayment rates, loan delinquencies, loan loss reserves, credit enhancements and guarantees, length of time in business, and other financial and credit variables. Additionally, our CDFI partners are required to provide us with audited relevant financial and impact data about their operational and lending activities. In diligencing potential CDFI partners CNote also factors in a CDFI's historic commitment to funding women-led businesses and innovating around product development.

Currently, CNote does not let individual investors choose which CDFI partner(s) to invest in. We do not allow this because there is no standard set of information available to investors to adequately assess the risk of investing in particular CDFI partners. Our three-part diligence process presents a critical value proposition for the investor, allowing them access to CDFI partners that are otherwise difficult to find or assess from the standpoint of making a financial investment.

Due Diligence Process

Potential CDFI partners may express interest to receive capital by contacting CNote. We also are connected to potential CDFI partners through OFN, the national organization for CDFIs, and by word of mouth among members of the CDFI industry.

Before we partner with a potential CDFI partner, we conduct diligence and review its organizational structure and financial stability, historic track record, leadership and community impact. Prospective CDFI partners must provide us with relevant data about their organization's financial health (including audited financial statements), organizational capacity, business volume and projected growth, product line, loan portfolio performance, credit enhancements, and social impact. We use this data to underwrite the CDFI partner and fund loans to it through the CNote Platform.

We use technology, data analytics, and a proprietary liquidity algorithm to match investors' funds with the funding needs of CDFI partners.

Our diligence process typically takes four to six weeks, but may take longer.

Underwriting and Servicing Process

Currently, we offer CDFI partners who are participants of the Wisdom Fund Collective term loans of five (5) years and varied amounts of capital defined during our underwriting process.

Specifically, we provide simple, balloon payment, fixed-term loans only to qualified CDFI partners. In order to qualify, potential CDFI partners must be approved through our proprietary underwriting process, which analyzes the creditworthiness, financial health and impact data of each potential CDFI partner. CNote conducts due diligence on prospective CDFI partners (*see "Due Diligence Process"* above for more information). Our determination of what loan amount to approve is based on this due diligence analysis.

Our loans are typically issued to CDFI partners in the form of a master promissory note, which allows them to make multiple requests for capital. If a CDFI partner makes an additional request for a loan, we will re-evaluate the CDFI partner in accordance with our underwriting process, and we conduct these reviews on at least a quarterly basis. If the results of our analyses differ, a CDFI partner may receive different financial terms on subsequent draw downs.

Currently, we do not require the loans we make to CDFI partners to have any minimum size, and while there is no set maximum loan amount, either, we consider CDFI partners' capital demands in light of the actual and anticipated demands of other CDFI partners, as well as our goal of diversifying investments across a variety of CDFI partners.

We service the loans we make to CDFI partners in-house, using the Platform we developed. Our CDFI partners are generally obligated to make payments on the loans we extend to them; repayment of our loans to our CDFI partners does not depend on the payments the CDFI partners receive from the small businesses to which our CDFI partners extend loans.

CNote evaluates capital demand from CDFI partners on a monthly basis. Our management team will continue to monitor the operational and lending activities of our CDFI partners, including the health of their loan portfolios, to ensure against any increased risks.

Risk Characteristics of Receivables

- We extend loans to CDFI partners, which in turn make loans to women-led small businesses in under-served segments of the population. Small businesses are more sensitive to macro-economic factors, and a weakening economy will hamper the ability for a small business to meet the obligations of their loans. Although our operations seek to diversify exposure by investing in a variety of CDFI partners and our CDFI partners maintain adequate loan loss reserves, if our CDFI partners are unable to collect on their loans to small businesses, our CDFI partners may be unable to make payments required by the terms of our loans to them.
- At this stage, our loans are full resource, unsecured obligations of our CDFI partners. This means that, for those loans, we will not be able to foreclose on any assets of our borrowers in the event that they default. This limits our recourse in the event of a default. If our CDFI partners are unable to access collateral on their loans that default, their ability to repay CNote may be adversely impacted.

- We do not currently have, or provide, third-party insurance on our loan products. We are presently exploring insurance options.

Loan Loss Reserve

In addition to any loan loss reserves established and maintained by our CDFI partners, the Company will establish and maintain a reserve of three to five percent (3-5%) for potential losses associated with the Notes issued under the Wisdom Fund Collaborative. The amount of the loan loss reserve is determined based on industry norms and trends and will be updated periodically once a history of loan losses sufficient to reasonably modify the estimate of future loan losses has been established.

Competitive Strengths

We believe we benefit from the following competitive strengths compared to other investment alternatives:

Proprietary Technology. CNote’s four proprietary technologies have been developed and are being scaled to address the critical hurdles that prevent investors from easily and responsibly accessing CDFI investment opportunities. Each technology unlocks a critical piece of the CDFI investment opportunity and represents a critical competitive advantage in delivering CDFI impact and investment to a larger investor base.

Experienced Team. CNote’s managed team hosts a combined 40+ years finance and technology experience. The team’s co-founders have experience in traditional finance, community finance and impact investment. They have built trusted relationships and networks in each of these spaces which allows them the advantage to build new partnerships and bring in key expertise to build out future investment opportunities. In addition, our advisory board members have extensive and diverse experience in a variety of fields, including CDFIs, financial technology, and entrepreneurship. We hope to leverage their insight and relationships to hone and develop our products and strategies.

Strategic Partnerships. The Opportunity Finance Network and AERIS serve as key industry partners to CNote, providing supportive feedback, introductions, frameworks and product co-creation product opportunities. These trusted partnerships demonstrate CNote’s commitment to advancing the CDFI industry as a whole and to its demonstrated commitment to funding greater impact in underserved communities.

Impact investment is a fast growing industry. Both U.S. Trust and the Global Impact Investing Network estimate the impact investment industry to be worth over \$77 billion in the United States, which has continued to grow each year. And yet, currently available impact investment products are generally reserved for accredited investors only. This is despite evidence that has identified strong interest – according to the surveys done by BlackRock and U.S. Trust more than 75% of women and millennials would prefer their investments to align with their values.

RISK FACTORS

As used in this “Risk Factors” section, any reference to the words “you,” “your,” or words of similar import shall mean the prospective investor to whom this Memorandum has been provided.

Investing in the Notes is speculative and involves a high degree of risk. Before deciding whether to invest, you should consider carefully the risks and uncertainties described below and the terms of the Subscription Agreement and the Notes. If any of the following risks actually occurs, the Company’s business, financial condition, results of operations, and prospects could be adversely affected. As a result, the value of the Notes could decline, and you could lose part or all of your investment.

Risks Related to Our Industry

The lending industry is highly regulated. Changes in regulations or in the way regulations are applied to our business could adversely affect our business.

Changes in laws or regulations or the regulatory application or judicial interpretation of the laws and regulations applicable to us could adversely affect our ability to operate in the manner in which we currently conduct business or make it more difficult or costly for us to originate or otherwise make additional loans, or for us to collect payments on loans by subjecting us to additional licensing, registration, and other regulatory requirements in the future or otherwise. A material failure to comply with any such laws or regulations could result in regulatory actions, lawsuits, and damage to our reputation, which could have a material adverse effect on our business and financial condition and our ability to originate and service loans and perform our obligations to investors and other constituents.

The initiation of a proceeding relating to one or more allegations or findings of any violation of such laws could result in modifications in our methods of doing business that could impair our ability to collect payments on our loans or to acquire additional loans or could result in the requirement that we pay damages and/or cancel the balance or other amounts owing under loans associated with such violation. We cannot assure you that such claims will not be asserted against us in the future. To the extent it is determined that the loans we make to CDFI partners were not originated in accordance with all applicable laws, we may be obligated to repurchase any portion of the loan we had sold to a third party. We may not have adequate resources to make such repurchases.

Worsening economic conditions or a changing political climate may result in decreased demand for our loans, cause our customers’ default rates to increase, and harm our operating results.

Uncertainty and negative trends in general economic conditions in the United States and abroad, including significant tightening of credit markets, historically have created a difficult environment for companies in the lending industry. Many factors, including factors that are beyond our control, may have a detrimental impact on our operating performance. These factors include general economic conditions, the political climate, unemployment levels, energy costs and interest rates, as well as events such as natural disasters, acts of war, terrorism, and catastrophes. The small business borrowers our CDFI partners serve may be more sensitive to these macroeconomic factors.

Domestic policy decisions could affect the economic or legal situations of CDFIs, and their small business borrowers. For instance, the national CDFI Fund, which provides funding and support dollars to CDFIs, may be reduced or eliminated. Similarly, regulations promulgated under the Community Reinvestment Act, if altered or repealed, could materially affect CDFIs, and their access to capital. Losing access to state or federal funding could make it more likely that CDFI partners would default on their obligations to us in the event they are unable to collect on the loans they make to borrowers, who, as small businesses, may be more sensitive to macroeconomic factors.

Other industry players may begin or increase lending to CDFIs.

Although we believe our online investment Platform presents a new opportunity for CDFIs to access capital from individual investors, others are not precluded from entering, and competing in, this arena. We face potential competition from a variety of sources, including newly-formed companies or existing lenders. Competition in the financial technology sector is intense, and we may be unable to compete against other players in the financial technology sector (such as Lending Club, Funding Circle, and OnDeck Capital), small business divisions of commercial banks (such as Capital One and Wells Fargo), and community banks and credit unions. Our competitors, especially banks, have substantially more resources than we do and spend millions of dollars on marketing. If we are unable to attract partners, or repeat partners, our results of operations will be adversely affected.

Competition for our employees is intense, and we may not be able to attract and retain the highly skilled employees whom we need to support our business.

Competition for highly skilled personnel, especially engineering and data analytics personnel, is extremely intense, and we could face difficulty identifying and hiring qualified individuals in many areas of our business. We may not be able to hire and retain such personnel at compensation levels consistent with our compensation and salary structure. Many of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In particular, candidates making employment decisions, specifically in high-technology industries, often consider the value of any equity they may receive in connection with their employment. Any significant volatility in the value, or the perceived market value, of our stock after any offering may

adversely affect our ability to attract or retain highly skilled technical, financial, marketing, or other personnel.

In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements and the quality of our services and our ability to serve our customers could diminish, resulting in a material adverse effect on our business.

Risks Related to Our Company

We are an early-stage startup with a history of net losses, and we may never become profitable.

In our fiscal years ended December 31, 2016 and December 31, 2017, we operated at a loss. We do not expect to be profitable for the foreseeable future. If we are unable to obtain or maintain profitability, we may not be able to attract investment, compete, or maintain operations.

We have a limited operating history in a rapidly evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We have a limited operating history in an evolving industry that may not develop as expected. Assessing our business and future prospects is challenging in light of the risks and difficulties we may encounter. These risks and difficulties include our ability to:

- increase the number and total volume of loans and other products we extend to our partners;
- increase the number and size of partners to whom we extend loans;
- improve the terms on which we lend to our customers as our business becomes more efficient;
- increase the effectiveness of our business to business marketing and lead generation through referral sources;
- successfully develop and deploy new products;
- favorably compete with other companies that are currently in, or may in the future enter, the business of access to CDFI investment opportunities;
- successfully navigate economic conditions and fluctuations in the credit market;
- effectively manage the growth of our business; and
- successfully expand our business into adjacent markets.

We may not be able to successfully address these risks and difficulties, which could harm our business and cause our operating results to suffer.

Our risk management efforts may not be effective.

We could incur substantial losses, and our business operations could be disrupted if we are unable to effectively identify, manage, monitor, and mitigate financial risks, such as credit risk, interest rate risk, liquidity risk, and other market-related risk, as well as operational risks related to our business, assets, and liabilities. To the extent our models used to assess the fiscal responsibility and performance of our CDFI partners do not adequately identify potential risks, the risk profile of such customers could be higher than anticipated. Our risk management policies, procedures, and techniques may not be sufficient to identify all of the risks we are exposed to, mitigate the risks that we have identified, or identify concentrations of risk or additional risks to which we may become subject in the future.

Our allowance for loan losses will be determined based upon both objective and subjective factors and may not be adequate to absorb loan losses.

We have established a loan loss reserve of approximately 3-5% of our assets under management, which, may not be adequate to address losses should a CDFI partner, irrespective of their full resource obligation, be unable to pay back an investor's principal and or interest per the agreement.

We depend on our reputation to attract both CDFI partners and investors.

We depend heavily on our relationships and our reputation to attract CDFI partners, many of whom we reach either through our association with OFN or by word of mouth. If for any reason our reputation suffers, we may face difficulties attracting CDFI partners, which could in turn affect our ability to make loans and return capital to investors.

If our reputation suffers, we will also face difficulty in attracting additional investors. Additionally, to the extent that investors may view our products as similar to, or interchangeable with, other alternative investment platforms or marketplace lenders (such as Lending Club, Funding Circle or OnDeck Capital), we may struggle to attract investors.

At this stage, many of our loans will be unsecured obligations of our partners.

At this stage, many of our loans to our CDFI partners are unsecured obligations. This means that, for those loans, we will not be able to foreclose on any assets of our partners in the event that they default. This may limit our recourse in the event of a default. If our CDFI partners are unable to realize collateral on their loans that default, their ability to repay CNote, and consequently our ability to repay the Notes, may be adversely impacted.

We rely on capital to grow our business.

As our business scales and loan volume increases, we will require increasing amounts of capital to build our operations. We have to carefully manage capital as we are not yet profitable. As our business grows, we will require increasing levels of new capital to fund our operational needs. This need for capital will require us to find additional investors. Our inability to attract sufficient capital at all or on favorable terms will impact our ability to grow and remain in business.

We currently rely on existing CDFIs to identify, underwrite and service quality borrowers in their respective under-served segments.

Although we conduct due diligence on potential CDFI partners, and continue to monitor their operations once we make loans to these CDFI partners (see “Our Business Model,” above), we are nevertheless dependent on our CDFI partners’ ability to identify, underwrite and service borrowers in their respective segments. We cannot control their operations once loans are made. Though the loans we make to CDFI partners are full recourse to us, and while it has historically rarely happened, it is possible that CDFI partners could become insolvent, shut down, or otherwise cease their operations. In these events, our ability to collect on our CDFI partners’ loans, and in turn to pay our investors, could be compromised.

We rely on both individual investors and institutional investors to invest in our Investment Products.

We operate in a demand-driven business, thus our inability to describe potential investments in the Notes as a low-risk and attractive investment vehicle is a potential risk.

We rely on investors, both individual and institutional, to fund the loans on our Platform. If our investors were to significantly curtail investing, lose interest in our investment options, not engage our website often enough to continue investing, or redeploy cash to other purposes, our results could suffer.

We face increasing competition and, if we do not compete effectively, our operating results could be harmed.

We compete with other companies that lend to CDFIs. These companies include traditional banks, foundations and religious institutions. Many of these offer greater ability to be flexible with cost of capital than CNote. They are also able to deploy a great amount at one time whereas CNote is dependent on its investors’ contributions any given month.

We face potential competition from future platforms issuing CDFI and similar notes and, if we do not compete effectively, our operating results could be harmed.

When new competitors seek to enter one of our markets, or when existing market participants seek to increase their market share, they sometimes undercut the pricing and/or credit terms prevalent in that market, which could adversely affect our market share or ability to explore new market opportunities.

Our pricing and credit terms could deteriorate if we act to meet these competitive challenges. Further, to the extent that the fees we pay to our strategic partners and borrower referral sources are not competitive with those paid by our competitors, whether on new loans or renewals or both, these partners and sources may choose to direct their business elsewhere. Those competitive pressures could also result in us reducing the cost of capital or being more flexible on the terms we provide to our CDFI partners. All of the foregoing could adversely affect our business, results of operations, financial condition, and future growth.

In the event the Company would not have enough capital available to support the repayment of outstanding Notes, all outstanding Notes will be general unsecured obligations of the Company and would rank equally in priority with other unsecured creditors, including holders of Simple Agreements for Future Equity or “SAFEs” that have not been converted into equity. The Company’s equity holders, including the holders of equity issued upon conversion of SAFEs, would be subordinated in priority to the repayment of the unsecured creditors, including the holders of the Notes. Moreover, in the event of a change of control, holders of SAFEs may elect to be immediately repaid their investment, which may be before holders of the Notes are repaid.

The collection, processing, storage, use, and disclosure of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements, or differing views of personal privacy rights.

We receive, collect, process, transmit, store and use a large volume of personally identifiable information and other sensitive data from investors and potential investors. There are federal, state, and foreign laws regarding privacy, recording telephone calls, and the storing, sharing, use, disclosure, and protection of personally identifiable information and sensitive data. Specifically, personally identifiable information is increasingly subject to legislation and regulations to protect the privacy of personal information that is collected, processed, and transmitted. Any violations of these laws and regulations may require us to change our business practices or operational structure, address legal claims, and sustain monetary penalties, or other harms to our business.

The regulatory framework for privacy issues in the United States and internationally is constantly evolving and is likely to remain uncertain for the foreseeable future. The interpretation and application of such laws is often uncertain, and such laws may be interpreted and applied in a manner inconsistent with other binding laws or with our current policies and practices. If either we or our third-party service providers are unable to address any privacy concerns, even if unfounded, or to comply with applicable laws and regulations, it could result in additional costs and liability, damage our reputation, and harm our business.

We rely on third-party service providers to deliver our services. Any disruption in services from these service providers, including any disruption of service at their data centers, could interrupt or delay our ability to deliver our service to our investors and CDFI partners.

We currently use third-party service providers such as Dwolla to handle many components of our operations. These service providers may themselves rely on third-party data center hosting facilities. The continuous availability of our service depends on the operations of these service providers, on data facilities, on a variety of network service providers, on third-party vendors, and on data center operations staff. In addition, we depend on the ability of our third-party providers to protect the facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts, and similar events. If there are any lapses of service or damage to the facilities, we could experience lengthy interruptions in our service as well as delays and additional expenses in arranging new service providers and services. Even with current disaster recovery arrangements, our business could be harmed.

Design and mechanical errors or failure to follow operations protocols and procedures could cause our systems to fail, resulting in interruptions in our Platform. Any such interruptions or delays, whether as a result of third-party error, our own error, natural disasters, or security breaches, whether accidental or willful, could harm our relationships with customers and cause our revenue to decrease and/or our expenses to increase. Also, in the event of damage or interruption, our future insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenue and subject us to liability, which could materially adversely affect our business.

We are reliant on the efforts of our management team.

We rely on our management team and need additional key personnel to grow our business, and the loss of key employees or inability to hire key personnel could harm our business. We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees.

All of our employees are at-will and can leave us at any time.

Our future success depends on our continuing ability to attract, develop, motivate, and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. Our executive officers and other employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business could be materially and adversely affected.

We have a small number of employees, each of whom is important to our success.

We have only four full-time employees, and we engage outside contractors for certain aspects of our business operations, including the development of our technology. Each of our employees and certain of our outside contractors play a significant role in our success. Our team covers the following functional duties: engineering and programming, sales and marketing, finance and credit, legal and regulatory, and administration and operations. The loss of any of our employees could have a material adverse impact on our operations. Additionally, because each employee plays such a critical role in a company of this size, any instances of human error or exercises of poor business judgment could negatively impact our company.

Events beyond our control could affect our operations.

Events beyond our control may damage our ability to provide quality loan products to interested borrowers given less quality loans being made or repaid from our CDFI partners. In addition, catastrophic events may negatively affect customers' demand for loans from our CDFI partners. Such events include, but are not limited to, fires, earthquakes, terrorist attacks, natural disasters, computer viruses, and telecommunications failures. Despite any precautions we may take, system interruptions and delays could occur if there is a natural disaster, if a third-party provider closes a facility we use without adequate notice for financial or other reasons, or if there are other unanticipated problems at our operations facility.

As we rely heavily on our servers, computer and communications systems, and the Internet to conduct our business and provide high-quality customer service, such disruptions could harm our ability to run our business and cause lengthy delays which could harm our business, results of operations, and financial condition.

We do not currently have a backup, outside servicing firm to service partner payments.

We currently service all of our loans and although we are negotiating a contract with a potential partner, do not have a backup outside servicer at this time. Loan servicing is an increasingly regulated industry, with various federal and state laws governing the collection of consumer and small business loans, and none of our employees currently devote all of their time to our loans as their time is divided among many responsibilities. Although we are in the process of evaluating potential options, we currently do not have a ready backup servicer in the event that we are suspended from servicing, or are suddenly unable to service our loans.

Our failure to comply with applicable regulations, or our inability to service loans, would adversely affect our operations.

Compliance with Regulation A and reporting to the SEC could be costly.

Compliance with Regulation A could be costly and requires legal and accounting expertise. Because the new rules implementing Title IV of the Jumpstart Our Business Startups Act of 2012 took effect in June 2015, we have no experience complying with the new provisions of Regulation A or making the public filings required by the rule. We must file an annual report on Form 1-K, a semiannual report on Form 1-SA, and current reports on Form 1-U.

Our legal and financial staff may need to be increased in order to comply with Regulation A. Compliance with Regulation A will also require greater expenditures on outside counsel, outside auditors, and financial printers in order to remain in compliance. Failure to remain in compliance with Regulation A may subject us to sanctions, penalties, and reputational damage and would adversely affect our results of operations.

If we are deemed to be an investment company, we may be required to institute burdensome compliance requirements, our activities may be restricted, and this offering may be invalidated.

We do not believe that at any time we will be deemed to be an “investment company” under the Investment Company Act of 1940 (the “1940 Act”) as we do not intend on trading or selling securities and thus believe we are exempt pursuant to Section 3(b)(1) of the 1940 Act. However, if at any time we are deemed an “investment company” we may be subject to certain restrictions on our operations and the issuance of the Notes, and may have imposed upon us certain burdensome requirements, including registration as an investment company, adoption of a specific form of corporate structure, and reporting, recordkeeping, voting, proxy, compliance policies and procedures, as well as additional disclosure requirements. Additionally, as Regulation A is not available to companies that are investment companies registered under, or required to be registered under, the 1940 Act, in the event that we were deemed to be an investment company, the offering and the Notes sold pursuant to our Regulation A offering, may be invalidated.

Our Terms of Use require holders of the Notes to submit any disputes to binding arbitration.

Our Terms of Use (available at <https://www.mycnote.com/TOS>) provide that any dispute arising under the Notes must be submitted to binding arbitration. As a result, you may not be able to pursue litigation for any such disputes in state or federal courts against us or our directors or officers, and any awards or remedies determined by the arbitrators may not be appealed. In addition, arbitration rules generally limit discovery, which could impede your ability to bring or sustain claims, and the ability to collect attorneys’ fees or other damages may be limited in the arbitration, which may discourage attorneys from agreeing to represent parties wishing to commence such a proceeding.

Risks Related to the Notes

Holders of the Notes are exposed to the credit risk of the Company.

The Notes are our unsecured obligations. If we are unable to make payments required by the terms of the Notes, you will have an unsecured claim against us. The Notes are therefore subject to non-payment by the Company in the event of our bankruptcy or insolvency. In an insolvency proceeding, there can be no assurances that you will recover any remaining funds.

In the event the Company would not have enough capital available to support the repayment of outstanding the Notes, all outstanding the Notes will be general unsecured obligations of the Company and would rank equally in priority with other unsecured creditors, including holders of Simple Agreements for Future Equity or “SAFEs” that have not been converted into equity. The Company’s equity holders, including the holders of equity issued upon conversion of SAFEs, would be subordinated in priority to the repayment of the unsecured creditors, including the holders of the Notes. Moreover, in the event of a change of control, holders of SAFEs may elect to be immediately repaid their investment, which may be before holders of the Notes are repaid.

Holders of the Notes are exposed to our CDFI partners’ credit risk and ability to repay on the Underlying Loans.

The funds generated from this Offering will be lent to our CDFI partners, which in turn make loans to primarily women-led businesses. Our operations seek to diversify exposure by investing in a variety of CDFI partners. However, the Notes are dependent on payment from our CDFI partners on the Underlying Loans, meaning that if our CDFI partners are unable to make payments required by the terms of the Underlying Loans, the payments to investors under the Notes may be reduced or eliminated pursuant to the terms of the Notes. In certain circumstances, we may be unable to return your principal.

We currently have a limited number of CDFI partners.

By design, within the Wisdom Fund Collective, we partner with a limited number of CDFIs that have demonstrated commitment to supporting women and product development in that space. Thus, while we are in discussion with additional potential CDFI partners about possible partnerships, our investors capital is concentrated in a limited number of partners. We will not be able to diversify the risks for holders of the Notes until we have a greater number of CDFI partners.

There has been no public market for the Notes, and none is expected to develop.

The Offering is being conducted pursuant to certain exemptions from registration under the applicable rules of the Securities Act, and specifically Rule 506(c) of Section 4(a)(2) thereunder. As such, the Notes have not been registered under the Securities Act nor under applicable state securities laws and may not be sold or transferred unless such Securities are subsequently registered under the Securities Act and such state securities laws or an exemption from such

registration is available. No public market has developed nor is expected to develop for the Notes, and we do not intend to list the Notes on a national securities exchange or interdealer quotation system. You should be prepared to hold your Notes through their maturity dates as the Notes currently are not liquid investments, nor do we anticipate that they will be a liquid investment at any time in the foreseeable future.

Our CDFI partners may be unable to deliver 100% of the funds raised in this Offering to women-led business.

As stated in this Memorandum, the intent of this Offering is to provide greater access to capital to women-led businesses, particularly women of color. We aim to accomplish this by participating in the Wisdom Fund Collective and partnering with a select number of CDFIs that have demonstrated their commitment to and support for women. However, depending on the supply of and demand for capital, our CDFI partners may lend some of the proceeds from this Offering to other demographic groups.

Exhibit A - Definitions

As used in this Memorandum, the following capitalized terms shall have the meaning set forth below:

“**CDFI partner**” means a Community Development Financial Institution with which the Company has a contractual relationship.

“**CNote**,” “**Company**,” “**us**,” “**our**,” and “**we**” mean CNote Group, Inc., a Delaware corporation.

“**Investment Products**” means the debt investment products available to our investors via the Platform, including the Notes.

“**Memorandum**” means this confidential Private Placement Memorandum, as amended from time to time.

“**Notes**” or “**Securities**” mean the Adjustable Promissory Note made available to prospective investors as part of this Offering, in the form attached hereto as Exhibit B.

“**Offering**” means the private offering, sale, and issuance of the Notes, as contemplated hereby, pursuant to Rule 506(c) of Regulation D promulgated under the Securities Act.

“**Offering Documents**” means this Memorandum, the Notes, and the Subscription Agreement.

“**Platform**” shall mean www.mycnote.com or such other website provided by the Company for investors to purchase the Notes.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Subscription Agreement**” means the Subscription Agreement attached hereto as Exhibit C.

Exhibit B – Form of Adjustable Rate Promissory Note

(see attached)

THIS ADJUSTABLE RATE PROMISSORY NOTE (THE “NOTE”) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER ANY STATE SECURITIES LAWS. THIS NOTE IS SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED, SOLD, RESOLD, OFFERED FOR SALE OR RESALE, PLEDGED OR HYPOTHECATED (COLLECTIVELY, “TRANSFERRED” OR, A “TRANSFER”) IN THE ABSENCE OF A REGISTRATION OR QUALIFICATION WITH RESPECT TO THIS NOTE UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL SATISFACTORY TO THE BORROWER (AS DEFINED BELOW) THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THIS NOTE MAY NOT (EXCEPT IN CERTAIN LIMITED CIRCUMSTANCES) BE TRANSFERRED WITHOUT THE CONSENT OF THE BORROWER, WHICH MAY BE WITHHELD IN THE BORROWER’S SOLE DISCRETION.

THIS NOTE IS NON-RECOURSE TO THE ASSETS, FUNDS AND ACCOUNTS OF THE BORROWER OR ANY OF ITS AFFILIATES, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR STOCKHOLDERS EXCEPT TO THE EXTENT OF PAYMENT ACTUALLY RECEIVED ON CDFI LOANS (AS DEFINED BELOW).

FOR PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THIS NOTE IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT (“OID”) BECAUSE THE BORROWER IS NOT UNCONDITIONALLY OBLIGATED TO PAY INTEREST ON THE NOTE AND PAYMENTS ON THE NOTE ARE MADE ONLY IF PAYMENTS ARE RECEIVED BY THE BORROWER ON THE CDFI LOANS. THE ISSUE PRICE OF THE NOTE IS THE STATED PRINCIPAL AMOUNT BELOW, AND THE ISSUE DATE IS THE EFFECTIVE DATE. UPON REQUEST, THE BORROWER WILL PROMPTLY MAKE AVAILABLE TO THE LENDER THE EXPECTED PAYMENT SCHEDULE, THE AMOUNT OF OID AND THE YIELD TO MATURITY OF THE NOTES HELD BY THE LENDER.

ADJUSTABLE RATE PROMISSORY NOTE

PRINCIPAL: \$ _____
EFFECTIVE DATE: _____
SERIES: _____

Borrower: CNote Group, Inc., a Delaware corporation (the “Borrower” or “CNote”)
Lender: The investor listed on the signature page hereto (the “Lender”)

1. PROMISE OF PAYMENT.

FOR VALUE RECEIVED, the Borrower hereby promises to pay to the Lender in U.S. dollars an amount equal to the principal sum shown above (the “Principal”) and the Interest (as defined in Section 2), as set forth below and subject to the conditions and limitations on payment described below (according to the Payment Schedule (as defined below)).

The Lender shall be entitled to payments as described below based on the payments actually received by the Borrower on underlying loans that the Borrower makes from time to time to its Community Development Financial Institution partners (each, a “CDFI Loan” and, collectively, the “CDFI Loans”). In the event that collections of principal and interest on the CDFI Loans do not, in the aggregate, yield enough revenue (a “Shortfall”) to pay principal and

interest on all Notes issued and outstanding by the Borrower as of the date thereof, Interest first and then Principal second on this Note shall be reduced proportionately by the pro rata portion of the Shortfall which this Note comprises relative to all Notes issued and outstanding by the Borrower as of the date thereof. For the avoidance of doubt, the Borrower shall have no obligation to the Lender, and the Lender shall have no recourse against the Borrower, in excess of such adjusted Amount Owed as set forth in this Section 1. This Note shall be designated to be part of a Series of Notes issued on the Borrower on the date hereof.

2. INTEREST.

Beginning with the date that the Principal has been applied to a CDFI Loan (the “Accrual Date”), this Note shall bear interest according to the terms of this Section 2 (the “Interest”).

(a) Unless otherwise adjusted pursuant to Section 2(b) or 2**Error! Reference source not found.**, the rate of Interest shall be four percent (4.00%) per annum (the “Interest Rate”).

(b) Notwithstanding anything in this Note to the contrary, the Interest Rate shall be subject to adjustment, from time to time, at the discretion of the Borrower to reflect any changes to the interest rate on the CDFI Loans; provided, however, that the Interest Rate shall not be less than the minimum rate allowed by applicable law as of the date of such adjustment. Any adjustments shall be made on a Series-wide basis.

(c) Any unpaid Interest (together with the Principal, the “Amount Owed”) shall be compounded quarterly.

3. PAYMENT OF PRINCIPAL AND ACCRUED INTEREST.

(a) Unless prepaid pursuant to Section 4 or accelerated pursuant to Section 5, the Amount Owed, subject to the adjustment described in Section 1, shall be due and payable to the Lender according to the following schedule (the “Payment Schedule”):

(i) Any accrued but unpaid Interest is due every successive calendar quarter after the Accrual Day until the Principal is paid in full, and

(ii) The Principal, along with any Interest accrued but unpaid pursuant to Section 3(a)(i) shall be due sixty (60) months after the Accrual Date (the “Maturity Date”); provided, however, that, there shall be no penalty for payment by the Borrower of the Amount Owed within ten (10) business days after the Maturity Date for purposes of effecting a transfer or delivery of money to the bank account designated by the Lender.

(b) All U.S. dollar amounts used in or resulting from the calculation of the Amount Owed shall be rounded to the nearest cent (with one-half cent being rounded upward).

4. PREPAYMENT.

The Borrower shall have the right, in its sole discretion, at any time and from time to time, to prepay the Amount Owed, in whole or in part, without the need to provide advance notice. There shall be no premium or penalty for prepayment pursuant to this Section 4 of the Amount Owed.

5. ACCELERATION OF NOTE.

The Lender may declare this Note immediately due and payable upon the occurrence of any of the following events: the insolvency of the Borrower, the commission of any act of bankruptcy by the Borrower, the execution by the Borrower of a general assignment for the benefit of creditors, the filing by or against the Borrower of any petition in bankruptcy or any petition for relief under bankruptcy laws for the relief of debtors and the continuation of such petition without dismissal of a period of thirty (30) days or more, or the appointment of a receiver or trustee to take possession of any property or assets of the Borrower.

6. COMPLIANCE WITH SECURITIES LAWS.

The Lender represents and warrants to the Borrower that the Lender: (i) has sufficient knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of its investment in this Note; (ii) is able to protect its interests and fend for itself in the transaction contemplated by this Note; (iii) has the ability to bear the economic risks of its investment; (iv) is acquiring this Note for the Lender's own account for investment and not with a view to, or for sale in connection with, any distribution thereof, nor with any present intention of distributing or selling the same; and (v) IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT.

7. DISPUTE RESOLUTION.

The parties hereto agree to resolve any dispute related to or arising out of this Note according to the dispute resolution procedures set forth in sections 16 ("Binding Arbitration"), 17 ("Class Action Waiver"), and 18 ("Exceptions to Arbitration") of the CNote Terms of Use available at www.mycnote.com (the "CNote Terms"), which terms are incorporated by reference herein.

8. GOVERNING LAW; VENUE.

This Note shall be governed by the laws of the State of California, without regard to conflict of law provisions. In the event that the dispute resolution procedures in Section 7 are found not to apply to a given claim, any judicial proceeding will be brought in the state courts of San Francisco County, California. Both parties hereto consent to venue and personal jurisdiction there.

9. MISCELLANEOUS.

This Note shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither parties hereto may assign its rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of the other party, except that the Borrower may assign this Note in its entirety, without consent of the Lender, to its parent, subsidiary, or affiliate or in connection with a merger, acquisition, corporate reorganization, or sale of all or substantially all of its assets. This Note, the CNote Terms (to the extent applicable), and the Private Placement Memorandum and Subscription Note contemporaneously provided to the Lender herewith set forth the entire agreement and understanding of the parties hereto relating to the relationship between the Lender and the Borrower and supersedes all prior or contemporaneous discussions, understandings, and agreements, whether oral or written, between the parties hereto relating to the subject matter of this Note. No terms in this Note may be changed except by an amendment or separate agreement executed in writing by an authorized representative of both parties hereto. Failure by either party hereto to enforce its rights under this Note shall not be deemed to constitute a waiver of its rights to enforce the same

or any other provision under this Note. No waiver shall be effective unless made in writing and signed by an authorized representative of the waiving parties hereto. If one or more provisions of this Note are held to be unenforceable under applicable law, such provision shall be excluded from this Note, and the balance of the Note shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

[Remainder of the page intentionally left blank; signature page follows.]

THE PARTIES HERETO HAVE READ AND UNDERSTOOD THE TERMS OF THIS NOTE AND AGREE TO THEM AS OF THE EFFECTIVE DATE WRITTEN ABOVE.

THE BORROWER:

CNote Group, Inc.

By: _____

Name: Yuliya Tarasava

Title: Chief Operating Officer

THE LENDER:

Name: _____

By: _____

Name: _____

Title: _____

Address:

Exhibit C – Form of Subscription Agreement

(see attached)

SUBSCRIPTION AGREEMENT

Date:

CNote Group, Inc.
2323 Broadway
Oakland, CA 94612
Attention: Yuliya Tarasava,
Chief Operating Officer

Ladies and Gentlemen:

The undersigned investor (“**Investor**”) hereby tenders this Subscription Agreement (the “**Agreement**”) in connection with such Investor’s purchase, in accordance with the terms hereof, of a promissory note or notes in substantially the form attached hereto as Exhibit A (the “**Notes**”) from CNote Group, Inc., a Delaware corporation (the “**Company**”).

1. Subscription. Subject to the terms and conditions hereof, Investor hereby irrevocably subscribes for Notes in the amount set forth on the signature page hereto, which is payable as described in Section 2. The Notes, which are substantially in the form of Exhibit A attached hereto, are incorporated by reference herein. The Notes will be issued in a series of closings (each, a “**Closing**”), as more fully described in the Notes. Interest begins accruing on the Accrual Date (as defined in the Notes).

2. Acceptance of Subscription and Issuance of Notes. The Company shall have the sole right, at its sole and absolute discretion, to accept or reject this subscription, in whole or in part, for any reason.

(a) Investor will not be deemed to have purchased any Notes unless and until such time as all of the following conditions have occurred: (i) this Agreement and such other documentation as may be requested by the Company has been duly and validly executed by Investor, delivered to the Company and accepted by the Company and (ii) the purchase price for the Notes has been delivered pursuant to instructions provided by the Company.

(b) Investor agrees to pay to the Company the aggregate purchase price for the Notes in the amount set forth on the signature page attached hereto by (i) check payable to the Company, (ii) bank or wire transfer in readily available funds in accordance with the Company’s instructions, (iii) cancellation of indebtedness of the Company or (iv) any combination of the foregoing.

3. Representations, Warranties and Covenants of Investor. Investor hereby represents and warrants to the Company and each other person that subscribes for the Notes as follows, which representations and warranties shall survive the applicable Closing:

(a) Investor acknowledges that the Notes (i) have not been registered under the Securities Act of 1933, as amended (the “**Securities Act**”) or under the securities, “blue sky” or other similar laws of any state in the United States of America (“**State Securities Laws**”), and (ii) will be subject to restrictions on transfer as set forth in this Agreement, the Notes, the Securities Act, and any other documentation requested by the Company;

(b) Investor will not sell, transfer, pledge, donate, assign, mortgage, hypothecate or otherwise encumber (each a “**Transfer**”) the Notes unless (i) the Company is reasonably satisfied that any such Transfer complies with all applicable securities laws, (ii) the Company consents in writing to any such Transfer, and (iii) any buyer, transferee, pledgee, donee or assignee, respectively, shall agree in writing to be bound by the terms hereof prior to any such Transfer. Any such recipient of the Notes is referred to herein as a “**Transferee**”, and the Transferee shall be entitled to the benefits of this Agreement and to enforce this Agreement against the Company as if the Transferee were Investor;

(c) Investor acknowledges that there is no public market for the Notes, that no market may ever develop for them, and that they have not been approved or disapproved by the Securities and Exchange Commission or any governmental agency;

(d) Investor hereby acknowledges (i) receipt and careful review of this Agreement and the exhibits hereto (collectively referred to as the “**Offering Materials**”), and (ii) that Investor has not relied on any information or representations with respect to the Company or the purchase of the Notes (including, without limitation, any information available on the Company’s website) other than the Offering Materials and any written information delivered specifically to Investor by Company’s management in response to a request for information by Investor;

(e) Investor recognizes that (i) an investment in the Notes involves the risk of loss including, without limitation, the principal of the Note, and (ii) no assurance or guarantee has or can be given that an investor in the Company will receive a return of his, her or its capital or realize a profit on Investor’s investment;

(f) Investor is an “accredited investor” as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act;

(g) Investor has determined (i) that he, she or it can afford to bear the risk of the investment in the Notes, including loss of the entire investment in the Company and (ii) that he, she or it will not experience personal hardship if such a loss occurs;

(h) Investor is purchasing the Notes solely for his, her or its own account for investment, not for the account of any other person, and not with a view to, or for, any resale, distribution or other transfer thereof; and

(i) Investor acknowledges that with respect to any forecasts, projections of results and other forward-looking statements and information provided to Investor as part of the Offering Materials, such statements were prepared based upon assumptions deemed reasonable by the Company at the time of preparation. There is no assurance that such statements will prove accurate, and the Company has no obligation to update such statements.

4. Representations and Warranties of the Company. The Company hereby represents and warrants to Investor that:

(a) Organization, Good Standing and Qualification. The Company is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as now conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to do so would have a material adverse effect on its business or properties.

(b) Authorization. All requisite action on the part of the Company, its officers, directors and stockholders necessary for the authorization, execution and delivery of the Notes and the performance of all obligations of the Company hereunder and thereunder has been taken or will be taken prior to the Closing, and this Agreement constitutes a valid and legally binding obligation of the Company, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws or court decisions of general application affecting enforcement of creditors’ rights generally, and (ii) as limited by laws or court decisions relating to the availability of specific performance, injunctive relief, or other equitable remedies or to equitable principles of general applicability.

(c) Valid Issuance. The Note, when issued in accordance with the provisions thereof, will not violate any preemptive rights or rights of first refusal and will be free of any liens or encumbrances.

(d) Exempt Offering. The offer, sale and issuance of the Notes are and will be exempt from the registration and prospectus delivery requirements of the Securities Act, and from the registration and qualification requirements of all applicable State Securities Laws.

(e) Approvals. All consents, approvals, orders or authorizations of, or registrations, qualifications, designations, declarations or filings with, any governmental authority or any other person, required on the part of the Company in connection with the valid execution and delivery of this Agreement, the offer, sale and issuance of the Notes, and the consummation of any other transaction contemplated hereby, shall have been obtained.

5. Brokers. Investor has not entered into any agreement to pay any broker's or finder's fee to any person with respect to this Agreement or the transactions contemplated hereby.

6. Survival. All representations, warranties and covenants contained in this Agreement shall survive the acceptance of the subscription by the Company and the consummation of the subscription.

7. Waiver, Amendment. Neither this Agreement nor any provisions hereof shall be amended or waived except either (a) with the written consent of the Company and the holders of a majority of the principal amount of Notes then outstanding or (b) in a writing by the party or parties against whom such amendment or waiver is sought to be enforced.

8. Successors and Assigns. The provisions of this Agreement shall be binding upon and accrue to the benefit of the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

9. Governing Law. This Agreement is to be construed in accordance with and governed by the internal laws of the State of California without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the parties.

10. Entire Agreement. This Agreement and the Notes constitute the entire agreement between the parties regarding the subject matter contained herein and supersedes all prior or contemporaneous agreements, representations and understandings of the parties.

11. Counterparts. This Agreement may be executed in two or more facsimiles and/or counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, Investor has executed this Subscription Agreement on the date first written above. By signing below, the undersigned represents that she/he/it is an authorized representative of the Investor with the full power to execute this Agreement on behalf of the Investor and to bind the Investor hereunder.

IF AN INDIVIDUAL:

Signature of Investor

Address of Investor:

Print Name

State of Residency

IF AN ENTITY:

Signature of Authorized Representative

Address of Entity:

Print Name

Entity Name

State of Principal Place of Business

CONSIDERATION TO BE DELIVERED:

Dollar amount of Notes subscribed for:

SUBSCRIPTION ACKNOWLEDGED AND ACCEPTED:

CNOTE GROUP, INC.

By: 

Name: Yuliya Tarasava

Title: Chief Operating Officer

EXHIBIT A

Form of Adjustable Rate Promissory Notes

(see attached)