

2023 Arctaris Impact Report

**Financial
Innovation.**

**Community
Impact.**

ARCTARIS
IMPACT INVESTORS

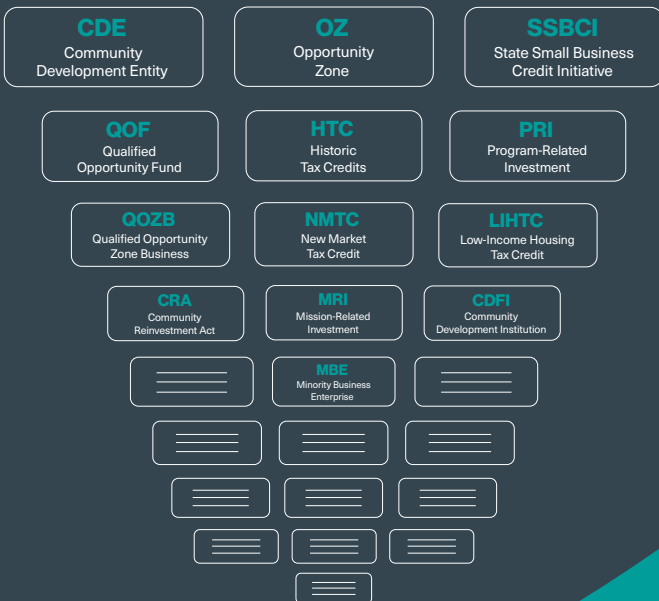


While changes occur in our communities, our economy, and even more broadly in the external environment, Arctaris continues to find innovative ways to make meaningful impact in targeted communities across the country.

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Financial Innovation.

Community development finance consists of a complex system of public, private, and philanthropic programs.



Community Impact.

Arctaris translates this wide range of programs to tangible impact and investment in communities.



Letter From Our Founder



JONATHAN TOWER
 Managing Partner
 Arctaris Impact Investors, LLC

I am thrilled to welcome you to the Arctaris Annual Impact Report.

The year 2023 was exciting at Arctaris and in the communities we serve, ripe with major milestones and accomplishments achieved—and lessons learned. As we prepare to expand our service area again with new place-based programs, I am grateful that you are joining to learn more in this report. Few of Arctaris Impact’s accomplishments in 2023 would have been possible without you, our stakeholders. To our investors: your confidence allowed us to complete unique investments across the country. To our government and foundation partners: your support allowed us to challenge ourselves to guide deeper impact in our investments and the communities we serve. To our portfolio companies and investments: your partnership has allowed us to break new ground together and test innovative models for driving impact

and investment returns. And to our community partners: your input, feedback, and passion for revitalization have helped us grow, learn, and evolve. And, finally, to the Arctaris team, who have worked side-by-side with me to make all of this happen. Thank you.

Before diving into the detail of this year’s report, however, I would like to step back and provide some observations on what Arctaris is seeing inside and outside our firm. Last year was one of subtle but seismic shifts. More than four years after the onset of COVID-19, the U.S. president declared an official end to the national disaster in 2023. Many (but not all) of the immediate effects, such as filled hospitals and shuttered downtowns, have subsided, though some communities have fallen markedly behind in economic recovery. There is a more eclectic, consequential mix of new trends underway with unprecedented amounts of funding for climate, infrastructure, and semiconductor production in full swing. The tenor of discussion has shifted around diversity, equity, and inclusion (DEI), as well as environmental, social, and governance-focused investing (ESG). Interest rates have risen substantially. Ongoing tensions in China, Russia, and the Middle East create new urgency to increase defense spending and pull manufacturing supply chains back home.

Taken together, these shifts and shocks create an unclear outlook for the vast majority of the underserved communities that we serve and their residents. Will the federal dollars reach these communities? How will cities address the housing crisis amidst high interest rates? Will disinvested communities benefit from onshoring or new defense spending? We believe these are areas where Arctaris can play a unique and critical role.

While rising interest rates and costs have exacerbated the country’s housing crisis, we remain committed to investing in new and affordable housing projects across the country and are well capitalized to do so. As companies look to bring manufacturing back to the United States or increase defense production, many are looking to locate their operations in older industrial areas—like those where Arctaris has active place-based programs. Federal investments in climate, infrastructure, and semiconductors, are similarly creating new opportunities for Arctaris to provide capital “where the federal money doesn’t reach.” Arctaris Impact’s unique broadband programs, for example, help communities stretch their dollars and cover the private-sector matching funds that federal programs require. And while a backlash has formed against DEI and ESG, Arctaris continues its investing uninterrupted in low-income communities, providing tangible, market-based solutions to longstanding problems of equity.

While changes occur in our communities, our economy, and beyond, Arctaris continues to find innovative ways to provide value to communities across the country. This concept of providing value to communities is reflected in our theme for this year's Impact Report: *Financial Innovation. Community Impact*. Throughout the report, you will see diverse ways in which Arctaris has found creative ways to deliver value. In Rhode Island, for example, we partnered with the Rhode Island Commerce Corporation and the U.S. Treasury Department to develop and launch a new place-based program that leverages federal funding from the State Small Business Credit Initiative (SSBCI) program. In Lima, Ohio, Arctaris partnered with the mayor and Chamber of Commerce to launch a new program made possible by the American Rescue Plan Act (ARPA). While 2023 was a difficult year in the private equity industry broadly, we completed three investments through the New Markets Tax Credits (NMTC) program.

New this year, you will hear about our impact in three different communities where we work: Baltimore, Colorado, and Lima. Rather than focus on single investments, this year our case studies take a community-wide perspective, highlighting the broader impact our work is having (or hopefully will have) in these areas. Our three case studies highlight the entire arc of the life cycle of Arctaris Impact's place-based programs. In the Baltimore case study, we highlight the cumulative impact of our investments over multiple years in a mature program. In the Colorado case study, we document the midcycle of an Arctaris program in action: new investments delivering promising results. In Lima, we highlight the goals of a new program in a community that came together to partner with Arctaris creatively, looking ahead to the investments that will follow over the next 10 years. Together, we hope that these case studies provide a detailed look into the value of partnership with Arctaris.

New this year, you will hear about our impact in three different communities in which we have worked: Baltimore, Colorado, and Lima. Our three case studies highlight the entire arc of the life cycle of Arctaris place-based programs.

We also lay bare the results of our Annual Impact Survey, administered by our partners at the Initiative for a Competitive Inner City (ICIC), founded by Harvard Business School Professor Michael Porter. Having them as our trusted partner to conduct this "impact audit" is foundational, given ICIC's record of impact measurement and equitable community development. Not only does it allow us to provide independent verification of our successes and challenges, the impact audit helps us learn from our work and highlights continued opportunities for improvement in the years to come.

We hope that you take the time to absorb the annual Impact Report in detail and feel a deep sense of personal ownership and gratification in this success. If this report raises new opportunities for collaboration or questions about our work, or if it inspires you to partner with us in new ways, I hope that you will reach out to me directly or speak with our incredibly capable (and expanding!) team. Thank you again for helping us make 2023 another rewarding year at Arctaris Impact Investors, and I hope you will join us again in 2024 to share in more successes.

Kind regards,

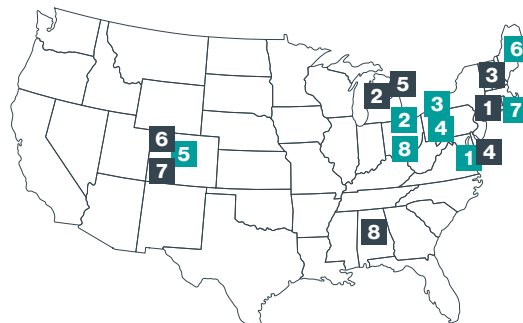


Jonathan Tower
Managing Partner
Arctaris Impact Investors, LLC

About Arctaris

Arctaris Impact Footprint

Arctaris primarily invests through its flagship place-based programs, where we partner with local public and philanthropic institutions to make a \$9 million to \$50 million-plus investment commitment tailored to local impact goals. Arctaris sometimes also invests in individual deals that have a strong impact and financial potential.



Active Arctaris Place-Based Programs

- | | | | |
|---|--|--|--|
| <p>1 Baltimore, Maryland</p> <ul style="list-style-type: none"> • Program Commitment: \$25M • First-Loss Capital/Program Partners: Abell Foundation, \$4M; Neighborhood Impact Inv. (NIIF), \$1M • Program Investments To Date: 5 • Total Investments Completed: \$39.9M | <p>2 Cleveland, Ohio</p> <ul style="list-style-type: none"> • Program Commitment: \$10M • First-Loss Capital/Program Partners: Cuyahoga County, \$1.5M; Cleveland Foundation, \$500K • Program Investments To Date: 1 • Total Investments Completed: \$2.5M | <p>3 Erie, Pennsylvania</p> <ul style="list-style-type: none"> • Program Commitment: \$40M • First-Loss Capital/Program Partners: Erie Community Foundation, \$5M; Erie Insurance, \$50M+ (LP) • Program Investments To Date: 3 • Total Investments Completed: \$25M+ | <p>4 Pittsburgh, Pennsylvania</p> <ul style="list-style-type: none"> • Program Commitment: \$20M • First-Loss Capital/Program Partners: Richard King Mellon Foundation, \$4M • Program Investments To Date: 1 • Total Investments Completed: \$3.1M (expected to be \$20M by Q2 2024) |
| <p>5 Colorado</p> <ul style="list-style-type: none"> • Program Commitment: \$50M+ • First-Loss Capital/Program Partners: Colorado Health Foundation, \$2M (target to grow to \$10M in 2024) • Program Focus: Broadband, Operating Companies, Community Centric Real Estate • Status: Investing (\$5M+) | <p>6 Maine</p> <ul style="list-style-type: none"> • Program Commitment: \$50M • First-Loss Capital/Program Partners: Finance Authority, \$10M; Venn Foundation, \$2M • Program Investments To Date: 3 • Total Investments Completed: \$16.8M | <p>7 Rhode Island</p> <ul style="list-style-type: none"> • FLC Partner: Rhode Island Commerce • Size: \$25M-\$50M+ • Focus: Job Creation, Operating Companies | <p>8 Lima, Ohio</p> <ul style="list-style-type: none"> • FLC Partner: City of Lima, Ohio, Lima Chamber • Size: \$25M • Focus: Downtown Revitalization, Housing |
- Active Arctaris Place-Based Programs ■ Other Arctaris Investments

Other Arctaris Investments

- | | | | |
|---|--|---|--|
| <p>1 Brooklyn, New York
300 Nevins St: 668-unit housing project</p> | <p>2 Clinton Township, Michigan
Recaro Automotive: automotive seat manufacturer</p> | <p>3 White River Junction, Vermont
Norwich Technologies: solar capacity and infrastructure</p> | <p>4 Washington, D.C.
Northeast Heights: minority-developed real estate project</p> |
| <p>5 Belleville, Michigan
AEL: minority-owned logistics business</p> | <p>6 Glenwood Springs, Colorado
Altitude Apartments: 100-unit workforce housing development</p> | <p>7 Grand Junction, Colorado
The Eddy: multi-family and workforce housing development</p> | <p>8 Huntsville, Alabama
Front Row: mixed-use development</p> |

The Place-Based Program Difference

Place-based programs contain enhanced benefits for investors and communities.

	Impact Targets	Financial Targets	First-Loss Capital	Geographic Diversification	Community Engagement	Custom Measurement & Reporting
Place-Based Programs	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■
Other Investments	■ ■ □	■ ■ ■	■ □ □	■ ■ ■	■ □ □	■ □ □

¹ Disclosed amount is an aggregate amount and may not be allocated to any one specific fund, investment, or investor. For a better understanding of how first-loss capital works, as well as any limitations please see the risks and disclaimers at the end of this document and the Fund Offering Materials



Who We Are

Our Vision

We see a world where all underserved communities have access to the resources they need to thrive.

Our Mission

We integrate impact into every investment decision to drive equitable prosperity in under-resourced communities without sacrificing returns.

Our Strategy

We use impact investing to create inclusive opportunities for underserved people through partnership-driven blended-capital investments in sustainable enterprises, paired with transparent impact measurement.

Our Values

Partnership: Unite stakeholders to compound value creation and catalyze progress toward common goals.

Authenticity: Build and maintain trust through honest and transparent communication.

Creativity: Innovate and develop unique solutions to complicated problems; challenge the comfort zone.

Equity: Create opportunities for underserved people and communities to reach their highest potential.

Stewardship: Uphold the highest standards of excellence in social and environmental responsibilities to investors, partners, and communities.

What We Do

Arctaris partners with local community stakeholders and invests to benefit underserved populations. We invest to revitalize challenged communities, improve quality of life, and build a sustainable future.



ECONOMIC IMPACT / Revitalize Local Communities

Create and retain living-wage jobs with quality benefits and career advancement opportunities in low- to moderate-income communities across the U.S.

Align with local stakeholders to provide flexible and creative solutions to catalyze inclusive economic growth and innovation.



SOCIAL IMPACT / Improve Quality of Life

Expand access to critical products and services for underserved populations, including broadband internet, housing, healthy food, and healthcare.

Promote diversity, equity, and inclusion (DEI) for all community members, prioritizing business ownership, management opportunities, and employment for women and under-represented minorities.



ENVIRONMENTAL IMPACT / Build a Sustainable Future

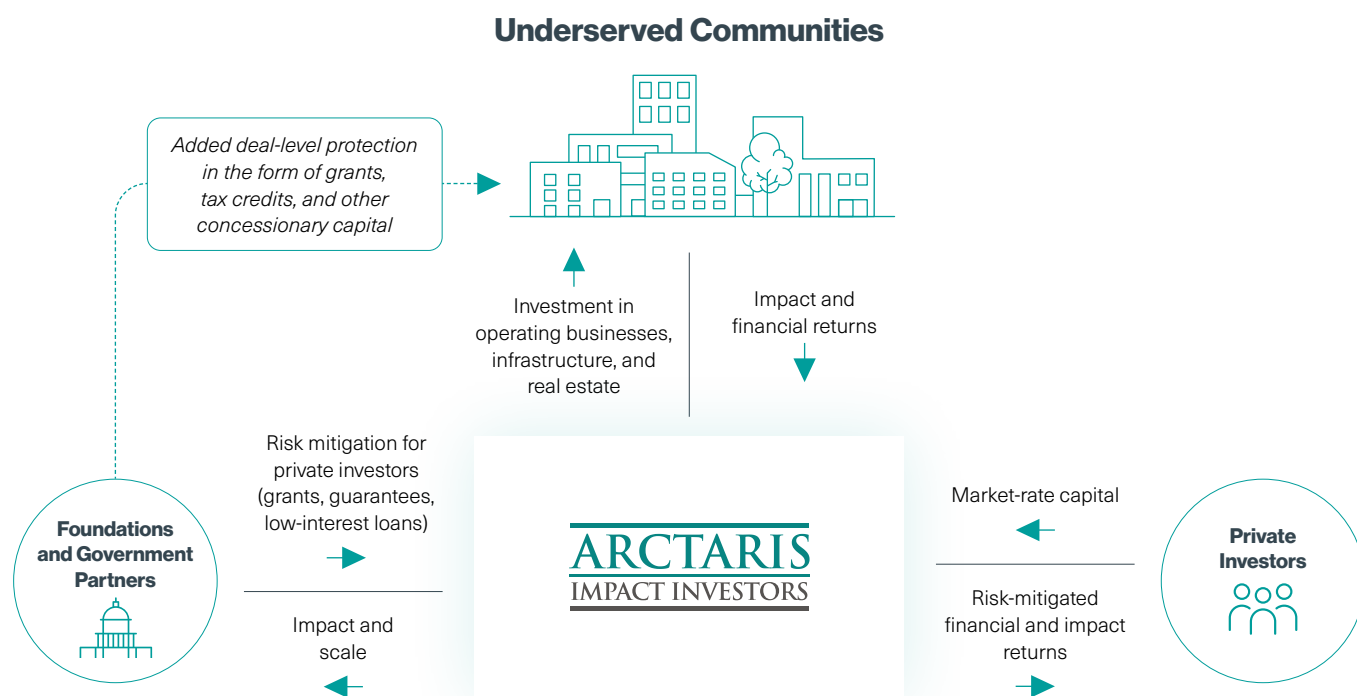
Advance renewable energy projects and businesses with products and services that directly contribute to positive environmental outcomes.

Identify and advance initiatives at portfolio companies to reduce waste, curb emissions, and conserve natural resources.



Arctaris Impact Approach

We believe the most sustained and inclusive impact is created through partnerships between private investors, foundations, and governments. The Arctaris impact investing model bridges the for-profit/nonprofit gap with mutually beneficial investment programs solving the needs of market participants and local communities.



What makes us different?

Risk Mitigation

Our government and foundation partners provide first-loss capital, grants, tax credits, and concessionary loans to protect investor capital and to increase risk-adjusted returns.

Financial Viability

We believe that the highest impact is achieved through profitable, self-sustaining businesses. We structure creative financing solutions to ensure financial viability of our investments and target market-rate (non-concessionary) returns to our investors.

Double Bottom-Line Investment Approach

Impact measurement is integrated throughout our entire investment process to target both financial returns and impactful outcomes.

Impact Integrity

Our partners at the Initiative for a Competitive Inner City (ICIC) provide independent validation of our impact measurement and reporting.¹

Local Expertise

We establish impact targets together with community stakeholders who best understand local needs. An Arctaris team member spearheads each regional program and sources deals with the support of local foundation and government partners.

¹ The Initiative for a Competitive Inner City ("ICIC") advised us on impact measurements and impact survey design, impact data analysis, portfolio overviews and case studies, and impact report review.

Arctaris Impact Measurement and Management Strategy

Arctaris does not take a passive approach to generating impact. Economic, social, and environmental impact is integrated into every step of the Arctaris process:



Engage and partner with distressed communities; co-determine impact goals and targets

While most investors avoid low-income and disinvested communities, Arctaris intentionally seeks them out. When launching a new place-based program, we work closely with local and community stakeholders (e.g., local anchors, philanthropies and nonprofits, mayors’ offices, chambers of commerce, other community groups) to structure our program and focus on the investments and metrics that matter the most locally (e.g., construction of new affordable housing, investments in minority-owned businesses, job creation, and workforce development).



Source investments that meet impact criteria, identify impact opportunities, and monitor impact risks

As we evaluate a potential investment, we ensure that it is aligned with and meets the impact goals that the community has identified. We identify opportunities to deepen the impact of each investment (e.g., more deeply affordable housing, opportunities for renewable energy use) and perform due diligence on possible impact risks associated with the opportunity, such as product affordability, neighborhood gentrification, and environmental degradation.



Measure progress toward impact goals, report results to stakeholders

The Arctaris portfolio management team aims to track impact metrics across the portfolio and, over time, record progress toward impact goals. These metrics are then carefully reported to community partners and other Arctaris stakeholders.

Photo credit: Altitude Apartments



Impact Additionalities: The Arctaris Way

At Arctaris, we do not settle for impact that would have occurred without our investment. We are intentional about creating impact additionalities. According to *Stanford Social Innovation Review*, impact additionality is the increase in social outcomes beyond what would otherwise have occurred.² To achieve impact additionalities, we ask ourselves the “but for” question: But for the Arctaris investment, would these impact outcomes have occurred? To answer the question, we focus on finding opportunities that align with

both impact additionalities and financial performance. As such, we frequently seek impact initiatives that stand to improve the financial performance of our portfolio. We believe that our approach to impact helps drive portfolio outperformance. Arctaris achieves impact additionalities with our portfolio companies through the intentional efforts of our investment team, which delivers the impact additionality as key services to our partner communities and portfolio companies.



Workforce housing. Saddleback Mountain, Rangeley, Maine
Photo credit: Saddleback Mountain/Andy Gagne Photography

SPOTLIGHT

Saddleback Mountain in Rangeley, Maine, added workforce housing and a new solar array in 2023

Saddleback Mountain is the largest employer and a crucial participant in the local economy. Arctaris Impact’s investment reopened the mountain after a five-year shutdown, created new jobs, and helped to revitalize the local economy. However, Arctaris didn’t stop there. While the reopening of the mountain had a positive impact on the local community, it also raised real estate prices, further exacerbating a shortage of housing. As a result, Arctaris built a ski-in/ski-out workforce housing complex for 60–80 employees of the resort. Saddleback’s operations also created new strain on the region’s power grid due to the electricity needs for snowmaking and lift operations. As a result, Arctaris built and launched a new 7.4 MW solar array on the mountain that is projected to generate twice the mountain’s energy needs.

60–80
employees housed in workforce housing on the resort

7.4 MW
solar array projected to generate twice the mountain’s energy needs

² Paul Brest and Kelly Born, “Unpacking the Impact in Impact Investing.” *Stanford Social Innovation Review*, 2013. <https://doi.org/10.48558/7X1Y-MF25>. “Impact additionality” is defined as the increase in the quantity or quality of the enterprise’s social outcomes beyond what would otherwise have occurred.

Diversity, Equity, Inclusion, and Belonging Update

At Arctaris, we believe fundamentally in our ability to affect lives. That's why we look at our investments through the lens of whether they bring social, environmental, and economic benefit to people and the communities where they live. Through our unique place-based program model, Arctaris works in markets that many investors overlook. Arctaris partners with strategic institutions (e.g., foundations, anchor corporations, or local governments) locally that provide catalytic capital and help source unique deal opportunities.

Arctaris was founded with a focus on serving under-resourced populations. While there is a clear change in the national sentiment regarding diversity, equity, inclusion, and belonging (DEIB), Arctaris remains focused on underinvested communities that affect real people. For example, our investment in Up To Date ("UTD") Laundry has impacted many lives, including Ronnie J., from Brooklyn, Maryland. After being turned away from multiple job openings, UTD Laundry hired Ronnie in December 2022. After less than a year, Ronnie earned a Spot Bonus Award for creating a positive work environment. According to Ronnie, "Up To Date Laundry has helped me become self-sufficient and provide for my young daughter."

Ronnie's story is common in the Arctaris portfolio, and we expect it to remain a common story in our work. Arctaris is intentional on its focus in making investments that improve the lives of those who need it most.

We invite you to read through the details of our Impact Report, where we highlight numerous places where our work has delivered financial returns for our investors and a positive impact on communities and people who live in them. For example, some under-resourced population highlights¹ for 2023 include:

39%

of portfolio companies are, or are eligible to be, Minority-Owned Business Enterprises (MBEs)

33%

of portfolio companies provide special hiring programs for people who reside in the same neighborhood

11%

of companies in the Arctaris portfolio are veteran owned

40%

of portfolio companies provide special hiring programs for women, people of color, and immigrants



¹ Arctaris Impact Survey 2023



The Flagship City Foodhall
Erie, Pennsylvania
Photo credit: Flagship City Foodhall

2023 Arctaris in Action

\$389M

total investment capital and first-loss capital raised¹

1.

Create and Retain Living-Wage Jobs

2,169

total jobs in the Arctaris portfolio
(+8% from 2022)²

\$26.62

average hourly wage in the
Arctaris portfolio in 2023
(-1% from 2022)³

\$77,770

average salary in the Arctaris portfolio
(-9% from 2022)⁴



2.

Expand Access to Critical Products and Services

REAL ESTATE

1.8M sqft

of real estate under construction,
rehabilitation, or management underway
(0% from 2022)⁵

1,710

multifamily residential units completed,
under construction, or planned⁶

549

housing units planned or offered at 120%
or below area median income (AMI)⁷

BROADBAND

4,701

estimated number of homes and businesses
with access to the Arctaris Broadband
Company-funded broadband networks
(+292% from 2022)⁸

3.

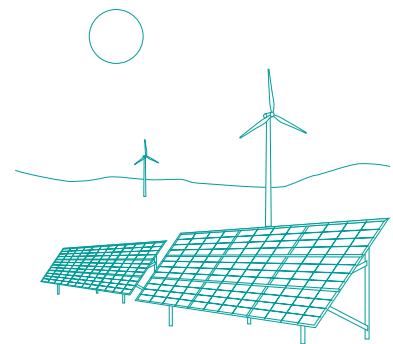
Advance Renewable Energy Projects and Businesses

305 acres

of solar infrastructure installed
(+13% from 2022)⁹

58.3 megawatts

of solar capacity installed
(+13% from 2022)¹⁰



1 For a complete understanding of Arctaris assets under management, please see form ADV at sec.com; first-loss capital provides incremental deal-level and fund-level protection through last-money-out capital, grants, and tax credits.

2 Arctaris Impact Survey 2023. Includes full-time and part-time jobs; does not include temporary or real estate construction jobs.

3 Arctaris Impact Survey 2023. Unweighted mean wage of hourly employees. Change from 2022 is based on real inflation-adjusted wages.

4 Arctaris Impact Survey 2023. Unweighted mean wage of salaried employees. Change from 2022 is based on real inflation-adjusted wages.

5 Arctaris Impact Survey 2023 and Arctaris real estate data aggregated from each real estate developer or project.

6 Arctaris Impact Survey 2023. Analogous data was not collected in 2022; hence no comparison with 2022 is provided.

7 Arctaris Impact Survey 2023. Analogous data was not collected in 2022; hence no comparison with 2022 is provided.

8 Arctaris 2023 data aggregated from Clearnetwork.

9 Arctaris 2022 Impact Survey and <https://www.energytech.com/renewables/article/21278180/arctaris-and-nexamp-complete-7-mw-solar-project-for-saddleback-mountain-ski-resort-in-maine>. Assumes 5 acres per MW for the Norwich Technologies solar portfolio.

10 Arctaris 2022 Impact Survey and <https://www.energytech.com/renewables/article/21278180/arctaris-and-nexamp-complete-7-mw-solar-project-for-saddleback-mountain-ski-resort-in-maine>.

Portfolio Impact Results¹



Economic Impact

Create and Retain Quality Jobs

1,761

Full-time

408

Part-time

2,081

Temporary

1,900

Real estate construction²

Commitment to Underserved Communities

100%

of our portfolio companies are based in low- to moderate-income census tracts of Opportunity Zones

56%

of businesses have special hiring initiatives for underserved populations³



Social Impact

Promote Diversity and Inclusion

26%

of senior managers identify as women⁴

19%

of jobs are accessible to workers without a bachelor's degree⁵

18%

of suppliers for operating companies in the Arctaris portfolio are minority owned⁶

17%

of senior managers identify as people of color⁷

10%

of senior managers are veterans⁸

Offer Quality Employee Benefits⁹

94%

of businesses offer health care benefits

89%

provide flexible work arrangements

83%

provide retirement benefits

78%

provide incentive compensation (e.g., bonuses, profit share, employee ownership)

44%

provide paid parental leave



Environmental Impact¹⁰

Support Sustainability Initiatives

5.9

average number of sustainability initiatives actively underway at portfolio companies

100%

of operating companies have specific programs to reduce energy usage

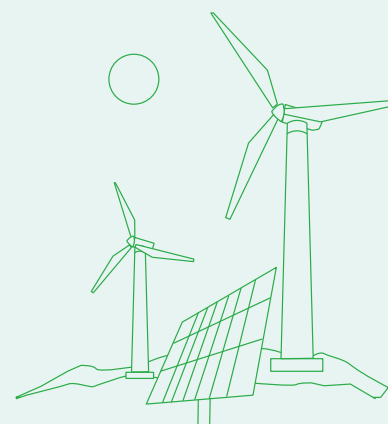
70%

of operating companies actively sourcing sustainable materials

Invest in Clean Energy

20%

of operating companies actively using solar solutions



¹ Arctaris Impact Survey 2023, administered by the Initiative for a Competitive Inner City (ICIC)

² Includes anticipated construction jobs for projects still in pre-development

³ Excludes broadband portfolio

⁴ Operating companies only

⁵ Excludes broadband portfolio

⁶ Operating companies only

⁷ Operating companies only

⁸ Operating companies only

⁹ Excludes broadband portfolio

¹⁰ Operating companies only

2023 in Review

Northeast Heights Development Completed

Arctaris announces the completion of Northeast Heights, a new multi-use development located in Ward 7 of Washington, D.C. The six-story 281,000-square-foot Class A office building is expected to expand development and drive additional resources and daytime foot traffic into a neighborhood that has experienced severe underinvestment.⁴



Colorado Broadband Network Activation

Arctaris Broadband Company (ABC) and its Colorado ISP partner, Clearnetworx, continue to construct and manage four fiber broadband networks across Delta County and Montrose County in Colorado. The Delta and Cimarron Creek networks are fully built and operational, and we expect to activate the Nucla and Naturita networks in 2024. These networks will add ~100 miles of new fiber and are expected to pass over 5,600 residential and business premises.⁵



Deployed \$14M of New Markets Tax Credits (NMTCs)

Arctaris deployed financing through the federal NMTC program across three deals, including:

SW Warren, LLC – \$2M investment in a family-owned steel warehouse supplier and distributor in Warren, Ohio (closed April 2023)

Specialized Construction Inc. – \$4M investment in an asphalt paving, repair, and maintenance provider in Cuyahoga County, Ohio (closed May 2023)

Grand Concourse Fordham, LLC – \$8M investment in a minority-owned mixed-use building with a full-scale grocery store in a food desert in the Bronx, NY (closed December 2023)

Multiple Milestones at Saddleback Mountain

Arctaris deployed a range of public, private and philanthropic financing solutions across three deals, including:

New Employee Housing – Saddleback completed Saddleback House, a ski-in/ski-out affordable mountainside accommodation for 60–80 people. Situated slope side, its primary goal is to offer short-term rental accommodations to employees of the resort and other seasonal employees in the region, reducing reliance on older or unaffordable seasonal housing in the region that can often result in long and dangerous commutes in the



Maine winter. The property has 42 private and shared dormitory-style units and is located on a 4.3-acre slope-side mountain footprint.⁶

New Mid-Mountain Lodge – Saddleback also finished the Mid-Mountain Lodge located at the top of the Rangeley quad lift, which offers visitors stunning views of the surrounding mountains and lakes from 3,100 feet in elevation. The 2,700-square-foot building seats ~80 guests and will host an elevated restaurant led by head chef Coco Chretien, previously of Nebo Lodge on North Haven Island in Maine.



Opening of 7.4 MW Solar Farm –

Saddleback activated a new 31-acre solar project at Saddleback, which is expected to generate 7.4 MW of clean energy and offset more than 14 million pounds of carbon annually.⁷

Saddleback Named “Best Ski Mountain in Maine” (again) – Saddleback was named “Best Ski Mountain in Maine” by a *Down East Magazine* Reader Poll. Saddleback won the same honor in 2022.⁸



4 <https://www.businesswire.com/news/home/20230725262854/en/Arctaris-Impact-Celebrates-Opening-of-152M-Opportunity-Zone-Project-in-D.C.%E2%80%99s-Ward-7>

5 2024 Clearnetworx company

6 <https://www.businesswire.com/news/home/20231127832081/en/Saddleback-the-East-Coast%E2%80%99s-Largest-Independent-Ski-Mountain-and-Arctaris-Help-Invigorate-Maine-Economic-Development-with-%E2%80%99CSki-InOut-Employee-Housing%E2%80%99D-Peak-Top-Lodge-and-7MW-Solar-Field>

7 <https://www.businesswire.com/news/home/20231127832081/en/Saddleback-the-East-Coast%E2%80%99s-Largest-Independent-Ski-Mountain-and-Arctaris-Help-Invigorate-Maine-Economic-Development-with-%E2%80%99CSki-InOut-Employee-Housing%E2%80%99D-Peak-Top-Lodge-and-7MW-Solar-Field>

8 <https://downeast.com/features/best-of-maine/#travelandplay>

New Place-Based Program in Lima, Ohio

Arctaris launches a new \$25M place-based program in Lima, Ohio, anchored by a \$5M first-loss capital investment by the City of Lima, and in partnership with the Lima-Allen Chamber of Commerce.



New Place-Based Program in Rhode Island

In partnership with the State of Rhode Island and the U.S. Treasury, Arctaris launches a \$25M+ place-based program anchored by \$9M from the State Small Business Credit Initiative in Rhode Island.



New Line of Credit

Arctaris secured a new \$10M warehouse line of credit for the Arctaris Impact Fund. This LOC will be used to make additional loans in our targeted place-based programs.



Impact Notes Upgrade

Arctaris Impact Notes receives a ratings upgrade from BBB to BBB+ as a result of Arctaris Impact's unique First-Loss Capital program and the credit profile of the Arctaris Impact Fund loan portfolio.

New Headquarters Opened

Arctaris opens a new headquarters for its growing staff in Wellesley Hills, Massachusetts.



New Members Added to the Arctaris Team

Arctaris adds key personnel to support and expand its work, including:

Frank Barbarino, Co-Head of Sales

Lisa Francis, Treasury Manager

Andrew Gibbs, Principal, Real Estate

Lillian Johnston, Senior Associate, Investor Relations

Kyle Lasewicz, Senior Associate

Stephanie McIntyre, Executive Business Partner

James McKeithan, Compliance Manager

Kerry-Ann McLaren, Assistant Controller

Peter Owen, Vice President, Real Estate

Mason Ramirez, Analyst

Florian Schalliol, Senior Associate

Hanna Supeyeva-Duran, Assistant Controller

Case Studies

New in 2023, Arctaris is highlighting entire communities where Arctaris has or will make investments through its place-based programs. We have chosen three locations: Baltimore, Colorado, and Lima, Ohio. Each case study showcases a community at a different moment in its multi-year partnership with Arctaris.



NEW PARTNERSHIP

Lima, Ohio

The Lima, Ohio, case study shows a new partnership launched in 2023. This case study focuses on the process of partnering with the Lima community and preparing for a fruitful partnership to come. [See pg. 17](#)



EARLY PARTNERSHIP

Colorado

The Colorado case study showcases an early partnership dating back to 2021. This partnership includes several early investments, though much of this partnership still lies in the future. [See pg. 22](#)



MATURE PARTNERSHIP

Baltimore, Maryland

The Baltimore, Maryland, case study showcases a mature partnership with the community, spanning almost four years. In Baltimore, Arctaris has made multiple investments, whose impact can be seen across the area. [See pg. 28](#)

The Arctaris Program Lifecycle





NEW PARTNERSHIP

Lima, Ohio



A Case Study in Small City Innovation and Persistence

“For a long time, Lima has been fighting its way back,” said Lima Mayor Sharetta Smith. Lima is a small city of approximately 35,000 people in Northwestern Ohio.¹ The city has a proud manufacturing and industrial history, including oil production for John D. Rockefeller’s Standard Oil Company and large-scale production of buses, locomotives, and World War II tanks. Today, the city is home to the only producer of tanks in the country.² Other large manufacturers, such as Dana Incorporated, Ford Motor Company, and Procter & Gamble, also continue to operate manufacturing facilities in Lima.

Lima has experienced a long-term population decline.

Mayor Smith also noted that the region’s decline in manufacturing jobs over the last several decades has contributed to Lima’s economic struggles. The city’s population peaked at just under 54,000 people in 1970 and has since declined to approximately 35,000 people.³ Allen County (where Lima is the county seat) has seen its manufacturing employment decline from over 14,000 jobs in 1975 to approximately 8,500 jobs in 2022.⁴

The City of Lima first crossed paths with Arctaris in April 2018, when current Mayor Smith was chief of staff to former Mayor David Berger, and quickly identified a strong alignment between the city’s needs and the unique Arctaris impact investing model. At the time, Smith was representing Lima at an “Opportunity Zones roadshow” organized by the State of Ohio when she heard Arctaris founder Jonathan Tower explain the firm’s approach to impact investing. “He spoke about how he wanted to do both well and good in the communities where Arctaris invested,” said Smith. “The purpose, vision, and dedication to making an impact were what

attracted me toward working with Arctaris. I went back home and wrote a memo to Mayor Berger advocating that we partner with Arctaris.”

Building Local Momentum and Capitalizing on Decades of Hard Work

David Berger won his first election as Lima’s mayor in 1989 and served in this role for 32 years. Throughout his decades as mayor, he fought for Lima’s economic vitality and revitalization. In the late 1990s, Mayor Berger spent several years building a coalition of local leaders that successfully prevented the closure of the Lima Refinery, one of the city’s major employers.⁵ In the 2010s, the Berger administration supported economic development projects such as a mixed-income real estate development at 43 Town Square, the construction of the Borra Center for Health Sciences, and an expansion at St. Rita’s Medical Center. These efforts and the community’s persistence helped foster a cohesive development community that would eventually play a key role in attracting Arctaris Impact’s attention.

1 U.S. Census Bureau, Population Estimates Program, 2022.
 2 <https://www.limaohio.com/top-stories/2023/03/10/real-wheels-lima-where-tanks-are-made/>
 3 U.S. Census Bureau, 1970 Decennial Census; U.S. Census Bureau, Population Estimates Program, 2022.
 4 U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, 1975 and 2022.
 5 Lima News. 2021. “The Berger Years: Part II — The Change Agent.” LimaOhio.Com (blog). November 22, 2021. <https://www.limaohio.com/news/2021/11/22/the-berger-years-part-ii-the-change-agent/>

All photo credits for this case study: City of Lima, Ohio



Mayor Berger responded to the new Opportunity Zone designations and Sharetta Smith's 2018 memo advocating for a Lima-Arctaris partnership by mobilizing the community's resources to develop a plan to pitch to Arctaris.

In 2018, the U.S. Treasury approved the State of Ohio's nominations for Opportunity Zones, with Lima receiving designation for three census tracts. This helped the city add momentum to its economic revitalization and community development initiatives. Mayor Berger responded to the new Opportunity Zone designations and Sharetta Smith's 2018 memo advocating for a Lima-Arctaris partnership by mobilizing the community's resources to develop a plan to pitch to Arctaris.

Mayor Berger traveled to a 2019 U.S. Conference of Mayors meeting and met with Arctaris Impact's Jonathan Tower. Although Lima is a small city when compared to the locations of other Arctaris place-based programs, Mayor Berger

described parallels between Lima and Erie, Pennsylvania, where Arctaris had already made progress on what is now a \$52.5 million place-based investment program. The timing was fortuitous: Arctaris had just launched a nationwide Request for Proposals (RFP) to find new communities where the firm could invest in impact-focused projects. Tower encouraged Mayor Berger to apply. The Berger administration, in collaboration with the Lima Allen County Chamber of Commerce and other local partners, developed a proposal and submitted a strong application that highlighted the city's local development community and recent successes in encouraging private investment.

Lima's efforts and the strength of its application helped Arctaris identify investment potential in a community that many other investors previously overlooked. Arctaris Impact's Patrick Mullen explained that "what stood out about Lima was that their application already had lots of local buy-in and a cohesive development community that was working on important projects across the city. As Arctaris explored what it might look like to invest in Lima, we felt that there were good opportunities for synergy." Impressed with Lima's compelling story and application, Arctaris visited the community for the first time in 2020.



Innovation in a Small City

First-loss capital, typically provided by government or philanthropic stakeholders, helps mitigate risk to private investors and is a key component of the Arctaris impact investing model. Arctaris aimed to invest \$20 million into Lima, hoping to secure an additional \$5 million in first-loss capital from the local community to launch the investment program.

As a small city, leaders in Lima knew that identifying this first-loss capital would be a challenge.

To complicate matters, the COVID-19 pandemic emerged only months into this process. City governments across the country suddenly needed to develop responsive policies to keep local businesses afloat, support students in a challenging remote learning environment, implement public health measures to prevent the spread of the deadly pandemic, and support the healthcare workers and other essential employees who were saving lives and keeping their communities functioning. Many cities faced budgetary crises from sharply falling tax revenues.

This period also brought large and historically significant changes to Lima. In 2021, Mayor Berger decided to not seek re-election after his eighth term. Sharetta Smith saw an opportunity to continue her public service and ran for election as mayor. Smith won the election and is the city's first woman and first African American mayor. Mayor Smith had been deeply involved in the Arctaris partnership from

The Smith administration hit the ground running in search of the critical first-loss capital that would catalyze the partnership.

the very beginning and maintained the partnership's momentum through this major change in administration. The Smith administration hit the ground running in search of the critical first-loss capital that would catalyze the partnership.

After considering several potential sources of first-loss capital, Arctaris and the City of Lima developed a plan to utilize money the city received as part of the American Rescue Plan Act (ARPA). The partners put significant work into formulating this plan and sought the U.S. Department of the Treasury's approval but received unclear guidance. Without clear approval, Lima had to go back to the drawing board.

Not easily discouraged, the Smith administration pushed forward in the search for first-loss capital. Jed Metzger, the president and CEO of the Lima Allen County Chamber of Commerce, said that "the money [issue] slowed us down a little bit, but I give this community credit. We just never gave up, especially Mayor Smith. She just never gave up on moving this project forward."

Mayor Smith's team eventually identified an innovative solution. Rather than using the ARPA dollars directly, the administration determined that the city could use the federal funding to cover some of the city's pandemic-related financial losses. This freed up money in the city's budget and enabled the Smith administration to provide \$5 million in first-loss capital to the Arctaris Lima fund. Although this creative and unique solution was enough to meet the partnership's first-loss capital needs and answered several years' worth of questions, another hurdle emerged.

Lima's City Council was unsure about whether the city could directly invest in an out-of-state investment fund. With the funding yet again uncertain, Tim Stanford, chair of the Lima Area Chamber Foundation, proposed a solution: the city could invest its capital into Arctaris through a partnership with the Lima Area Chamber Foundation. The city and the Chamber of Commerce regularly partner on investments and community development initiatives. Tapping into this partnership and investing the city's capital in the Arctaris fund through the Chamber Foundation removed the obstacle of investing in an out-of-state fund and enabled the partnership to move forward.

Aiming to Amplify Impact

For Mayor Smith, Lima is home. A Lima steel mill recruited and hired one of her grandfathers in the 1940s. Her other grandfather left the South and settled in Lima because it was as far north as his money would take him. The future mayor's father was incarcerated for much of her childhood and by the age of 21, she was a single mother with three children.⁶ Smith left Lima in pursuit of education and career opportunities. She obtained a bachelor's degree, a law degree, and a master's in business administration and worked as a magistrate in Chattanooga, Tennessee, for six terms.⁷



Mayor Smith explained that her administration has “tried to prepare the community to strengthen the impact that Arctaris could have and the success of the fund.”

When Smith returned to Lima in 2017, she saw the city's challenges and opportunities and wanted to continue a public service career in the community where she grew up. She applied to be Mayor Berger's chief of staff and took on the job in 2017.

Mayor Smith explained that her administration has “tried to prepare the community to strengthen the impact that Arctaris could have and the success of the fund.” The city has lowered development fees, implemented tax abatements, created a downtown entertainment district, and introduced flexibility into the zoning code through variances to lower development costs and encourage more investment. The city used ARPA funding to support main street façade improvements. Additionally, the city has fostered partnerships with programs and organizations such as Goldman Sachs' *10,000 Small Businesses* and 1 Million Cups to support a robust entrepreneurial ecosystem. “I look around at communities that are thriving, and I don't see one that doesn't have a strong entrepreneurial ecosystem,” said Smith.

The city has also identified vacant and old housing as obstacles to economic development and has taken steps to prepare these vacant and old properties for development. The median house in Lima is 17 years older than the median home in Ohio overall.⁸ “If we want to provide an opportunity for people to [work in Lima], we need to have housing to support that,” said Mayor Smith. “We have been very aggressive in using state and federal funding to demolish dilapidated homes. Now we have over 600 vacant lots in the community that are ready for development.”

The Lima Allen County Chamber of Commerce has also worked behind the scenes to recruit employers to the region, with a particular focus on manufacturers. Metzger explained, “We have a lot more manufacturing companies coming into our community now. In fact, there are 88 [companies] that looked at us just this last year.” This is an important economic

⁶ Precious Grundy. 2023. “Lima Mayor to Students: ‘Keep Showing up’ - LimaOhio.Com.” January 24, 2023. https://www.limaohio.com/top-stories/2023/01/24/lima-mayor-to-students-keep-showing-up/#google_vignette.

⁷ City of Lima. n.d. “Mayor Sharetta Smith.” Limaohio.gov. <https://www.limaohio.gov/117/Mayor>

⁸ ACS, 2022 Five-Year Estimates.

development strategy because companies that sell their goods or services to customers outside of the local area can bring more money into the local economy and enable economic growth. To help support current and future employers, the city has developed partnerships with local workforce development agencies aimed at addressing skilled workforce shortages in the health services, manufacturing, and information technology sectors.

Launching Arctaris Lima

Arctaris, the City of Lima, and the Lima Allen County Chamber of Commerce held a kickoff event on January 26, 2024, to formally announce the start of the partnership, engage with community stakeholders, and identify potential investment opportunities. The standing-room-only event brought local business owners, investors, and community members together around the new local impact investing program.

While Arctaris has not yet selected investments for its Lima portfolio, there are prospective transactions advancing toward the goal. Community stakeholders, have identified housing as a key need in Lima. “We did a housing assessment, released in 2019, that made clear that Lima needs the full spectrum of housing, particularly workforce housing,” said Mayor Smith. Arctaris may also pursue investments aimed at creating good jobs or improving quality of life downtown.

Lima stands out as a leading example of how small cities can successfully attract impact investment through innovation and persistence. Lima’s story also demonstrates that collaboration within and across different parts of the community can help enable successful community development initiatives.

Lima stands out as a leading example of how small cities can successfully attract impact investment through innovation and persistence. Lima’s story also demonstrates that collaboration within and across different parts of the community can help enable successful community development initiatives.

The work that the city, other local stakeholders, and Arctaris have completed to date to formalize the partnership, mobilize capital, and prepare the community for investment has fostered an optimistic outlook toward the potential benefits to all parties. “We’re out to make this successful for all parties,” said Metzger. “Not only ourselves, but for Arctaris as well, because we want it to be successful. We want everybody to have a win-win.”



Arctaris Lima Launch Event, February 2024
Photo credit: City of Lima, Ohio



EARLY PARTNERSHIP

Colorado

A Case Study in a Growing Statewide Partnership

When Doug Seacat founded Deeply Digital in 2003, building high-speed broadband networks across Western Colorado was not a part of the plan. Deeply Digital was originally an IT services and solutions provider. Seacat founded the company when he returned to his hometown of Montrose, Colorado, after completing a bachelor's degree at California State University, Fullerton. For nine years, Deeply Digital focused on solving local small businesses' technology problems. In 2012, one of Deeply Digital's largest clients was considering moving its business out of Montrose. Deeply Digital's client could not get a high-speed broadband connection from any existing internet service provider (ISP) in the area. This was causing problems for the business.

Seacat wanted to help keep a local business in the community and worked with his client to build a high-speed broadband connection to the client's office.

This experience led Seacat to start a new ISP, Clearnetworkx. Since that time, he has assembled a high-performing team of 143 executives and employees that includes Director of Business Development Casey Irving, Project Director Jonathan Cook, and many other dedicated individuals. This team has grown Clearnetworkx into one of the leading local ISPs in the Western Slope of Colorado. Seacat and the team continue to run Deeply Digital (a sister company to Clearnetworkx), which now designs and builds first-class fiber broadband networks for Clearnetworkx.

High-speed broadband is an essential component of 21st-century infrastructure. Some have called broadband the "fourth utility," alongside water, gas, and electricity.¹ Researchers have identified digital literacy and access (high-speed internet is a critical component of digital access) as "super social determinants of health" that support all other social determinants of health.² Without both digital access

Without both digital access and digital literacy, it is difficult or impossible for individuals to apply to jobs online, work remotely, bank online, access telehealth medical care, take online courses, complete online homework and tests, or utilize online public services.

and digital literacy, it is difficult or impossible for individuals to apply to jobs online, work remotely, bank online, access telehealth medical care, take online courses, complete online homework and tests, or utilize online public services. Digital access and literacy can also enable businesses to process credit card payments, work with remote partners and clients, and participate in e-commerce. These business activities are difficult or impossible to conduct without broadband access. Expanding broadband access is an essential first step toward increasing access to and utilization of these and other digital applications. The COVID-19 pandemic highlighted the impor-

1 "4th Utility: Network Infrastructure Is the Fourth Utility | Corning." n.d. <https://www.corning.com/in-building-networks/worldwide/en/home/applications/local-area-networks/knowledge-center/traditional-lan-knowledge-center/fourth-utility.html>.

2 Sieck, Cynthia J., Amy Sheon, Jessica S. Ancker, Jill Castek, Bill Callahan, and Angela Siefer. 2021. *Digital Inclusion as a Social Determinant of Health*. npj Digital Medicine 4 (1): 1-3. <https://doi.org/10.1038/s41746-021-00413-8>.

3 Eberhardt, Peter, Samantha Flanagan, Christopher Scott, Howard Wial, and Devon Yee. 2020. "Not the Great Equalizer: Which Neighborhoods Are Most Economically Vulnerable to the Coronavirus Crisis?" Boston, MA: Initiative for a Competitive Inner City. https://iicic.org/wp-content/uploads/2020/04/ICIC_Coronavirus_EconVul_Brief_web.pdf.



tance of broadband because businesses and schools quickly shifted to a remote model to try to reduce the spread of the virus. The pandemic also highlighted that not all people in the U.S. have equal broadband access. High shares of residents without internet access made some neighborhoods more vulnerable to the economic effects of the pandemic.³

Twenty-two million Americans lack access to broadband service.⁴ The problem is especially acute in rural areas, which continue to suffer from lower levels of access to high-speed internet than urban areas.⁵ In Colorado, where Clearnetworx is based, approximately one in 10 residents lack access to high-speed internet.⁶ Expanding broadband access in rural Colorado could help address some important challenges in the state. In Colorado, 31.8% of adults with any mental illness report that they are not able to access the treatment that they need.⁷ A lack of mental health providers contributes to this problem throughout Colorado. For example, Montrose County (where Clearnetworx is based) has one mental health provider for every 340 residents, lower than the state average of one provider for every 220 residents.⁸ Increasing access to broadband in areas with low provider-to-population ratios, such as

Montrose County, will remove one of the barriers to obtaining care by giving people the tools and technology to connect to telehealth mental health services. Policymakers will need to address other barriers (such as the cost of care and availability of health insurance) to expand the utilization of these telehealth services.

Jeff Nordhaus, a managing director at Arctaris and head of the Arctaris Broadband Company (ABC), emphasizes the importance of reliable broadband: “Similar to basic utilities such as electricity or water in years past, high-speed internet is necessary today for economic growth and participation. ABC is constructing high-quality fiber networks across the Western Slope of Colorado in partnership with Clearnetworx and the Colorado Health Foundation to drive economic growth and impact throughout these communities, something our team takes great pride in achieving.”

Although federal and state governments are implementing large-scale initiatives to expand broadband access across the country, the scope of the challenge is enormous. Public, private, and philanthropic organizations can all contribute to

4 Rosenworcel, Jessica. 2023. “National Broadband Map 3.0: Thankful for Continued Improvements | Federal Communications Commission.” Notes from the FCC (blog). November 17, 2023. <https://www.fcc.gov/news-events/notes/2023/11/17/national-broadband-map-30-thankful-continued-improvements>.

5 Federal Communications Commission. 2021. *FCC Fourteenth Broadband Deployment Report*, Washington, D.C.: Federal Communications Commission (FCC). <https://docs.fcc.gov/public/attachments/FCC-21-18A1.pdf>.

6 BroadbandNow. n.d. “Colorado Internet Service Providers: Availability & Coverage.” BroadbandNow (blog). <https://broadbandnow.com/Colorado>.

7 Maddy Reinert, Theresa Nguyen, and Danielle Fritze. 2021. “2022 The State of Mental Health in America.” Alexandria, VA: Mental Health America. <https://mhanational.org/sites/default/files/2022%20State%20of%20Mental%20Health%20in%20America.pdf>.

8 “Colorado.” n.d. County Health Rankings & Roadmaps. <https://www.countyhealthrankings.org/health-data/colorado>.



and accelerate the process of connecting all residents and businesses in the U.S. to high-speed broadband.

Impact investments in broadband infrastructure require an innovative approach and alignment of several distinct factors: broadband investing expertise, the right philanthropic or public sector partner, an area that needs fiber internet, and a great ISP partner that can build and operate a broadband network. For Arctaris, these factors have aligned in Western Colorado's Montrose and Delta counties. Arctaris has formed a unique partnership with Clearnetworx/Deeply Digital and the Colorado Health Foundation to expand access to high-speed broadband in several communities in these counties.

Broadband for Impact

In Colorado, Arctaris has invested in a fiber-to-the-premises (i.e., fiber optic cable that connects directly with a home or business) network that offers more reliable, weather-resilient service, faster speeds, and more future-proofed technology than other high-speed wired or wireless alternatives. For example, fiber networks are long-lasting infrastructure, with

expected lifespans exceeding 30–40 years.⁹ Fiber networks can often be upgraded by swapping out the equipment that ISPs and consumers use, rather than replacing underground cables.¹⁰ Fiber networks also offer symmetrical upload and download speeds while cable, DSL, and satellite internet networks generally offer asymmetrical speeds: faster download speeds and slower upload speeds. This is important because faster upload speeds can improve the performance of video calls and reduce the amount of time required to share information with others or back up critical data to cloud-based storage platforms.

One of the major challenges to building a fiber-to-the-premises network is high upfront cost combined with delayed revenue generation (the network does not start generating revenue until paying customers start using the network). Some estimates indicate that the “last mile” of the network that connects directly to homes and businesses can represent 70% of the total investment required to build a fiber network.¹² This is because there are high labor costs associated with construction during this part of a network build.

9 Europacable. 2020. *Expected Lifetime of Passive Optical Infrastructures*. Brussels, Belgium: Europacable. <https://europacable.eu/wp-content/uploads/2021/01/Europacable-Guide-Expected-Life-Time-of-Passive-Optical-Infrastructure-21-Oct-2020.pdf>.

10 “Could Fiber Be the Final Frontier of High-Speed Internet?” 2017. GovTech. April 17, 2017. <https://www.govtech.com/network/Could-Fiber-be-the-Final-Frontier-of-High-Speed-Internet.html>; Jim Hayes. 2021. “A New Life for Old Fibers: Upgrading Your Fiber Optic Cable Plant.” *Electrical Contractor*, June 15, 2021. <https://www.ecmag.com/magazine/articles/article-detail/integrated-systems-new-life-old-fibers-upgrading-your-fiber-optic-cable-plant>.

11 “Why Symmetrical Upload and Download Speeds Matter.” 2022. LiveOak Fiber. October 26, 2022. <https://liveoakfiber.com/symmetrical-internet-why-fast-isnt-always-fast/>.

12 Wagter, Herman. 2010. “Fiber-to-the-X: The Economics of Last-Mile Fiber.” *Ars Technica*. March 30, 2010. <https://arstechnica.com/tech-policy/2010/03/fiber-its-not-all-created-equal/>.

13 Crawford, Susan. 2018. *Fiber: The Coming Tech Revolution—And Why America Might Miss It*. New Haven: Yale University Press.



Building last-mile connections also requires adapting to unique and highly localized challenges that can emerge on a street-by-street basis.¹³ By investing in a last-mile network, Arctaris is helping to address a key obstacle to expanding broadband access.

Colorado Health Foundation

Public or philanthropic partners who provide first-loss capital to mitigate risks for private investors are key enablers of the Arctaris impact investing model. The Colorado Health Foundation’s Dr. Ben Bynum first heard about Arctaris Impact’s approach to broadband investing through an impact investing colleague. One of the foundation’s 10 priority areas is what it calls its locally focused work (LFW). The foundation supports nine unique communities across Colorado through an innovative place-based philanthropic model that focuses on decentralized, community-led efforts and initiatives.¹⁴ The foundation had identified broadband access as an acute need in some of the foundation’s LFW communities.

The Colorado Health Foundation and Arctaris began their partnership with a market study to identify areas in the state where both partners might be able to invest in expanding broadband. Through this market study, Arctaris and the

Through this market study, Arctaris and the Foundation identified Montrose County as both underserved in terms of broadband access and one of the foundation’s LFW communities.

foundation identified Montrose County as both underserved in terms of broadband access and one of the foundation’s LFW communities. Based on their successful collaboration on the market study, the foundation and Arctaris decided to form a partnership and invest in broadband infrastructure in the region.

The foundation also saw tremendous potential for impact through Arctaris Impact’s proposed financial structure. As Dr. Bynum explained, the foundation has a directive to make investments that multiply the capital that the foundation mobilizes. Arctaris structured the first loss capital as a non-cash loan guarantee that the foundation could provide without deploying any upfront capital. By underwriting this guarantee, the foundation helped pave the way for the fiber deployment.

¹² Wagter, Herman. 2010. "Fiber-to-the-X: The Economics of Last-Mile Fiber." *Ars Technica*. March 30, 2010. <https://arstechnica.com/tech-policy/2010/03/fiber-its-not-all-created-equal/>

¹³ Crawford, Susan. 2018. *Fiber: The Coming Tech Revolution—And Why America Might Miss It*. New Haven: Yale University Press.

¹⁴ "Locally Focused Work | The Colorado Health Foundation." n.d. The Colorado Health Foundation. <https://coloradohealth.org/priorities/locally-focused-work>.

Dr. Bynum also highlighted Arctaris Impact’s technical knowledge of broadband as an essential piece of the partnership. “The Health Foundation does not have this level of technical knowledge around broadband in-house. So the ability to have a trusted partner who gets the finance piece, as well as the technical aspects of broadband infrastructure and its buildout, is something that [enabled us to move forward].”

Clearnetworx and Deeply Digital

Once Arctaris and the Colorado Health Foundation decided to work in Montrose County, Arctaris began searching for an ISP that could support the partnership’s impact goals. Clearnetworx first heard about Arctaris through Virgil Turner, the former regional broadband project director for Region10, a nonprofit focused on providing senior services, small business services, and regional development support to six Western Colorado counties.¹⁵ Clearnetworx was attempting to grow its service area and geographic footprint significantly and reached out to Arctaris on Virgil’s recommendation.

Arctaris believed that Clearnetworx’s local knowledge and connections within the community could help amplify the investment’s impact. Since launching the Arctaris partnership, Clearnetworx has used its local connections to develop close relationships with the Montrose County School District and the Delta Housing Authority, which have enabled the ISP to develop an innovative method of providing discounted internet services to lower-income families.

Clearnetworx and Arctaris began collaborating closely to determine how to best structure the partnership to support Clearnetworx’s growth, generate returns for Arctaris, and create impact for the communities where they would build the networks. Eventually, Arctaris and Clearnetworx determined that ABC would build and own the fiber and would lease the fiber to Clearnetworx (with an option for Clearnetworx to later buy the fiber). This structure also allowed Clearnetworx to delay lease payments until after it had completed construction and connected paying customers to the network. A traditional loan would have required that Clearnetworx begin repaying the loan while it was still building the network and before the network began generating any revenue. Given the capital-intensive nature of building a broadband network, these early payments can be a significant barrier for growth-stage ISPs.

Clearnetworx was also interested in partnering with Arctaris because of Arctaris Impact’s focus on generating both impact and profit. Casey Irving of Clearnetworx

“The Health Foundation does not have this level of technical knowledge around broadband in-house. So the ability to have a trusted partner who gets the finance piece, as well as the technical aspects of broadband infrastructure and its buildout, is something that [enabled us to move forward].”

Dr. Ben Bynum, Senior Director, Impact Investing,
The Colorado Health Foundation

explained that partnering with Arctaris enabled the company to “provide an economic booster for our communities where we could focus on impact instead of just profits. That was important for us. We had other potential investors, but we were a little picky because we wanted an investor that had similar values.”

Arctaris Impact’s partnership with Clearnetworx has not only laid a foundation for potentially transformative community impact but has also helped grow Clearnetworx and Deeply Digital, locally owned small businesses. Clearnetworx has added 61 full-time jobs in the past year alone. Also, since partnering with Arctaris, Clearnetworx and Deeply Digital have secured an investment from a larger Colorado-based broadband company. This growth is enabling Clearnetworx to continue to expand its footprint and bring high-speed broadband service to more Colorado communities.

Communities

Since finalizing their partnership in early 2022, ABC and Clearnetworx/Deeply Digital have built fiber networks not only in Montrose County, but also in Delta, Colorado. Delta and Montrose sit approximately 20 miles apart, near the northern and southern ends of the Uncompahgre Valley. Roughly 6,000 homes and businesses in these communities now have access to high-speed fiber internet and, to date, more than 1,000 customers have already connected to the ABC network in Delta and Montrose. ABC and Clearnetworx/Deeply Digital are currently building fiber networks in the nearby rural towns of Naturita and Nucla.

In Delta, Clearnetworx has developed a close relationship with the Delta Housing Authority. Clearnetworx has connected the Housing Authority’s office and 80 workforce housing units to the ABC-owned network. Ute Jantz, director

¹⁵ “About.” n.d. Region 10 Colorado (blog). <https://region10.net/about/>.

of the Delta Housing Authority, credited the new fiber network and Clearnetworkx with providing a more reliable connection and faster customer service. The Delta Housing Authority previously struggled with lengthy internet outages that would inhibit its ability to effectively complete work and serve the Housing Authority's tenants. With the new network, the Housing Authority can work with fewer interruptions, enabling the organization to focus on its mission of providing affordable housing to Delta County's residents.

Clearnetworkx's close ties to its community have also enabled the ISP to develop a unique, personalized partnership with the Montrose County School District to provide free or low-cost internet to qualifying students and residents. Clearnetworkx partners with the Montrose County School District to provide low-cost internet to the families of students who are eligible for the school district's free and reduced-price lunch program. Rather than referring these families to federal subsidy programs that require time-consuming applications, the school district refers these families to Clearnetworkx. The families fill out a short form with their contact information and the school district confirms that they are eligible for reduced-price internet access. Clearnetworkx then matches what the federal subsidy would have provided, reducing the paperwork and administrative burden required for residents.

“If we were to develop a bucket of funds for these programs, I could start working with every housing authority in our service area, connect all of their subsidized properties to the network, and then provide reduced-price internet to those residents.”

Casey Irving, Director of Business Development,
Deeply Digital, LLC

Planning for the Future

Arctaris, Clearnetworkx, and the Colorado Health Foundation share a common vision for the future of the partnership: bringing broadband access to more Coloradans and increasing broadband adoption. Clearnetworkx would like to expand the programs it has created with the Montrose County School District and the Delta Housing Authority and has a vision to create similar programs with local health clinics. Clearnetworkx's Casey Irving highlighted that increasing funding for these partnerships could have a transformative impact on broadband affordability. “If we were to develop a bucket of funds for these programs, I could start working with every housing authority in our service area, connect all of their subsidized properties to the network, and then provide reduced-price internet to those residents,” said Irving. Arctaris Impact's partnership with Clearnetworkx demonstrates that finding a good local partner who wants to help the community grow is an essential component of investing in broadband for impact. Local ISP partners are uniquely positioned to develop the kinds of close relationships that Clearnetworkx has formed with the Montrose County School District and the Delta Housing Authority.

Arctaris is developing additional opportunities to make broadband impact investments in communities across Western Colorado. Arctaris hopes to build on the successes and lessons learned from the Clearnetworkx partnership to expand broadband access and adoption. Although it will take years before the long-term impacts of expanding broadband in Delta and Montrose show up in any datasets, the combination of philanthropic capital, broadband expertise, a focus on impact, and strong roots in the local community have laid a promising foundation. “I just smile every time I see the Clearnetworkx trucks around town,” Jantz said.





MATURE PARTNERSHIP

Baltimore, Maryland



A Case Study on the Multiyear Arctaris Story in Baltimore

Through a unique partnership with public and philanthropic partners, Arctaris has made 4 major investments¹ in operating businesses and housing totaling nearly \$39M.² These investments have or are slated to bring jobs, housing, fresh food, and other benefits to Baltimore residents. Arctaris Impact's investment journey in Baltimore has spanned nearly four years, with highlights and challenges that underscore the complexity of delivering true community impact in some of the most under-invested communities in the country.

Getting Started

In 2018, Jonathan Tower met Mary Miller, a former U.S. Treasury official who had recently become involved in the revitalization of Baltimore. Arctaris began to explore a place-based program with local partners and searched for a provider of first-loss capital, a key element of Arctaris Impact's investing model. Arctaris found two partners in the Baltimore-based Abell Foundation and the Neighborhood Impact Investment Fund (NIIF), a recently capitalized non-profit public-private partnership and certified Community Development Financial Institution (CDFI). In February 2020, NIIF and Abell agreed to provide \$1 million and \$4 million in first-loss capital, respectively, to support a \$25 million Arctaris Baltimore program. The initial focus of the program, the partners agreed, was to support operating businesses and create jobs in Baltimore.

Given the history of underinvestment in Baltimore, local partners, including NIIF and Abell, advised Arctaris to hire a local leader for the Baltimore program. Arctaris found the right person for the challenge in Anita Graham, an experienced private equity investor. Tower was impressed by Graham's experience, skills, and local connections.

Graham joined Arctaris in April 2020 and is a managing director at Arctaris and Arctaris Impact's Baltimore Market Manager. With Graham's leadership, Arctaris began building a deal pipeline and continued to source deals, conduct due diligence, and engage with stakeholders at regular meetings even through the onset of the global pandemic (albeit virtually).

Up To Date Laundry

In March 2021, Arctaris Baltimore made its first investment in Baltimore with Up To Date Laundry, a 78-year-old health-care laundry company with anchor customers like Johns Hopkins University, the University of Maryland Medical system, and Medstar. Up To Date has a long history of employing local residents and supporting the neighborhood community. In 2017, when many companies were leaving the area, Up To Date instead chose to expand by locating a new production facility in East Baltimore. The move was supported by a local initiative of Johns Hopkins to encourage more business in the neighborhood. "A lot of people talked about bringing business to the area [but never did]. We [followed through on our commitment and brought] in a brick-and-mortar facility," said Mark Carter, former CEO of Up To Date Laundry.

¹ Arctaris also made an investment in S&K Holdings, a Maryland-based minority-owned home care company. Arctaris Impact's investment brought S&K to Pittsburgh, which has been the focus of Arctaris Impact's work with the company. As a result, that investment is not highlighted in detail in this report.

² This figure includes Arctaris Impact's \$3.1M investment in S&K Holdings, which is not discussed in detail in this case study given their significant operations elsewhere.



Up To Date Laundry employees at work.

Photo credit : Up To Date Laundry

Now across two locations, Up To Date currently employs over 200 full-time employees. Up To Date focuses carefully on hiring within the community and promoting from within. In partnership with Johns Hopkins, UTD targets neighborhoods for recruitment, including neighborhoods in East Baltimore and other low-income areas of the city. Up To Date's production workers are represented by a union and the company offers benefits such as health insurance, tuition reimbursement, formal career mentoring, and training programs targeted for different employee positions. "It's a day-to-day effort trying to find and harvest talent within your pool of employees. It is very individualized as well. Everyone has different skills and talents," said Carter.

Arctaris has made multiple investments in Up To Date Laundry, in 2021, 2022, and 2023. Arctaris also helped Up To Date acquire financing through the Property Assessed Clean Energy (PACE) program to upgrade equipment and reduce water usage.³ Arctaris Impact's investment has helped UTD purchase automation equipment at one of Up To Date's production facilities. The new equipment has enabled Up To Date Laundry to increase the number of higher-skilled jobs in both technology and management positions at the company.

In addition to helping UTD grow its business, Arctaris hopes to create more jobs at Up To Date. Ben Seigel, deputy controller of Maryland for policy, public works, and investment,

"It's a day-to-day effort trying to find and harvest talent within your pool of employees. It is very individualized as well. Everyone has different skills and talents."

Mark Carter, former CEO, Up To Date Laundry

emphasized the importance of Arctaris Impact's approach to investing in this kind of business. Seigel explained that there "aren't many investors helping smaller and medium-sized businesses grow."

Market Fresh Gourmet

In July 2021, Arctaris made the first in a series of investments in Market Fresh Gourmet, a minority-owned community grocery store that has a mission of operating full-service community grocery stores in food deserts. In addition to providing access to fresh food, Market Fresh Gourmet aims to providing local employment opportunities. It has also created recruitment and training programs to engage potential workers and employee development programs for all positions, including management careers.⁴ The company also encourages and supports its customers' healthy eating habits and choices through cooking classes and educational workshops.

³ The Property Assessed Clean Energy Program is a state-driven energy efficiency, renewable energy, and water efficiency improvement financing program that supports loans made to carry out these capital projects. The loan is repaid through property tax payments and is treated as a property tax assessment. A lien is placed on the property (and not the property owner) until the loan is repaid, reducing risk for lenders.

⁴ "Community Is Our Mission!" n.d. Market Fresh Gourmet. <https://marketfreshgourmet.com/our-mission-and-purpose>.

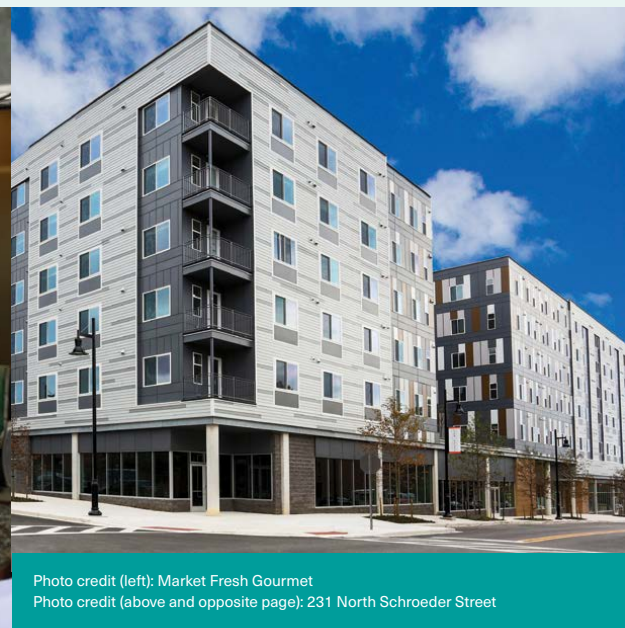


Photo credit (left): Market Fresh Gourmet
Photo credit (above and opposite page): 231 North Schroeder Street

Arctaris Impact's investments in Market Fresh Gourmet will support a planned expansion into Baltimore's Poppleton neighborhood, home to one of the poorest zip codes in the State of Maryland, where over 56% of residents live below the poverty line. The majority-Black neighborhood has faced more than a century of underinvestment due to discriminatory lending, housing, economic development, and transportation practices and policies. Based on the share of residents who live more than a quarter mile from a grocery store, do not have a car, have a low income, and lack healthy food options at local grocery stores, the City of Baltimore has designated the neighborhood as a Healthy Food Priority Area (formerly called a "food desert").⁵

When the partnership was announced, Market Fresh Gourmet CEO Mario Minor said, "We're ready to serve the community by offering fresh, affordable selections and integrated technologies to support all shopping options. Along with recruiting and training associates locally, we also look forward to offering local products and helping others gain exposure and build their brands."⁶ Market Fresh Gourmet hopes that the Poppleton store will create 40 jobs and plans to recruit from the local area for many of these jobs. In addition, Market Fresh Gourmet is exploring a plan to establish an employee stock option program and create a platform for residents to invest in the store.

Chime Solutions

In June 2021, Arctaris made its second investment in Baltimore in the business process outsourcing company Chime Solutions. A minority-owned business based in Morrow, Georgia, Chime aims to hire from and support workforce development efforts in economically distressed communities. For example, Chime partnered with the Dallas Independent School District to offer free childcare to its local employees. In Atlanta, Chime advocated for the Metropolitan Atlanta Rapid Transit Authority (MARTA) to expand a bus line to reach the office's location to alleviate many of its employees' long commutes. Chime needed capital to expand its model to Baltimore, and Arctaris was particularly interested in the prospect that Chime could create 200 or more jobs in Baltimore with a focus on hiring from underserved populations, as Chime had done elsewhere.⁷

Unfortunately, after its investment in Chime, the company faced unprecedented turnover during COVID, coupled with declining revenue. Despite a targeted turnaround effort and hiring a new CFO and a financial advisor, Chime's challenges mounted. In March 2023, amid concerns about the company's solvency, Chime sold its assets to another minority-owned business process outsourcing company.

5 Caitlin Misiasek, Sarah Buzogany, and Holly Freishtat. 2018. "Baltimore City's Food Environment: 2018 Report." Johns Hopkins Center for a Livable Future. <https://clf.jhsph.edu/sites/default/files/2019-01/baltimore-city-food-environment-2018-report.pdf>.

6 City of Baltimore, Mayor Brandon Scott. 2021. "Minority-Owned Market Slated for La Cité Location." City of Baltimore Website. March 16, 2021. <https://mayor.baltimorecity.gov/news/press-releases/2021-03-16-minority-owned-market-slated-la-cite-location>.

7 Tony O. Lawson. 2021. "This Black Owned Customer Service Company Is One Of The Fastest Growing Businesses In The Country." SHOPPE BLACK (blog). February 21, 2021. <https://shoppeblack.us/black-owned-customer-service-company-chime-solutions/>.

Arctaris saw a residential development with La Cité as an opportunity to not only invest in a housing project in the underinvested Poppleton neighborhood, but also support its investment in Market Fresh Gourmet.

231 North Schroeder Street

During the process of supporting Market Fresh Gourmet's expansion, Arctaris was introduced to La Cité, a Black-owned real estate development company that developed the mixed-used building where Market Fresh Gourmet will operate its Poppleton store. La Cité is undertaking a large-scale real estate development in the Poppleton neighborhood that the developer projects will create 1,700 to 1,800 housing units. La Cité needed additional capital to move on to the next phase of its planned development, and Arctaris began working with the developer to determine whether Arctaris could invest in the development.

Arctaris saw a residential development with La Cité as an opportunity to not only invest in a housing project in the underinvested Poppleton neighborhood, but also support its investment in Market Fresh Gourmet. Arctaris believed that increasing the neighborhood's population density and attracting residents with higher incomes to a residential building just two blocks away from the grocery store's planned location could help support Market Fresh Gourmet's financial sustainability.⁸ In November 2022, Arctaris Baltimore invested in an age-restricted senior housing development that will be built at 231 North Schroeder Street, creating 200 senior/age-restricted units, 20% of which will be workforce-affordable units rented at 50% of the area median income (AMI) and the rest will be rented at market rate.⁹

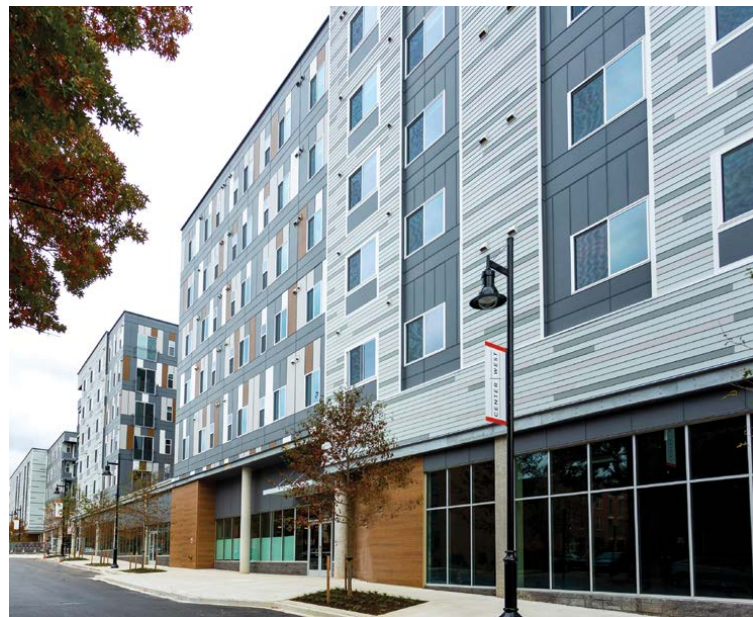
Arctaris Impact's investment in 231 North Schroeder Street is part of a long-term neighborhood development effort that the City of Baltimore and La Cité have been implementing since 2006. In the planning stage, city and state government officials described the project as a way to support an expansion of the University of Maryland, Baltimore's BioPark, a nearby biomedical research campus, and encourage investment in the neighborhood.¹⁰ The goal of the project was to create a

mixed-income neighborhood by attracting middle-income homebuyers and renters to the neighborhood and improve the quality of life for the neighborhood's residents.

The Promise and Peril of Investing in Low-Income Neighborhoods

Arctaris Impact's investments in Baltimore have totaled nearly \$40 million and have created or retained hundreds of jobs, many of which are targeted toward community residents and provide above-market pay and benefits. Arctaris Impact's investments will also contribute to fresh food and new housing when those developments are completed. Together, these investments have the potential to provide more comprehensive support for the Baltimore community.

However, Arctaris Impact's investment story in Baltimore was not without its challenges. At 231 North Schroeder Street, there have been concerns about displacement, even as many of these issues either pre-dated Arctaris Impact's involvement or primarily implicate other parties. In the original development plan for the area (before Arctaris became a partner), the city agreed to sell 553 properties across 32.94 acres in the Poppleton neighborhood to La Cité. Approximately one-quarter of the properties were occupied at the time of the agreement, and the city promised that it would relocate more than 100 residents and businesses from the development area.



⁸ Economic and community development literature also suggests that, under the right circumstances, higher-income residents moving into a neighborhood with a high concentration of poverty may support quality-of-life improvements for long-term residents who stay in the neighborhood after the development is complete. See "Gentrification and Neighborhood Revitalization: What's the Difference?" 2024. National Low Income Housing Coalition. March 4, 2024. <https://nlihc.org/resource/gentrification-and-neighborhood-revitalization-whats-difference>.

⁹ "Leveraging Public-Private Partnerships to Amplify Impact: 2022 Arctaris Impact Report." 2023. Wellesley, MA: Arctaris Impact Investors. <https://www.arctaris.com/wp-content/uploads/2023/09/Arctaris-Impact-Report-2022.pdf>.

¹⁰ Office of the Governor, State of Maryland. 2005. "Governor Ehrlich Announces First Round of Priority Places Designees." February 1, 2005.

Today, the Housing Authority of Baltimore City (HABC) recognizes that relocating residents can be disruptive to residents' lives and can worsen economic instability if not implemented carefully.¹¹

Arctaris took several steps to mitigate potentially harmful outcomes by supporting a new amendment to the development agreement in which the city agreed to purchase the development rights to a long-term resident's home, enabling a family to stay in their home. Arctaris also worked with La Cité agreed to sell several historic rowhomes to a nonprofit developer who will rehabilitate and attempt to sell them to former Poppleton residents. The new agreement also specified that La Cité would support the planned redevelopment of the Edgar Allen Poe Homes, a public housing development located next to La Cité's development area. In 2023, La Cité agreed to sell an approximately 16,000-square-foot parcel to HABC, helping minimize displacement.¹²

Finally, in the years since the development was planned, the economic situation in Poppleton has worsened. Between 2009 and 2022, the overall poverty rate in Poppleton increased from 30.8% to 56.2%, and the Black homeownership rate declined from 30.2% to 14.8%.¹³ In 2022, the median annual household income in Poppleton was \$14,978, indicating that half of the neighborhood's residents make less than this amount and are unlikely to be able to afford units in La Cité's developments.¹⁴ However, the development still intends to bring much-needed investment to the community, create new foot traffic, contribute to the city's development plans, and expand the city's stock of workforce affordable housing. Despite the limits of traditional support programs (e.g., vouchers), Arctaris and the city are exploring ways to ensure more Poppleton residents can afford units in 231 North Schroeder Street.

Looking Ahead

While many of these dynamics, from decades of structural discrimination and disinvestment to ongoing negative economic trends and flaws in specific development agreements occurred before Arctaris Impact's participation in specific deals or even Baltimore as a program, these investments highlight the true difficulty of market-oriented solutions in the most deeply under-resourced neighborhoods.

“Arctaris is in the most under-resourced zip code in the State of Maryland, looking at investment opportunities. That is a true indication that they are serious about doing social impact where it needed to be done.”

Alma Roberts, Board Member, Arctaris Community Development Entity (CDE)

Despite the challenges, Arctaris Impact's partners remain steadfastly supportive of the organization's work. “Many firms do 10 loans in the Washington, D.C., and Baltimore region and they put the one in Baltimore on the cover because it looks great. Then they try to make ends meet on the nine that they do in Washington because the market is so much harder in Baltimore,” said Mark Kaufman. Alma Roberts, a member of Arctaris Impact's Community Development Entity (CDE) board and former community health and economic opportunity and impact director for Kaiser Permanente, concurred, explaining: “Arctaris is in the most under-resourced zip code in the State of Maryland, looking at investment opportunities. That is a true indication that they are serious about doing social impact where it needed to be done.”

At the heart of Arctaris Impact's model is the “but for” concept. While there are numerous organizations (including and beyond Arctaris Impact's partners) such as the city, local foundations, and community groups working to prevent the worst outcomes, there are still deals and projects that would not have come to fruition without Arctaris Impact's involvement and investment. In Baltimore, where even the best ongoing efforts of local organizations has not been able to reverse continued underinvestment and (in some places) declining real incomes, this approach is particularly important. Despite the challenges, Arctaris intends to continue making investments that otherwise would not (and for many decades, have not) occurred in the highly under-resourced city. Arctaris Impact's Anita Graham couldn't be more excited to build on the firm's track record in Baltimore and launch a Baltimore 2.0 program, and partners agree. Ben Seigel highlighted their hopes that Arctaris would be able to make further investments in Baltimore. “I think Arctaris Impact's model has a lot of potential and should be effective. For it to be more effective, we need more scale,” said Seigel.

¹¹ If displacement is truly unavoidable (for example, when there are not enough vacant properties in an area before development or when density regulations and zoning are an insurmountable obstacle), a more inclusive best practice for inclusive development is that displaced residents should be given a guaranteed right to return to a unit in the new development. The UNDP standard on displacement specifies that development plans should specify whether a right to return is offered. The original Poppleton development agreement did not address this issue. “Transform Poe: Transformation Plan.” 2020. Baltimore, MD: Housing Authority of Baltimore City. <https://www.habc.org/media/2451/transform-poe-plan.pdf>

¹² <https://www.prnewswire.com/news-releases/la-cite-development-announces-major-updates-to-poppleton-redevelopment-project-301909623.html>

¹³ U.S. Census Bureau, American Community Survey, 2022 Five-Year Estimates.

¹⁴ U.S. Census Bureau, American Community Survey, 2022 Five-Year Estimates.

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231 North Schroeder Street

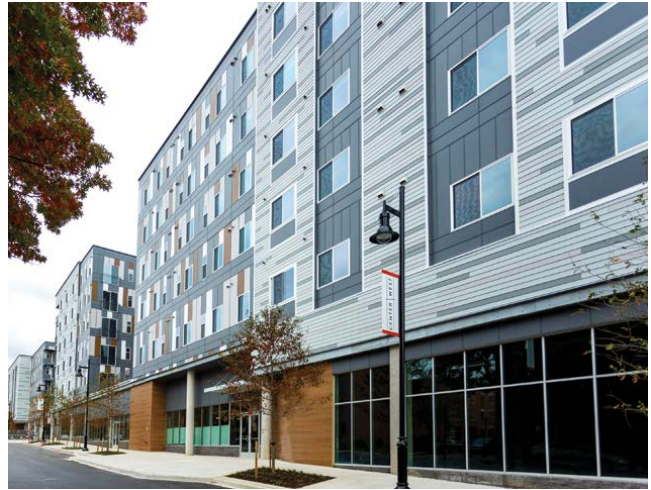
Baltimore, Maryland

Investment Overview

231 North Schroeder Street is an approximately \$70 million ground-up development of a 185,000-square-foot, mixed-use building in the Poppleton neighborhood of West Baltimore, Maryland. The building is expected to consist of 200 senior/age-restricted residential units and 7,500 square feet of commercial space.¹ The project is the second phase of the Center\West master development plan, a 32.94-acre revitalization effort created by La Cité, a minority-owned development company.

Impact Thesis

Poppleton is a historically underinvested neighborhood in Southwest Baltimore. The neighborhood has suffered from the impact of redlining and discriminatory housing ordinances.² Currently, the Poppleton neighborhood is 93% non-Hispanic Black, compared to 61% citywide.³ The poverty rate in Poppleton is 56%, compared to 20% citywide.⁴ Arctaris invested in 231 North Schroeder Street project, developed by minority-owned developer La Cité, to expand the inventory of quality market-rate and affordable housing units in these neighborhoods. The impact goal of the project is to reduce the concentration of poverty in a severely under-served region by increasing workforce housing and job opportunities throughout the area. Although displacement occurred in the area before Arctaris invested in the project, the site for which Arctaris invested had no residents at the time of our investment. This building is expected to create 40 workforce affordable housing units offered at 50% of the area median income (AMI).



Investment Type

Equity | Real Estate

Investment Date

November 2022

Investment Size

\$13.1M

Sustainable Development Goals Impacted



Key Impact Metrics

100%

minority-owned real estate developer and certified MBE

20%

of units affordable at 50% AMI

¹ 100% of units will be marketed to seniors, age 55+.

² David Armenti and Alex Lothstein, "Baltimore's Pursuit of Fair Housing: A Brief History," Maryland Center for History and Culture, 2023, <https://www.mdhistory.org/baltimores-pursuit-of-fair-housing-a-brief-history/>.

³ U.S. Census Bureau, American Community Survey, 2022 Five-Year Estimates.

⁴ U.S. Census Bureau, American Community Survey, 2022 Five-Year Estimates.

All photo credits: 231 North Schroeder Street

231 North Schroeder Street

Baltimore, Maryland (continued)

During construction, the project is targeting creation of 275 construction jobs in a severely distressed Opportunity Zone. In the long term, this project is anticipated to create 15 permanent jobs in property management and retail.⁵

Impact Additionalities

La Cité, Arctaris, and the city’s housing officials, along with community members, have worked to curb the displacement risk usually associated with new real estate developments and address the concerns of current neighborhood residents.⁶ In Poppleton, Arctaris has invested not only in La Cité’s 231 North Schroeder Street, but also in Market Fresh Gourmet, a minority-owned full-service community grocery store in the same Poppleton neighborhood—an area that in the past was considered a “food desert.” Arctaris Impact’s partnership with Market Fresh Gourmet will promote community events and provide fresh and healthy food within the community, which has lacked access for more than four decades. By investing in a grocery store and the mixed-income housing project, Arctaris is leading a holistic approach to community revitalization.



⁵ Estimates based on Developer’s assumptions and are informed by Phase IA costs and results. Part-time jobs are largely in construction with some in retail spaces and some for lease-up, marketing, social media, and other ancillary services. Full-time jobs are in retail spaces and property management.

⁶ Arctaris 2023 Impact Report, Baltimore Case Study

300 Nevins Street

Gowanus (Brooklyn), New York

Investment Overview

300 Nevins Street is a 668-unit, ground-up, mixed-use and mixed-income real estate development located in the Gowanus neighborhood of Brooklyn, New York. Of the 668 rental units, 25%—or 168—are affordable housing units that will be rented for an average of 60% of the area median income (AMI). The project also includes retail space, in which Arctaris and its development partners plan to host at least one minority- and women-owned business enterprise (MWBE) tenant.

Impact Thesis

Arctaris invested in 300 Nevins Street to expand the stock of affordable housing units in the Gowanus neighborhood, which, while historically underinvested, is experiencing an increase in rent prices and a decrease in the availability of affordable housing. Among all New York City neighborhoods, apartment fundamentals in Brooklyn continue to remain some of the tightest across the United States, with occupancy levels approaching 98%. Average rents in Brooklyn were up 4% in Q4 2023 on a year-over-year basis, marking a new record high.¹ At the same time, affordable housing construction in Gowanus has lagged the citywide average by a significant margin since 2014.² The Nevins Street development will create approximately 168 affordable units to house local families and workers. In addition, Arctaris invested in 300 Nevins Street to support local MWBEs. During the development, planning, and construction phases of the project, Arctaris continues to work with the developer to solicit bids from and hire MWBEs as subcontractors. Arctaris also supports the developers in their efforts to lease to at least one MWBE retail tenant.



Investment Type

Equity | Real Estate

Investment Date

June 2022

Investment Size

\$20M

Sustainable Development Goals Impacted



Key Impact Metrics

668

units of new housing planned

168

new affordable rental units
at an average of 60% AMI

¹ Costar Market Data

² "New York City Housing Tracker (referencing District 39 ranked 27)," New York City Housing Conference, 2022, <https://tracker.thenyh.org/>.

Photo credit: 300 Nevins Street

Altitude Apartments

Glenwood Springs, Colorado

Investment Overview

Altitude Apartments is a 100-unit workforce housing development serving median-income households in Glenwood Springs, Colorado. The property is located 1.4 miles south of downtown Glenwood Springs and 2.1 miles from the Glenwood Hot Springs Pool. As a strategic bedroom community, Glenwood Springs supports many neighboring resort destinations, including Aspen and Vail, which are approximately 40 and 64 miles away, respectively.

Impact Thesis

The project creates more workforce housing options for the local community with in-place rents affordable to households making approximately 120% of the area median income (AMI). The project serves the severely constrained region of Garfield County, which estimates a 2,000-unit shortfall over the next 10 years.¹ Altitude Apartments completed construction in 2023, and as of EOY 2023, was experiencing near-full occupancy. In addition, the development provides convenient access to transportation and community amenities in Glenwood Springs. Finally, the development is designed to accommodate the community’s housing needs without displacing its current residents. As the region solidifies itself as a prominent vacation destination for skiers nationwide and internationally, the development is well positioned to be a major provider for essential workforce housing as local real estate prices continue to rise.



Investment Type

Equity | Real Estate

Investment Date

September 2020

Investment Size

\$1M

Sustainable Development Goals Impacted



Key Impact Metrics

100
new housing units
affordable at 120% AMI

50%
female staff

¹ "PI Editorial: Time to take area's housing needs seriously," Post Independent, May 29, 2019, <https://www.postindependent.com/opinion/pi-editorial-time-to-take-areas-housing-needs-seriously>

Photo credits: Altitude Apartments

Arctaris Broadband Company

Boston, Massachusetts

Investment Overview

Operated by Arctaris Impact, Arctaris Broadband Company, LLC, (ABC) is a Qualified Opportunity Zone business that owns, develops, and constructs, and operates critical fiber optic infrastructure in underserved communities through partnerships with internet service providers (ISPs). ABC is both operating and constructing networks in Colorado and Maine in partnership with local government agencies, ISPs, and foundations, and is actively looking to scale its operations across Opportunity Zones nationwide.

Impact Thesis

High-quality and reliable broadband internet access is essential for communities to thrive and prosper in the modern economy. The need for connectivity was further underscored during the pandemic, when many were forced to work and attend school remotely, putting a greater spotlight on the digital divide in America. For these reasons, it is essential to provide unserved and underserved communities with access to high-speed broadband to ensure that these communities are no longer cut off from the modern economy. Arctaris formed ABC to help bridge the digital divide by making investments in state-of-the-art broadband networks that can deliver future-proof services in underserved urban and rural Opportunity Zone communities. ABC's networks are positioned to provide affordable high-speed internet to these underserved communities for decades to come.

ABC has constructed two high-impact fiber networks in Cimarron Creek and Delta City, Colorado. Cimarron Creek is located in a census tract where 21.6% of the population lacked internet at home.² Thanks to ABC's efforts, all homes in the Cimarron Creek mobile home community, approximately 270, now have access to the high-quality ABC network.



In Delta City, 70% of city residents have incomes below the regional average. ABC's network now offers fiber internet services to roughly 6,000 homes and businesses in this community. As 30% of the population in the Delta City census tract previously lacked internet, ABC is offering the residents much-needed internet services through its partnership with local ISP Clearnetworx.³ Over 20% of residents in ABC's Colorado markets, representing over 1,300 premises, have already subscribed to fiber internet services being delivered on ABC's network.

Impact Additionalities

The Arctaris investment expands broadband access to underserved communities that have historically lacked private funding to build out the needed broadband networks. Arctaris Broadband Company plans to work with its ISP partners to offer discounts and encourage and support programs that provide affordable telehealth services, remote work opportunities, and remote education and training services.

Investment Type

Equity | Infrastructure

Investment Date

January 2022

Investment Size

\$38.6M¹

Sustainable Development Goals Impacted



Key Impact Metrics

4,701

homes and businesses now have access to high-speed fiber internet via ABC's networks

Over 1,300

businesses and/or residences connected to the ABC network

74%

employment growth at Clearnetworx in the last 12 months (adding 61 full-time jobs)

Only 3 outages

in the past 12 months (each repaired within hours)

¹ Across multiple projects and counties

² "ArcGis," <https://www.arcgis.com/home/webmap/viewer.html>

³ 2019 American Community Survey

Front Row

Huntsville, Alabama

Investment Overview

Located in Huntsville, Alabama, Front Row is a planned mixed-use real estate development consisting of two multi-family buildings with 545 rental units, ground-floor retail (targeting a grocery store), office space, and parking spaces. The project is located on approximately 11 acres of prime downtown land specifically identified by the City of Huntsville as a crucial component of the downtown Huntsville master plan.

Impact Thesis

Arctaris invested in the Front Row project to facilitate the creation of mixed-income housing in downtown Huntsville, tackle food security challenges in an underserved food market, support minority- and women-owned business enterprises (MWBEs) during construction, and create jobs, particularly for low income and minority communities.

- Front Row is in a census tract where more than 33% of residents live at least a half-mile away from the nearest supermarket.¹ To create greater access to healthy food, Arctaris is working with the Front Row team to introduce a fresh produce, grocery store as a ground-floor retail space tenant.
- As one of the most significant real estate projects in downtown Huntsville, Front Row plans to spend more than 10% of its construction budget with MWBE subcontractors.
- Front Row is working with its general contractor and the Huntsville Housing Authority to hire residents from the nearby Searcy affordable housing community for project construction positions or permanent jobs with retail tenants. Throughout the project’s construction and subsequent operation, the Front Row developer aims to create 200 or more accessible jobs in Huntsville.



Investment Type

Equity | Real Estate

Investment Date

September 2021 and June 2022

Investment Size

\$20.7M

Sustainable Development Goals Impacted



Key Impact Metrics

545
units of new housing

¹ USDA Food Desert Atlas

Photo credits: Front Row

GCAP HoldCo

Glenwood Springs, Colorado

Investment Overview

GCAP HoldCo, LLC operates the only mountaintop theme park in the United States, with over 17 attractions, including two large cave systems (ranked top 10 in the U.S. by *USA Today*), rollercoasters (Mountain Coaster recognized by *USA Today* as a “top 10” coaster) and canyon swings. Located 2.5 hours west of Denver, between Vail, Aspen, and Grand Junction, GCAP is well positioned to attract tourists traveling through the heavily trafficked region of Western Colorado.

Impact Thesis

The core impact of the GCAP investment is job retention and creation. GCAP is one of the largest employers in Glenwood Springs and is expected to continue to grow its workforce throughout the investment period. This investment is the second phase of Arctaris Impact’s economic development vision for the area. The first phase began with the Altitude Apartments workforce housing investment, which will provide more affordable housing options for some of Glenwood Springs’ tourism and service industry workers. With added housing options and a booming theme park with growing job opportunities, Glenwood Springs is well positioned to attract more visitors to boost the overall regional economy.



Investment Type

Equity | Operating Company

Investment Date

December 2020

Investment Size

\$1M

Sustainable Development Goals Impacted



Key Impact Metrics

Employee Benefits

Health care, retirement benefits, paid sick leave, and tuition reimbursement offered to all employees

10%

of energy is sourced from renewable sources

Northeast Heights

Washington, D.C.

Investment Overview

Northeast Heights is a ground-up development of 256,000 square-feet of net rentable space, Class A, mixed-use retail/office building. The building is 93% leased to the District of Columbia Department of General Services (DGS) and is located in the 7th Ward of Washington, D.C., within an Opportunity Zone.

Impact Thesis

Washington, D.C., has long struggled with wealth inequality and racial segregation. Wards 7 and 8, separated from the rest of the city by the Anacostia River, are some of the least-served communities and most concentrated areas of poverty in Washington, D.C.¹ Partnering with Asland Capital Partners, a minority-owned real estate investment firm led by prominent African American investor James H. Simmons III, and the Goldman Sachs Urban Investment Group, Arctaris invested in Northeast Heights to support economic development, help reduce the racial wealth gap, and drive overall neighborhood revitalization in Wards 7 and 8 of Washington, D.C. Throughout the development phase, Asland Capital Partners estimates that this project has created approximately 1,500 living-wage jobs.² Many of these jobs were sourced locally and from diverse and underrepresented groups. In the long term, the Northeast Heights development project is anticipated to create approximately 690 permanent jobs across retail, restaurant, anchor tenant, pharmacy, and office operations.³ These jobs are expected to be highly accessible to residents of the local community. Furthermore, by creating additional office space to host DGS, this project will increase daytime



foot traffic in the Benning Road neighborhood, which will, in turn, increase commercial activity in the community and support local retail businesses. Following the completion of the project's construction in April 2023, the project has leased up 22% of its retail space to essential neighborhood retailers with strong credit, including USPS and Citi Bank.

Investment Type

Equity | Real Estate

Investment Date

October 2021

Investment Size

\$4.5M

Sustainable Development Goals Impacted



Key Impact Metrics

730

jobs created from construction and property management

LEED Certified⁴

1 "2022 Demographics: Ward 7," DC Health Matters, March 2022, <https://www.dchealthmatters.org/demographicdata?id=131494>.

2 Dr. Amy K. Glasmeier and Massachusetts Institute of Technology, "Living Wage Calculator," <https://livingwage.mit.edu/>.

3 Approximately 580 of these projected jobs are direct impacts of the Northeast Heights project, while 110 are indirect impacts. Estimates are sourced from the project's 2019 Tax Increment Financing Application and are subject to revision as unrelated parties move forward with future phases of development.

4 LEED (Leadership in Energy and Environmental Design) Certification is a set of ratings used to evaluate the construction, design, operation, and maintenance of green buildings, homes, and other real estate developments. It is intended to make real estate developments environmentally friendly and use resources efficiently. * Arctaris Impact Survey Version 2022

Photo credit: Northeast Heights

S&K Holdings, Inc.

Maryland and Pennsylvania¹

Investment Overview

S&K Holdings, Inc. (S&K) is a minority-owned home care company formed in 1996 that provides personal care services for the elderly in Maryland, Pennsylvania, New Jersey, Virginia, and Washington, D.C. S&K's services address the core home-care needs of its customers. The company's caregivers assist clients with respite care, recovery at home, long-distance caregiving, and daily activities. S&K primarily serves low-income seniors who are often living alone or with a partner who may also need assistance.

Impact Thesis

There are three primary components of impact for the S&K investment: 1) to provide quality care to residents of underserved communities; 2) to provide healthcare career entry opportunities for those otherwise lacking the educational background or professional certifications to land a job in the field; and 3) to support the growth of a minority-owned and operated business. S&K frequently draws staffing from the neighborhoods it serves and is cognizant of its role as a career starter for many of its predominantly female and minority employees. As such, the company offers a unique program for its employees called the "Upward Mobility" program. Initiated to provide an educational and training track for Personal Care Assistants (PCAs) and Certified Nursing Assistants (CNAs), the program develops those who want to enhance their caregiving management skill set.

Additionally, S&K offers full healthcare, retirement benefits, flex-work, and paid sick leave to its employees. There are



also incentive compensation benefits, such as performance, referral, and signing bonuses. S&K was recognized for creating high-quality jobs, receiving a grant from the Commonwealth of Pennsylvania.

Impact Additionalities

The Arctaris investment expands S&K's footprint in Pittsburgh's Allegheny County and Altoona's Blair County. In assisting S&K in the acquisition of the Pittsburgh-based Integrity Home Care, Arctaris facilitated the company's move to an Opportunity Zone. The goal is to continue to grow the business over the next 3–5 years, both organically and by acquisition.

Investment Type

Equity | Operating Company

Investment Date

October 2021

Investment Size

\$3.1M

Sustainable Development Goals Impacted



Key Impact Metrics

100%

female senior management

40%

of senior management identify as BIPOC

Certified minority-owned business

Special hiring programs

for formerly incarcerated individuals, local residents, and immigrants

50%

of suppliers are minority-owned businesses

¹ Other locations include New Jersey, Virginia, and Washington, D.C.

The Eddy

Grand Junction, Colorado

Investment Overview

The Eddy at Grand Junction is a multi-family/campsite project with 96 units of market-rate residential workforce housing and a 74-site RV campsite on a 12-acre site located in Grand Junction, Colorado. The development aims to address the significant rental unit shortfall in the City of Grand Junction and surrounding areas.

Impact Thesis

Similar to the Altitude Apartments (see page 37), the Eddy addresses the region’s lack of housing by pricing units at rents accessible to approximately 80% of area median income (AMI) households in the surrounding community. As of EOY 2023, the Eddy was experiencing near-full occupancy. The Eddy is a cornerstone of local riverfront revitalization efforts. The site is situated along the Colorado River and borders a new city riverfront development of parks, an amphitheater, offices, and river access. The development is poised to persist as a vital source of workforce housing for a burgeoning ski destination, while also serving as an appealing camping destination for local families to enjoy.



Investment Type
Equity | Real Estate

Investment Date
September 2020

Investment Size
\$1M

Sustainable Development Goals Impacted



Key Impact Metrics

All units currently fall between 100–120% AMI (at market rate)

75 jobs created during construction

100% of jobs with the developer are at or above living wage¹

¹ Dr. Amy K. Glasmeier and Massachusetts Institute of Technology, "Living Wage Calculator," <https://livingwage.mit.edu/>.

Photo credit: The Eddy

The Flagship Complex and Block Two

Erie, Pennsylvania

Investment Overview

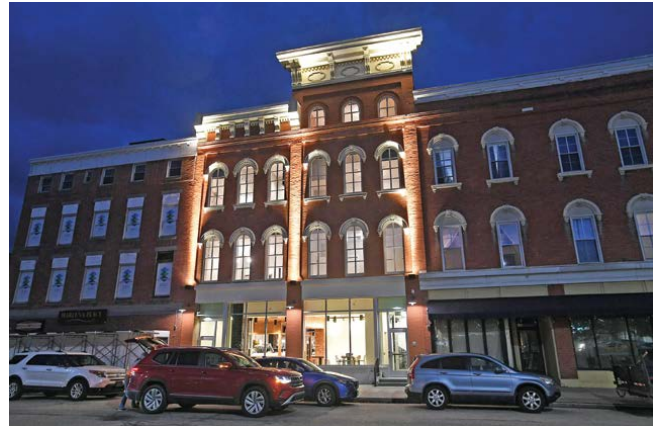
The Flagship Complex is a redevelopment property that represents the first project of the multi-phase plan to redevelop the core of downtown Erie, Pennsylvania. The complex includes a food hall, a grocery store, and 28 multifamily residential rental units. Erie Block Two is the second project of the redevelopment plan. Based on analysis of local stakeholders' key demands, this project includes 30 new market-rate apartments, a parking deck, and a 25,000-square-foot climbing gym, operated by Pittsburgh-based Ascend Studio.

Impact Thesis







The Flagship Complex

The City of Erie was once an important center of manufacturing with opportunities for residents to achieve upward economic mobility and access good paying jobs. Years of disinvestment and major employers leaving the area, however, have left residents with little opportunity to access good jobs. Today, approximately one-quarter of residents in Erie live in poverty, compared to 12.5% nationwide.¹ Additionally, downtown Erie was previously designated by the USDA as a food desert.²

Arctaris invested in the Flagship Complex to address the shortage of housing, facilitate economic growth for minority- and women-owned businesses, create living-wage jobs, and eliminate the food desert. As part of the downtown revitalization, the Flagship Complex is a mixed-use project aiming to increase the quality of life for Erie's residents. The complex includes downtown Erie's first full-service grocery store in



decades which is in the process of being upgraded by a national operator that has more competitive pricing. In addition, the food hall space aims to unlock economic development by supporting minority-owned tenants and by promoting community building. Five of the nine vendors are minority- or women-owned businesses. Instead of requiring vendors to cover large up-front equipment costs and pay set monthly rents, the food hall implemented a royalty payment system that allows vendors to start businesses with minimal upfront capital. All vendors understand the importance of offering the community feasible products and realistic price points, and the dining area offers common tables to promote community building.

Investment Type	Sustainable Development	Key Impact Metrics	Special Hiring
Equity Real Estate	Goals Impacted	100%	Practices
Investment Date	  	rental units fall between 80-90% AMI at current market rates (naturally affordable)	for women, people of color, and local residents
Investment Size	  	LEED Certified³	
\$25M			

¹ 2018-2022 U.S. Census Bureau American Community Survey 5-Year Estimates

² United States Department of Agriculture, Food Access Research Atlas, <https://www.ers.usda.gov/data-products/food-access-research-atlas/go-to-the-atlas.aspx>

³ LEED (Leadership in Energy and Environmental Design) Certification is a set of ratings used to evaluate the construction, design, operation, and maintenance of green buildings, homes, and other real estate developments. It is intended to make real estate developments environmentally friendly and use resources efficiently. * Arctaris Impact Survey Version 2022

All photo credits: The Flagship Complex

The Flagship Complex and Block Two

Erie, Pennsylvania (continued)

Erie Block Two

In addition to the Flagship Complex, Arctaris also invested in Block Two, the second project of the downtown Erie revitalization plan. Block Two is strategically located near the Flagship Complex to build on the positive network effects and momentum that was catalyzed in the first project, such as increased foot traffic and retail activity. The project provides residents with a unique gym and climbing experience, which is expected to play a role in tackling some of the local social determinants of health. Within the first two months of opening, the gym reached over 500 members. The new apartments and parking facility downtown provide Erie with a more competitive edge to recruit and retain health care workers as the UPMC hospital. Both projects, combined, are intended to create an inclusive space in which residents can live, work, and play. The community will likely benefit from a significant number of positive impacts, including downtown population growth, increased daily foot traffic to support local businesses, and an expanded tax base to fund city projects.



Market Fresh Gourmet

Baltimore, Maryland

Investment Overview

Planning on opening its first grocery store in late 2024, Market Fresh Gourmet is a minority-owned, full-service community grocery store chain operator located in Baltimore, Maryland. The first store is planned to carry fresh produce, baked goods, and hot and cold prepared foods. The express grocery store will operate in a mixed-use building at 101 North Schroeder Street as an anchor groundfloor retail tenant. Located in a city food desert, the store will serve residents of the 260-plus unit building along with local community members.

Impact Thesis

The Arctaris impact thesis for Market Fresh Gourmet includes supporting and growing a minority-run and -owned business. Market Fresh Gourmet is managed by a 100% Black leadership team with significant industry experience. The company aims to concentrate procurement from local minority-owned suppliers. Market Fresh Gourmet plans to tackle health challenges facing the local communities. In addition to supporting vital social needs for accessible healthy food, the company also plans to offer community cooking classes, educational workshops on healthy eating, and other health-related initiatives to residents of severely distressed census tracts. Market Fresh Gourmet will also create substantial job opportunities locally. The express store is projected to create 40 living-wage jobs from the local Baltimore community.

Impact Additionalities

Arctaris aims to scale the business through at least two additional store openings by 2026. The leases for these two additional stores have been executed, and construction is currently in pre-planning phases. Arctaris is supporting Market Fresh Gourmet management in securing grants, concessionary loans, and tax credits. Strategic financing will help scale operations, supporting sustained job growth and retention of staff at living wages.



Investment Type

Debt and Equity |
Operating Business

Investment Date

Jul/Dec 2021, Mar/June 2022,
and Feb/June 2023

Investment Size

\$5.7M

Sustainable Development Goals Impacted



Key Impact Metrics

100%
of employees (including
senior management)
identify as BIPOC

Recaro Automotive

Clinton Township, Michigan

Investment Overview




Located in Clinton Township, Michigan, Recaro is a high-performance automotive seat manufacturer that was divested from its parent company in 2019, putting well-paying Detroit-area jobs at risk. In early 2020, Arctaris partnered with Recaro’s management team and another strategic partner to move the firm’s headquarters to an Opportunity Zone in Eastern Michigan, preserving jobs and investing to expand the business. With deep experience in manufacturing and turnaround management, Recaro’s executive team is well positioned to grow the business. As a global company with operations in the U.S., Germany, and Japan and a joint venture in China, Recaro has one of the strongest brands in the industry.



Impact Thesis

The core impact thesis for Recaro remains to retain and create living-wage jobs. At the time of our investment in Recaro in 2019, the Opportunity Zone in Clinton Township, where Recaro now operates, reported a poverty rate of 36.2% and an unemployment rate of 14.9%.¹ Through its partnership with Arctaris, the company committed to retain jobs of all skill levels and grow the employee base over the next four years. The average annual wage of \$62,747 is 147% of the regional average living wage of \$42,786 and 299% of the annual equivalent of the minimum wage in the state \$21,008.²



<p>Investment Type Debt and Equity Operating Business</p> <p>Investment Date February 2020</p> <p>Investment Size³ \$26.4M</p>	<p>Sustainable Development Goals Impacted</p>   	<p>Key Impact Metrics</p> <p>78 new jobs since Arctaris investment in February 2020</p> <p>\$96,445 average salary for full-time employees</p>	<p>11% of total money spent on suppliers is with minority-owned businesses</p>
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1 2015-2019 U.S. Census Bureau American Community Survey 5-Year Estimates
 2 Dr. Amy K. Glasmeier and Massachusetts Institute of Technology, "Living Wage Calculator," <https://livingwage.mit.edu/>. Minimum Wage Source: 2023 Michigan State’s Labor and Economic Opportunity; Living Wage Source: 2023 MIT Living Wages for Clinton County, Michigan for 1 Adult and no children.
 3 Arctaris Impact Fund, LP made a ~\$5M debt investment in the operating company (this includes a ~\$2M New Markets Tax Credit loan); Arctaris Opportunity Zone Fund 2019, LLC made a total investment of \$18.1M (\$7.9M of equity in the OpCo, \$3.6M of debt in the OpCo, and \$6.6M of equity for the purchase of a building to be leased back to the OpCo and enable a move to an Opportunity Zone – the building has since been sold and Recaro remains the tenant on advantageous terms). Michigan Income & Principal-Protected Growth Fund, LP made a \$3.4M debt investment, totaling an initial Arctaris Investment of \$26.4M across funds.

Photo credits: Recaro Automotive

Saddleback Mountain

Rangeley, Maine

Investment Overview

Located in Western Maine, Saddleback Mountain has a 60-year history of partnership with its community. The mountain has a devoted customer base and boasts the third-largest vertical drop in the state at over 2,000 feet. Saddleback's property spans 6,400 acres, and the company offers downhill skiing, ski school, ski rentals and repairs, outdoor programming, events and weddings, food and beverage, retail, and mountain biking.

Impact Thesis

The core impact strategy behind Arctaris Impact's investment in Saddleback is the economic revitalization of a community in distress. When Saddleback Mountain ski resort closed in 2015, it dealt a devastating blow to the Rangeley economy, significantly harming local businesses and increasing unemployment throughout Franklin County. In January 2020, Arctaris Impact Fund partnered with the State of Maine to purchase Saddleback Mountain ski resort for \$6.5 million, reopening the resort and rehiring 200 team members for the first time since it was left shuttered in 2015. Arctaris has subsequently invested in state-of-the-art equipment and up-to-date hospitality services for its guests. New Doppelmayr and Partek Quad high-speed chairlifts were installed, as were snow-making equipment, groomers, a pump house, a new mid-mountain lodge, high-quality on-mountain staff housing, and other essential infrastructure. Today, the mountain hosts ~90,000 skier visits each season and expects to host



100,000+ next season. Saddleback was named *Down East Magazine's* 2022 Readers' Choice for "Best Ski Mountain" in Maine in 2022 and again in 2023.

The mountain's reopening created hundreds of new jobs at Saddleback and has helped revitalize the local economy.¹ Total employment at Saddleback is expected to be about 244 individuals during the 2023–2024 ski season, with full-time, year-round jobs with full benefits for approximately 50 people. This is projected to grow over time as Saddleback continues to reinvest in the mountain, with plans for a hotel and expanded summer season activities requiring additional staff to support rapidly growing annual visitor counts.

Investment Type

Debt and Equity | Real Estate,
Operating Company, Infrastructure

Investment Date

January 2020

Investment Size

\$31.7M

Sustainable Development Goals Impacted



Key Impact Metrics

244

new jobs created since Arctaris investment in 2020

Employee Benefits

Paid sick leave, health benefits, retirement benefits, tuition reimbursement, business skills training and professional development training, formal career counseling, rotational management training offered to all employees

6

environmental sustainability measures implemented

31 acres

of renewable energy infrastructure installed

¹ 2023 Arctaris Impact Survey, 2015-2019 U.S. Census Bureau American Community Survey 5-Year Estimates

Photo credits: Saddleback Mountain/Andy Gagne Photography

Saddleback Mountain

Rangeley, Maine (continued)

Saddleback is also indirectly driving commerce and economic development in the Rangeley area. The population has grown by more than 2.3% since the mountain reopened in 2020,² with the number of jobs increasing by 176 to an estimated total of 2,777. The unemployment rate was 2.7%. There has also been an increase in housing starts of 57% from 2018 to 2023.³ Anecdotally, the town benefits year-round from increased patronage of lodging, restaurants, and retail businesses from mountain visitors as well as through secondary jobs created through the economic activity and enhanced road maintenance. The mountain has brought back ski racing for local high schools, with the team going to state-level competition in 2021–2022, and the Saddleback Tuesday ski program regularly makes skiing accessible for 125 local kids and their families with heavily subsidized lift tickets.

An additional component of Saddleback’s impact thesis is to adopt an environmentally sustainable resort strategy. Arctaris and Saddleback worked together to develop a 7.4 megawatt (DC) solar farm. The solar farm will produce double the electricity needed to operate the resort, creating a substantial environmental impact related to carbon emission reduction. As of 2022, Arctaris had successfully exited the investment in the solar farm while ensuring that Saddleback will operate on the solar power generated on site.

Impact Additionalities

Arctaris Impact’s investment enabled Saddleback Mountain to reopen after five years of non-operation, which created economic distress in the local community. Arctaris facilitated the construction of a mid-mountain lodge, additional new lifts, a workforce housing facility, and several other ongoing capital improvement initiatives. Arctaris has made an ongoing commitment to social impact for Saddleback employees through plans for a welcome center, a childcare center, and a new ski patrol shed.



2 U.S. Census Bureau, 2020 Census and 2023 Population Estimates. Calculated for Rangeley, Sandry River, and Dallas.

3 U.S. Census Bureau Quarterly Starts by Building Permit Status.

Up To Date Laundry

Baltimore, Maryland

Investment Overview

Located in Baltimore, Maryland, Up To Date Laundry is one of the largest healthcare laundries on the East Coast, processing more than 70 million pounds of linen each year for hospitals and healthcare facilities across the mid-Atlantic region. Up To Date provides laundry services, such as customer-owned linen cleaning, linen rental, and full exchange cart programs.

Impact Thesis

Founded in 1946, Up To Date Laundry is a long-standing business in Baltimore. Located in an economically distressed neighborhood, the company has a diverse base of more than 240 part-time and full-time employees.

Impact Additionalities

Arctaris worked with Up To Date Laundry management to secure Property Assessed Clean Energy (PACE) financing to upgrade the current equipment to improve water utilization and reduce energy consumption. Arctaris also partnered with Up To Date Laundry management to invest in state-of-the-art automation and material handling equipment that has increased operational efficiencies and created additional skilled-job opportunities.



Investment Type

Debt and Equity |
Operating Company

Investment Date

Q1 2021, Q2 2022, Q4 2023

Investment Size

\$14.2M

Sustainable Development Goals Impacted



Key Impact Metrics

Employee Benefits

Healthcare benefits, ancillary benefits including life, short term disability and accident, paid sick leave, tuition reimbursement, compensation bonuses and mentoring offered to all union and non-union employees. Special hiring programs for people of color, formerly incarcerated individuals, immigrants, migrant workers, and local residents.

84%

of employees (full-time and temporary) reside in areas identified by the city and city partners as target zip codes, which include some of the lowest-income areas of Maryland¹

¹ Arctaris 2022 Impact Report

Photo credit: Up To Date Laundry

AEL Span

Belleville, Michigan

Investment Overview

AEL is a certified Minority Business Enterprise (MBE) that offers inbound logistics, warehousing, repacking, labeling, and delivery to large manufacturers and automotive companies across the U.S. AEL uses integrated technology and tailored strategies to serve logistical needs of major tier-1 customers, such as ThyssenKrupp, Cummins Inc., and Lear Corporation.

Impact Thesis

AEL is a minority-owned business with 264 full-time employees. Arctaris invested in AEL to retain and create more jobs in underserved communities. AEL has been able to maintain all its full-time employees, despite challenges in the automotive industry.



Investment Type

Debt and Royalty | Operating Business

Investment Date

October 2018

Investment Size

\$2.8M

Sustainable Development Goals Impacted



Key Impact Metrics

33%
of leadership identifies as people of color

55%
of employees identify as people of color

Certified Minority Business Enterprise (MBE)

Chime Solutions

Baltimore, Maryland

A Note About Chime Solutions

Not every investment works out perfectly. Arctaris Impact's model requires taking risks on investments that, ideally, generate social impact and financial returns. In many cases, Arctaris is investing in markets or on projects that few—if any—other investors are willing to participate. As Arctaris Impact's investment portfolio grows, it was inevitable that at some point, at least one investment would not turn out perfectly. Chime Solutions is such an example. In an effort to be transparent not just about Arctaris Impact's successes, but also its challenges and lessons learned, we have provided a profile for Arctaris Impact's investment in Chime Solutions as well.

Investment Overview

Formed in 2015, Chime Solutions was an Atlanta-based certified Minority Business Enterprise (MBE) that provided a full suite of Business Process Outsourcing (BPO) solutions to companies in the financial services, insurance, healthcare, and telecommunications sectors. Chime was a minority-owned business with a track record of hiring within low-income census tracts and partnering with municipalities to implement workforce development programs for the underserved. The Arctaris Baltimore team was introduced to Chime Solutions in Q1 2020. At the time, Chime was headquartered in Atlanta with over 1,000 employees and was considering bringing their company to Baltimore. Arctaris worked with Chime to negotiate an investment that included a commitment from Chime to hire up to 50 employees in underserved communities in Baltimore with the goal to hire up to 500 employees over a five-year period.

Results

Subsequent to the initial June 2021 investment, Chime experienced revenue declines caused by delayed start times and difficulties recruiting in a tight labor market. The company has also faced liquidity issues resulting from a mismatch in compensating their agents weekly while receiving payments from clients every 60 to 80 days. The cash flow mismatch was further magnified as the company endeavored to grow its seat count, causing working capital availability to remain a challenge.

While Chime had implemented various strategies to improve operational performance, including price increases, cost-cutting initiatives, process improvements, and the hiring of a CFO and financial adviser to manage and monitor cash management, the difficulties confronting the company continued to persist and worsen. At the beginning of 2023, concerns over Chime's solvency became apparent. Chime received and accepted an offer in March 2023 to sell the assets of the company to another minority-owned BPO provider.

Lessons Learned

Our investment model is designed for such risks:

Arctaris Impact's First-Loss Capital program is designed specifically for these situations. Arctaris Impact's investors received some protection from first-loss capital providers.

Good investments and strong impact are not interchangeable, they are independently necessary:

While Arctaris and our Baltimore partners were excited about the impact Chime could have in the region, the business ultimately faced financial challenges that caused the deal dynamics to change. Arctaris remains committed to finding deals that generate both financial returns and create strong social impact.

Trust the process: While everyone hoped for a different outcome, a negative investment result was bound to happen as Arctaris Impact's portfolio grew. We remain positive on our investment strategy going forward.

Specialized Construction Inc.

Cleveland, Ohio

Investment Overview

Specialized Construction Inc. (SCI) is a 60-year-old specialized asphalt paving, repair, and maintenance provider in Cuyahoga County, Ohio. SCI is one of the only contractors in the region that performs a specialized type of asphalt paving, cold-in-place recycling (CIPR). CIPR significantly reduces energy consumption and expedites construction time. With deep expertise and extensive experience in specialized paving, SCI has maintained long-term relationships with municipal and commercial customers in Northeast Ohio for decades.




Impact Thesis

Arctaris invested in SCI to reduce the racial wealth gap by enabling minority business ownership and to retain and create living-wage jobs. Arctaris provided capital to support an experienced Black entrepreneur to acquire the majority share of SCI, transforming the company into a minority-owned business. The investment makes the company one of the only minority-led asphalt paving companies in the country. SCI currently employs 40 employees a year, offering an average annual salary approximately 16% higher than the industry average in Ohio, as well as full union healthcare and pension benefits.¹ SCI also participates in a union apprenticeship program, hiring and training 3–4 apprentices per year. New ownership aspires to create 15 additional living-wage jobs in Ohio over the next five years. Moreover, leadership plans to work with workforce development partners, such as Ohio Means Jobs, the Urban League, and El Barrio, to provide more job opportunities for disadvantaged youths and to improve workforce diversity at SCI.



Impact Additionalities

The Arctaris investment has helped to increase the number of minority-owned businesses in the area and has the potential to increase the number of living-wage jobs in Northeast Ohio. In May 2023, Arctaris Impact CDE allocated \$4 million of its New Market Tax Credits award that generated \$1.25 million of tax credit equity, of which SCI received ~\$700,000 after fees.

<p>Investment Type Equity Operating Company</p> <p>Investment Date March 2022</p> <p>Investment Size \$2.6M</p>	<p>Sustainable Development Goals Impacted</p> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; text-align: center;">  <p>1 NO POVERTY</p> </div> <div style="width: 50%; text-align: center;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div> <div style="width: 50%; text-align: center;">  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> </div> </div>	<p>Key Impact Metrics</p> <p>100% of jobs earning above living wage²</p> <p>50% of senior managers identify as BIPOC</p>	<p>Certified minority-owned business</p>
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1 Based on employment with SCI from April–October 2022; "Asphalt Paving Salary in Ohio," <https://www.ziprecruiter.com/Salaries/Asphalt-Paving-Salary--in-Ohio>.

2 Dr. Amy K. Glasmeier and Massachusetts Institute of Technology, "Living Wage Calculator," <https://livingwage.mit.edu/>.

2024 Look Ahead

We are proud of our work in the past year. In addition to putting our capital to work to create impact across communities across the country, Arctaris is focused on the following goals:

Launch at least three new place-based programs across the country



Deploy remainder of New Markets Tax Credit (NMTC) allocation



Create an Arctaris Community Development Finance Institution (CDFI)



Conduct strategic refresh of the Arctaris impact approach



We plan to provide an update on these efforts in the Arctaris 2024 Impact Report

Appendix

List of Current Investments by fund¹

Arctaris Income Fund

ACT
VLF
ATAC
Norwich

Arctaris Royalty Venture Co-Investment LP

AEL
VLF
ACT
Events
ATAC

Michigan Income and Principal-Protected Growth Fund

AEL
Recaro Automotive
VLF
ACT
ATAC

Arctaris Impact Fund

AEL
Recaro Automotive
Market Fresh Gourmet
Up To Date Laundry
Specialized Construction Inc.
Saddleback Mountain

Opportunity Zone Fund 2019

Recaro Automotive
Market Fresh Gourmet
Up To Date Laundry
Arctaris Broadband Company
Altitude Apartments
The Eddy
Flagship Complex, LLC
GCAP HoldCo, LLC
300 Nevins Street
Front Row
Northeast Heights
S&K Holdings, Inc.
Saddleback Mountain

Opportunity Zone Fund 2020

Arctaris Broadband Company
Flagship Complex, LLC
300 Nevins Street
Front Row
Market Fresh Gourmet
231 North Schroeder Street
Erie Block Two

Opportunity Zone Fund 2022

OZ22 has committed to representative investments in affordable housing, broadband fiber, and operating businesses that fully reflect our impact goals as well as our investment goals.

New Markets Tax Credits Investments (NMTCs)

Specialized Construction Inc.
SW Warren, LLC
Grand Concourse Fordham

Contact Us: For more information about Arctaris Impact Investors, please contact IR@arctaris.com.

Key Disclosures and Risks

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Past performance is not necessarily indicative, or a guarantee, of future results."

¹ The list does not include cash and treasury positions.

Arctaris Current Portfolio Companies Impact Performance Summary

Company Name	Investment Fund and Size	Investment Thesis	Key Impact Metrics and Notes To Date
S&K Holdings Maryland and Pennsylvania	OZ Funds 2019 & 2020 \$3.1M	Create and retain living-wage jobs with quality benefits and career advancement opportunities	Special hiring programs for formerly incarcerated individuals, local residents, and immigrants 50% of suppliers are minority-owned businesses
231 North Schroeder Street Baltimore, Maryland	OZ Fund 2020 \$13.1M	Promote diversity and inclusion in building's operations and in the community	100% minority-owned real estate developer and certified MBE
		Create and retain living-wage jobs with quality benefits and career advancement opportunities	20% of units affordable at 50% AMI
The Flagship Complex and Block 2 Erie, Pennsylvania	OZ Funds 2019 & 2020 \$25M	Align with local stakeholders to provide flexible and creative solutions to catalyze inclusive economic growth and innovation	100% rental unites fall between 80–90% AMI at current market rates
		Create and retain living-wage jobs with quality benefits and career advancement opportunities	Special hiring practices for women, people of color, and local residents
		Promote diversity and inclusion for all community members	LEED Certified
		Expand access to critical products and services for underserved populations	
The Eddy Grand Junction, Colorado	OZ Fund 2019 \$1M	Expand access to critical products and services for underserved populations	All units currently fall between 100–120% AMI (at market rate)
			75 jobs created during construction
			100% of jobs with the developer are at or above living wage
Altitude Apartments Glenwood Springs, Colorado	OZ Fund 2019 \$1M	Expand access to critical products and services for underserved populations	100 new housing units affordable at 120% AMI
			50% female staff
GCAP HoldCo, LLC Glenwood Springs, Colorado	OZ Fund 2019 \$1M	Create and retain living-wage jobs	Employee benefits including healthcare, retirement benefits, paid sick leave, and tuition reimbursement offered to all employees
			10% of energy is sourced from renewable sources
Arctaris Broadband Company ¹ Boston, Massachusetts	OZ Funds 2019 & 2020 \$38.6M	Expand access to critical products and services Create and retain living-wage jobs	4,701 homes and businesses now have access to high-speed fiber internet via ABC's networks
			Over 1,300 businesses and/or residences have subscribed to the ABC network
			74% employment growth at Clearnetworx in the last 12 months (adding 61 full-time jobs)
300 Nevins Street Gowanus (Brooklyn), New York	OZ Funds 2019 & 2020 \$20M	Expand access to critical products and services for underserved populations Create and retain living-wage jobs with quality benefits and career advancement opportunities Promote diversity and inclusion for all community members	668 units of new housing planned
			168 new affordable rental units at an average of 60% AMI planned

¹ Includes Arctaris Broadband Company and affiliates focusing on similar strategies

Arctaris Current Portfolio Companies Impact Performance Summary (continued)

Company Name	Investment Fund and Size	Investment Thesis	Key Impact Metrics and Notes To Date
Northeast Heights Washington, D.C.	OZ Fund 2019 \$4.5M	Align with local stakeholders to provide flexible and creative solutions to catalyze inclusive economic growth and innovation	730 jobs created from construction and property management
		Promote diversity and inclusion for all community members	LEED certified property
		Create and retain living-wage jobs with quality benefits and career	
		Create and retain living-wage jobs with quality benefits and career advancement opportunities	
Front Row Huntsville, Alabama	OZ Funds 2019 & 2020 \$20.7M	Expand access to critical products and services for underserved populations	545 units of new housing
		Create and retain living-wage jobs with quality benefits and career advancement opportunities	
		Promote diversity and inclusion for all community members	
Up To Date Laundry Baltimore, Maryland	OZ Fund 2019 & Impact Fund \$14.2M	Create and retain living-wage jobs with quality benefits and career advancement opportunities	Employee benefits including healthcare, ancillary benefits include life, short-term disability and accident, paid sick leave, tuition reimbursement, compensation bonuses, and mentoring offered to all employees. Special hiring programs for people of color, formerly incarcerated individuals, immigrants, migrant workers, and local residents
		Identify and advance initiatives at portfolio companies to reduce waste, curb emissions, and conserve natural resources	84% of employees reside in areas identified by the city and partners as target zip codes, which include some of the lower-income areas in Maryland
Market Fresh Gourmet Baltimore, Maryland	OZ Fund 2019 & Impact Fund \$5.7M	Promote diversity and inclusion for all community members	100% of employees (including senior management) identify as BIPOC
Saddleback Mountain Rangeley, Maine	OZ Fund 2019 & Impact Fund \$31.7M	Create and retain living-wage jobs with quality benefits and career advancement opportunities	244 new jobs created since Arctaris investment in 2020
		Expand access to critical products and services for underserved populations	Employee benefits including paid sick leave, healthcare, retirement benefits, tuition reimbursement, business skills training, professional development training, formal career counseling, rotational management training
		Advance renewable energy projects	Six environmental sustainability measures implemented
			31 acres of renewable energy infrastructure installed
Recaro Automotive Clinton Township, Michigan	OZ Fund 2019, Impact Fund, Michigan Fund \$26.4M	Promote diversity and inclusion for all community members	78 new jobs since Arctaris investment in February 2020
		Identify and advance initiatives at portfolio companies to reduce waste, curb emissions, and conserve natural resources	\$96,445 average salary for full-time salaried employees
		Create and retain living-wage jobs with quality benefits and career advancement opportunities	11% of total money spent on suppliers is with minority-owned businesses

Arctaris Current Portfolio Companies Impact Performance Summary (continued)

Company Name	Investment Fund and Size	Investment Thesis	Key Impact Metrics and Notes To Date
AEL Belleville, Michigan	Impact Fund \$2.8M	Create and retain living-wage jobs with quality benefits and career advancement opportunities	33% of leadership identifies as people of color
			55% of employees identify as people of color
			Certified Minority Business Enterprise (MBE)
Chime Solutions Baltimore, Maryland	Impact Fund \$5.5M	Create and retain living-wage jobs with quality benefits and career advancement opportunities	N/A
Specialized Construction Inc. Cleveland, Ohio	Impact Fund \$2.6M	Promote diversity and inclusion for all community members	100% of jobs earning above living wage
		Create and retain living-wage jobs with quality benefits and career advancement opportunities	50% of senior managers identify as BIPOC Certified minority-owned business (MBE)

List of Portfolio Companies Not Included in the 2023 Impact Report Portfolio Company Overviews

Company Name	Rationale
Events.com	Arctaris is navigating an investment exit
VLF Automotive	Arctaris is navigating an investment exit
Advanced Technology Automotive Co.	Arctaris is navigating an investment exit
Advanced Composite Technologies (ACT)	Arctaris is navigating an investment exit
SW Warren, LLC	Investment is an NMTC deal, not a portfolio company
Grand Concourse Fordham	Investment is an NMTC deal, not a portfolio company

Thank you again for helping us make 2023 another rewarding year at Arctaris Impact Investors, and I hope you will join us again in 2024 to share in more successes.

Jonathan Tower, Managing Partner, Arctaris Impact Investors, LLC



300 Nevins Street, (Gowanus) Brooklyn, New York
Photo credit: 300 Nevins Street



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