



INVESTMENT NOTE PROSPECTUS

June 2023

I. SUMMARY

This Prospectus describes the Unsecured Promissory Notes (the "Notes") offered to individual and institutional investors by the Genesis Fund, dba Genesis Community Loan Fund ("Genesis" or, the "Fund"). Genesis issues Notes to help raise funds that are loaned to people and organizations creating equitable access to safe, stable and affordable housing, and other essential resources. By making these loans throughout Maine and Northern New England, Genesis connects communities with the capital they need to thrive.

An investment in the Notes involves certain risks. Potential investors should read this Prospectus carefully before deciding to invest.

Investors can elect to invest in the Fund for terms of one or more years. Interest rates are based on term length. The minimum investment amount is \$1,000. Annual interest payments can be issued to the investor, invested in the principal (capitalized), or donated to the Fund to support its work.

The Offering is made on a continuous basis to individual and institutional investors. There is no maximum offering amount or limit on the number of investors. Genesis may issue Notes to all qualified investors for offering amounts determined at its sole discretion to best fit the needs and goals of the Fund.

The Notes are general, unsecured obligations of Genesis, a private, nonprofit corporation chartered in the state of Maine, that is recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The notes are not guaranteed or insured, and rank *pari passu* with all other Notes and other contractual obligations of the Fund.

This Offering is exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(4) as an offering to charitable investors. This Offering and the Genesis Fund are exempt from other provisions of the securities laws pursuant to the federal Philanthropy Protection Act of 1995, 104 P.L. 62. Investors in the Offering are not afforded the protections of registration and regulation under those acts.

The Notes are offered without registration under Maine's securities law based on exemptions which apply to Notes issued by a Maine, charitable, non-stock corporation.

This offer may be withdrawn, cancelled or modified without notice at any time.

For more information, please contact:

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II. ABOUT THE FUND

The Genesis Community Loan Fund is a tax-exempt nonprofit corporation organized in 1991, in the state of Maine, to aid local nonprofit institutions—such as community development corporations, community land trusts, housing authorities, community action agencies, non-profit housing developers and social service agencies—in developing decent, safe and affordable housing for families and individuals with low incomes, and in promoting self-sufficiency of such institutions.

The Fund accepts grants and loans from individuals, private and public foundations, religious organizations, corporations and others. It then pools the proceeds of those grants and loans with other Fund income for the benefit of projects consistent with the Fund's purposes.

The Fund makes loans for predevelopment expenses, land acquisition and improvement, construction and rehabilitation, and similar purposes. Bridge loans are available to hasten the development of a qualifying project. Before providing development financing, Fund staff help borrowers develop workable plans for using and repaying borrowed capital.

The Fund is a certified Community Development Financial Institution ("CDFI") under the U.S. Department of the Treasury's Community Development Financial Institutions Fund ("CDFI Fund"). This means that the organization has been determined to meet CDFI eligibility requirements relating to the organization being a legally existing entity, having a primary mission of promoting community development, principally serving and maintaining accountability to an eligible target market, being a financing entity, providing development services, and not being either a government entity or controlled by a government entity. Certification does not constitute an opinion by the CDFI Fund as to the effectiveness or financial viability of the certified organization. While the Fund intends to maintain its status as a CDFI, no assurance can be given that future acts or circumstances or future regulations will not occur that would cause the Fund to cease being a certified CDFI.

CDFIs provide financing and technical assistance to expand small businesses,
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affordable housing and community services that help stabilize neighborhoods and alleviate poverty. Since its founding in 1991, the Genesis Fund has made loans totaling over \$95 million to 346 projects, and leveraged nearly \$600 million in additional community investment. In the most recent fiscal year, the fund created or retained 61 homeownership and 597 rental units, while also expanding access to healthcare, recovery and shelter outreach, and community behavioral health supports. Genesis has provided more than 29,000 hours of technical assistance to support 441 projects.

The Fund's principal and interest repayment rate to its investors is 100%.

Governance and Operation

Board of Directors. Genesis is governed by a Board of Directors, which currently has 10 directors, but which is allowed to range in size from not less than three persons nor more than 15 persons. Our CDFI Fund Certification requires that the Board consist of directors who are representative of the geographic area and diverse people and communities served by the Fund, as well as the institutions, community groups and professions that serve as partners. Directors serve without compensation. In addition to the Board, Genesis uses the expertise of business professionals through its Loan Committee and Professional Contract Partners. The names and affiliations of Board and Committee members are on the Fund's website, www.genesisfund.org.

Officers. The Board elects officers from the Board, including a President, Vice President, Treasurer and Secretary. These officers make up the Executive Committee of the Board. More information about the role of officers and executive committee is available in the Fund's bylaws, upon request.

Employees. Genesis is led and operated by a staff of professionals with extensive experience in community development and nonprofit management. A listing of current employees and their bios is available at www.genesisfund.org.

Leadership Diversity. As of May 2023, 100% of the Fund's leadership team and corporate officers are women, and 36% of Board members identify as people of color.

Lending Activities of the Fund

Genesis connects communities creating affordable housing and other essential community resources with the capital and expertise they need to overcome barriers to opportunity and prosperity. Genesis works throughout Maine and Northern New England to make flexible loans, deliver expert project guidance, advance policy solutions and promote systemic change. The Fund originates, underwrites and services the loans it makes following a detailed Lending Policies and Procedures, which is approved by its Board of Directors.

The Fund lends to a range of borrowers including nonprofit and for-profit corporations, joint ventures, housing or business cooperatives, faith-based organizations, and community development corporations. Before providing development financing, Fund staff help borrowers develop workable plans for using and repaying borrowed capital.

The Genesis Fund invests in projects that serve low-income people and underserved communities. Genesis Fund borrowers are generally nonprofit organizations and private developers who are developing affordable housing or community service projects that will serve low-income individuals and families, seniors, youth, people with disabilities, and individuals and households with special housing needs. Genesis Fund loans often bridge the gap between the amount available from traditional sources of financing and the amount required to complete a project. Loans may be used for predevelopment, property acquisition, construction, leasehold improvements, rehabilitation, working capital, or other projects approved by the Board.

The Fund has had a direct, positive impact on people with low and moderate incomes. As of FY23, the Fund's \$36 million financing portfolio breakdown was 56% affordable rental housing, 22% affordable home ownership, 9% homeless/recovery/transitional housing, 7% youth and child care, and 6% healthcare, food pantries, and other community development.

Loan Fund Risk Mitigation

The Fund employs a number of practices to underwrite loans, monitor portfolio performance, minimize defaults and ensure the repayment of investment capital. These include:

1. Underwriting. Before a loan is made, borrowers go through an extensive underwriting process to review project feasibility and assess credit quality. All loans are reviewed by a Board committee.
2. Collateral. All Fund loans are secured by collateral (typically, real estate). Site visits to inspect the condition of collateral securing loans are conducted at least once every three years.
3. Portfolio Diversification Strategies. The fund has a diverse loan portfolio comprised of a variety of sectors and repayment sources, which spreads risk across a range of factors. Genesis does not normally allow the amount of outstanding debt to any single borrower to exceed 10% of total capital available to lend, and limits the amount of capital loaned out for longer than 10 years.
4. Ongoing Loan Monitoring and Support. The Fund's lending staff maintains strong relationships with borrowers and conducts ongoing portfolio reviews. This

involves construction monitoring when appropriate, as well as reviewing loan repayment plans and other operating information from a borrower. Genesis provides technical assistance if needed to keep projects on track.

5. Annual Portfolio Review. The Fund reviews each loan in the portfolio at least annually, including updating all necessary documentation, reviewing payment status, analyzing financial statements, and re-rating risk.
6. Loan Loss Allowance. Genesis maintains a minimum loan loss allowance equal to 3% of gross loans receivable at all times. The loan loss allowance may be adjusted upwards as necessary based on an assessment of risk in the portfolio. Careful portfolio management has helped keep loan losses to a minimum. The fund has only had two loan write-offs in its 30-year history.

In addition to loan portfolio risk management policies, the Fund has policies to ensure its ability to repay investors:

1. Capital Structure Requirements. The fund has \$13 million in Net Assets at most recent fiscal year end (FY23) and maintains a ratio of at least 20% Net Assets to Total Assets at all times.
2. Capital Liquidity Reserve. The Fund maintains a capital liquidity reserve of no less than 5% of investor notes payable. These funds are not available for lending.

III. ABOUT THE OFFERING

Genesis accepts investments from accredited and non-accredited individuals and institutions, including nonprofit organizations, foundations, faith-based organizations, businesses, banks and government agencies. The Fund's Offering is ongoing. There is no maximum offering amount or limit on the number of investors. Genesis may issue Notes to all qualified investors for offering amounts determined at its sole discretion to best fit the needs and goals of the Fund. Notes are issued to and held directly by investors and their custodians. The Notes are pooled and administered as a single aggregated fund.

The Notes are general, unsecured obligations of Genesis, a private, nonprofit corporation chartered in the state of Maine and recognized as tax-exempt under Section 501(c)3 of the Internal Revenue Code. The notes are neither guaranteed nor insured, and rank *pari passu* with all other Notes and contractual obligations of the Fund.

This Offering is exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(4) as an offering to charitable investors. The Offering is also excluded from the requirement to register, and will not be required to comply with the governance and other regulatory provisions of an investment company, under Section 3(c)(10) of the Investment Company Act of 1940. This Offering and the Genesis Fund are exempt from other provisions of the securities laws pursuant to the federal

Philanthropy Protection Act of 1995, 104 P.L. 62. Investors in the Offering are not afforded the protections of registration and regulation under those acts.

The Notes are offered without registration under Maine's securities law based on exemptions which apply to Notes issued by a Maine, charitable, non-stock corporation. Under the terms of the Philanthropy Protection Act, an offering that meets certain requirements is preempted from state securities laws requiring the registration of securities, unless the state passed a law opting out of the preemption. Arkansas, Connecticut, Florida, Mississippi, Nebraska, Pennsylvania, Tennessee and Virginia opted out of the federal preemption. As a result, offers and sales of the Fund's Notes in those states must be made in compliance with the registration requirements of those states' laws.

Risk Factors

Investing in (loaning money to) the Fund involves numerous risks. Potential investors should consider the following:

- Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes (which constitute securities under both state and federal law) or passed upon the adequacy or accuracy of this Prospectus. The offer and issuance of Notes has not been registered under the securities laws in reliance upon exemptions from such registration for securities issued by certain non-profits.
- The Notes are general unsecured obligation of the Fund and do not have the benefit of any security or collateral or a guarantee or other credit support from any third party. The Fund is not insured by the Federal Deposit Insurance Corporation (FDIC).
- Multiple borrowers could default on the loans made to them by the Fund, adversely affecting the Fund's ability to make interest and principal payments to its investors. This could occur in a variety of circumstances, including a general downturn in the economy or a catastrophic event with national or regional economic consequences.
- Consistent with its mission, the Fund lends money to nonprofit organizations and other borrowers that may not meet the credit qualifications of conventional lenders. The Fund's borrowers may lack substantial operational experience, cash flow and credit history. The Fund may make exceptions to its lending policy at the discretion of the Board of Directors and officers.
- Loan funds are not liquid. In the event that unforeseen circumstances may make it necessary for an investor to terminate an investment before maturity, the Fund will work with the investor to try to repay the principal balance and outstanding interest in a timely manner, but no guaranty can be given.

- The Fund makes no representations whether loans to the Fund constitute qualified investments for purposes of the Community Reinvestment Act.

Please refer to the “Loan Fund Risk Mitigation” section on p. 4 for further information on how the Fund attempts to mitigate these risks.

General Conditions and Policies

The Fund asks investors to give careful attention to the general conditions and policies described below.

1. Use of Funds. To the extent that the proceeds of loans or grants made to the Fund are not immediately used for financing projects, the Fund reserves the right to deposit such proceeds into a bank account and/or Certificate(s) of Deposit bearing interest at market rates. These proceeds may be commingled with the proceeds from loans, grants, donations, and other income. The Fund agrees to use the original principal amount of any loans made to the Fund only for the purpose of providing financing to projects consistent with the Fund's mission. The Fund reserves the right, however, to use any interest or other income earned with respect to the original principal for any of the Fund's corporate purposes and needs, such as paying interest due on loans made to the Fund, paying the Fund's administrative and operating expenses, making loans, and establishing or contributing to an endowment fund for the Fund.
2. Interest Rate. The interest rate charged by the Fund on the loans it makes to finance projects may bear no relationship to the rate of interest payable to its investors. The Fund reserves the right to determine the interest rate it charges to its borrowers based upon a given project's needs for funds, its ability to pay, risk factors, the Fund's overall cost of funds and similar factors. The difference between interest rates charged on loans made versus the interest rates paid to investors allows the Fund to meet its mission to provide flexible, patient capital to high-impact community-driven projects.
3. Security. Loans made to the Fund are unsecured. Although the Fund intends to use the proceeds of loans to provide financing for projects, investors have no legal or other right to look to any such project for repayment. The only recourse for repayment of a loan will be against the Fund. Loans to the Fund are not guaranteed by any state or federal agency, or by any other organization. While no guaranty is given, the Genesis Fund has a record of 100% repayment to investors, and maintains reserves to protect investors from losses in its portfolio.
4. Tax Considerations and Reporting. While Genesis is a tax-exempt organization, the principal that is invested in the Fund is not a donation and is not tax-deductible. Principal repaid to the investor is a return of capital investment, is

not considered income, and is not taxable. However, interest paid by the Fund is taxable (except in the case where interest is donated back to the Fund, in which case contributions are tax deductible according to the rules governing contributions to 501(c)(3) nonprofit organizations). In January of each year, Genesis issues annual 1099s to all investors indicating the interest accrued on their investment during the calendar year. Investors are encouraged to consult their own tax advisors to determine the tax consequences of investment.

5. External Audits. Genesis undergoes an annual external audit of its accounting systems to assure that the financial position, change in net assets and cash flows are accurate and conform to accepted accounting principles. Annual audits are approved by the Board of Directors and available upon request.
6. Sale and Fees. The Notes are sold through direct sale to investors. Genesis does not offer or pay any commission, discount, fee or other remuneration or compensation in connection with the offer and sale of the Notes. Furthermore, Genesis does not charge investors any fees in connection with a Notes investment.
7. Communications and Reporting. The fund communicates periodically with investors, providing information about its activities through e-newsletters, general correspondence, an annual report, and events. Genesis also prepares annual financial statements, which are available to investors upon request.

Rates and Terms

The Notes are a fixed-income security providing a return through annual interest payments and the eventual return of principal at maturity.

1. Investment Size. The minimum investment amount is \$1,000. There is no maximum investment amount.
2. Terms and Rates. The minimum investment term is one year, with a preferred investment term of three or more years.
3. Payout. Interest is paid annually, on the anniversary date of the investment. As a standard case, interest is calculated on a simple basis based on a year of 360 days. At the launch of a new investment, investors can choose whether to receive a check for their interest, reinvest (capitalize) interest into the principal, or donate the interest to support the Fund's work. As a general policy, the Fund requests its investors to extend, or roll over, their loans at maturity. The Fund will not assume, however, that you have agreed to extend your loan without your express prior written consent. Investors who wish to redeem their Note at maturity will receive payment for principal and accrued interest.

4. Early Withdrawal. Investments in the Fund should be considered illiquid for the duration of the investment term. In some extenuating circumstances, at the discretion of the Fund, investors may redeem their Note without penalty. Investors who require early redemptions without extenuating circumstances may forfeit the interest accrued since the last anniversary date.

IV. ADDITIONAL INFORMATION

Additional materials are available to prospective investors upon request, including Articles of Incorporation, Bylaws, IRS determination letter, and the Fund's most recent audited financial statements.