

N O R T H E R N  
C A L I F O R N I A



870 Market Street, Suite 677  
San Francisco, CA 94102  
(415) 392-8215

**PROSPECTUS**

**NORTHERN CALIFORNIA COMMUNITY LOAN FUND**

**(A California Nonprofit Public Benefit Corporation)**

**\$9,000,000 Aggregate Amount of Promissory Notes**

**Issued Pursuant to Section 25113(b)(1) of the California Corporations Code**

**November 8, 2018**

**Northern California Community Loan Fund**  
**Information on the Promissory Notes**  
**\$9,000,000**

Amount	1yr	2yr	3yr	4yr	5yr	6yr	7yr	8yr	9yr	10yr
\$1,000 -	0.0%-	0.0%-	0.0%-	0.0%-	0.0%-	0.0%-	0.0%-	0.0%-	0.0%-	0.0%-
\$500,000	0.75%	1.25%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.50%	3.75%

Within the general guidelines established by the Northern California Community Loan Fund (the “NCCLF”), as listed above, investors may choose the maturity date, principal amount and interest rate of their promissory notes. Interest rates must be delineated in 0.25% increments (i.e., 0.00%, 0.25%, 0.50%, 0.75%, 1.00%, 1.25%, 1.50%, 1.75%, 2.00%, etc.).

The general guidelines and choice of rates listed above are subject to change at the sole discretion of NCCLF. The rates represent simple interest calculated on an annual basis (actual number of days outstanding in a 365-day year) on the unpaid balance of a promissory note. NCCLF accepts investments at fixed rates only.

**This prospectus contains essential information about NCCLF and the promissory notes it is issuing. Prospective investors are advised to read this prospectus carefully prior to making any decisions to purchase such promissory notes, including the risks that are described in the “Risk Factors” section beginning on page 5 and the information contained in the “Method of Offering” section beginning on page 11.**

These securities are offered under an exemption from federal registration pursuant to Sections 3(a)(4) of the Securities Act of 1933 and 3(c)(10) of the Investment Company Act of 1940; however, the Securities and Exchange Commission has not made an independent determination that these securities are exempt from registration.

In making an investment decision, investors must rely on their own examination of the issuer and the terms of this offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act of 1933 and the applicable state securities laws. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

These securities are being offered in California in compliance with the requirements of Section 25113 of the California General Corporation Law. These securities are not offered in any state to any person to whom such offer would be unlawful in such state. Federal and state securities laws may impact NCCLF’s ability to continue to sell community investment notes in the respective states.

Prospective purchasers should not construe the contents of this prospectus as legal or tax advice and should consult their own counsel, accountant and other advisors as to the legal, tax, economic and other aspects of purchasing the securities offered hereby.

NCCLF is a nonprofit organization with its place of business in San Francisco, California. NCCLF has received a favorable determination letter from the Internal Revenue Service that NCCLF is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “IRC”), and eligible to receive donations qualifying, subject to certain limitations, the donor to a charitable contribution deduction for U.S. federal income tax purposes.

**This prospectus is dated November 8, 2018**

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NORTHERN  
CALIFORNIA



## SUMMARY

*This summary does not contain all of the information that you should consider before investing in the promissory notes. Prospective investors should review the entire prospectus, including the “Risk Factors” section beginning on page 5.*

**Overview:** The Northern California Community Loan Fund is a California based nonprofit public benefit corporation. We were founded in 1987 as a nonprofit public benefit corporation to provide loans to local nonprofit organizations, co-ops, and small businesses in Northern and Central California that have limited access to financing from traditional lending institutions. We seek to raise funds through the issuance of promissory notes. See the “The Northern California Community Loan Fund” section beginning on page 9.

**Method of Offering and Investor Suitability:** The promissory notes are being offered to qualified investors in compliance with the requirements of Section 25113 of the California Corporations Code. Qualified investors include individuals, religious groups, foundations, and corporations meeting certain criteria relating to such investor’s experience, financial condition and tax status. Investments may be made in increments of \$1,000 (1) by individuals and their trusts, in any amount beginning at \$1,000, and (2) by corporations and other entities, in any amount of at least \$25,000; provided however, the aggregate investment amount may not generally exceed 10% of the investor’s net worth. See the “Method of Offering” and “Investor Suitability” sections beginning on pages 11 and 14, respectively.

**Use of Proceeds:** We intend to combine the proceeds from this offering with other investments, grants, donations and our permanent loan capital to provide a pool of capital from which we will directly or indirectly issue loans for housing developments, business enterprises, and nonprofit service agencies, as well as operational lines-of-credit (collectively, “Community Loans”). These loans will directly support socially or economically beneficial projects in disadvantaged communities that cannot attract financing through traditional market mechanisms, and will create a new source of capital for community development organizations. These loans may also directly support businesses that are increasing financial assets or income for low-income people, improving the resiliency of local food systems, or increasing access to healthy foods for low-income people. Our goal is to serve as a bridge between socially concerned investors and low-income (based on family income levels established by the Census Bureau for determining poverty status) and minority communities, to help create a mainstream financial mechanism for the general public to invest in such communities. See the “Use of Proceeds” section beginning on page 15.

**Management of NCCLF:** NCCLF is run by a Board of Directors consisting of between eleven and thirteen members. As of September 1, 2018 the authorized Board size was eleven, with two vacancies. In addition, we are managed by a President, Ms. Mary A. Rogier, and certain other staff. The Board of Directors and management have developed credit criteria and application procedures to guide the evaluation of the fiscal soundness and managerial competence of our prospective borrowers. See the “Management of NCCLF” section beginning on page 24.

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Our principal offices are located at 870 Market Street, Suite 677, San Francisco, CA 94102. Our telephone number is (415) 392-8215.

Except where the context otherwise indicates, as used in this prospectus, the terms “NCCLF,” “we,” “our,” and “us” mean the Northern California Community Loan Fund.

## RISK FACTORS

*An investment in the promissory notes offered in this prospectus involves a high degree of risk. You should carefully consider the following risk factors and other information in this prospectus before deciding to purchase the promissory notes. These risks and uncertainties are not the only ones we face. Other risk factors that we do not know about now, or that we do not now think are important, may impair our business or increase the risks related to the purchase of the promissory notes.*

### **Risk Factors Concerning Our Operations**

***Our continued operations depend upon grants, donations, and program revenue.*** We support our operations through a mix of grants, donations, and earned income. There can be no assurance that we will receive sufficient grants or donations to supplement our earnings and, as a result, we may be unable to meet our operational expenses. There can be no assurance that current earned income streams will continue unabated. The proceeds of this offering will not be used for operational expenses (although the interest from investments in our loan pool may be so used).

***We may be unable to provide technical assistance to our applicants and borrowers.*** We sometimes recommend technical assistance, from either in-house or outside providers, for applicants and borrowers who are inexperienced or engaging in high-risk projects. There is no assurance that we will always succeed in making such arrangements and we may be unable to provide such assistance in the future.

***The loss of our tax-exempt status would threaten our continued viability.*** We have received an Internal Revenue Service determination that we are an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “IRC”), and that we qualify as a public charity. If our operations or structure deviate from the description we provided to the Internal Revenue Service, or if there are changes in Section 501(c)(3) of the IRC, we may lose our tax-exempt and/or public charity status. Loss of tax-exempt or public charity status might significantly restrict our ability to raise funds through donations or favorable loans or cause us to incur significant additional expenses and might seriously threaten our continued viability. See the “Certain Material U.S. Federal Income Tax Considerations” section beginning on page 29.

***We may be unable to maintain our current plan of operations or existence as a nonprofit organization.*** Although we have no current plans to change our operations or existence as a nonprofit organization, there is no assurance that we will be able to maintain such operations and status, and any such change could have a negative impact on our ability to repay the promissory notes.

***We presently rely upon certain exemptions under U.S. federal and state securities laws for issuers that are organized for charitable purposes.*** Changes in our treatment under the tax laws, or our failure to continue to satisfy the present requirements of the tax laws, might be interpreted as a failure to satisfy the requirements of certain U.S. federal and state securities laws exemptions. If we are unable to satisfy these requirements, we may be unable to rely on these exemptions in the future and, as a result, may face additional difficulties in selling our securities.

***Our participation in the New Markets Tax Credit Program could expose us to liabilities.*** We participate in the federal New Markets Tax Credit Program where we allocate New Markets Tax Credits (“NMTCs”) we receive to equity investors through 24 Community Development Entities (a “CDE”). Some CDE investors require the CDE allocating these NMTCs to indemnify such investor against the loss or recapture of these NMTCs, if such loss or recapture is the result of certain actions or failures to act by such CDE. Consequently, if there is a loss or recapture of NMTCs with regard to any of the CDEs, then, in certain cases, our assets could be pursued to satisfy the indemnity triggered which could impair our liquidity, and subsequently, our ability to fully repay investments.

***There may be potential conflicts of interest with certain members of our Board of Directors, including our advisory members.*** Certain members of our Board of Directors, and certain advisory members of our committees, or entities affiliated with such members, may provide technical assistance to borrowers or may borrow from or invest in NCCLF. As a result, there may be conflicts of interest with such members. In order to protect against possible improper influence resulting from such conflicts, we will only engage in such potentially conflicted transactions with the approval of a disinterested majority of our Board of Directors. See the “Management of NCCLF” section beginning on page 24.

## **Risk Factors Concerning the Method of Offering**

***Because of the limited financial return, we may be unable to sell a sufficient number of promissory notes in this offering.*** The promissory notes offer a low rate of return when compared to other investments of comparable risk. Because of this lower rate of return, we may not be successful in our ability to sell the promissory notes and, therefore, may be unable to carry out our community development objectives with respect to Community Loans and operational lines-of-credit.

***The terms may vary among the promissory notes, and some investors may receive more favorable terms.*** We will negotiate many of the terms of the notes, including nominal maturity date, interest rate and payment schedules and terms of default for each promissory note separately with each investor. It is possible that the resulting variations in terms and conditions may result in some investors receiving more favorable terms and conditions, and ultimately may result in certain investors being fully repaid in accordance with the terms and conditions of their promissory notes, while other investors may be at greater risk, suffer losses, or not be repaid at all. See “Method of Offering” section beginning on page 11

***There is currently no market for the promissory notes.*** The purchase of promissory notes is an illiquid investment. No market exists for trading in the promissory notes, and it is highly unlikely that such a market will develop. The promissory notes are subject to certain transfer restrictions imposed by the Commissioner of the Department of Business Oversight and may be transferred only with the prior written consent of the Commissioner or otherwise in accordance with the rules of the Commissioner.

***The promissory notes represent unsecured debt.*** The promissory notes issued in this offering will not be secured by any collateral. Therefore, principal repayments and interest payments on the promissory notes will depend solely upon our financial condition at the time payments come due. Our financial condition will depend on our ability to obtain repayment, or mitigate the loss of repayment, of Community Loans and the adequacy of our loan loss reserves, our ability to raise funds through charitable contributions and our ability to raise funds on favorable terms through future offerings of promissory notes.

***We participate in programs that require secured debt.*** NCCLF is a member of the Federal Home Loan Bank of San Francisco and is required to provide collateral for any funds borrowed from them. The promissory notes issued in connection with this offering will be subordinate to any amounts owed to the Federal Home Loan Bank of San Francisco.

***The interest rates on the promissory notes may vary over time.*** Although the interest rates offered on promissory notes already issued will not change after issuance (except during renewal as described in the “Method of Offering” section beginning on page 11), the interest rates offered on newly issued promissory notes may vary from time to time, and may not be as high as those of other financial institutions offering similar securities.

***We are subject to state regulation for our operations and this offering.*** Potential changes in state laws, rules or regulations regarding the sale of securities may make it more costly and difficult for us to offer and sell the promissory notes in some states and could, therefore, decrease the amount of promissory notes we are able to sell.

## **Risks Concerning the Use of Proceeds**

***Certain Community Loans will have a risk of default.*** We expect that the recipients of Community Loans, in most instances, would not have been able to obtain an equivalent amount of financing from conventional financial institutions. Conventional lenders may decline financing for various reasons, including the perception of high risk and the anticipation of high transaction costs because such organizations have insufficient collateral, do not qualify for government guaranty programs, are undercapitalized, lacking sufficient operational experience or traditional credit qualifications. For these reasons, we may face a higher risk of default for Community Loans than many other conventional financial institutions may face for the loans they make.

***We may have insufficient collateral coverage for Community Loans.*** Although we attempt to collateralize each Community Loan, several factors may limit our ability to collect the full amount of such loans, even after exercising our rights to collateral. The realizable value of collateral for a particular loan may be less than the principal amount of that loan, particularly in light of fluctuating real estate and tangible asset values. Certain borrowers may owe money to other creditors with rights senior to the same collateral pledged to us, including mechanics', materialmen's, real estate tax and other liens, as well as the senior liens of other lenders.

***Our real property collateral may be undervalued.*** Since some of our mortgage loans will not be general obligations of the borrower, our security interest will rely on the value of the underlying property. This value may be affected by numerous risks, including changes in general or local economic conditions, neighborhood real estate values, interest rates, real estate tax rates and other operating expenses, the possibility of competitive overbuilding and of the inability to obtain or maintain full occupancy of the properties, governmental rules and fiscal policies (including rent control legislation), acts of God and other factors which are beyond our control. Periodic fluctuations in real estate values in many areas of California have affected the underlying value of collateral on certain mortgage loans; it is possible that the collateral values of particular loans may decline to levels below that of the outstanding loan amounts. In the event of an economic downturn that results in a material decline in commercial and residential real estate values, the collateral for our Community Loans may be undervalued. It is not our practice to re-evaluate collateral values, nor is it Community Development Financial Institution ("CDFI") industry practice historically. See the "Description of Community Loans" beginning on page 16.

***We cannot guarantee the adequacy of funds designated for loan losses.*** The risk of nonpayment of Community Loans is partially mitigated through the availability of certain funds designated as an allowance for loan losses for each of these loans. There can be no assurance that such funds will be available in an amount sufficient to ensure timely repayment of the promissory notes in the event of any defaults of Community Loans.

***We currently operate in a limited region of California.*** We currently make Community Loans available primarily in a portion of California, as defined by the map, see Exhibit E. Consequently, our portfolio of loans lack geographic diversification such that a regional economic downturn in the area where our loans are concentrated may threaten the viability of our borrowers and may therefore have a material adverse impact on our operations and on our ability to repay the promissory notes.

***Our experience with loans to food-related small businesses is recent and limited.*** We commenced our food-related lending activities in 2015. As a recently developed market segment for us, our portfolio of loans to food-related small businesses ("Food Business Loans"), has a limited track record of operation and repayment. There can be no assurance that Food Business Loans will have the same or lower rate of default as our Community Loans.

***Our determination of valid community benefits is subjective.*** There can be no assurance that the intended community benefits of particular projects we finance will be achieved. In addition, the measurement and valuation of these benefits is subjective. Therefore, there is no assurance that our determination of a successful Community Loan will correspond to the opinion of our investors.

***We currently hold uncommitted proceeds in investments and interest-bearing accounts.*** Although we attempt to coordinate the disbursement and repayment of Community Loans with the receipt and repayment of proceeds from the promissory notes, it is expected that a varying and at times substantial portion of such proceeds will be held in short-term investments and interest-bearing accounts. See the "Use of Proceeds" section beginning on page 16.

*We may be subject to increased repayment risk due to economic uncertainty.* We often rely, directly or indirectly, on governmental, philanthropic or private sector sources, for repayment of our Community Loans. In times of economic uncertainty, particularly as they affect the California Bay Area real estate market or government supported social services, we may be subject to increased repayment risk. In times of economic uncertainty, the funding sources which our borrowers use to repay our loans may make program changes that could severely limit or even eliminate funds available to our borrowers from certain sectors, thus threatening their ability to meet their debt obligations. If such austerity measures were to continue for an extended period of time, NCCLF's repayment risk would likely increase.

In addition, if the NMTC program is discontinued, NCCLF may be subject to increased repayment risk. Furthermore, our food-related borrowers often rely on wholesale and/or institutional purchasers for sales that allow for the repayment of our Food Loans. In times of economic uncertainty, the purchasing capacity of the NMTC program may be diminished, limiting or eliminating funds available to our borrowers that would normally be used to repay our loans. If such austerity measures were to continue for an extended period of time, our repayment risk would likely increase.

## THE NORTHERN CALIFORNIA COMMUNITY LOAN FUND

NCCLF is a California nonprofit public benefit corporation founded in 1987 to serve the people of Northern California by acting as an intermediary between interested investors and those groups located in or serving low-income and minority communities that are in need of flexible capital. We are modeled after several community development loan funds throughout the United States that have become an important means for concerned investors to realize both a financial and a social return on their capital by investing in their local community.

### Objectives

We seek to perform multiple roles:

***A Source of Loan Capital:*** We seek to provide flexible capital and technical assistance for nonprofit housing projects, nonprofit businesses, community facilities, nonprofit and for-profit food enterprises and service agencies that promote community ownership and strengthen the long-term economic base of low-income and minority communities.

***A Socially Responsible Investment Vehicle:*** Many investors seeking community investments do not have the experience, contacts, expertise or time needed to identify opportunities and to negotiate and manage loans to community groups. We have been created to provide such investors with a vehicle to invest their capital in responsible and innovative ways that serve economically depressed communities.

***A Forum for Public Education:*** We serve as a forum for public education concerning community investment and economic development financing. We seek to enhance local understanding of community investment and to increase the capital flow to low-income communities.

***A Spur to Conventional Lenders:*** We seek to provide traditional lending institutions with opportunities to channel more capital to economically disadvantaged communities by encouraging and providing technical assistance to qualified borrowers and helping them to structure their long-term financing to include conventional lending institutions.

### History

Founded in 1987, NCCLF was created when local people came together with a desire to invest their money in nonprofits and social enterprises that were improving lives and building equity in low-income Northern California neighborhoods. Rather than investing in typical for-profit enterprises, our founders had a vision of putting their money to work to build financially strong and culturally vibrant communities where each person has access to quality jobs, homes, health care, education, and economic opportunities.

To date, NCCLF has committed more than \$187,436,217 to 469 community projects with nine loan losses (\$4,456,057) and six of which were able to recover a total (\$2,344,319). For the fiscal year ending September 30, 2017, we made commitments totaling \$22,824,416.75 to 28 projects.

In 2001, NCCLF launched the Financial Consulting Program to assist nonprofits in stabilizing their financial position.

In 2004, NCCLF added Real Estate Consulting Services to assist nonprofits with acquiring permanent space to house their programs. Today, NCCLF's Consulting Services is a leader in place-based services, assisting hundreds of nonprofits with their financial and real estate needs so they may focus on their missions related to providing much-needed service to low-income communities throughout NCCLF's service region. To date, the Consulting Program has completed a total of 813 financial and real estate consults. For fiscal year 2018 the Consulting Program has completed 48 consults

In 2014, NCCLF joined The Reinvestment Fund's (TRF) ReFresh program, which seeks to increase healthy food access throughout the country; partnered with Citibank on an emergent food enterprise initiative; and began working with California FarmLink, a well-known community development financial institution (CDFI) that provides access to capital and land to low-income, minority and small-scale farmers in California.

In 2015, after gaining much needed experience about the food sector in California from our working collaborations, NCCLF initiated lending to food-related enterprises related to healthy foods and sustainable agriculture.

We have successfully carried out our vision since the 1980s, by connecting investors to communities, lending opportunities, and providing financial consulting to organizations who share our vision of sustainable communities and social and economic justice. NCCLF's lending and consulting services support organizations that develop affordable housing, provide critical social, medical and youth services to low-income people, create community arts programs, and increase people's access to healthy foods.

**NCCLF's Mission**

We promote economic justice and alleviate poverty by increasing the financial resilience and sustainability of community-based nonprofits and enterprises. Through flexible financial products and sound advice, we create opportunities to make socially responsible investments that revitalize Northern and Central California communities.

**NCCLF's Vision**

We envision financially strong and culturally vibrant communities where each person has access to decent jobs, homes, health care, education, and economic opportunities. We work in partnership with individuals and organizations who share our vision of sustainable communities and social and economic justice.

## METHOD OF OFFERING

### Investment Terms

Within our general guidelines, investors may choose the maturity date, principal amount and interest rate of their promissory notes.

Currently, our general guidelines are:										
Amount	1yr	2yr	3yr	4yr	5yr	6yr	7yr	8yr	9yr	10yr
\$1,000 - \$500,000	0.0%-0.75%	0.0%-1.25%	0.0%-1.75%	0.0%-2.00%	0.0%-2.25%	0.0%-2.50%	0.0%-2.75%	0.0%-3.00%	0.0%-3.50%	0.0%-3.75%

These guidelines and the rates from which investors may choose are subject to change at our sole discretion. The rates represent simple interest calculated on an annual basis (actual number of days outstanding in a 365-day year) on the unpaid balance of a promissory note. We will accept investments at fixed rates delineated in 0.25% increments (e.g., 0.00%, 0.25%, 0.50%, 0.75%, 1.00%, 1.25%, 1.50%, 1.75%, 2.00%, etc.). Investments may be made in increments of \$1,000 (1) by individuals and their trusts, in any amount beginning at \$1,000, and (2) by corporations and other entities, in any amount of at least \$25,000. The aggregate amount of any person's investment in NCCLF may not generally exceed 10% of his or her net worth.

We encourage our investors to consider our charitable purposes and the low-income base of our borrowers in deciding the terms of their investment. In unusual circumstances, we may consider accepting promissory notes that deviate from the guidelines set forth above if we determine that such investments would be in our best interests.

### Investment Procedures

**New Investors:** Potential investors in NCCLF should carefully read this prospectus, and then complete and return the Investor Questionnaire, included as **Exhibit A** hereto. If we approve the Investor Questionnaire and confirm generally the terms of the investment, we will send the investor a Loan and Subscription Agreement, executed by NCCLF via Docusign or by email, which is substantially similar to **Exhibit B** of this prospectus (the "Loan Agreement"). We reserve the right to reject any proposed investment.

Upon receipt of the Loan Agreement, to participate in this offering, the investor must send to us:

1. One countersigned and fully executed copy of the Loan Agreement (after the investor Docusigns the Loan Agreement they should print a copy for their records); and
2. A check or money order made payable to the Northern California Community Loan Fund. The investor may also choose to send the principal amount of the investor's loan by electronic or wire transfer.

Upon receipt by us of the executed Loan Agreement and the principal amount of the investor's loan (the "Commencement Date"), we will send the investor a signed promissory note that is substantially similar to **Exhibit C** of this prospectus.

**Promissory Note Administration:** A promissory note will be issued and will begin to accrue interest on the Commencement Date. The "Maturity Date" of a promissory note will generally be between one and ten years from the Commencement Date, or otherwise in accordance with our general guidelines.

**Increasing an Investment:** An investor may, at any time with our consent, increase the principal amount of their investment by not less than \$1,000. Such additional investment will be subject to the terms of the original Loan Agreement. We will issue an Amendment of Loan Terms Letter Agreement to reflect the new investment, which shall begin to accrue interest upon our receipt of the principal amount of the investor's new loan. The maturity date of the additional funds will be identical to the Maturity Date of the original promissory note issued to such investor, unless otherwise agreed to in writing by us and the investor.

**Renewals:** Investors will be sent a notice prior to the Maturity Date(s) of their outstanding promissory note(s) reminding them of the impending Maturity Date(s) of their promissory note(s) and asking if they wish to renew their

investments. This notice will also provide instructions for how the investor can redeem their outstanding promissory note(s). In the event an investor does not redeem a promissory note before such note's Maturity Date, the note will be automatically amended to extend its Maturity Date for an additional period identical to the length of the first investment (i.e., if the original promissory note had a 24-month term, then the amendment would extend the maturity date another 24 months) (the "New Maturity Date") and the interest rate would be adjusted to NCCLF's then prevailing rate range for such period at the time of the renewal, with such automatic renewal recurring until such note is redeemed. Prior to each New Maturity Date, another notice will be sent to the investor asking if the investor intends to renew their investment and providing instructions for how the investor can redeem the outstanding promissory note.

**Early Redemption Adjustment:** NCCLF relies on investors maintaining their funds with us for the specified term and uses them to make community loans accordingly. However, a situation may arise in which investors will need to redeem an investment prior to maturity. If an investor elects early redemption, NCCLF reserves the right to make an adjustment to the final interest payment before returning the principal, as illustrated below:

- Investor invests \$100,000 at 2.00% for 5 years.
- Investor decides to redeem their investment at the end of the third year.
- For the first 2 years NCCLF paid 2.00% interest on \$100,000 every year. This total is \$4,000.
- Since the investor elected early redemption, it is now considered a 3 year investment.
- At the close date of the original investment, the corresponding interest rate for \$100,000 for 3 years was 1.50%. Accordingly, the total interest that the investor should have received had the three year term been originally chosen would have totaled \$4,500.
- The investor has already received \$4,000 in the first two years so the final interest payment would be adjusted from \$2,000 to \$500 to account for the shortened term.

**Repayment:** We may repay all or any portion of an investor's funds, including accrued interest, at any time without prepayment penalty.

### **Security Interest**

The promissory notes will represent our recourse obligations, but normally will not be secured by any collateral. In addition, we do not intend to grant any security interest, mortgage, pledge or the like covering any of our property (real or personal, tangible or intangible) or assets as security for repayment of any promissory notes issued as part of this offering. Investors typically will not have any right to receive repayment of their respective promissory notes from, nor recourse against, any entity other than NCCLF. NCCLF is a member of the Federal Home Loan Bank of San Francisco and is required to provide collateral for any funds borrowed from them. The promissory notes issued in connection with this offering will be subordinate to any amounts owed to Federal Home Loan Bank of San Francisco.

### **Investment Risk Levels**

Since the sale of promissory notes and the placement of Community Loans will be ongoing, different investors purchasing promissory notes at different times and/or for different terms will place their funds at risk with respect to different portfolios of Community Loans. In the event that we realize significant loan losses as a result of a negative fund balance, some investors may not be fully repaid. See the "Risk Factors" section beginning on page 29.

### **Interest Payments and Tax Reporting**

Interest will generally be paid on an annual basis. If you are a cash-basis taxpayer, you are generally required to report interest on your tax return only after the interest has been paid to you, with the exception of imputed interest. See the "Certain Material U.S. Federal Income Tax Considerations – Imputed Interest Considerations" section beginning on page 29, for a discussion of when the imputed interest rules under Section 7872 of the IRC may apply.

For example, if you invest in November 2018, you would receive your first payment of interest in December 2018 and you would report this interest, as well as any interest you are deemed to have received during 2018 under the imputed interest rules of Section 7872 of the IRC, on your tax return for the calendar year 2018. We will mail you a Form 1099 in January of each year indicating the interest paid, as well as imputed interest if applicable, on your investment in the prior year. Investments in our promissory notes are not tax deductible. Interest earned by holders of our promissory notes should be included in federal and state income for tax purposes. Investors who donate their interest payments will still receive a Form 1099 because the interest is still earned by the investor. If applicable, consult your tax advisor regarding the tax consequences to you, if any, of accepting a below-market rate of return on your investment.

### **Permanent Loan Capital**

We maintain a fund of permanent loan capital, which we have raised from grants and donations. Among other functions, our permanent loan capital serves as a cushion against potential loan losses in excess of our loan loss reserves. As of July 31, 2018, we had covenants with several of our largest institutional investors that require that we keep our level of permanent loan capital at 20% or more of our loan fund's net assets plus notes payable (our level as of July 31, 2018 was 26.22%), or keep net assets at 20% or more of total assets (our level as of July 31, 2018 was 30.67%).

### **Fees, Commissions and Broker-Dealer Status**

The promissory notes are being offered only by our directors and employees. No person will receive a fee or commission for the solicitation of the promissory notes, and there is no sales charge. In addition, no registered broker-dealer has sold or will be given the authority to sell the promissory notes, although such persons may participate in the marketing of the promissory notes.

We have not registered as a broker-dealer under the Securities Exchange Act in reliance upon our belief that we are not a broker of the promissory notes. The definition of "broker" under the Securities Exchange Act is not entirely settled, and the Securities and Exchange Commission might reach a different conclusion. In such an event, we may be prohibited from making further investment solicitations and may be required to make rescission offers to our existing investors. We would probably not be in a position at such time to return funds to all investors, since the aggregate principal amount of the promissory notes may have been used to make Community Loans.

## INVESTOR SUITABILITY

We seek to raise capital for Community Loans through the offering of promissory notes. We anticipate that potential investors will include individuals, religious groups, foundations, nonprofit corporations and corporations.

### State of California Qualification

The promissory notes described herein are being offered to qualified investors in compliance with the requirements of Section 25113 of the California Corporations Code and Section 260.140.01 of the California Code of Regulations Title 10.

An individual may purchase a promissory note from the Fund if such investment would not exceed 10% of his or her net worth and, individually or with such person's spouse, the individual satisfies one of the following three requirements:

(1) the person's net worth is at least \$150,000;

(2) the person's net worth is equal to or greater than \$75,000 **and** his or her gross income during the last tax year was at least \$50,000 and his or her gross income for the current tax year (based on a good faith estimate) will be at least \$50,000;

(3) the person does not satisfy the requirements set forth in (1) or (2) above but the person's purchase of promissory notes in the 12-month period preceding the proposed sale date does not exceed an aggregate of \$2,500.

Corporations, partnerships, trusts and other entities may purchase a promissory note from the Fund if the purchase is directed by a person with such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of the prospective investment, such investment would not exceed 10% of such entity's net worth and the entity satisfies one of the following three requirements on a consolidated basis according to its most recent financial statement:

(1) the entity's net worth exceeded \$150,000; or

(2) the entity's net worth exceeded \$75,000 **and** its gross income (a) exceeded \$50,000 in the calendar year immediately preceding this calendar year and (b) is expected to exceed \$50,000 (based on a good faith estimate) during the current calendar year.

Each potential investor must complete the Investor Questionnaire, included as **Exhibit A** hereto. We will only approve the sale of promissory notes to investors meeting the qualification standards listed in the Investor Questionnaire. The promissory notes will be sold on a continuing basis.

**This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of any security or the acceptance of any investment in any state in which such offer, solicitation, sale or acceptance would be unlawful, prior to qualification under the securities laws of such state.** Information about NCCLF is available from certain brochures and fact sheets published by us, and from our website ([www.ncclf.org](http://www.ncclf.org)), but no investment in NCCLF will be accepted from anyone who has not received this prospectus.

## USE OF PROCEEDS

### Community Loans

We intend to use the proceeds of this offering, in combination with the proceeds from previous offerings, grants, donations and our own permanent loan capital, to make Community Loans which will be available to a variety of organizations and individuals that, in our judgment, will contribute to the long-term economic base of low-income and minority communities in Northern California. See the “Description of Community Loans” section beginning on page 16. We seek to arrange for Community Loans to be made on an ongoing basis. However, our ability to make Community Loans depends upon the availability of loan capital to us (including the proceeds of this offering), and our ability to identify suitable borrowers.

### The Loan Capital Pool

A portion of the loan capital pool will at all times be held in short-term investments and interest-bearing accounts. These accounts will contain funds reserved for committed loans awaiting closings, funds reserved for the repayment of promissory notes that will become due in the short term and other funds being held while loan applications are solicited and considered. The receipt and repayment of the proceeds from the promissory notes and the disbursement and repayment of Community Loans occur at uneven and unpredictable rates. Although we will attempt to coordinate these flows to minimize the amount of proceeds which are uncommitted, this coordination is difficult and it is likely that a varying and at times substantial portion of the proceeds will continue to be held in such accounts.

As of September 30, 2017, our fiscal year end, we had unrestricted net assets totaling \$20,407,492. Of these net assets, \$12,212,527 were earmarked for permanent loan capital and were available for making Community Loans in combination with the proceeds of promissory notes and the proceeds of previous offerings, and for increasing the allowance for loan losses. These net assets may be increased from time to time through additional donations and grants. See Appendix 1, “Financial Statements and Independent Auditor’s Report” and “Use of Proceeds.”

At the close of the fiscal year ending September 30, 2017, we had outstanding promissory notes in principal amount of \$46,797,417 payable to investors, 73 Community Loans with outstanding balances totaling approximately \$39,917,417 and approximately \$15,500,000 held in cash and short-term investments committed for Community Loans not yet fully disbursed.

The principal amount of any particular promissory note will generally be commingled with other funds that have been designated for the loan capital pool, whether derived from other promissory notes, grants, donations or other income to NCCLF. The principal amount of each particular promissory note will not be used for general working capital or for operating expenses. However, a portion of the proceeds of this offering may be used to fund technical assistance efforts in conjunction with Community Loans described below.

Unlike the principal received from the promissory notes, interest earnings from NCCLF’s lending will not necessarily be dedicated to the loan capital pool for Community Loans. Instead, we are likely to use such interest earnings first to pay interest and principal on promissory notes as they become due, and then to pay our administrative and operating expenses or to increase our permanent loan capital.

We anticipate that portions of the loan capital pool may at times be reserved for borrowers with certain specified characteristics. In all cases, loans made from restricted funds will be consistent with the guidelines described elsewhere. See the “Description of Community Loans” section beginning on page 16.

## **Technical Assistance for Borrowers**

We intend to make Community Loans in situations that would be considered too risky or unprofitable by most commercial lenders. Because many of our borrowers will be in need of outside professional guidance and assistance, the coordination or provision of capable technical assistance is important to us. We believe that appropriate technical assistance can improve the capacity of such borrowers to repay their loans. In some cases where we require a borrower to obtain technical assistance, the cost of such assistance may be included in the principal amount of the Community Loan, subject to compliance with NCCLF's loan policies (e.g. Loan-to-Value and Debt Service Coverage ratios).

**Services and Resources:** Technical assistance may be required as a pre-funding condition in areas such as law, finance, real estate, marketing, organizational development, loan packaging, etc., and may range from guidance or advice to direct assistance. We sometimes provide technical assistance to borrowers through our Consulting Programs and our lending staff, but use of in-house NCCLF technical assistance is not a condition of our loans.

**Payment and Subsidies:** We will attempt to assist applicants and borrowers in obtaining grants from other sources in cases where they cannot afford needed technical assistance services. In some cases, a loan will be approved contingent upon the borrower's receipt of post-loan technical assistance. If the borrower cannot immediately afford the needed assistance, we may add the technical assistance cost to the loan amount (subject to conformance with loan policies, as noted above). The borrower then would pay the technical assistance provider with a portion of the loan proceeds and subsequently repay us as part of the loan payments.

## **Secondary Market for Community Loans**

There is currently a limited secondary market for Community Loans. Participation in such a market might allow us to sell certain Community Loans to institutional buyers, freeing capital for the making of additional Community Loans. Such transactions are made by us for our own account and are not accompanied by the publication of any advertisement, and are not affected by or through a broker-dealer in a public offering, and as such, we believe are exempted from qualification under California securities laws pursuant to Section 25104(a) of the California Corporations Code. To date, we have sold participation in a limited number of Community Loans in our portfolio to other financial institutions.

## **DESCRIPTION OF COMMUNITY LOANS**

We seek to provide affordable loans for low-income housing development, community facilities, nonprofit and employee-owned enterprises, small businesses focused on production, distribution, or sale of food, and other community-based enterprises involved in the provision of services that promote community ownership and strengthen the long-term economic base of low-income communities. We seek to diversify our Community Loan portfolio among various communities within California, and among different types of businesses and borrowers. This diversification is intended to reduce the overall portfolio loan loss risk and to serve a wide variety of borrowers. We maintain a policy restricting aggregate loans to any single borrower (the Maximum Aggregate Exposure) to not more than \$6,000,000, based on a guideline of 50% of our total loan fund net assets. We also maintain a policy of restricting aggregate general recourse loans to not more than \$3,500,000, based on a guideline of 30% of our total loan fund net assets. Other than as described in this section "Description of Community Loans," we have no formal limitations or guidelines with respect to diversification and are not limited with respect to the amount of loans (or percentage of our total loan portfolio) that may be made to any borrower or type of borrower.

## **Procedures for Review and Approval**

Our staff screens all loan applications, presenting complete loan packages and recommendations for approval to one of the following: Chief Lending Officer, President, Internal Loan Committee (Internal Committee), and the Loan Committee based on our loan policies, and, if necessary, the Executive Committee or the full Board of Directors. The level of loan approval decision-making authority depends on the loan amount, the loan-to-value ratio and the debt service coverage ratio. The following table summarizes the approval authorities currently in effect:

Approval authority	% of MLA[1]	Secured Loans	% of MLA	General Recourse
<b>Collateralized Loan Obligation</b>	5%	<b>\$150,000</b>	2.5%	<b>\$75,000</b>
<b>President</b>	10%	<b>\$300,000</b>	5%	<b>\$150,000</b>
<b>Internal Committee</b>	20%	<b>\$600,000</b>	7.5%	<b>\$225,000</b>
<b>Loan Committee</b>	All other policy-conforming			
<b>Board/Exec Committee</b>	All else			

[1] MLA = Maximum Loan Amount.

A given level of Approval Authority may at its discretion refer a loan request to the next highest level of Approval Authority for further review. The Loan Committee may refer a loan to the Executive Committee or the full Board of Directors for further review.

We intend to make loans only to those applicants that best satisfy the eligibility requirements and preference criteria described below. General eligibility requirements and preference criteria apply to all loans; further specific requirements and criteria apply to housing, facilities, business or service agency loans in particular.

### Eligibility Requirements and Preferences

**General:** We offer operational lines-of-credit and loans for housing programs, community facilities, business activities or service provision in low-income communities located within the area detailed in Exhibit E. Applications will be evaluated based upon financial and business strengths, as well as present and anticipated socio-economic impact on the borrower's community. We will give priority to projects that are community- or nonprofit-owned. Examples include community land trusts, limited equity housing cooperatives, businesses owned by workers or consumers, and service agencies with community-based governing boards.

Borrowers must conduct all of their operations, internal and public, in a manner consistent with our principles and purposes. All borrowers must be non-discriminatory in labor and business practices, not engaged in military, defense-related or nuclear enterprises and in compliance with federal, state and local regulations regarding air, water and land use, toxic materials, hazardous wastes and occupational safety. In addition, borrowers must demonstrate evidence of fiscal soundness, creditworthiness, managerial competence and ability to meet the terms of the Community Loan, including requirements for technical assistance.

Our management will evaluate the social impact of proposed projects based upon these general criteria:

1. The number of people expected to be served by the project;
2. The project's perceived benefits to the local community over the long-term;
3. The stature, composition, and degree of local support of the project;
4. The project's capacity to catalyze future development and attract additional capitalization; and,
5. The degree to which our resources would be leveraged by other resources of the project.

**Housing Loans:** Eligible applicants include nonprofit organizations and limited partnerships, general partnerships or joint ventures between for-profit and nonprofit organizations in which the long-term property ownership will be under the control of the nonprofit organization. Eligible projects include single- and multi-family rental properties, homeownership projects, community land trusts, limited equity cooperatives, limited equity condominiums and mixed-use properties. Eligible uses include predevelopment costs, new construction, rehabilitation or acquisition of properties or refinancing or interim financing of properties.

All projects must provide a significant degree of housing for low-income people, based upon federal and state definitions. Each borrower must also demonstrate its commitment to, and plan for, ensuring long-term affordability, submit a suitable management plan and develop a relocation plan in case of displacement.

Preference will be given to housing projects that address these priorities:

1. A high proportion of units will be occupied by very low-income households;
2. The project has strong mechanisms to assure continued affordability over the long run; and
3. The residents will have significant involvement in project ownership or control.

***Nonprofit Facilities Loans:*** Eligible applicants include nonprofit organizations and limited partnerships, general partnerships or joint ventures between for-profit and nonprofit organizations in which the long-term property ownership will be under the control of the nonprofit organization. Eligible projects include medical and dental clinics, other healthcare facilities, childcare centers, shelters and transitional housing, community centers, performance spaces, nonprofit offices and other facilities which benefit low-income communities. Eligible uses include working capital, equipment financing, construction, leasehold improvements or acquisition of assets.

Preference will be given to facilities projects that address these priorities:

1. The project is responsive to community needs;
2. The project will create or retain a significant number of jobs, particularly for low-income and minority individuals; and
3. The project has strong local support, long-term community benefits, and the potential for catalyzing future economic development.

***Food-related Loans:*** Eligible applicants include nonprofit organizations, for-profit business entities, sole proprietors and partnerships, benefit corporations, alternatively structured enterprises (such as cooperatives) and social enterprises). NCCLF provides loans to entities that make healthy food more accessible and affordable to low-income populations, and/ or that increase economic and racial equity within the food industry. Eligible uses include working capital, equipment financing, construction, leasehold improvements, and real estate acquisition and term debt.

Preference will be given to food-related projects that address these priorities:

1. The project is engaged in the retail sale of healthy foods in communities that lack access (so-called “food deserts”);
2. The project provides an important service or product within the healthy food value chain, such as distribution, processing, or storage;
3. The project will increase access to and consumption of healthy food through education or behavior change interventions;
4. The project will create opportunities for ownership and/or quality employment for members of historically underrepresented groups;
5. The project will directly produce healthy food, provided it creates food access or economic opportunities for low-income populations; or
6. The project will contribute to an environmentally-sustainable management and use of California’s fishery resources.

***Business Loans:*** Eligible applicants include, benefit corporations, non-profit social enterprises, co-operatives and collectives, and businesses that are wholly or partly employee-owned. Eligible uses include working capital, equipment financing, construction, leasehold improvements, real estate acquisition and term debt, and the acquisition of assets that enhance the organization’s long-term effectiveness and impact.

Preference will be given to businesses that address these priorities:

1. The business will create new or maintains endangered employment for individuals who have traditionally experienced systemic barriers to employment, particularly low-income and minority individuals;

2. The business is located or will be located in economically disadvantaged areas;
3. The business will provide fewer “higher quality” jobs rather than creating a greater number of “lower quality” jobs (i.e., jobs providing better wages, working conditions, job security and benefits, promoting skills growth and providing ownership opportunities or incentives);
4. The business will provide goods or services for which the community is currently underserved;
5. The business demonstrates innovative or alternative approaches to production and/or management; and,
6. The business will create opportunities for people with entry-level skills to move into higher quality jobs.

**Service Agency Loans:** Eligible applicants must be nonprofit entities providing social services (e.g., health care, job training, education) in a manner that significantly benefits low-income persons or communities. Agency loan threshold requirements and eligible uses of funds are similar to those of business loans. The primary social benefit that we seek to promote through service agency loans is the strengthening of the economic base of disadvantaged communities. This can be achieved directly through the creation or retention of jobs (specific preference guidelines are found in the above discussion of business loans) or indirectly through the provision of social services for which the community is underserved and which contribute to the strengthening of the community’s economic base.

Preference will be given to service agency applications which address these priorities:

1. The organization has a positive socioeconomic impact on its community; and,
2. The organization is governed by a Board of Directors representative of the community served and responsive to community concerns.

## **Loan Terms and Requirements**

**General:** The terms of individual Community Loans will vary depending upon the funds available and our assessment of the prospective borrower’s cash needs, projected cash flow and other business aspects. Although some borrowers may lack conventional credit qualifications, we will make a loan only in instances where we believe there is a reasonable likelihood of repayment in accordance with the loan terms. We will not make grants from our revolving loan pool, although we may make grants from special programs that have separate funding sources.

We generally charge borrowers a loan fee of 1% to 2% of the loan amount, although this fee may be waived.

Loans may have a maturity of up to 10 years (and in some cases longer), depending upon the needs of the borrower, the use of the funds and the projected availability of capital in the loan pool during the term of the Community Loan. Interest rates are fixed (in most cases at below-market rates) based upon our costs, the borrower’s needs and market rates.

**Housing Loans and Nonprofit Facilities:** We typically seek (but do not necessarily require for loans of \$350,000 or less) real property collateral; liens on real property are often junior in priority to other lenders providing longer-term or more substantial financing for a project. A variety of other forms of security are considered, including security interests in other property of the borrower, the use of guarantees and co-signers, and general recourse to the assets of the borrower.

We will lend up to 100% of the value of the property (plus an allowance of \$350,000, reflecting our general recourse single-loan limit) if we determine that there is adequate security, confirmation of value by independent appraisal and compliance with our other guidelines. The projected debt coverage ratio (defined as the ratio of cash flow to debt payments) of the project must be at least 1:1.

**Food-related Loans:** These loans will generally be secured by liens on real or movable property, and personal and/or institutional guarantees. In limited cases NCCLF may take an assignment of receivables, crop proceeds, or other future payments as a primary source of security.

***Business Loans:*** In most cases, business loans will be secured by real or personal property of the borrower. Collateral will consist of long- or short-term business assets and secured and unsecured personal and/or institutional guarantees as needed. We may also consider a general recourse interest in all of the borrower's assets, where appropriate.

***Service Agency Loans:*** Security and collateral requirements for agency loans are similar to those found in the applicable sections of Housing and Business loans above, depending on the comparability of the use of the loan proceeds.

### **Compliance, Monitoring and Default**

Borrowers are monitored for compliance with the plans submitted with their loan applications. All borrowers must submit financial statements at least quarterly; some borrowers may be required to submit monthly statements. Additional financial or program reports may also be required. A borrower's failure to follow such plans or maintain certain financial ratios may constitute a default and entitle us to accelerate the loan's maturity. However, we will usually seek to work with borrowers to establish compliance with the loan terms and thus may in our discretion waive certain defaults or otherwise not accelerate a loan.

### **Revision of Requirements, Terms and Conditions**

From time to time, our Board of Directors will review, and, at its discretion, revise Community Loan requirements, preference criteria and terms and conditions. Printed summaries of approved policies are available at our offices, and are available upon request in writing to 870 Market Street Suite 677 San Francisco, CA 94102, attention to Chief Lending Officer

## **ALLOWANCE FOR LOAN LOSSES**

We have established an allowance for loan losses through a provision for loan losses charged to expenses. The allowance is an amount we believe will be adequate to absorb possible losses on existing loans that may become uncollectible, although there can be no assurance that loan losses will not exceed such amount. Our President and lending staff review loans quarterly and set a loan loss reserve for each loan based on a risk-rating system that weighs such factors as collateral, cash flow, payment history, organizational strength and financial status. The loan loss reserve allowance shall never be less than 3.5% of the total principal of outstanding loans in the Community Loan Fund. As of July 31, 2018, the allowance totaled \$4,177,375 or 7.26% of the total principal of outstanding loans. As of July 31, 2018, we had written off nine Community Loans and had six loan recoveries over the life of the loan fund.

## OPERATIONS OF NCCLF

### Accounting Policies

See **Appendix 1**, “Financial Statements and Independent Auditor’s Report” for information regarding accounting policies.

### Opportunity Finance Network

We are an active member of the Opportunity Finance Network (“OFN”), an organization that provides services to and promotes the activities of its member community development financial institutions (“CDFIs”). According to its FY2016 data, OFN’s members have cumulatively loaned and invested more than \$54 billion; created or maintained more than 1.2 million jobs; helped create 1.9 million units of affordable housing; and financed 256,040 businesses and microenterprises. Their net charge-off rate in FY2016 was 0.26%. Typically, these CDFIs have a local or regional service area, although several are national in scope.

The OFN reports that defaults by its borrowers have been minimal. The OFN believes its member funds have had relatively low loan losses in part because of the exceptional efforts of such funds to assist borrowers in solving problem loans and obtaining technical assistance and financial guidance.

The operations, management and community loan portfolios of the active members of the OFN that have been successful vary, and may not be the same as ours. Therefore, there can be no assurance that we will be equally successful in our social goals or our ability to avoid defaults by borrowers.

### Operational Support

Our operations are supported through a mix of grants, donations and earned income, and are heavily dependent upon the receipt of grants and donations. During the year ending September 30, 2017, we received grants and commitments for General Fund purposes (in support of operations) totaling \$1,487,394.

During the year ending September 30, 2017, we also received donated professional services with an estimated value of \$171,346. These services consisted primarily of legal assistance regarding real estate transactions, securities transactions, the issuance of promissory notes, and general corporate work. Also included are donations of software licenses and other types of technological support.

We anticipate that future operations will continue to be significantly supported from our net interest earnings, loan fees, and other fees. However, we are unlikely to achieve self-sufficiency from earned income. See **Appendix 1**, “Financial Statements and Independent Auditor’s Report” and “Use of Proceeds.”

### California FreshWorks Program

In 2018, we established a new subsidiary to support our California FreshWorks program by providing credit enhancement to high-risk transactions originated by us or others from a pre-approved pool of lenders. This subsidiary administers a loan participation and guarantee program to support food enterprises that increase access to affordable, healthy, culturally appropriate food in low-income, under-served California communities. This subsidiary is capitalized separately from NCCLF’s general loan pool, although the entity is consolidated into our financial statements. No funds received through the sale of promissory notes under this prospectus will be transferred to this subsidiary or used as part of this credit enhancement program, but in some cases that are programmatically appropriate, the subsidiary may provide credit enhancement for qualifying loans issued by us with funds from the promissory notes.

### Participation in New Markets Tax Credit Program

Since 2008, we have been awarded a total of \$163,000,000 in New Markets Tax Credits (“NMTCs”) allocations over eight different years by the U.S. Treasury Department’s Community Development Financial Institutions Fund (the “CDFI Fund”) pursuant to Section 45D of the IRC. The funds raised by us through the NMTC program are not allocated to our Loan Fund and may not be used for repayment of the Notes sold pursuant to this prospectus.

The NMTC is a 39% federal tax credit available to certain investors over a seven-year period. The NMTCs can be used to offset such investor's federal income tax. We allocate the NMTCs to investors who can use them and use the investment capital obtained in connection with such allocation process to make loans to or investments (each a "qualified low-income community investment" or "QLICI") in certain types of businesses or organizations (each a "qualified active low-income community business" or "QALICB") located in, or serving, low-income communities as required by the NMTC program. Participation in the NMTC program should enable us to obtain significant additional amounts of investment capital to make loans or investments, but the NMTC program has many technical requirements that must be met in order to qualify for and allocate the NMTCs and to avoid any future loss or recapture of NMTCs that are allocated.

NMTCs are only available for qualified equity investments in qualified community development entities commonly referred to as "CDEs" that have an allocation of NMTCs. We are a CDE with an allocation of NMTCs, but we are a nonprofit and cannot offer equity to an investor, so we have set up a separate for-profit subsidiary that qualifies as a CDE for each prospective loan or investment in a QALICB have allocated a portion of our NMTC allocation to that CDE for that investment. Through the NMTC program, NCCLF sells equity in the CDE subsidiary and then the CDE subsidiary, also nominally capitalized by NCCLF, makes qualifying loans. We have deployed all of our NMTC Awards totaling \$158,000,000 among 17 special purpose vehicles we created for particular projects (collectively, the "Sub-CDEs"). As of September 1, 2018, the CDFI Fund has not announced the 2018 awards.

Typically, investors in NMTCs will require indemnification from the CDE and others, against the CDE or certain other persons taking or failing to take certain actions that result in the investor's NMTCs being lost or recaptured. If an event occurs that causes the loss or recapture of NMTCs, all of the NMTCs previously taken by the investor for that investment will be recaptured and interest will be charged on the underpayment of taxes in prior years as a result of such recapture. We will attempt to limit any indemnity against recapture so that the only recourse on such indemnity will be to the assets of the CDE we set up for that investment, as well as the fees accruing to NCCLF (whether received or receivable) for the transaction. However, investors typically require that we stand behind such indemnity, thereby exposing our assets to any liabilities arising as a result of such indemnity. In the case of each of the Sub-CDEs, the Investor makes a Qualified Equity Investment ("QEI") in the sub-CDE in return for which it claims the NMTCs which the CDE has sub-allocated to the transaction. The Sub-CDE uses the QEI to make a low-interest loan (the QLICI) to a QALICB. The investor will typically require NMTC indemnities from each of the Sub-CDEs and the QALICB, with the indemnities limited to factors under the respective responsibility of each of these parties. The amount of recourse granted by the indemnity is typically limited to certain, but not all, of the factors for which each respective party is responsible. Consequently, if there is a loss or recapture of NMTCs caused by any of the Sub-CDEs, in certain circumstances (typically related to gross negligence and willful misconduct of the Sub-CDE), our assets could be pursued to satisfy the indemnity triggered, if the assets of such Sub-CDE are insufficient to satisfy the indemnity.

In order to avoid the loss or recapture of the NMTCs being allocated to the Investor, the Sub-CDE in which the Investor receiving the NMTC makes its QEI must, among other requirements, (i) maintain its status as a separate legal entity that qualifies as a CDE during a seven-year compliance period, (ii) not fail a test, often referred to as the "substantially all test" during that compliance period, which requires the CDE to maintain a certain amount of its assets in QLICIs during the compliance period, and (iii) make sure that the investment in the CDE by the investor is not considered to be redeemed during the compliance period.

In order for a CDE to maintain its status as a CDE, it must prove that it has a primary mission of serving or providing investment capital for low-income communities and that it is accountable to the residents of such a community through appropriate representation of such community on a governing or advisory board. To meet the "substantially all test," the CDE must deploy at least 85% of the QEI it receives as QLICIs, and to the extent that all or a portion of such investment is liquidated prior to year six of the compliance period, it must reinvest the remaining portion of such proceeds in substitute QLICIs within a twelve-month grace period, or to the extent the failure is because the underlying QALICB goes out of compliance it must bring it back into compliance on a timely basis. Similarly, to meet the test requiring that the investment is not considered to be redeemed during the compliance period, any partial or total liquidation of an investment in a QALICB must be reinvested in an eligible project within a twelve-month grace period.

As of July 31, 2018 NCCLF's New Markets Tax Credit Awards have been put to the following uses:

Organization Name	Type	Project County	Description
San Francisco Jazz (SFJAZZ)	Nonprofit: Arts	San Francisco	The SFJAZZ Center is the first permanent home of the nonprofit organization SFJAZZ, a leader in jazz creation, presentation and education. Some of the key features of the space include: state-of-the-art auditorium, adjustable from 350 to 700 seats; 80-seat multi-purpose ensemble room; rehearsal spaces and SFJAZZ administrative offices.
City of San Jose – Environmental Services Department (ESD)	Government	Santa Clara	The renovation and new construction of a 50,000 square foot community facility on a 4.2 acre site owned by the city near the downtown area. The investment will also have a catalytic effect, revitalizing the surrounding neighborhood, where household income stands at 49% of area median income.
Habitat for Humanity Greater San Francisco	Other	San Mateo	Habitat for Humanity Greater San Francisco provided first-time homeownership for families at or below 80% AMI in their 36-unit for sale affordable housing project in Daly City.
American Conservatory Theater (A.C.T.)	Nonprofit: Arts	San Francisco	The acquisition and rehabilitation of the Strand Theater, in San Francisco's Central Market neighborhood. The Strand Theater is used by local nonprofit theater companies, and has enabled A.C.T. to expand its educational programs to serve more low-income youth and families living in the Central Market and Tenderloin area.
West Hills Community College	Nonprofit: Education	Fresno	The college expanded the community gardening program to educate the local community about healthy food diets and increase access to healthy foods which is located on the 213 acre Farm of the Future. It is in an area with high poverty and unemployment rates.
East Oakland Youth Development Center (EOYDC)	Nonprofit: Education	Alameda	EOYDC's headquarters and program space at 82nd and International Blvd in Oakland was renovated. The area has high crime, school dropout rates, poverty, and drug addiction. EOYDC's programs provide a refuge for youths to gain skills and confidence to escape life on the streets.
Family House Inc.	Nonprofit: Human Services	San Francisco	The construction of a 98,000 square foot five-story facility that provides temporary housing for families with children undergoing medical treatment at the University of California, San Francisco (UCSF) Benioff Children's Hospital. The new facility has doubled FH's capacity to provide temporary housing and support to the families of UCSF patients.
Community Arts Stabilization Trust (CAST)	Nonprofit: Arts	San Francisco	CAST acquired and rehabilitated two buildings for community arts organizations. The first facility has 6,400 square feet of community arts and gallery (commercial) space. The second facility consists of a 125-seat theater, rehearsal space, performance space, office and program space totaling 9,450 square feet.
San Pablo Economic Development Corporation	Government	Contra Costa	The project transformed a vacant, 4.5 acre brownfield site in a dense urban neighborhood into a flourishing new park. The Rumrill facility features a soccer field complex with 3 synthetic turf and full striped fields designed for youth league requirements. The facility includes 62 parking spaces, a picnic area, tot lot, restroom building, and dedicated food cart spaces.
Salud Para La Gente	Nonprofit: Health Services	Santa Cruz	Integrated three buildings and add approximately 7,028 square feet of new space for an expanded site of approximately 25,000 square feet. The project will add 13 new medical exam rooms, 1 procedure room and 4 dental operatories.
Butte Regional Transportation Corporation	Other	Butte	The Butte Regional Transportation Corporation (BRTC) is a nonprofit which is organized to increase mobility in Butte County where access to adequate transportation is considered a primary barrier to accessing healthcare, education, employment, and healthy food. In partnership with Butte County Association of Governments (BCAG), the project assists a consortium of community based outreach programs, care providers, job training programs, and transportation service providers to offer improved transportation, career technical education and training opportunities, and outreach services to geographically isolated and at-risk populations in Butte County.
HealthRIGHT 360	Nonprofit: Health Services	San Francisco	HR 360 provides a broad range of services focused mainly on primary care and residential treatment. It represents the consolidation of Haight-Ashbury Free Clinic, Walden House, and Asian American Recovery Services (AARS), among others. HR 360 purchased a 48,000 square foot building which will provide low-to moderate-income persons access to this new clinic.
Lesbian Gay Bisexual Transgender (LGBT) Community Center	Nonprofit: Human Arts	San Francisco	The SF LGBT Center provides economic development, employment, financial capacity building, youth and information/referral programs for low-income and other members of the LGBT community. It also provides meeting and community facilities in support of LGBT and other issues that serve the larger community. The project will reconfigure the Center and provide sub-leasing opportunities for local nonprofits and a cafe.
Vallarta Supermarkets Group	Other	Fresno	The project is a new 45,000 square foot supermarket in a new shopping center on a brownfield, food desert, area in the city of Fresno with a predominately Latino customer base. It offers special services, especially bringing healthy foods options and products, targeting the Latino customer.
Innovative Development and Living Solutions of California (IPLS)	Other	Fresno	IDLS is a nonprofit community development corporation that provides affordable housing for those in need, especially the elderly. This NMTC project is a senior living facility in Clovis that will provide 48 units of housing in a new senior facility and care model for senior citizens. There will be three homes built with 16 units in each home and care will be provided by a universal caregiver with a human-centered holistic approach to caring for the elderly.
Community Food Bank (CFB)	Community Facility	Fresno	The Community Food Bank (CFB) purchased and will rehabilitate a 140,750 square foot warehouse to serve as the Food Bank's new headquarters and logistics hub. The CFB is the largest Central California food bank, distributing over 17 million pounds of food to five counties. This new warehouse is significantly larger than their previous 50,000 foot headquarters and will allow them to continue to grow and meet the needs of the communities they serve.

## **Qualified Opportunity Zones**

As part of the Tax Cuts and Jobs Act on December 22, 2017, the U.S. Congress created certain “Opportunity Zones” to spur economic development by providing tax benefits to investors. Unless expressly stipulated in the terms of a promissory note, the promissory notes sold pursuant to this prospectus are not intended to qualify for these exemptions even where the investments are being made in a geographic region that has been certified as an Opportunity Zone by the proper authorities.

## **MANAGEMENT OF NCCLF**

### **Management Structure**

We are managed under the ultimate direction of our Board of Directors. Our day-to-day operations have been largely delegated to staff. The powers and responsibilities of our Board of Directors include: acting on Community Loan recommendations (though, depending on the loan, this authority can be delegated to the President, or, more often, the Loan Committee, Internal Loan Committee or the Executive Committee); hiring, supervising and firing the President; setting our policy and direction; approving operating budgets; and participating in fundraising and the solicitation of loan pool capital. The Board of Directors normally meets every other month.

Our current management structure consists of a President, who oversees the work of five Departments, each managed by a Department head. The five Department heads -- a Chief Lending Officer, a Director of Finance and Administration, a Director of Consulting Services, a Director of Strategic Initiatives, and a Director of Development and Communications – oversee department staff and report directly to the President. The President may be a member of the Board of Directors, although the current President is not serving in such a capacity.

### **Composition and Size of Board**

The composition of the Board of Directors is intended to represent the diversity of the people and communities that we have been organized to serve. Our bylaws provide that at least a majority of the members of the Board of Directors shall be women and/or members of ethnic minority communities. At present, 9 out of 13 directors, 69.2%, fall into at least one of these categories. In addition, directors possess a diversity of technical skills derived from experience in real estate and business loan analysis, accounting, management and business planning. The number of authorized directors may vary between 13 and 21 persons. There are currently 13 directors serving on our Board.

We are not a membership organization. Our Board of Directors is responsible for the selection of new persons to replace directors at the end of their terms. Directors may serve successive terms. Members of the Board of Directors receive no compensation for their services beyond reimbursement for certain out-of-pocket expenses associated with their activities as directors. NCCLF is in compliance with the California Nonprofit Integrity Act of 2004, in particular the requirement that the Board of Directors review and approve the compensation of our chief executive officer and chief financial officer. We also are in compliance with California requirements regarding the composition and duties of NCCLF’s audit committee.

### **Conflicts of Interest**

Since the Board of Directors includes representatives from the investing, borrowing and consulting communities, there is an inherent potential for conflicts of interest to arise. Certain directors may invest in NCCLF. As of the date of this prospectus only Ilana Schatz is an individual investor. Certain directors may provide technical assistance, professional services or financing to applicants or borrowers; and certain directors may be employees or directors of applicants or borrowers. As of the date of this prospectus, Luis Granados is the Executive Director of a nonprofit borrower, Mission Economic Development Agency (MEDA), Joy Hoffman is a Senior Vice President and CRA Officer at Bank of the West, an institutional investor, and John Chan is a Senior Vice President at BBVA Compass Bank, an institutional investor.

To mitigate these conflicts, we have adopted in our bylaws certain procedures to follow when a conflict of interest arises. We will not be party to any agreement or transaction in which a director or officer has a material financial interest, or in which a director is affiliated with another party, unless the disinterested members of the Board of Directors, after full disclosure of the material facts, determine that the transaction or agreement is for our benefit, is fair and

reasonable or furthers our charitable purposes and that more favorable arrangements could not be made with reasonable effort. Agreements and transactions between us and organizations with which the members of the Board of Directors are affiliated may be approved or ratified by the disinterested members of the Board of Directors. We will not provide any direct compensation to any director for technical assistance that he or she may provide during his or her term on the Board of Directors. While certain directors may receive compensation indirectly through their respective affiliates, such compensation will not exceed an amount that would have been received by a third party pursuant to an arms-length agreement.

### Relationships with Outside Parties

We have advisory members with voting participation in the activities of the Loan and Finance Committees. Their participation is intended to provide us with an important source of technical expertise and contacts with potential investor and borrower groups.

### Committee Structure

There are eight standing committees of the Board of Directors – the Executive and Board Development Committee, the Loan Committee, the Development Committee, Finance Committee, the Audit Committee, the Personnel Committee, the Consulting Committee, and the Food Programs Committee. The Board has not delegated any significant decision-making authority to any of its standing committees other than the Executive and Board Development Committee, the Loan Committee, the Finance Committee and the Audit Committee.

The Executive and Board Development Committee are responsible for overall policy development, the ongoing evaluation of the President, and, under certain conditions, the approval of Community Loans. It is also responsible for recommending candidates for Board positions. The Executive and Board Development Committee is comprised of six members, including the President, who does not have voting rights on the Committee.

Of the remaining committees: the Loan Committee is responsible for recommending loan policies to the Board of Directors, and approving loan requests; the Development Committee assists staff in securing investments and grants, and in developing our educational programs and outreach; the Audit Committee is responsible for retaining, terminating, and setting the compensation of an outside auditing firm independently of NCCLF staff, conferring with the auditor to satisfy themselves that the financial affairs of NCCLF are in order, and reviewing and approving the audited financial statements; the Finance Committee recommends and monitors budgets and financial policies and procedures; the Personnel Committee reviews personal policies; the Food Advisory Committee provides direction on loans, business development and programmatic impact as it relates to equitable and sustainable food system financing, which includes NCCLF's Healthy Food Financing, California FreshWorks program, and the California Fisheries Fund; and the Consulting Committee oversees the Consulting and Grants program, helping prioritize projects and measure impact.

The committees are currently comprised of the following directors:

	Executive and Board Development Committee	Loan Committee	Development Committee	Finance Committee	Audit Committee	Personnel Committee	Consulting Committee	Food Programs Committee
Anita Addison	X	X				X	X	
John Chan		X		X	X			
Colby Dailey	X	X		X				
Stephen Florance		X		X				
Pat Gopaul	X					X		
Luis Granados								
Joy Hoffman								
Bryan Ignozzi					X		X	
Andy Madeira		X			X			
Ilana Schatz			X					X
Jim Snyder	X			X			X	

## **Board of Directors**

Pertinent biographical information regarding each member of the Board of Directors as of the date of this prospectus is provided below, including disclosure of current or potential conflicts of interest as detailed above. The address for each of the directors is c/o the Northern California Community Loan Fund, 870 Market Street, Suite 677, San Francisco, CA 94102.

**Anita Addison**, 65, has served as a director of NCCLF since 2013 and serves as our Vice Chair. Ms. Addison is the Chief of Planning and Strategic Advancement for La Clinica de La Raza, one of the largest community health centers in the SF Bay Area. Ms. Addison is on the board of directors of Capital Link and is also a member of the advisory committee for the Center for Health Design's safety net clinic design project. Ms. Addison holds Master's Degrees in City and Regional Planning and Public Health from the University of California, Berkeley and a Bachelor's Degree in sociology from Stanford University.

**John Chan**, 47, has served as a director of NCCLF since 2015. Mr. Chan is a Senior Vice President of BBVA Compass. Prior to joining BBVA, Mr. Chan spent eight years as Senior Vice President, at US Bank's Community Lending team to support affordable housing developers across California. Mr. Chan currently serves on committees of the Low Income Investment Fund and the Chinatown Community Development Center in San Francisco. Mr. Chan holds a Bachelor's Degree in Economics and a Master's Degree in Business Administration, both from the University of California at Davis.

**Colby Dailey**, 41, has served as a director of NCCLF since 2014 and serves as our Secretary. Ms. Dailey is the Managing Director of the Build Healthy Places Network, a program funded by the Robert Wood Johnson Foundation working at the intersection of health and community development. Ms. Dailey was formerly the Policy Director for Pacific Community Ventures, leading the organization's impact investing research and consulting practice, and a Program Director at Capital Impact Partners. Ms. Dailey also serves as a Sustaining Board Member for the Good Shepherd Center for Homeless Women and Children in Los Angeles. Ms. Dailey holds a Master's Degree in Public Policy from the University of California, Berkeley, and a Bachelor's Degree in Political Science from Wheaton College near Chicago.

**Stephen Florance**, 48, has served as a director of NCCLF since 2015. Mr. Florance is Managing Director and a member of the Executive Committee of Robertson Stephens Advisors, a two year old investment firm with headquarters in San Francisco. Mr. Florance leads the Research and Strategy Group. He was formerly a Managing Director with Hall Capital Partners. Mr. Florance holds a Bachelor's Degree in Classics from Brown University.

**Pat Gopaul**, 60 has served as a director of NCCLF since 2009, and is the current NCCLF Board Chairperson. Ms. Gopaul is General Counsel at the Low Income Investment Fund (LIIF), which is a nonprofit Community Development Financial Institution (CDFI) that is committed to serving low-income people and communities.. For several years Ms. Gopaul worked at the New York City Economic Development Corporation as a Policy Analyst, and, ultimately, as Senior Counsel. Ms. Gopaul has also worked at several international law firms as a real estate and transactional attorney. Ms. Gopaul has also provided pro bono legal services to NCCLF. Ms. Gopaul holds a Bachelor's Degree in Economics from Harvard University and a Juris Doctor Degree from Columbia University School of Law

**Luis Granados**, 53, has served as a director of NCCLF since 2015. Mr. Granados is the Executive Director of the Mission Economic Development Agency in San Francisco. Mr. Granados is a current Board Member with the California Reinvestment Coalition, is on the Community Advisory Board for J.P. Morgan Chase & Company, and is a Board Member of the National Association for Latino Community Asset Builders. Mr. Granados is a Mexican immigrant, immigrating on July 4, 1977. He holds a Bachelor's Degree in Resource Management from the University of California, Davis and a Master's Degree in Regional Planning from the University of California, Berkeley.

**Joy Hoffman**, 40, has served as director of the NCCLF since 2017. Ms. Hoffmann is a SVP and CRA Officer for Bank of the West, covering 19 states and more than 100 assessment areas! She is a long time community development industry expert and most known for her work at the Federal Reserve Bank of San Francisco. For almost 20 years, Joy led the Fed's work in community and economic development, financial education, and economic education. She also had responsibility for media and congressional affairs directly under current Fed Chair Yellen. She has traveled to countries in Asia, Africa, and throughout Europe to share the U.S. experience with CRA, HMDA, and

the evolution of a sophisticated community development industry. Ms. Hoffman holds a Bachelor's Degree in Political Science and Government from the University of California, Davis.

**Bryan Ignozzi**, 47, has served as a director of NCCLF since 2015. Mr. Ignozzi is a Partner with PriceWaterhouseCoopers (PwC) in the San Francisco office. He leads the US Lending Practice focusing on strategy, operations and technology. Mr. Ignozzi focuses on leading consulting teams for mortgage, commercial, student, consumer and automotive lending and leasing institutions. Mr. Ignozzi holds a Master's Degree in Engineering with a focus in Technology Management from University of Pennsylvania - Wharton and Engineering Schools; a Bachelor's Degree in Economics from Allegheny College; and a MBA with a concentration in Marketing from Rollins College.

**Andy Madeira**, 56, has served as a director of NCCLF since 2010. Mr. Madeira has an extensive background in affordable housing development, project financing and underwriting. Mr. Madeira is currently the Senior Vice President of Real Estate Development at Eden Housing. Mr. Madeira was previously Senior Banker for J.P. Morgan Chase Community Development Banking. Mr. Madeira served as Vice President, Real Estate Development for Citizens Housing Corporation, Director of Real Estate Development at BRIDGE Housing Corporation, and Community Development Manager and Underwriter at Fannie Mae's American Communities Fund. Prior to his work in affordable housing, Mr. Madeira practiced law at nonprofit organizations in California and Philadelphia. Mr. Madeira holds a Bachelor's Degree in Economics with Honors from the University of California at Santa Cruz and a Juris Doctor Degree from Boston University School of Law.

**Ilana Schatz**, 66, has served as a director of NCCLF since 2010. Ms. Schatz brings over 25 years of community program development experience to the NCCLF Board. Ms. Schatz served for 10 years as the founding director of the Volunteer Action Center, where she implemented a community investing program in the East Bay Jewish community. Prior to that, Ms. Schatz founded the Poverty Action Alliance, which focuses on economic justice issues in the Bay Area -- poverty, homelessness, and welfare reform. Ms. Schatz's current project is launching Fair Trade Judaica, a nonprofit organization linking fair trade principles and Jewish social justice values. Ms. Schatz holds a Bachelor's Degree and Master of Public Health Degree. from the University of California at Berkeley.

**Jim Snyder**, 71, has served as a director of NCCLF since 2015 and serves as our Treasurer. Mr. Snyder has extensive experience in banking/financial management, technology, management consulting, and strategy development. Mr. Snyder's career has spanned management positions at technology start-ups, Grant Thornton, the Federal Home Loan Bank of San Francisco, and the U.S. Treasury Department. Mr. Snyder served for ten years on the board of the Oakland based Health and Human Resource Education Center which is committed to improving the overall health and quality of life of Bay Area residents. Mr. Snyder holds a Bachelor's Degree from Lawrence College and a Master of Business Administration Degree from the Wharton School of the University of Pennsylvania.

#### **NCCLF President**

**Mary A. Rogier**, 63, joined NCCLF as President in October 1998, after serving in a management position at the Low Income Housing Fund in San Francisco since mid-1994. As Program Manager, Operations for the Low Income Housing Fund, Ms. Rogier directed the program and administrative operations of this \$32 million national community development financial institution with a \$2.2 million operating budget, lending capital of nearly \$40 million, 30 staff and three offices. Prior to this position, Ms. Rogier served as Director of Housing Development for the Massachusetts State Department of Mental Retardation from 1991 through 1994, where she developed and managed an innovative program that created community-based homes for people with severe physical and mental disabilities. Ms. Rogier serves on J.P. Morgan Chase & Company's Community Advisory Board and Comerica Bank's State Advisory Council. Ms. Rogier holds a Bachelor's Degree. from Brown University and a Master's Degree in Public Policy from the Kennedy School of Government at Harvard University.

#### **Advisory Members of NCCLF Committees**

Advisory Members serve as members of certain NCCLF committees. Current and potential conflicts of interest are described below.

**Ari Beliak** is a Vice President of Community Development Banking at Bank of America Merrill Lynch. Mr. Beliak serves on the Loan Committee.

**Jill Storey** is a writer and a consultant on economic and business development. She and her affiliates may provide technical assistance to certain of our applicants and borrowers. Ms. Storey is a former director of NCCLF and serves on the Loan Committee and Food Advisory Committee.

**David C. Elsaesser** is Second Vice President – Private Banking at Northern Trust. Mr. Elsaesser serves on the Loan Committee.

**Peter Stern** is Development Director at the Center for Energy Efficiency and Renewable Technologies (CEERT). Mr. Stern serves on the Development Committee.

**Sandy Weil** is President of 2GW, Inc. Ms. Weil serves on the Development Committee.

**Regina Brown** is a Consultant in private practice with Illume Ideas. Ms. Brown serves on the Development Committee.

### Central Valley Advisory Committee

The following individuals comprise our Central Valley Advisory Committee. These professionals bring a unique and informed perspective to issues that affect the Central Valley and its citizens, and they provide valuable insights with regard to strategies, partnerships, etc. which, in turn, allows NCCLF to assist the underserved communities in this portion of the service territory.

<b>Tim Rios</b> Senior Vice President Community Development Manager Socially Responsible Group	<b>John Chan</b> Vice President BBVA Compass
<b>Dennis Woods</b> President United Security Bank	<b>Arthur Dyson</b> Architect, AIA, IAA
<b>Salam Nalia</b> Chief Financial Officer Fresno Economic Opportunities Commission	<b>Debbie Raven</b> Executive Director Small Valley Business Corp.
<b>Tom Collishaw</b> Vice President, Director of Development Self-Help Enterprises	<b>Dan O’Connell</b> Co-Director Food Commons Fresno
<b>Lilia Chavez</b> Executive Director Fresno Arts Council	<b>Caroline Farrell</b> Executive Director Race, Poverty & The Environment
<b>Luis Medina</b> Development Director Central California Legal Services, Inc.	

### Food Advisory Committee

The following individuals comprise our Food Advisory Committee. These professionals bring a breadth of experience in food systems and small business development that NCCLF relies on. This committee meets periodically to review the progress of healthy food loans.

<b>Daniel Wallace</b> Loan Officer Food and Agriculture	<b>Ilana Schatz</b> Founding Director, Fair Trade Judaica NCCLF Board Member
<b>Jim Snyder</b> Financial and Strategic Management Professional NCCLF Board Member	<b>Shakirah Simley</b> Co-Founder, Nourish Resist, 2017 Fellow
<b>Rick Larsen</b> Senior Vice President & Director of Strategic Initiatives Natural Capital Investment Fund	<b>Jill Storey</b> Small Business Consultant NCCLF Loan Committee Member

## CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain material U.S. federal income tax considerations generally expected to be applicable to the purchase and ownership of our promissory notes. This summary is based on the Internal Revenue Code of 1986, as amended (the “IRC”), Treasury regulations issued under the IRC, judicial decisions, and administrative rulings now in effect, all of which are subject to change or to different interpretation. Any such change, which may or may not be retroactive, may alter the tax considerations described below. The discussion below does not purport to address U.S. federal income tax considerations applicable to particular categories of investors, some of which may be subject to special rules (e.g., banks, insurance companies, mutual funds, financial institutions, tax-exempt organizations and Foreign Persons). For purposes of this discussion “Foreign Persons” means persons who cannot deliver an IRS W-9. This discussion also does not address (i) any U.S. federal non-income tax considerations applicable to the purchase and ownership of our promissory notes, including any estate, gift or other tax considerations, (ii) any state, local or non-U.S. tax considerations applicable to the purchase and ownership of our promissory notes, or (iii) the Medicare contribution tax on net investment income or the alternative minimum tax. Nothing in this Prospectus should be construed as legal or tax advice to an investor. We will not obtain a ruling from the Internal Revenue Service (the “IRS”) on the U.S. federal income tax considerations described herein nor have we obtained any opinions of counsel with respect to any tax matters. Accordingly, the discussion below neither binds the IRS nor precludes it from adopting a contrary position.

**INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL AND ANY OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF NOTES, AS WELL AS THE APPLICATION AND AVAILABILITY OF ANY EXCEPTIONS, INCLUDING THOSE MENTIONED BELOW.**

### **Purchase of a Promissory Note**

The purchase of a promissory note is an investment, not a donation to a charitable organization. No amount paid for the purchase of a promissory note will be deductible for U.S. federal income tax purposes.

### **Ownership of a Promissory Note**

Pursuant to the IRC, holders of a debt instrument will have to include in income all amounts treated as interest. Under certain circumstances, such amounts will include not only amounts characterized as interest under the terms of the debt instrument (“Stated Interest”), but also other amounts that the IRC deems to be interest (“Imputed Interest”).

***Taxation of Stated Interest:*** Any Stated Interest paid on a promissory note will be ordinary income to the holder for U.S. federal income tax purposes, and will be subject to U.S. federal income tax unless the holder is exempt from U.S. federal income taxation on interest.

***Imputed Interest Considerations:*** Promissory notes that bear interest at “below market” rates may fall within the Imputed Interest provisions of Section 7872 of the IRC, which, in some cases imputes interest income to investors in an amount equal to the difference between the interest actually paid and interest that would be paid if the interest rate were equal to the “applicable federal rate,” as determined under the IRC, in effect for the month which includes the date the promissory note was purchased. If an investor loans to NCCLF (or to NCCLF and to organizations controlled by the same person or persons who control NCCLF) an amount during a taxable year that, in the aggregate, exceeds \$250,000 and the loan carries a “below market” rate of interest, the investor will be treated as receiving Imputed Interest income (if no other exemption from the Imputed Interest provisions of Section 7872 of the IRC applies) and making a corresponding charitable contribution, which will be subject to the limitations in the IRC applicable to charitable contribution deductions. It is possible that some or all of the Imputed Interest income could be offset by a charitable deduction.

The IRS has issued temporary regulations interpreting these provisions to the effect that certain loans, including these loans, carrying “below market” interest rates will be exempt from the Imputed Interest provisions of Section 7872 of the IRC. Even if our promissory notes carry a “below market” interest rate, a holder of a promissory note will not be required to accrue Imputed Interest pursuant to the provisions of Section 7872 of the IRC, if the holder meets the requirements of one or more of the exemptions described in the temporary regulations.

For example, one such exemption applies to gift loans made to a charitable organization that is described in Section 170(c) of the IRC if, at no time during the taxable year, the aggregate outstanding amount of loans by the lender to the organization (or organizations that are effectively controlled by the same person or persons) exceeds \$250,000. NCCLF has received a determination from the IRS that it is an organization exempt from U.S. federal income tax under Section 501(c)(3) of the IRC and a determination that it is a publicly-supported organization under Section 170(b)(1)(A)(vi) of the IRC. Such organizations are described in Section 170(c) of the IRC. Therefore under this exemption, Loans made to a charitable organization (described in Section 170(c) of the Code) such as NCCLF which carry a “below market” rate of interest will not be subject to the Imputed Interest provisions of Section 7872 of the IRC if the foregone interest is in the nature of a gift and if the amount of the loan, together with all other loans made by that investor to NCCLF (or to organizations controlled by the same person or persons who control NCCLF), does not exceed \$250,000. The investor would not be entitled to a charitable deduction on account of any foregone interest that is exempt from the Imputed Interest provisions of Section 7872 of the IRC. Under proposed regulations issued on August 20, 1985, the aggregate amount of all loans to all charitable organizations carrying below market interest by a holder cannot exceed \$10,000; this proposed regulation has not been adopted to date, however, and the temporary regulations which have been adopted and reaffirmed by amendment after the proposed regulation was published specify the \$250,000 limit noted above.

Another exemption in the temporary regulations that may be applicable to “below market” loans to NCCLF is for loans, the interest arrangements of which the taxpayer is able to show have no significant effect on any U.S. federal income tax liability of the lender or the borrower. NCCLF believes that the interest arrangements on below market loans to NCCLF have no significant effect on NCCLF’s U.S. federal income tax liability. Whether the interest arrangements of a loan will be considered to have a significant effect on any federal tax liability of the borrower will be determined according to all of the facts and circumstances.

If a holder of a promissory note meets the requirements of either of the exemptions discussed above, or of any other exemption from the Imputed Interest provisions of Section 7872 of the IRC, it will not have any Imputed Interest by reason of Section 7872 of the IRC. However, none of the exemptions provided in the temporary regulations are available if the principal purpose of the loan is the avoidance of U.S. federal income tax. Investors should consult their own tax advisors regarding the applicability of any exemption from the Imputed Interest provisions of Section 7872 of the IRC, and the availability of a charitable contribution deduction.

If a promissory note is a qualified investment in accordance with the California Organized Investment Network program developed and maintained by the California Department of Insurance, then the holder of such promissory note may qualify for certain tax credits not described herein, subject to availability. **Investors should consult their own tax advisors in determining their eligibility for, and how to apply for and obtain any tax credits under the California Organized Investment Network program.**

### **Backup Withholding and Information Reporting**

Under the backup withholding rules of the IRC, a holder of a debt security may be subject to information reporting and backup withholding for U.S. federal income tax purposes with respect to payments of interest (including Imputed Interest). Exemption from backup withholding is available if the holder provides the payer with a properly completed IRS Form W-9 certifying under penalty of perjury as to the holder’s correct taxpayer identification number and exemption from backup withholding or otherwise establishes a basis for exemption from backup withholding. Holders of debt instruments who fail to provide their correct taxpayer identification numbers may be subject to penalties imposed by the IRS and will be subject to backup withholding at the applicable rate (currently 24%) for U.S. federal income tax purposes on payments of interest. Holders of our promissory notes should consult their tax advisors as to their qualifications for exemption from backup withholding and the procedure for obtaining such an exemption. In the event any amount is withheld as a result of backup withholding requirements, the affected investor should consult such investor’s own tax advisor regarding whether and how any refund, credit or other tax benefit might be recognized with respect to the amounts so withheld.

NCCLF includes imputed interest in the amount of interest reported on the Form 1099 it sends to investors who during the taxable year loaned to NCCLF amounts in the aggregate exceeding \$250,000; however, such investors may qualify for another exemption from the imputed interest rules and therefore may not be required to include the

Imputed Interest amount in income. Investors should consult their own tax advisors regarding how to reconcile Imputed Interest amounts reported on a Form 1099 with such exemption on their tax return.

**THE FOREGOING DISCUSSION IS NOT INTENDED TO BE A COMPLETE DESCRIPTION OR ANALYSIS OF ALL POTENTIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS APPLICABLE TO THE PURCHASE AND OWNERSHIP OF OUR PROMISSORY NOTES. IN ADDITION, THIS DISCUSSION DOES NOT ADDRESS TAX CONSIDERATIONS WHICH MAY VARY WITH, OR ARE CONTINGENT ON, AN INVESTOR'S INDIVIDUAL CIRCUMSTANCES OR TO CERTAIN TYPES OF INVESTORS MENTIONED ABOVE. THE DISCUSSION DOES NOT ADDRESS ANY NON-INCOME TAX OR ANY NON-U.S., STATE OR LOCAL TAX CONSIDERATIONS APPLICABLE TO THE PURCHASE AND OWNERSHIP OF OUR PROMISSORY NOTES. EACH INVESTOR IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATE FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE RELIED UPON BY SUCH INVESTOR FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH INVESTOR UNDER THE IRC; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE MARKETING AND PROMOTION OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM THEIR OWN, INDEPENDENT TAX ADVISORS TO DETERMINE THE FEDERAL, STATE, LOCAL, NON-U.S. AND ANY OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF OUR PROMISSORY NOTES, AS WELL AS THE APPLICATION AND AVAILABILITY OF ANY EXCEPTIONS OR EXEMPTIONS.**

## **REGULATORY MATTERS**

We have obtained a license under California's Commercial Finance Lender's License Law, and are subject to regulation by the Department of Business Oversight of the State of California (the "DBO"). There are some substantive restrictions on loans made under the authority of this license.

As a licensee, we are required to pay our pro rata share of all costs and expenses reasonably incurred in the administration of the Commercial Finance Lender's Law, based on the proportion which our gross income bears to the aggregate gross income of all licensees. The minimum annual assessment is \$2,500. We must also file an annual report with the DBO.

Violations of the Commercial Finance Lender's Law may give rise to an order to cease violation from the Commissioner, an action by the Attorney General at the request of the Commissioner to enjoin the violation, and prosecution for a misdemeanor offense.

As noted in the "Operations of NCCLF-- Participation in the New Markets Tax Credit Program" subsection beginning on page 21, we use NMTCs awarded to us by the CDFI Fund to raise funds to make loans or investments pursuant to that program and not our broader Loan Program. In order to obtain these NMTC awards we entered into an agreement with the CDFI Fund under which we agree that the loans and investments funded by NMTC must meet certain conditions. We, and any subsidiary we use in this respect, must provide annual reports to the CDFI Fund for the purpose of keeping it apprised of our NMTC activities and to help ensure and certify our compliance with NMTC program requirements.

## **PENDING LEGAL PROCEEDINGS**

As of this date, NCCLF is not involved in any pending legal proceedings.

## **ACCOUNTING MATTERS**

We retained Hood & Strong LLP as our independent certified public accountant to audit our 2017 and 2018 financial statements.

## **ADDITIONAL INFORMATION**

We have filed a permit application relating to this offering of promissory notes with the California Department of Business Oversight. The application contains additional information and exhibits that are only summarized or referred to in this prospectus. These additional materials are available for inspection at the office of the Department of Business Oversight, 45 Fremont Street, Suite 1700, San Francisco, California 94105-2219, or at NCCLF's offices at 870 Market Street, Suite 677, San Francisco, California 94102, during regular business hours.

We will provide our audited financial statements to investors within 120 days of completion of the fiscal year.

## SECTION 260.141.11 OF THE COMMISSIONER'S RULES

As required by the Department of Business Oversight, we are attaching Section 260.141.11 of the Commissioner's Rules:

### **Restriction on Transfer**

(a) The issuer of any security upon which a restriction on transfer has been imposed pursuant to Section 260.141.10 or 260.534 shall cause a copy of this section to be delivered to each issuee or transferee of such security at the time the certificate evidencing the security is delivered to the issuee or transferee.

(b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of these rules), except:

- (1) to the issuer;
- (2) pursuant to the order or process of any court;
- (3) to any person described in Subdivision (i) of Section 25102 of the Code or Section 260.105.14 of these rules;
- (4) to the transferor's ancestors, descendants or spouse, or any custodian or trustee for the account of the transferor or the transferor's ancestors, descendants, or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferee's ancestors, descendants or spouse;
- (5) to holders of securities of the same class of the same issuer;
- (6) by way of gift or donation inter vivos or on death;
- (7) by or through a broker-dealer licensed under the Code (either acting as such or as a finder) to a resident of a foreign state, territory or country who is neither domiciled in this state to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities law of the foreign state, territory or country concerned;
- (8) to a broker-dealer licensed under the Code in a principal transaction, or as an underwriter or member of an underwriting syndicate or selling group;
- (9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioner's written consent is obtained or under this rule not required;
- (10) by way of a sale qualified under Sections 25111, 25112, 25113, or 25121 of the Code, of the securities to be transferred, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;
- (11) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;
- (12) by way of an exchange qualified under Section 25111, 25112 or 25113 of the Code, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;
- (13) between residents of foreign states, territories or countries who are neither domiciled nor actually present in this state;
- (14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state;

(15) by the State Controller pursuant to the Unclaimed Property Law or by the administrator of the unclaimed property law of another state if, in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;

(16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities; or

(17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision (f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.

(c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

**“IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER’S RULES.”**

**SEPARATE, ENCLOSED APPENDIX AND EXHIBITS:**

Appendix 1	Financial Statements and Independent Auditor's Report
Exhibit A	Investor Questionnaire
Exhibit B	Form of Loan and Subscription Agreement
Exhibit C	Form of Promissory Note
Exhibit D	Loan Portfolio
Exhibit E	Map of NCCLF Service Region