Partner Community Capital™
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OFFERING MEMORANDUM

June 15, 2023

Community Impact Notes	
Total Aggregate Offering	$20,000,000 in aggregate principal amount of Notes issued and outstanding
Term/Maturity	1 year, 2 years, 3 years, 5 years, 7 years, or 10 years
Interest Rate	0.00% to 3.50%, depending on term*
Minimum Investment	$25,000**

**Interest rates change from time to time and are set forth on a separate Interest Rate Sheet.*
***Minimum investment requirement may be changed in the future.*

Partner Community Capital™ ("**PCAP**") is offering up to $20,000,000 in unsecured promissory term notes, also referred to as PCAP Community Impact Notes ("**Notes**") to "accredited investors" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (this "**Offering**"). PCAP may increase or decrease the size of the Offering in its sole discretion. The minimum investment amount for each new investor is $25,000, and Notes may be purchased in integral multiples of $5,000 in excess thereof. As long as an investor holds Notes with an aggregate principal amount of at least $25,000, that investor may purchase additional Notes in any integral multiple of $5,000, at then-current interest rates. The issuance of the Notes is not contingent upon receiving any minimum aggregate number or dollar amount of commitments from investors. As of the date of this Offering Memorandum, the aggregate principal amount of all issued and outstanding Notes is $5,535,000, and an aggregate principal amount of $14,465,000 of Notes remains available for purchase.

PCAP is a certified Community Development Financial Institution (CDFI) organized as a Maryland nonstock corporation and has received a determination letter from the U.S. Internal Revenue Service granting it tax-exempt status as a charitable non-profit organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**").

A summary of the terms of the Notes is set forth in the accompanying Description of Notes and includes the Notes' term/maturity, minimum investment, options at maturity, and prepayment terms, among other items. PCAP may determine to offer Notes with different or varying terms, and in such case will issue a revised or additional Description of Notes.

The Notes are PCAP's general unsecured and unsubordinated obligations and rank equally in right of payment with all of PCAP's other existing and future unsecured and unsubordinated obligations. The Notes will be effectively subordinated to any of PCAP's existing or future secured debt to the extent of the value of the assets securing such debt.

PCAP intends to use the proceeds from this Offering to make loans to start-up, early-stage, and growth-stage small businesses and vital community service infrastructure located predominantly in economically distressed and under-resourced communities that are unable to access traditional sources of capital. PCAP may also use proceeds for the repayment or refinancing of debt.

As a CDFI, PCAP lends to under-resourced small businesses and entrepreneurs that create jobs in economically distressed communities. PCAP specializes in providing access to capital to small businesses or non-profits that provide environmentally beneficial services, are natural resource-based, or provide vital human services necessary for the maintenance of resilient rural and urban communities. PCAP also provides strategic advisory services to its borrowers and to prospective borrowers, either through its lending staff, through contracted third parties, or as part of its Strategic Initiatives. PCAP's Strategic Initiatives use targeted funds and partnerships with industry and community partners to devote additional resources to particular sectors or constituencies within PCAP's mission. See "Use of Proceeds" beginning at page 16 for more information.

Interest rates currently offered on new issuances of Notes are as set forth on the accompanying Interest Rate Sheet, which may be amended from time to time by PCAP. Interest rates for Notes are fixed for the term of the Note, although an investor's election to reinvest the principal upon maturity will result in a new Note being issued at then-current rates.

Interest begins to accrue upon PCAP's successful receipt of the investor's funds and the issuance of the Note by PCAP. Investors may make payments in U.S. dollars by certified check, cashier's check, or wire transfer of immediately available funds. Applications will be accepted via U.S. mail to PCAP, by email to PCAP's President and Chief Executive Officer, or by any other means PCAP determines to be acceptable. The form of Application to Purchase Note and Investor Questionnaire accompanies this Offering Memorandum.

The expenses of this Offering, which PCAP expects to be less than 1% of the total offering amount, will be paid from PCAP's operating capital and not from the proceeds of this Offering. This Offering is not underwritten, and no commissions will be paid for the sale of the Notes. As a result, PCAP will receive 100% of the proceeds from this Offering.

THIS OFFERING IS SUBJECT TO CERTAIN RISKS, WHICH ARE DESCRIBED BEGINNING AT PAGE 9. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER SUCH RISKS BEFORE MAKING A DECISION REGARDING AN INVESTMENT IN THE NOTES.

The Offering will be made in reliance upon exemptions from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "**Securities Act**"), and Rule 506(c) of Regulation D promulgated thereunder.

The Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not determined the accuracy, adequacy, truthfulness, or completeness of this document and have not passed upon the merit or value of the Notes, or approved, disapproved or endorsed the Offering. Any representation to the contrary is a criminal offense.

In order for you to purchase any Notes, you must be an "**accredited investor**," as defined in Rule 501(a) of Regulation D under the Securities Act. You must acquire the Notes for your own account for investment purposes only, without a view to distribution or resale. You must have no contract, undertaking, agreement or arrangement to sell, pledge, assign or otherwise transfer or dispose of any of the Notes to any other person.

In making an investment decision, investors must rely on their own examination of PCAP and the terms of the Offering, including the disclosure, merits, and risks involved.

The Notes are not insured by the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation or any other state or federally regulated institution. The Notes are also not certificates of deposit or deposit accounts with a bank, savings and loan association, credit union or other financial institution regulated by federal or state authorities. The payment of principal and interest to an investor in the Notes is dependent upon PCAP's financial condition, which is in turn dependent upon repayment of principal and payment of interest by its borrowers. A purchase of the Notes is subject to investment risks, including possible loss of the entire principal amount invested.

No person has been authorized to give any information or to make any representation in connection with this Offering other than those contained in this Offering Memorandum, and if given or made, such information or representation must not be relied on as having been made by PCAP or any of its employees or agents.

Investors are encouraged to consider the concept of investment diversification when determining the amount of Notes that would be appropriate for them in relation to their overall investment portfolio and/or financial needs.

The date of this Offering Memorandum is June 15, 2023. PCAP has not set a date for termination of this Offering.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements that are subject to risks and uncertainties. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward looking statements by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will," "would," or other comparable terminology. The forward-looking statements are based on PCAP's beliefs, assumptions and expectations, taking into account information available to PCAP. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to PCAP or are within PCAP's control. Consequently, actual results, performance, achievements or events may vary materially from those expressed in PCAP's forward-looking statements. PCAP does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements. Potential investors should carefully consider these risks, along with the risks and information set forth elsewhere in this Offering Memorandum, before making an investment decision with respect to the Notes.

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OFFERING SUMMARY

Issuer	Partner Community Capital, Inc. a Maryland nonstock corporation and 501(c)(3) non-profit organization. (See "Partner Community Capital™" on page 7.)
Securities Offered	PCAP Community Impact Notes. (See Appendix D, Description of Notes and Form of Unsecured Promissory Note.) Interest rates are fixed at the time of issue and range from 0.00% to 3.50%. (See Appendix E, Interest Rate Sheet.) Terms are fixed for one, two, three, five, seven or ten years.
Offering Size	Up to $20,000,000 in aggregate principal amount of Notes issued and outstanding. As of the date of this Offering Memorandum, the aggregate principal amount of all issued and outstanding Notes is $5,535,000, which means $14,465,000 of Notes remain available for purchase.
Investment Amount	Notes are available in $5,000 increments, with a minimum investment of $25,000 by each noteholder.
Security	Notes are unsecured general obligations of PCAP. No specific assets or revenues are pledged by PCAP for the payment of Note obligations when due, and no reserve fund is established for the Notes.
Who May Invest	Accredited investors, as defined in Rule 501(a) of Regulation D promulgated under the Securities Act. In accordance with applicable securities regulations, all investors must submit financial information that allows PCAP to verify the investor's status as meeting the definition above. (See Appendix C, Application to Purchase Note and Investor Questionnaire.)
How to Invest	Prospective noteholders must execute an Application to Purchase Note and Investor Questionnaire, in the forms accompanying this Offering Memorandum. (See Appendix C.) If an Application to Purchase Note is accepted, PCAP will execute and deliver a Note. (See Appendix D.) PCAP may reject any offer to purchase a Note in its sole discretion. Payment may be made by certified check, cashier's check, or wire transfer of immediately available funds. Applications will be accepted via U.S. mail to PCAP, by email to PCAP's President and Chief Executive Officer, or by any other means PCAP determines to be acceptable. (See "Method of Offering" on page 17.)
Use of Proceeds	PCAP intends to use the proceeds from this Offering to make loans to start-up, early-stage, and growth-stage small businesses and vital community service infrastructure (health care, childcare, education) located predominantly in economically distressed communities that are unable to access traditional sources of capital. PCAP also provides strategic advisory services to its borrowers and to prospective borrowers, either through its lending staff, through contracted third parties, or as part of its Strategic Initiatives. PCAP's Strategic Initiatives use targeted funds and partnerships with industry and community partners to devote additional resources to particular sectors or constituencies within PCAP's mission. PCAP may also use proceeds for the repayment or refinancing of debt. (See "Use of Proceeds" on page 16.)
Restrictions on Transfer	Investors may not sell or transfer their Notes without PCAP's prior written consent, which may be withheld in PCAP's sole discretion.

SUMMARY OF SELECTED FINANCIAL HIGHLIGHTS OF PCAP

The following table is a summary of selected financial highlights of PCAP on a consolidated basis for the years ended December 31, 2022, 2021, 2020, 2019 and 2018. See Appendix A of this Offering Memorandum for more detailed audited financial information as of and for the years ended December 31, 2022 (the "**Audited Financial Statements**"). See Appendix B of this Offering Memorandum for unaudited interim financial information.

	2022	2021	2020	2019	2018
Cash and cash equivalents	$ 13,885,195	$ 16,715,441	$ 9,690,049	$ 8,744,923	$ 10,664,659
Restricted cash	$ 2,938,132	$ 3,241,291	$ 2,630,987	$ 2,508,103	$ 1,577,011
Net loans receivable*	$ 59,745,295	$ 50,135,529	$ 45,080,829	$ 38,084,108	$ 33,166,192
Unsecured loans receivable**	$ 29,675	$ 97,769	$ 50,125	$ 169,298	$ 154,795
Total Assets	$ 78,991,667	$ 71,837,020	$ 59,301,893	$ 50,438,308	$ 46,291,093
Total Liabilities	$ 52,875,446	$ 47,831,401	$ 40,007,757	$ 34,199,228	$ 30,011,401
Total Net Assets	$ 26,116,221	$ 24,005,619	$ 19,294,136	$ 16,239,080	$ 16,279,692

*Loans are presented on a net basis: the figures above reflect adjustment for (i) PCAP's allowance for credit losses, which totaled $(1,705,918), $(1,776,381), $(2,824,132), $(2,392,565), and $(2,188,822), as of December 31, 2022, 2021, 2020, 2019 and 2018, respectively; (ii) deferred loan origination costs of $126,913, $143,975, and $207,552 as of December 31, 2022, 2021, and 2020, respectively; and (iii) sales of loans receivable in the amount of $2,251,186 and $1,093,897 for the years ended December 31, 2022 and 2021, respectively. For additional information about PCAP's allowance for credit losses and deferred origination costs and fees, see Notes 1 and 6 to the Audited Financial Statements.

**Net of allowance for credit losses of $(73,675), $(62,866), $(2,259), $(8,910), and $(8,147), as of December 31, 2022, 2021, 2020, 2019 and 2018, respectively, as well as deferred loan origination costs of $4,113, $4,693 and $7,212 as of December 31, 2022, 2021, and 2020, respectively. For additional information about PCAP's allowance for credit losses and deferred origination costs and fees, see Notes 1 and 6 to the Audited Financial Statements.

PARTNER COMMUNITY CAPITAL™

Overview

Partner Community Capital™ ("**PCAP**") lends and delivers strategic advisory services to businesses and non-profit organizations located in under-resourced rural and urban communities in Central Appalachia and the Southeast U.S.

PCAP was formed on October 2, 2001 as a Maryland nonstock corporation and is organized and operated for tax-exempt purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("**Code**").

PCAP is certified by the U.S. Department of Treasury as a Community Development Financial Institution ("**CDFI**"). Certified CDFIs are qualified to apply for technical assistance and financial assistance awards, as well as training provided by the U.S. Department of the Treasury's CDFI Fund through its Capacity Building Initiative. PCAP is also a participating lender in several federally subsidized programs, including the U.S. Department of Agriculture's Intermediary Relending Program, the Rural Microentrepreneur Assistance Program, and Business and Industry Loan Guarantees, as well an authorized lender of U.S. Small Business Administration loans under the Community Advantage program and loans under the Paycheck Protection Program.

Additional information about PCAP is available via its website at partnercap.org. Information included on PCAP's website is not a part of, nor is it incorporated by reference into, this Offering Memorandum.

Vision and Mission

PCAP believes that environmentally and socially responsible small business development is crucial to helping coal-impacted and other single-industry dependent communities in Appalachia and the Southeast transition to more diversified, resilient and sustainable economies. PCAP's goal is to foster small business-based, diversified economies. Accordingly, it specializes in providing access to capital to small businesses or non-profits that create wealth through local ownership; nurture healthier communities by supporting families with vital services; and ensure good stewardship of the regions' natural, historical and cultural resources.

PCAP's role as a CDFI is to marshal and deliver the resources that small businesses and first-time entrepreneurs need to succeed. Helping entrepreneurs flourish is the first phase of a longer-term strategy to diversify the regions' economies. Building an effective entrepreneurial "ecosystem" is necessary to help existing businesses and startups succeed; success will bring additional capital and support resources to the region. Supporting founders who are part of communities traditionally overlooked by commercial lenders, venture funds and angel investors is a priority.

PCAP believes that businesses need both smart capital and smart help to succeed, so it frequently provides strategic advisory services to its borrowers or to prospective borrowers, through its staff, contracted third-party experts, or via its Strategic Initiatives. PCAP's Strategic Initiatives use loan capital, strategic advisory services, and partnerships with industry and community partners to deliver additional resources to regions or constituencies within PCAP's mission. PCAP also hosts the West Virginia Women's Business Center, funded in part by the U.S. Small Business Administration, which offers women entrepreneurs support in the form of training, consulting and mentorship.

PCAP employs a holistic approach—through business support, field-building and policy activities—to address the interconnected issues of poverty alleviation, economic development and environmental sustainability. PCAP's long-term vision is that well-supported home-grown talent can take the lead in growing businesses across a diverse range of sectors, with the potential to replace the resource extraction and low wage manufacturing industries that have dominated the Southeast's and Appalachia's economies for generations.

Capital Sources

PCAP has a diverse array of capital sources, including funds received from the issuance of notes payable, loans and other borrowings, and funds received from government agencies, financial institutions, corporations, foundations, and civic organizations. For additional information about PCAP's capitalization and borrowings, see "Capitalization" and "Schedule of Borrowings Payable Outstanding" on page 25 of this Offering Memorandum, and Notes 8 and 9 to the Audited Financial Statements.

Revenue Sources

Historically, PCAP's sources of revenue include net interest earnings, loan fees, and contract revenue, as well as grant support from foundations and public sector entities and donations from individuals. During the year ended December 31, 2022, PCAP's financial income (i.e., interest income on loans receivable, fee income on loans, and short-term investment income) covered approximately 79% of the cost of its core lending operations (including making, servicing and refinancing loans, but not including strategic advisory services and special projects). Of PCAP's total revenue of $8,661,679 in 2022, $3,033,835, or approximately 35.0%, came from federal government grants. For more information, see the Audited Financial Statements.

RISK FACTORS

Risk is inherent in all investing, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing you should consider carefully the following risks that you assume when you purchase the Notes. The section below does not describe all of the risks associated with an investment in the Notes. Additional risks and uncertainties may also adversely affect PCAP or the Notes.

Risks Specific to the Notes and this Offering

Notes are Unsecured Obligations of PCAP. The Notes are unsecured obligations of PCAP. You must depend solely upon PCAP's financial condition and operations for principal repayments and interest payments on the Notes. The Notes are not certificates of deposit or deposit accounts with or obligations of, or guaranteed or endorsed by, any bank, savings and loan association, credit union or other financial institution regulated by federal or state authorities. The Notes are not insured by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) or any other state or federally regulated institution. In the event PCAP becomes insolvent and is unable to pay its debts as they become due, all Notes that are issued as part of this Offering will rank equally in priority of repayment among one another and to PCAP's other unsecured debt, except for subordinated debt, which is junior to all unsubordinated Notes.

Loss of Principal. The Notes are subject to investment risks, including possible loss of the entire principal amount invested.

No Sinking Fund or Trust Indenture. PCAP has not established any sinking fund or trust indenture to provide for repayment of the Notes and has no plans to do so in the future. No trustee monitors PCAP's affairs on your behalf, no agreement provides for joint action by investors in the event PCAP defaults on the Notes, and you do not have the other protections a trust indenture would provide. The lack of a sinking fund or trust indenture may adversely affect PCAP's ability to repay the principal and interest on the Notes when due. Therefore, the relative risk level may be higher for the Notes than for other securities with a sinking fund or a trust indenture.

Lack of Market; Transfer Restrictions. The Notes are not transferable without PCAP's consent. In addition, state and federal securities laws impose conditions on transfer of the Notes. Therefore, the nature of this Offering does not afford the opportunity of a public or secondary market for the Notes, and it is highly unlikely that such a market will develop. You should view the purchase of a Note as an investment for its full term and should not expect to be able to liquidate your investment in the Notes prior to the maturity date.

No Right to Redeem Prior to Maturity. PCAP is not legally obligated to redeem your Note prior to its maturity. You should view the purchase of a Note as an investment for its full term.

Fixed Interest Rate. The interest rate for each Note is fixed at the time the Note is made, and will remain fixed until the Note matures. Interest rates offered for the sale of Notes may change at PCAP's discretion. Should commercial rates rise, PCAP is not legally obligated to pay a higher rate or to redeem the principal or allow an early redemption of a Note prior to its maturity.

Rate of Return. Other issuers may offer notes or other debt securities with a higher rate of return and/or that provide greater security and less risk than the Notes. PCAP also may offer other debt securities that provide a higher rate of return and/or greater security and less risk than the Notes.

PCAP Reserves the Right to Prepay Your Note. PCAP reserves the right to prepay the Notes. In the event your Note is called for prepayment, there can be no assurance that you will be able to reinvest your prepayment proceeds in other securities having terms (and associated risks) as favorable as the prepaid Notes, which may result in a decline of income for you. The calling of Notes for prepayment may also have an adverse regulatory and/or tax impact on investors.

No Firm Commitment for This Offering. PCAP is offering the Notes directly and there is no commitment by anyone to invest in the Notes. PCAP cannot give any assurance that all of the Notes will be sold. The sale of Notes is on a best-efforts basis, and the issuance of the Notes is not contingent on any minimum aggregate number or dollar amount of commitments from investors. Because PCAP has already established the appropriate systems and processes to administer this Offering along with its existing Notes, a low sales volume will likely not prompt cancellation of this Offering or cause

PCAP to refund Note purchases to existing noteholders. PCAP cannot give any assurance as to the principal amount of Notes that will be sold and whether the proceeds will be sufficient to accomplish the purposes of this Offering.

Issuance of Senior Secured Indebtedness. PCAP may incur indebtedness secured by a lien on some or all of PCAP's assets, which indebtedness would rank senior to the Notes in right of repayment or in the event of a liquidation, insolvency or bankruptcy event. See the risk factor entitled "Secured Debt" on page 13 below.

Issuance of Additional Notes of Equal Rank. PCAP may issue additional notes under subsequent offerings, without the consent or approval of the owners of any Notes then outstanding. Those additional notes, when issued, may be of equal priority of repayment as the Notes.

Limitations on Subordination of PCAP's Other Debt. The Notes are senior in the right of payment to PCAP's subordinated loans only if the Notes are in default or if there is an event of bankruptcy or other liquidation proceeding against PCAP. Short of these circumstances, investors in the Notes have no ability to block payment to subordinated debt holders, including accelerated payment triggered by a default under any of the subordinated loan documents. A default under any of the subordinated loan documents does not automatically constitute a default pursuant to the terms of the Notes.

Alignment of Maturity Dates. The Notes may be sold with maturities between one (1) and ten (10) years. PCAP is not obligated to limit the amount of debt that may mature in any given period. If a substantial portion of PCAP's repayment obligations under the Notes were to come due in a limited period of time or if the maturities of the Notes are not sufficiently staggered, PCAP's ability to repay Notes that come due during any given period could be adversely impacted.

No Voting or Governance Rights. Under PCAP's bylaws and the terms of the Notes, noteholders have no ability to remove or replace directors or committee members. In addition, noteholders do not have any right to participate in the management or control of PCAP or any right or authority to act for or bind PCAP.

Income Tax Considerations. There is risk that the federal, state, local and foreign income tax results of your ownership of Notes may not be as you expect. Additionally, there is always a risk that changes may be made in the tax laws, which changes could have an adverse effect on your ownership of Notes. See "Tax Matters" on page 30 for more information.

Tax Treatment. The purchase of a Note is an investment. It is not a donation to a charitable organization and is therefore not deductible for tax purposes. Interest paid on the Notes is income to each noteholder, and will be subject to income tax, unless the noteholder is eligible for an exemption from federal income tax with respect to such interest. If an investor elects to have accrued interest treated as a donation to PCAP, the investor may be eligible for a deduction from taxable income based on PCAP's status as a 501(c)(3) organization.

No Independent Legal Counsel. No independent counsel has been retained to represent investors. All investors are encouraged to consult with their legal, financial and tax advisors prior to making an investment in the Notes.

<u>Risks Specific to PCAP</u>

Tight Labor Market. The failure of PCAP or its borrowers to retain and attract qualified personnel in the current labor market and remote and hybrid work models could adversely affect PCAP's business and results of operations. The current U.S. labor shortage has and may continue to impact PCAP's and its borrowers' ability to hire and retain qualified personnel and ultimately to operate effectively. The COVID-19 pandemic accelerated certain changes to the way businesses operate, with some companies allowing employees to work remotely some or all of the time. PCAP has adapted to the shifting model and continues to operate in a hybrid model, but not all of PCAP's borrowers are able to do so. Ultimately, PCAP and its borrowers may not be able to attract, hire or retain qualified personnel to the extent that competing companies offer a more desirable work model.

Construction Loan Risk. PCAP borrowers sometimes use loan proceeds to construct new facilities or renovate existing facilities, which can be riskier than other loans. Approximately 35% of loan originations during 2022 were to finance construction projects. Loans for construction or renovation are exposed to certain risks, including but not limited to stoppages, delays or slowdowns in construction; failure or degradation of utilities or equipment; inability to find, or cost overruns associated with, suitable building materials, equipment or labor; costs associated with environmental and other regulations; the effects of economic slowdowns or legal challenges. The realization of such risks increases the risk that a borrower may not be able to repay its loan as and when due, which could adversely affect our ability to repay the Notes.

Interest Rate Risk. In general, interest rates are subject to significant fluctuations depending upon various economic and market factors over which PCAP has no control, and which could affect PCAP's ability to repay the Notes. Interest rate fluctuations will adversely affect PCAP's financial performance if PCAP is unable to maintain a sufficient spread between the interest rates it pays on the Notes and borrowed funds and the interest rates PCAP receives on its outstanding loans and investments. Rapid changes in interest rates, such as the current rising interest rate environment, raise the risk of adverse effects on PCAP's operating results and financial condition.

Inflation. The United States has recently experienced elevated levels of inflation. Continued levels of inflation could have complex effects on PCAP's results of operations and financial condition, some of which could be materially adverse. For example, inflation-driven increases in non-interest expenses could negatively impact PCAP's results of operations. Continued elevated levels of inflation could also cause increased volatility and uncertainty in the markets we serve, which could adversely affect loan demand and the ability of PCAP's borrowers to repay indebtedness. The duration and severity of the current inflationary period cannot be estimated with precision.

Economic Environment. PCAP's activities and its ability to repay the Notes may be adversely affected by the future economic environment. During economic slowdowns or recessions there is a greater likelihood that more of PCAP's borrowers or counterparties will be unable to repay their obligations at stated terms and maturities and could require PCAP to extend the payment period of borrowers' loans. Additionally, PCAP's borrowers could become delinquent on their loans or other obligations to PCAP, which, in turn, could result in a higher level of charge-offs and provision for loan losses, all of which would adversely affect PCAP's income and ability to repay the Notes. Furthermore, a poor economic environment may also make it more difficult for PCAP to maintain its new loan origination volume and the credit quality of such loans at levels previously attained, which could also result in a higher level of charge-offs and provision for credit losses. For additional information about PCAP's loan portfolio and its allowance for credit losses, see Note 6 to the Audited Financial Statements.

Insufficient Opportunities with Borrowers. PCAP's lending strategy is dependent upon its ability to deploy the proceeds from the Notes into lending opportunities that generate social, economic, and/or environmental impact consistent with PCAP's mission and lending policies and procedures. PCAP may be unable to execute on its strategy if lending opportunities with borrowers are limited or delayed.

Relatively Forgiving Lending Policies and Practices. PCAP provides financing to borrowers whose organizations, businesses, and/or projects support and complement the mission of PCAP. In some situations, PCAP's borrowers may be unable to obtain financing from conventional commercial lenders, and PCAP may make loans to borrowers on terms less stringent than those imposed by commercial lenders. PCAP may make exceptions to its lending policies when a particular borrower's circumstances warrant such deviation, and may, per its Lending Policy, accommodate partial, deferred or late payments, or restructure or refinance outstanding loans in situations where a typical commercial lender may not. The quality and performance of the loans made by PCAP may adversely impact the ability of PCAP to repay the Notes. See "Lending Programs, Policies & Procedures" beginning on page 18 for more information generally, and see "Response to COVID-19 Pandemic" on page 18 for information regarding PCAP's deferral of payments in response to the coronavirus pandemic.

Concentration of Credit. PCAP maintains its cash in various banks. The bank account balances, at times, may exceed the federally insured limit of up to $250,000. As of December 31, 2022 and 2021, PCAP's cash and money market fund balances in excess of federally insured amounts totaled $15,097,396 and $18,372,183, respectively. Although PCAP has not experienced any losses with these accounts, recent bank failures and other developments and events in the banking industry have resulted in decreased confidence in banks among depositors, other counterparties and investors, as well as significant disruption, volatility and reduced valuations of equity and other securities of banks in the capital markets. Any failure of a depository institution to return any of PCAP's deposits, or any other adverse conditions in the financial or credit markets affecting depository institutions, could adversely impact our operating liquidity and financial performance.

Credit Market. PCAP is and will continue to be dependent upon the availability of credit from financing sources in order to conduct its activities and to satisfy its working capital needs. If PCAP is unable to obtain additional financing or if any of its current credit facilities become unavailable on acceptable terms or at all, PCAP may not have access to the funds it requires to pay its debts as they come due or to continue to make new loans, which would limit PCAP's ability to generate income. Similarly, if necessary financing becomes unavailable on acceptable terms, or at all, to PCAP's borrowers and other counterparties, such parties may be unable to repay their loans and satisfy their other obligations to PCAP as they come due, which could adversely affect PCAP's ability to repay the Notes.

Federal, State and Local Laws. PCAP and its operations and assets are subject to regulation, certification and licensing by various federal, state and local government agencies, including regulation related to its designation as a CDFI by the United States Department of the Treasury's CDFI Fund. Such regulations and requirements are subject to change, and there can be no assurances that in the future PCAP will meet any changed regulations and requirements or that PCAP will not be required to expend significant sums to comply with changed regulations and requirements. No assurance can be given as to the effect on PCAP's future operations of existing laws, regulations and requirements for licensing, certification or accreditation, or of any future changes in such laws, regulations and standards, including as a result of changes in the leadership of the federal, state and local governments. A loss of CDFI status by PCAP could result in a loss of access to favorable funding sources and reputational harm, which could impact PCAP's ability to repay the Notes.

Other possible federal or state legislation which could have an adverse effect on PCAP would include, among others: (i) limitations on the amount of charitable contributions which are deductible for income tax purposes; and (ii) regulatory limitations affecting PCAP's ability to undertake its programs or develop new programs. You are urged to consult with your own tax advisor regarding how applicable tax laws affect an investment in the Notes.

Qualification for Government Funded Programs. In order to successfully fund its lending activities, PCAP relies in part on obtaining approval and/or maintaining qualification as an administrator, intermediary or participant under various federally and state-funded programs. See "Lending Programs, Policies & Procedures" beginning on page 18, and Notes 1 and 6 to the Audited Financial Statements. If PCAP loses its status under any of those government-funded programs, PCAP may be unable to make loans on the same terms, in the same volume, or with the same level of risk, thereby adversely affecting PCAP's results of operations. Any changes to such programs, including changes to the level of funds appropriated by the applicable governmental entity to fund such programs, may also have an adverse effect on the success of PCAP's lending activities.

Non-Compliance under Debt Agreements. PCAP has certain debt agreements that contain financial covenants requiring PCAP to maintain minimum leverage, liquidity and certain financial ratios. As of December 31, 2022, PCAP was in compliance with all of its financial covenants. A failure to be in compliance could have a material adverse effect on PCAP by limiting its access to credit and capital markets, driving up its costs of borrowing or triggering defaults and the exercise of remedies by creditors.

Secured Debt. As a condition of certain debt agreements to which PCAP is a party, PCAP has granted to certain of its lenders a lien on, and a security interest in, all of PCAP's rights, title, and interest to specific loans receivable and certain cash reserves. As of December 31, 2022, the aggregate principal balance of secured indebtedness was $3,322,307, or 9.1% of PCAP's total borrowings. If PCAP becomes insolvent, its secured lenders will be entitled to payment before the holders of the Notes and other unsecured creditors to the extent of the value of PCAP's assets that are encumbered. PCAP may borrow undrawn amounts under existing facilities, open new lines of credit, or incur other debt obligations that may be senior to the Notes in terms of collateral or repayment.

Viability of PCAP. A portion of PCAP's assets is restricted and may not be used to make principal or interest payments under the Notes. As of December 31, 2022, PCAP had total assets of $78,991,667 and total net assets of $26,116,221. Total net assets include $15,636,722 of net assets without donor restrictions and $10,479,499 of net assets with donor restrictions that are restricted as to use and are not available for principal or interest payments under the Notes. PCAP's total liabilities as of December 31, 2022 totaled $52,875,446. If PCAP is unsuccessful in obtaining the repayment of loans receivable and/or unsuccessful in obtaining grants and contributions for the payment of operating expenses, PCAP's viability and ability to make principal and interest payments under the Notes may be adversely affected.

Reliance on Grants and Contributions. PCAP relies on grants and contributions for a portion of its revenues. During 2022, federal grant revenue accounted for 35.0% of PCAP's total revenue. These grants and contributions are used to finance PCAP's lending activities, provision of strategic advisory services, special projects and operating expenses. Without these grants and contributions, PCAP would have to find other sources of capital to fund its operations. Historically, PCAP has received significant support for both its operations and capital needs from the public sector, including the U.S. Department of Treasury, U.S. Department of Agriculture, and various other federal, state, and local agencies and philanthropic sources. PCAP's ability to repay the Notes may be adversely affected if the amount of grants and contributions available to PCAP is diminished or if PCAP is not successful at obtaining such grants and contributions. See Notes 1 and 10 to the Audited Financial Statements for more information.

Allowance for Credit Losses. When PCAP originates loans and leases, it incurs credit risk, or the risk of losses if its borrowers do not repay their loans. PCAP provides for credit losses by establishing an allowance for credit losses. The amount of this loan loss allowance is based on PCAP's assessment of potential credit losses inherent in its loans receivable portfolio. This process, which is critical to PCAP's operating results and financial condition, requires difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of PCAP's borrowers to repay their loans. As is the case with any such assessments, there is always the chance that PCAP will fail to identify the proper factors or that it will fail to accurately estimate the impacts of factors that it identifies. If PCAP underestimates the credit losses inherent in its loans receivable portfolio, it will incur credit losses in excess of the amount of its allowance for credit losses, which may adversely affect PCAP's ability to repay the Notes. For more information, see "Lending Programs, Policies & Procedures" beginning on page 18, and Notes 1 and 6 to the Audited Financial Statements.

Loan Concentration. PCAP's loans receivable consist primarily of loans made to small businesses in distressed and underserved communities. At December 31, 2022, PCAP's ten largest borrowers constituted approximately $12,506,000 or 26.6% of total loans outstanding (net of participation interests of approximately $14,370,000), and its top 25 largest borrowers comprised approximately $22,025,000 or 46.8% of total loans outstanding (net of participation interests). In addition, as of December 31, 2022, 72.2% of PCAP's aggregate outstanding principal amount of loans receivable were due from borrowers located within North Carolina, and another 25.9% of its loans were to borrowers in West Virginia. PCAP's ability to repay the Notes may be adversely affected by economic, business and political conditions that uniquely or disproportionately affect such borrowers or North Carolina and West Virginia.

Limits on PCAP's Remedies as a Creditor. PCAP's remedies as a creditor upon default by any of its borrowers will be subject to various laws, regulations and legal principles that provide protections to borrowers. Under existing laws (including, without limitation, the Federal Bankruptcy Code), the remedies specified by PCAP's loan agreements and collateral documents (if any) may not be readily available or may be limited. Furthermore, the laws of a particular jurisdiction may change or make it impractical or impossible to enforce specific covenants in the loan agreements and collateral documents (if any). In addition, PCAP's legal and contractual remedies, including those specified in its loan agreements and collateral documents (if any), typically require judicial actions, which are often subject to discretion and delay. A court may refuse to order the specific performance of the covenants contained in the loan agreements and collateral documents.

Some Loans may be Under-Collateralized. Consistent with PCAP's mission to provide financing to small businesses that generally cannot access traditional bank loans, borrowers may not have sufficient, or any, collateral to fully secure a loan. In the event of a loan default, the collateral securing such loan may not be adequate, and there is no assurance that PCAP could successfully recover an amount equal to the amount of the defaulted loan. A declining market in the relevant collateral could further depress the value of PCAP's loan collateral or delay or limit PCAP's ability to dispose of the loan collateral and increase the possibility of a loss following a foreclosure. Under such circumstances, PCAP may not have the ability to make principal or interest payments under the Notes.

Discretion to Make Loans. An investor will have no control over, and the Notes do not restrict, the types of loans that may be made by PCAP, other than an intention to use the proceeds from this Offering as described under "Use of Proceeds" beginning on page 16. In addition, an investor will not be able to evaluate all of the specific loans and investments to be made by PCAP. PCAP's Board of Directors has authorized specific senior management personnel to approve transactions within specific guidelines set by the Board, with a Board Loan Committee, Agriculture Loan Committee, and the Board approving or disapproving other proposed loans. An investor will not have input into, and the Notes do not restrict, such loan decisions. These factors increase the risk of investing in the Notes. See "Lending Programs, Policies & Procedures" beginning on page 18 for more information.

Borrowers May Prepay Borrowed Funds. A borrower may decide to prepay its borrowed funds. At present, PCAP imposes no prepayment penalty for borrowers who prepay their loans. If borrowers choose to prepay their loans, PCAP may not receive some or all of the interest payments on its loans, which may impair its ability to make principal and interest payments under the Notes.

Reliance on Management. PCAP relies heavily on its management team and other key personnel. There can be no assurance of continuity in PCAP's key personnel, nor does PCAP maintain key person insurance. The loss of any one of them may adversely affect PCAP's operations.

Indemnification Obligations. PCAP is required under its bylaws to indemnify each person who may serve as a director or officer of PCAP. Although unlikely, such indemnification may adversely impact PCAP's operating results and financial condition.

Litigation. PCAP may be involved from time to time in a variety of litigation arising out of its activities. PCAP's insurance may not cover all claims that may be asserted against it, and any claims asserted against PCAP, regardless of merit or eventual outcome, may result in reputational harm or unexpected material expenses. Should the ultimate expenses, judgments or settlements in any litigation exceed PCAP's insurance coverage, they could have a material adverse effect on PCAP's financial condition and results of operations. In addition, PCAP may not be able to obtain appropriate types or levels of insurance in the future, and PCAP may not be able to obtain adequate replacement of its existing insurance policies with acceptable terms, if at all.

Accuracy of Information. In deciding whether to extend credit to borrowers, PCAP relies on information provided to it by its borrowers, including financial statements and other financial information. PCAP also relies on representations of borrowers as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. PCAP's financial condition and results of operations could be negatively impacted to the extent that PCAP extends credit in reliance on financial statements or other information provided by borrowers that is false, misleading or incomplete.

Environmental Liability. PCAP may acquire, through foreclosure, properties securing loans PCAP has originated that are in default. Although environmental due diligence is conducted on the collateral in connection with the lending process, there is a risk that hazardous substances could be discovered on these properties. In this event, PCAP might incur substantial costs associated with removing these substances or in connection with third-party claims seeking damages for environmental contamination emanating from the site. PCAP may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties. If PCAP were to become subject to significant environmental liabilities or costs, PCAP's results of operations and financial condition could be materially and adversely affected.

Reliance on Technology and Cybersecurity. PCAP stores and processes significant records electronically, including records of its loans receivable, Notes payable, investment and loan applications, and other business records. PCAP also relies upon third party vendors for providing hardware, software, services for processing, storing, securing and delivering information, and website services. PCAP's electronic records include confidential noteholder information and proprietary information regarding PCAP's operations. Electronic data processing, storage, and delivery has inherent risks such as the potential for hardware failure, virus or malware infection, input or programming errors, inability to access data when needed, permanent loss of data, and/or unauthorized access to data or theft of data. Global cybersecurity threats and incidents are rapidly evolving and can range from uncoordinated individual attempts to gain unauthorized access to information technology (IT) systems to sophisticated and targeted measures known as advanced persistent threats, directed at PCAP and/or its third-party service providers. While PCAP and its vendors take measures to prevent, detect, address and mitigate these risks (including access controls, employee training, data encryption, vulnerability assessments, continuous monitoring of PCAP's IT networks and systems and maintenance of backup and protective systems), it is possible that these measures will not be completely effective and that there may be other risks that have not been identified because they are different or unknown or that may emerge in the future. If PCAP were to experience large-scale data inaccuracy, inability to access data for an extended time period, permanent loss of data, data breach, failure of its vendors to perform as contracted, or other significant issues regarding data, it could adversely affect all aspects of PCAP's operations. The potential consequences of a material cybersecurity incident include disruption of all aspects of our operations, damage to hardware or software systems, reputational damage, litigation with third parties and increased cybersecurity protection and remediation costs, including payment of ransom demands, which in turn could have a material adverse effect on PCAP, its results of operations and its ability to repay the Notes as and when due.

Securities Law Compliance. This Offering is being made in reliance upon exemptions from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "**Securities Act**"), Rule 506(c) of Regulation D promulgated thereunder, and Section 3(c)(10) of the Investment Company Act. Reliance on these exemptions does not, however, constitute a representation or guarantee that such exemptions are indeed available. PCAP may seek to qualify or register this Offering in certain jurisdictions where PCAP believes such qualification or registration is required.

If for any reason the Offering is deemed not to qualify for exemption from registration under the securities exemptions referred to above (and if no other exemption from registration is available), and the Offering is not registered or qualified with the applicable federal or state authorities, the sale of the Notes will be deemed to have been made in violation of the applicable laws requiring registration. As a remedy for such a violation, penalties and fines may be assessed against PCAP, and noteholders will typically have the right to rescind their purchase and to have their purchase price returned, together with interest at statutorily prescribed rates. If noteholders request the return of their investment, funds may not be available for that purpose and PCAP may be unable to repay all noteholders. Any refunds made would also reduce funds available for PCAP's operations. A significant number of requests for rescission could leave PCAP without funds sufficient to respond to rescission requests or to proceed successfully with PCAP's activities.

Federal and state securities laws are subject to change and frequently do change. Future changes in federal or state securities laws, rules, or regulations regarding the sale of securities by PCAP as contemplated by this Offering, or the policies, practices and procedures under which regulators review registration materials or exemption applications, may make it more costly and difficult for PCAP to offer and adversely affect its ability to sell the Notes. Such an occurrence could result in a decrease in the amount of Notes that PCAP sells, which could adversely affect PCAP's operations and its ability to meet its obligations under the Notes.

Limited Regulatory Oversight. PCAP does not intend to register as an investment company under the Investment Company Act, in reliance upon Section 3(c)(10) of the Investment Company Act. Accordingly, the provisions of the Investment Company Act, which, among other matters, require investment companies to have a majority of disinterested directors, will not apply. In addition, the Notes are being offered under an exemption from federal registration pursuant to Section 4(a)(2) of the Securities Act, Rule 506(c) of Regulation D promulgated thereunder, and Section 3(c)(10) of the Investment Company Act. As such, this Offering Memorandum will not be submitted to or reviewed by the U.S. Securities and Exchange Commission or any state securities regulator.

Change in Operations. PCAP is not obligated to continue offering the Notes or to continue its current operations or existence as a non-profit organization. Any such change in its operations or status could negatively impact its ability to repay the Notes.

Policies and Procedures Subject to Change. At various points in this Offering Memorandum, PCAP describes its policies and procedures, such as its Lending Policy. These descriptions are intended to help investors understand PCAP's current operations. PCAP may, however, deviate from those policies when circumstances warrant and reserves the right to change its policies and procedures at any time.

Effects of Loss of 501(c)(3) Tax-Exempt Status. PCAP is a charitable organization as described in Code Section 501(c)(3) and is exempt from payment of federal income taxes. A loss of such tax-exempt status may adversely affect PCAP, by making donations to it ineligible for a deduction for federal income tax purposes and subjecting PCAP's income to federal income taxes. A loss of federal tax-exempt status may also impact PCAP's state tax exemptions.

USE OF PROCEEDS

PCAP is offering up to $20,000,000 in aggregate principal amount of Notes issued and outstanding to "accredited investors" as defined in Rule 501(a) of Regulation D under the Securities Act. PCAP may increase or decrease the size of this Offering in its sole discretion. The Notes are offered in principal amounts of a minimum of $25,000 and integral multiples of $5,000 in excess thereof and are subject to automatic reinvestment if an investor fails to elect to have the principal amount of such investor's Notes repaid at maturity. The issuance of Notes is not contingent upon receiving a minimum number or dollar amount of commitments from investors. As of the date of this Offering Memorandum, the aggregate principal amount of issued and outstanding Notes is $5,535,000.

PCAP intends to use the proceeds from this Offering to make loans to start-up, early-stage, and growth-stage small businesses located predominantly in economically distressed communities that are unable to access traditional sources of capital. PCAP specializes in lending to businesses that provide environmentally beneficial services, are natural resource-based, or provide vital human services necessary for the maintenance of resilient rural and urban communities.

PCAP's borrowers operate in sectors such as renewable energy and energy efficiency, local food systems, value-added agriculture, vital community services (e.g., childcare, healthcare, education), heritage and recreation-based tourism, environmental services, and small town mainstreet redevelopment and green building. PCAP has also lent to small businesses involved in the production and manufacture of secondary forest products and natural medicines. PCAP's ability to use the proceeds in its target regions and sectors is not guaranteed and is dependent upon the availability of attractive loan opportunities.

PCAP also provides strategic advisory services to its borrowers and to prospective borrowers, either through its lending staff, through contracted third parties, or as part of its Strategic Initiatives. PCAP's Strategic Initiatives use loan capital, strategic advisory services, and partnerships with industry and community partners to deliver additional resources to regions or constituencies within PCAP's mission. For example, PCAP's current Strategic Initiatives support the growth of tourism infrastructure and mainstreet redevelopment in West Virginia communities seeking to transition away from dependence on the coal industry; assist small businesses and farms in deploying solar energy; and help independent agricultural producers expand and diversify their production so they can better serve local food systems.

PCAP may also elect to use proceeds from this Offering for repayment or refinancing of debt, and reserves the right to keep a portion of proceeds in cash reserves, money market accounts, certificates of deposit, treasury bills, and other short-term investments. If revenues from PCAP's loans receivable are less than anticipated, or if repayment on maturity of existing Notes exceed PCAP's historical experience, then it may be necessary to use a portion of the proceeds from this Offering, along with other available funds, to repay the Notes. Proceeds from the sale of Notes may be commingled with the proceeds from loans, grants, and donations to PCAP.

The expenses of this Offering, including attorneys' fees, accountants' fees, and securities exemption, registration or filing fees, will be paid from PCAP's general operating capital and not from the proceeds of this Offering. PCAP expects the aggregate amount of such expenses to be less than 1% of the total offering amount. This Offering is not underwritten, and no commissions will be paid for the sale of the Notes. As a result, PCAP will receive 100% of the proceeds from this Offering.

METHOD OF OFFERING

All sales will be made by certain of PCAP's executive officers, pursuant to broker-dealer, issuer or agent licensing or applicable exemptions, and they receive no commissions, fees or special remuneration in connection with the sale of the Notes.

If you wish to purchase a Note, you must complete an Application to Purchase Note and Investor Questionnaire, in the form attached as Appendix B. If your Application to Purchase Note is accepted, PCAP will return an executed Note to you. See Appendix C for a Form of the Promissory Note. PCAP may reject any offer to purchase a Note in its sole discretion. Payment may be made by certified check, cashier's check, or wire transfer of immediately available funds. Applications will be accepted via U.S. mail to Partner Community Capital™, P.O. Box 839, 106 W. Washington Street, Charles Town, WV 25414, by email to Marten Jenkins, President and Chief Executive Officer of PCAP, at mjenkins@partnercapital.org, or by any other means PCAP determines to be acceptable.

In order for you to purchase any Notes, you must be an "accredited investor," as defined in Rule 501(a) of Regulation D under the Securities Act. You must acquire the Notes for your own account for investment purposes only without a view to public distribution or resale. You must have no contract, undertaking, agreement or arrangement to sell, pledge, assign or otherwise transfer or dispose of any Note or any portion thereof to any other person.

LENDING PROGRAMS, POLICIES & PROCEDURES

Overview

Following is a brief summary of PCAP's policies and procedures with respect to lending, risk and portfolio management, and investment underwriting (the "**Lending Policy**"). The Lending Policy is fully set forth in the "Risk & Portfolio Management Policies & Investment Underwriting Guidelines," which PCAP's Board of Directors may amend from time to time in its sole discretion. For more information regarding PCAP's lending activities, see also Notes 1, 6, 12, and 14 to the Audited Financial Statements.

PCAP uses a triple-bottom-line framework, meaning we seek to generate financial returns along with social and environmental good. We work with businesses, non-profit organizations, farms, and projects that:

1. Generate financial returns that sustain small, locally owned enterprises and their owners;
2. Provide opportunity for historically disadvantaged groups to access information, financial resources, vital community services, and employment; and
3. Enhance or lessen impact on natural resources through stewardship or reducing energy use, waste, pollution, or material use.

PCAP generally extends term loans of up to $1,500,000 to small businesses with job creation potential. PCAP's loans may be made in conjunction with another lender, and PCAP uses its best efforts to find co-lenders in order to maximize the impact of its loan. PCAP generally seeks a first priority lien position, but at times makes loans that are secured by a subordinated interest or, in rare cases, loans that are unsecured by any collateral. Loan proceeds generally may be used by borrowers for inventory, machinery and equipment, real estate acquisition and development, and other working capital purposes.

In general, the terms of PCAP's loans range from less than one year up to 20 years. In general, loans for working capital have terms of up to seven years; equipment loans have terms of up to 10 years; and commercial mortgage loans have terms of up to 20 years. When circumstances warrant, PCAP may make commercial mortgage loans for up to 30 years.

The interest rates on PCAP's loans may be fixed or variable. Interest rates depend on factors including PCAP's assessment of the risk inherent in the transaction, the borrower's risk profile, and PCAP's own cost of capital. PCAP may set interest rates below prevailing market rates offered by commercial lenders, though it has no obligation to do so. PCAP does not set interest rates below its own cost of capital.

Repayment schedules for PCAP's loans are tailored to each borrower's business and projected cash flow and may feature deferred obligations of repayment of principal and interest, interest-only payments, and/or "balloon" payments. In general, all of PCAP's loans may be repaid by the borrower without premium or penalty.

PCAP charges its borrowers fees of at least 1% of the loan amount, half of which is due upon the borrower's signing of a loan commitment letter, and the remainder of which is paid at closing (or amortized over the term of the loan). Borrowers must pay additional fees for loan modifications and renewals, loans made in multiple disbursements, as well as a late fee of 5% of any required payment amount that is paid more than 10 days after its given due date.

When circumstances warrant, PCAP may adjust, amend, waive, deviate from or allow exceptions to the Lending Policy at any time with respect to any particular lending decision.

Certain Lending Programs

PCAP continually seeks out opportunities to better serve its borrowers and their communities in furtherance of its charitable mission as a community development financial institution. In doing so, PCAP participates from time to time in certain federally and state-funded capital access programs, including the State Small Business Credit Initiative, USDA Intermediary Relending Program, the USDA Rural Microentrepreneur Assistance Program, and the USDA Business and Industry Loan Guarantees, and it is authorized by the SBA to issue Community Advantage loans.

State Small Business Credit Initiative. PCAP is a participant in the State Small Business Credit Initiative (SSBCI) reauthorized and expanded by the American Rescue Plan Act in 2021. Through SSBCI, states implement the program by funding small business through venture capital programs, loan participation programs, loan guarantee programs, collateral support programs, and capital access programs tailored to local market conditions. PCAP participates in the loan participation program and collateral support program of West Virginia's implementation of the SSBCI through the West Virginia Capital Access Program. In North Carolina, PCAP participates in the SSBCI loan participation program administered by the North Carolina Rural Center. Loan participations typically consist of subordinated debt .

USDA Intermediary Relending Program. Under the USDA Rural Development's (RD) Intermediary Relending Program (IRP), PCAP borrows funds from RD at 1% interest and relends to businesses in rural areas outside a city or town with a population of less than 50,000. PCAP's activities in connection with its participation in the IRP are governed by federal regulations, codified at 7 C.F.R. Part 4274, Subpart D and Part 1951 (the "**IRP Rules**"), which can be accessed via www.ecfr.gov. A summary of the IRP Rules can be found at https://www.rd.usda.gov/programs-services/intermediary-relending-program. PCAP monitors any changes to the IRP Rules to ensure that its IRP activities are compliant; to the extent that there is any conflict or inconsistency between the Lending Policy and the IRP Rules, the IRP Rules control.

USDA Rural Microentrepreneur Assistance Program. Under RD's Rural Microentrepreneur Assistance Program (RMAP), PCAP borrows funds and/or receives grant funds from RD and provides microloans and technical assistance to businesses located in RMAP-eligible areas with 10 or fewer full-time employees. PCAP's activities in connection with its participation in the RMAP are governed by federal regulations, codified at 7 C.F.R. Part 4280, Subpart D (the "**RMAP Rules**"), which can be accessed via www.ecfr.gov. A summary of the RMAP Rules can be found at https://www.rd.usda.gov/programs-services/rural-microentrepreneur-assistance-program. PCAP monitors any changes to the RMAP Rules in an effort to ensure that its RMAP activities are compliant; to the extent that there is any conflict or inconsistency between the Lending Policy and the RMAP Rules, the RMAP Rules control.

USDA Business and Industry Loan Guarantees. Under RD's Business and Industry Loan Guarantee program (B&I), the USDA guarantees loans extended by PCAP to rural businesses, up to 85% for loans up to PCAP's limit of $2.5 million. PCAP's lending activities in connection with B&I loans are governed by federal regulations, codified at 7 C.F.R. Part 4279, Subparts A and B and Part 4287, Subpart B (the "**B&I Rules**"), which can be accessed via www.ecfr.gov. A summary of the B&I Rules can be found at https://www.rd.usda.gov/programs-services/business-industry-loan-guarantees. PCAP monitors any changes to the B&I Rules to ensure that its B&I activities are compliant; to the extent that there is any conflict or inconsistency between the Lending Policy and the B&I Rules, the B&I Rules control.

SBA Community Advantage Program. PCAP is an authorized lender of SBA Community Advantage loans, which are guaranteed by the SBA up to 85% of the loan, depending on the amount of the loan and the borrower's qualifications. PCAP is authorized under the program to make 7(a) loans, in amounts up to $250,000 per borrower, to small businesses located in under-resourced communities and meeting the SBA's and PCAP's other requirements. PCAP's lending activities in connection with SBA Community Advantage loans are governed by federal regulations, codified at 13 C.F.R. Part 120, which can be accessed via www.ecfr.gov, as well as SBA's Standard Operating Procedures 50 10 5 (collectively, the "**SBA Rules**"). PCAP monitors any changes to the SBA Rules to ensure that its SBA lending activities are compliant; to the extent that there is any conflict or inconsistency between the Lending Policy and the SBA Rules, the SBA Rules control.

SBA Paycheck Protection Program. In response to the outbreak of COVID-19, PCAP participated as a lender in the Paycheck Protection Program ("**PPP**") enacted under the Coronavirus Aid, Relief and Economic Security (CARES) Act. Under the PPP, PCAP funded 112 SBA-guaranteed, forgivable PPP loans (of which 17 were to existing PCAP borrowers) with an aggregate principal balance of approximately $3,699,000. As of December 31, 2022, no PPP loans remained outstanding and the program is no longer active.

Other COVID-19 Related Lending Programs. PCAP participated in the COVID-related North Carolina Rapid Recovery Loan Program with other CDFIs and community lenders. As of December 31, 2022, PCAP funded 73 loans to North Carolina-based borrowers under the program (of which 20 were to existing PCAP borrowers), with an aggregate principal balance of approximately $6,692,000. As of December 31, 2022, 68 loans remained outstanding, with an aggregate principal balance of approximately $5,856,000 and deferred origination costs of approximately $22,800 that will be recognized as origination expense over the term of the loans. In West Virginia, with funding from the Appalachian Regional Commission and the U.S. Economic Development Administration, PCAP launched an Emergency Loan Program for COVID-affected businesses. As of December 31, 2022, PCAP funded 39 loans to West Virginia-based borrowers under the program, with an aggregate principal balance of approximately $1,991,300. As of December 31, 2022, 32 loans remained outstanding, with an aggregate principal balance of approximately $1,623,700 and deferred origination costs of approximately $10,700 that will be recognized as origination expense over the term of the loans.

Underwriting Criteria

PCAP's lending activities are intended to fill a gap in the capital formation markets for early-stage businesses in under-resourced communities that might not have access to traditional funding sources. This necessarily entails a greater level of risk than that experienced by a typical commercial lender. PCAP generally evaluates loan applicants along six key criteria:

1. Mission, Management Capacity and Organizational Track Record. A borrower must have a mission that is consistent with PCAP's and management personnel that inspire a high level of trust. PCAP examines each loan applicant's ability to understand and address potential obstacles and risks inherent in its business. Where circumstances warrant, PCAP will leverage its own talent and connections to assist the borrower in addressing any skills gaps to help the borrower's leadership be better equipped to grow the business.
2. Business and Financial Viability. PCAP thoroughly evaluates each loan applicant's business plan, strategic plan, pro forma financial projections, financial controls and internal systems, and in the case of more established businesses, historical financial performance reflected in the applicant's tax returns and accountant-prepared financial statements.
3. Collateral and Loan to Value Requirements. The majority of PCAP's loans are secured by some form of collateral, even if PCAP is in a junior lien position, subject to certain loan-to-value (LTV) constraints. PCAP generally requires any party that owns more than 20% of the outstanding equity interests of the borrower to guarantee the loan, and depending on the nature of the transaction, PCAP may require other guarantors. For commercial mortgage loans, PCAP may require an independent appraisal or rely on another valuation method (e.g., letter of opinion prepared by a licensed real estate broker substantiated by comparable sales or review of tax appraisal record cards) to determine the underlying property's market value. PCAP uses in its risk rating system a loan-to-value ratio (LTV) calculated by dividing the total amount of all of a borrower's loans secured by the collateral securing PCAP's loan by the value of that collateral. See also "Risk Monitoring and Management" below and attached Exhibit 1.
4. Repayment Ability. PCAP closely assesses each loan applicant's debt capacity and projected cash flow, including the reasonableness of the assumptions upon which any financial projections are based. PCAP strives to lend to businesses that have a historical or projected debt service coverage ratio of 1.2 or greater (calculated by subtracting cash operating expenses from gross cash income and dividing the result by the borrower's total debt service obligations).
5. Current and Prospective Economic, Environmental and Social Impact. PCAP assesses each loan applicant's social and environmental impact on a holistic basis in view of PCAP's entire loan portfolio. PCAP determines an "impact rating" for each borrower that considers job growth, employee wages and benefits, waste reduction efforts, water and energy conservation, supply chain development, restoration and protection of natural resources, location in an area designated for economic development or tax incentives, overall community benefit, promotion of ecological, historical or cultural tourism, redevelopment of blighted areas, promotion of public health, and provision of services to a historically disadvantaged population.
6. Personal Guarantees. Owners who own 20% or more of the loan applicant are generally required to provide a personal guarantee securing the loan. If no one owner has a 20% ownership interest, then a group of owners selected by PCAP is generally required to provide personal guarantees from each owner.

In addition, PCAP's borrowers must demonstrate an acceptable history of repaying debt in a timely manner, a reasonable plan for use and repayment of loan proceeds, sufficient internal expertise or external assistance to manage the business successfully, payment of taxes, license fees and other legally required amounts, and evidence that the borrower has obtained all necessary zoning, business licensing and government approvals necessary to carry out its activities. The

Board Loan Committee, Agricultural Loan Committee, or the Board of Directors may also apply additional requirements or criteria on a case-by-case basis.

Depending on the nature of the transaction, PCAP generally requires that its borrowers maintain minimum insurance coverage, including general liability insurance and workers' compensation insurance. Where the loan is secured by real property, PCAP requires title insurance and fire and hazard insurance. If there is little equity value in the real property, then PCAP may waive the title search and insurance requirements. In some cases, PCAP also requires its borrowers to maintain business interruption insurance and key person life insurance.

For any borrower whose loan is secured by real property, prior to closing, PCAP orders a Records Search with Risk Assessment from a third-party environmental consultant to assess whether the property is "low risk" or "high risk," consistent with the requirements of the SBA Rules. If a property is deemed "high risk," PCAP will determine which further environmental assessments are needed, such as a Phase I Environmental Site Assessment.

Loan Sales and Loan Participation

From time to time, PCAP may sell interests in its loans to third parties, either as outright sales involving the transfer of control or as participation interests where PCAP retains control. Outright sales of loans totaled $2,251,186 in 2022. PCAP also sells participations in its loans on a non-recourse basis, where the buyer assumes the risk of any loss on the loan participation. Under a loan participation arrangement, PCAP generally maintains all records, collects all payments, remits monthly the appropriate pro rata share of both interest and principal collected on these loans, and is the sole secured party with respect to any collateral (but must pay the participant's pro rata share of any proceeds upon liquidation of such collateral). The loan participant pays its pro rata percentage of PCAP's unreimbursed expenses in connection with collecting the loan and foreclosing on and liquidating the collateral, if necessary, but has no recourse against PCAP for failure of the underlying borrower to pay amounts due under the loan. The outstanding balance of participation loans was $14,370,410 as of December 31, 2022. See Note 1 to the Audited Financial Statements for more information.

Approval Process

PCAP generally follows a four-step process for reviewing a prospective borrower's application and determining whether to extend a loan:

1. Analysis and recommendation from PCAP staff;
2. *For loans up to $300,000*: Review and approval by two of PCAP's President, Executive Vice President – Director of Lending, and, as applicable, Senior Vice President – North Carolina Market Manager or Senior Vice President – West Virginia Market Manager;
3. *For loans greater than $300,000*: Review and approval by the Board Loan Committee or Agriculture Loan Committee, depending on the type and amount of the loan; and
4. Approval or ratification by the Board of Directors.

The table below describes the approval authority required under the Lending Policy with respect to loans based upon the type and amount of the loan.

Type and Amount of Loan	Approval Authority
General business loans up to $300,000	At least two (2) of the following: President, EVP – Director of Lending, and SVP – NC Market Manager or SVP – WV Market Manager.
• General business loans (non-agriculture) up to $1,500,000 • USDA B&I loans (non-agriculture) up to $2.5 million	Board Loan Committee (BLC).
• Agriculture general business loans up to $750,000 • Agriculture USDA B&I loans up to $2.5 million	Agriculture Loan Committee (ALC).
All loans	Board of Directors ratifies and/or approves all loans. It approves loans when the BLC or ALC recommends a loan that exceeds the investment limits set forth in the Lending Policy.
• General business loans up to $105,000 per borrower during a federal- or state-declared emergency • SBA Paycheck Protection Program loans up to $250,000 • North Carolina Rapid Recovery COVID-19 loans up to $250,000	At least one (1) of the following: President, EVP – Director of Lending, SVP – NC Market Manager, or SVP – WV Market Manager

Closing Documentation

Each borrower approved for a loan executes such legal instruments as PCAP deems necessary to provide for the repayment of principal and interest. Depending on the nature and amount of the loan, closing documents may include, but are not limited to, the commitment letter, loan and security agreement, deed(s) of trust, assignment of rents, promissory note, mortgage of real estate, certificate of insurance, evidence of other financing commitments, UCC-1 financing statements, title insurance, disclosures, and attorney's opinion letter.

Risk Monitoring and Management

Monitoring of PCAP's borrowers is critical to both protecting PCAP's financial interests and assisting the borrower to successfully grow its business and manage it assets. PCAP generally collects and reviews financial and operational information from each borrower, reviews the assigned risk rating, and deploys appropriate forms of strategic advisory services when circumstances warrant. The nature and frequency of monitoring activities are based on the type of loan, the life cycle of the business, financial and operating performance, repayment track record, and overall risk evaluation.

PCAP's credit risk rating system examines different areas of risk affecting the borrowers. Under the risk rating system, PCAP applies a weighting formula to obtain the overall rating, expressed as an integer value between 1 and 7, for the loan at the time of origination, after 12 months of being in the portfolio, and thereafter as needed. The areas of risk analyzed with respect to each borrower are:

- operating margins and cash flow;
- tangible net worth;
- working capital;
- credit history of the borrower's principals;
- management experience/expertise;
- adequacy of collateral (or other source of repayment); and
- the borrower's industry, market segment, and competitive advantage.

PCAP's risk rating system is summarized in tabular form on Exhibit 1.

From the outset of the lending relationship, PCAP establishes the borrower's risk rating and reporting requirements, which are incorporated into the commitment letter and closing documentation. On a semi-monthly basis, the Senior Vice President – Director of Lending or Loan Fund and Servicing Manager provides the President and the lending staff with a portfolio activity report that describes potential transactions in the pipeline and discusses delinquent loans and actions being taken to resolve the delinquency.

Each quarter, PCAP staff compiles and sends to the Board, the Board Loan Committee and the Agriculture Loan Committee a portfolio report summarizing data on loans that have payment obligations that are more than 30 days past due, total capital committed, total capital available for investing, average cost of funds, present interest spread, risk rating of loans, the percentage of loans that are delinquent, the percentage of loans written off, exceptions to the underwriting guidelines, and a breakdown of the portfolio by sector and geography. In addition, the Loan Fund and Servicing Manager ensures that the President, Executive Vice President – Director of Lending, and Business Lenders are provided quarterly with an updated loan loss report and an update on borrower's compliance with financial reporting obligations.

On an annual basis, a Credit Analyst updates the financials obtained from PCAP's borrowers and updates the risk rating of the loan in a brief memo to file. Once the risk rating is updated, the rating is discussed with the Business Lenders, and if adjustments are needed thereafter, the risk rating is updated.

PCAP considers a borrower delinquent if a payment is past due for more than 10 days. However, in some cases this policy will vary depending on the source of financing for the loan. At that time, the following steps shall ordinarily be taken:

1. A notice of late payment will be sent to the borrower. This notice could be in written, verbal or email format. Late payment fees may be assessed in accordance with the closing documents;
2. If a payment has not been received by 20 days after the due date, the assigned Business Lender or another staff member will follow-up with a phone call and/or email. Depending upon the response to the phone call or email, a site visit may be arranged;
3. By the 30th day after the required payment due date, the assigned Business Lender, together with the EVP – Director of Lending, shall discuss the nature of the problem and determine a course of action, which may include, but is not limited to:
    - Corresponding or meeting with the borrower;
    - Inspecting the borrower's operations and asking for updated financial statements;
    - Sending of a notice of default;
    - Sending of a late charge notice; or
    - Developing a re-structuring plan;
4. In any event, if, by the 90th day, no payment has been received, PCAP staff will recommend action to the AIC or BIC for approval, which may include:
    - A deal restructuring;
    - A foreclosure;
    - A further forbearance of action based upon certainty of repayment; or
    - A recommendation of downgrade in risk rating.

PCAP may bypass these steps and accelerate the process to the point of a lawsuit or foreclosure if deemed necessary.

Any loan at least 90 days past due or where future payments are in doubt is generally placed on non-accrual status, its risk rating downgraded, and becomes subject to review every 30 days to determine if additional allowance for credit losses should be made or if other actions should be taken.

PCAP records an allowance for credit losses as an expense, in an amount that it believes will be adequate to absorb possible losses on existing loans that may become uncollectible in the future. Loans actually deemed to be uncollectible are charged against the allowance. The allowance is an estimate that changes from time to time based upon past loss experience or changes to PCAP's loan portfolio or economic conditions. PCAP has a policy of holding the loan loss allowance at 5% of the total loan portfolio, subject to certain minimum requirements with respect to certain loans under the IRP, RMAP, and SBA lending programs.

PCAP experienced $485,599 in loan charge-offs during the year ended December 31, 2022, and no loan charge-offs during 2021. The allowance for credit losses was $1,705,918 as of December 31, 2022, a decrease from $1,776,381 as of December 31, 2021.

As a matter of historical practice, PCAP has made efforts to work with its borrowers during difficult times. For example, during the onset of the COVID-19 pandemic at the beginning of 2020, PCAP provided payment deferrals on loans representing 59% of the total principal balance of the loan portfolio as of June 30, 2020. PCAP recognized the deferred interest income as revenue for the affected months, so the primary impact of the deferments on its 2020 financial performance was a decline in the capital available for lending (due to lower principal and interest repayments) and a reduction in available cash. As of December 31, 2022, most of the borrowers granted deferments in 2020 have returned to making full principal and interest payments; deferments were still in effect for eight borrowers with an aggregate outstanding principal balance of approximately $909,000 (representing approximately 1.75% of PCAP's gross total loans outstanding as of December 31, 2022).

The following table summarizes PCAP's loan portfolio by internal credit risk rating as of December 31, 2022:

1 – Strong	$ 238,813
2 – Low Risk	13,206,468
3 – Acceptable Risk	17,482,458
4 – Moderate Risk / Start-Up	19,588,354
5 – High Risk	3,186,998
6 – Problem Asset	234,964
7 – Written Off	-
Non-risk rated*	7,513,158
Total	$ 61,451,213

*Non-risk rated loans consist of loans under the North Carolina COVID-19 Rapid Recovery program, and West Virginia Emergency loans. The loans are non-risk rated because they are, as applicable, participated out to the North Carolina Rural Center (in the case of North Carolina SSBCI or COVID-19 Rapid Recovery loans), or backed by a grant from the U.S. Economic Development Administration or Appalachian Regional Commission (in the case of West Virginia SSBCI or emergency loans).

For more information regarding PCAP's loan portfolio, including the collateral securing the loans, analysis of the allowance for credit losses, impaired loans and troubled debt restructures, see Note 6 to the Audited Financial Statements.

CAPITALIZATION

The following table sets forth the capitalization of PCAP as of December 31, 2022:

Cash and cash equivalents	$ 13,885,195
Noncurrent liabilities:	
Secured loan participations	12,844,845
Notes payable	24,569,776
Subordinated notes payable	4,800,000
Total Noncurrent Liabilities	42,263,243
Net Assets:	
Without donor restrictions	15,636,722
With donor restrictions	10,479,499
Total Net Assets	26,116,221
Total Capitalization	$ 82,264,659

SCHEDULE OF BORROWINGS PAYABLE OUTSTANDING

The aggregate annual principal payments applicable to PCAP's notes payable and subordinated notes payable* at December 31, 2022 are as follows, summarized by the year in which the principal installment or repayment matures:

2023	$ 7,060,152
2024	5,481,319
2025	6,156,892
2026	4,689,611
2027	4,890,169
Thereafter	8,272,245
Total	$ 36,550,388

SCHEDULE OF LIABILITIES

The Notes are unsecured obligations of PCAP. The following table summarizes PCAP's total current and noncurrent liabilities at December 31, 2022:

Secured	$ 17,692,717
Unsecured	30,382,729
Subordinated*	4,800,000
Total	$ 52,875,446

*PCAP has entered into equity equivalent transactions with financial institutions as a way to increase its lending capacity. These equity equivalents are reflected above and in PCAP's financial statements as subordinated notes payable. They represent a general obligation of PCAP, are not secured by any assets, are fully subordinate to the right of repayment of all other creditors (including holders of Notes) and do not allow for acceleration of repayment, except in very limited circumstances.

GOVERNANCE AND MANAGEMENT

Board of Directors

As a non-stock corporation, PCAP has no shareholders. PCAP's affairs are managed under the direction of its Board of Directors (the "**Board**"), and it has no members. The bylaws of PCAP, as amended (the "**Bylaws**") do not require a specific number of directors to be on the Board. As of the date of this Offering Memorandum, the Board had nine (9) directors.

Each director serves for a term of three years and may be elected for up to two additional three-year terms. The Board may also elect the immediate past Chair to serve an additional one-year term as a director regardless of any otherwise applicable term limit. If a vacancy occurs for any reason, then the Board may (but is not required to) fill the vacancy. At meetings of the Board, a majority of the Board constitutes a quorum.

No director or officer of PCAP has been convicted of any criminal activity, is the subject of any pending criminal proceedings, or has been the subject of any order, judgment or decree of any court enjoining such person from any activities associated with the offer or sale of securities.

As of the date of this Offering Memorandum, the Board consisted of the following individuals.

Jeffrey Lusk, Board Chair, Executive Committee, Governance Committee (Board member since 2019) – Jeffrey Lusk is the Executive Director of the Hatfield-McCoy Regional Recreational Authority in Man, West Virginia. The Authority is a multi-county economic development agency in charge of managing the over 1,100-mile Hatfield-McCoy Recreational Trail System in southern West Virginia. Mr. Lusk has worked as an economic development and business financing professional for over 28 years. He is a Certified Economic Developer and Certified Community Developer, and he has obtained the designation as an Economic Development Financing Professional. He currently serves as the Governors appointed Chairman of the West Virginia Tourism Advisory Council. Mr. Lusk's formal education includes a Master's Degree in Public Administration from Marshall University and undergraduate degrees from Penn State University and West Virginia University Institute of Technology. He currently resides in Charleston, West Virginia.

William A. (Tony) Hayes, Board Member, Executive Committee *(Board member since 2012)* – Tony Hayes is the President and Chief Executive Officer of Trancas, a leading business strategy and consulting firm that focuses on small firm growth within North Carolina's American Indian community. He has over 30 years of management experience, having served in senior leadership roles at organizations like Texfi, Starwood Hotels, and Duke University. He recently joined CMC Building, Inc. as Senior VP of Marketing/Communications. His guiding principle in both personal and professional life is a commitment to prosperity and equity for all who seek it. In the last decade, Mr. Hayes led the NC Indian Economic Development Initiative, a community economic development entity that supports and advocates for the state's eight recognized American Indian tribes and other under-resourced constituencies. He is Chairman of the Occaneechi Band of the Saponi Nation Indian Tribe in Alamance County. Mr. Hayes was honored by MBDA's National Minority Business Awards Program as the 2016/17 North Carolina Minority Business Advocate of the Year. He attended Bethune Cookman College, majoring in History. He lives in Creedmoor, North Carolina. Mr. Hayes's term as a Board member expires on June 30, 2023.

Ray Daffner, Board Member, Governance Committee Chair *(Board member since 2019)* – Ray Daffner is an independent consultant with a deep commitment to creating economic opportunity in areas outside of the economic mainstream. Mr. Daffner has a range of experience in the non-profit, public and private sectors. He has been involved in start-up ventures in software development and food systems, served in management positions in automotive manufacturing supply, and led the start-up of a non-profit development group in the wood products industry. He has worked with a range of organizational structures including VC-backed startups, minority-owned enterprises, social enterprises, and cooperatively owned businesses; he led the transition of a public entity to a private non-profit.

Most recently, Mr. Daffner was Director of the Entrepreneurship Initiative for the Appalachian Regional Commission (ARC), where he led policy and program efforts to build capacity in the areas of Entrepreneurship and Finance in rural communities. He oversaw grant deployments totaling over $200 million and led efforts to support new programming in the areas of entrepreneurship education; business acceleration and technical assistance; community engagement and leadership; and business financing. To support this work, Ray extensively engaged leading national organizations including philanthropies; federal regulators and agencies; state and local development organizations; national non-profit organizations; policy partners; investors; and research organizations. Ray has a comprehensive understanding of the development and financing challenges facing under-resourced communities, and he works closely with the investing community, including tax credit-enhanced investors, philanthropies, CDFIs, angel investors, and public investors. He was a founding member / Steering Committee member of the Appalachian Funders Network, a network of over 60 private and public funders with $5 billion in assets. He has served on the advisory boards of seven New Markets CDEs that have deployed over $1 billion of investment in low-income communities. Through ARC's Entrepreneurship Initiative, he led efforts to bring needed financing to Appalachia resulting in the formation of eight regional Angel Investment Funds that have syndicated more than $60 million in transactions. He also supported the formation of four Development Venture Capital Funds that raised and deployed over $75 million in financing, and he helped lead the formation and capital raise of a regional CDFI Intermediary—Appalachian Community Capital—whose 19 members manage over $1 billion in assets. Mr. Daffner received his Bachelor's Degree from Duke University in biochemistry, and his Master of Business Administration from Yale University. He lives in Waterford, Virginia.

Amy King Condaras, Board Member, Audit Committee (Board member since 2022) – Amy King Condaras is a corporate finance attorney with Frost Brown Todd, focusing on bond financings, commercial loans and economic development incentive programs. With respect to her public finance practice, Amy represents governmental entities, 501(c)(3) organizations and for profit entities in qualified tax-exempt and taxable financings and post-issuance tax and securities compliance serving as bond counsel, borrower's counsel and disclosure counsel. Amy also represents lenders and underwriters in tax-exempt bond financings. With respect to economic development programs, Amy represents lenders, developers, borrowers and governmental entities in new markets tax credit, historic tax credit and qualified opportunity zone transactions. Amy also represents qualified active low-income community businesses (QALICBs) and community development entities (CDEs) in structuring transactions involving new market tax credits. Amy also advises on commercial lending transactions, including acquisition, asset-based and leverage financings. Amy serves on the following Boards: Member, Board of Directors, Edgewood Summit, Inc., Member, Board of Directors, YWCA of Kanawha Valley, Chairman, Board of Directors, West Virginia Region of American Red Cross, The Greater Kanawha Valley Foundation Scholarship Committee, University of Richmond Alumni Recruiting Committee and Law Counsel, Washington & Lee University School of Law. Amy has a J.D. from Washington and Lee University School of Law and a B.S. in Business Administration. Concentration in Accounting, cum laude from University of Richmond.

Jennifer Curtis, PCAP Board Member, Audit and New Products Committee, and CEO & Co-Founder of Firsthand Foods in Durham, NC. Firsthand Foods, LLC is a women-owned B Corp and purveyor of high-quality, local, pasture-raised meats. Jennifer sits on the Advisory Board of NC Choices, a statewide initiative of the Center for Environmental Farming Systems that advances local, niche and pasture-based meat supply chains. Jennifer has over 33 years of experience in sustainable agriculture and environment policy. Jennifer has a MS in Environmental Management & Policy, UNC School of Public Health and a BA in Community Health Education from the University of Oregon. She currently resides in Carrboro, NC.

Jerrell Deaver, Jr., Board Member, Audit Committee, New Products Committee Chair, Board Loan Committee Chair *(Board member since 2015)* – Jerrell Deaver is a retired commercial lender, last serving as Senior Vice President and Manager of Business Banking at First Citizens Bank, where he led a team of business bankers in the 12 westernmost counties of North Carolina. A career banker, Mr. Deaver's purpose is to help farmers and small business owners as they seek to create, nurture and protect the economic engines that provide livelihood to their families and communities. He is active in several southeastern North Carolina communities, building relationships with individuals engaged in economic development and identifying opportunities for the application of loaned capital. He serves as a mentor through the University of North Carolina at Wilmington Center for Innovation and Entrepreneurship. He is a native of western North Carolina and a graduate of Mars Hill University, located in Madison County, North Carolina. He is familiar with the workings of the securities industry and currently holds Series 7 and Series 66 licenses. He is currently serving on the Board for the Grand Strand Boys and Girls Club. He is a published author. Mr. Deaver owns a home in Rutherfordton, North Carolina and currently resides in North Myrtle Beach, South Carolina.

Karen Jacobson, Vice Chair, Executive Committee (*Board member since 2022*) – Karen Jacobson is the former Executive Director of the Randolph County Housing Authority (RCHA), where she started in 2001 and served as Executive Director from 2007 to 2021. Key programs of the agency include the Section 8 Housing Choice Voucher Program, a federal rental assistance program for helping low-income families afford housing; YouthBuild, providing job prep and leadership development to at-risk youth; the Housing Case Management Program, which rapidly re-houses homeless residents; and the Workforce Opportunities for Rural Communities (WORC), offering job training in hardwood manufacturing and allied health. RCHA also develops and manages rental housing, and promotes homeownership through single-family development and a partnership with the local nonprofit HomeOwnership Center, Inc. Ms. Jacobson continues to serve part-time as Loan Fund Manager of Woodlands Community Lenders (WCL), a small business CDFI she co-founded in 2012. Ms. Jacobson is the former Chair of the Board of Fahe, a regional membership group on a mission to eliminate persistent poverty in Appalachia. She also serves on the Board of Invest Appalachia, a newly formed capital platform designed to expand community investment across Central Appalachia. Ms. Jacobson earned a Master of Business Administration from Questrom School of Business at Boston University and a Bachelor of Science in Political Science from Central Michigan University. She lives in Elkins, West Virginia.

Roberta McCullough, Board Treasurer, Executive Committee, Audit Committee Chair, New Products Committee *(Board member since 2019)* – Roberta McCullough is the Senior Vice President, Operations at Institute Capital. She galvanizes her vast statewide network of business advocates to create a robust business environment that is welcoming to women entrepreneurs. For the past 30 years, Roberta McCullough has continually served in leadership roles in the non-profit and financial institution industries to implement programs that address structural and systemic economic injustices. She was Vice President for Business Services at The Support Center in Raleigh, North Carolina, where she managed the Center's small business lending team in deploying the Center's revolving loan fund designed to foster economic development in low-to-moderate income communities. Before serving in her current role at Institute Capital, Ms. McCullough was Executive Director of the Women's Business Center of North Carolina, where she led a team to empower women-owned/led businesses around the world, by offering tools to support and establish new business, and generate sustainable profits and future growth. Prior to holding that position, she served as Regional Director at Self-Help Credit Union, managing commercial and home mortgage lending teams, and she originated commercial loans using USDA and SBA credit enhancement and guarantee programs in a 16-county region of western North Carolina. She currently serves as a consultant to the Gethsemane Community Development Corporation, whose mission is to provide and improve housing, educational and nutritional assistance in communities across Franklin County, North Carolina, where she lives. Ms. McCullough earned a Bachelor of Science in Mathematics at Shaw University and has completed Master's studies in Math Education at NC State University.

Vicki Lee Parker-High, Board Member, Governance and New Products Committees (*Board member since 2022*) – Vicki Lee Parker-High currently serves as the Executive Director of the North Carolina Business Council (NCBC), a statewide non-profit business association with a mission to connect, empower and influence business leaders to build a vibrant economy that benefits all people. Prior to joining NCBC, Vicki served five years as the Communications & Development Director at the Carolina Small Business Development Fund, which provides small business loans to companies in underutilized markets. Vicki was also a business writer for the News & Observer in Raleigh, North Carolina for nine years and has also written for the Wall Street Journal covering commercial developments in major cities, and Black Enterprise Magazine covering personal finance issues. She currently serves on the boards of directors for North Carolinians For Redistricting Reform, EarthshareNC, and the Advisory Council of the Croatan Institute. Vicki has a Master of Business Administration from Meredith College in Raleigh and a Bachelor's degree in Journalism from American University in Washington, D.C. She lives in Raleigh, North Carolina.

Committees

The Bylaws allow the Board to appoint standing or temporary committees by the vote of a majority of the entire Board. PCAP currently has the following committees: the Executive Committee, the Audit Committee, the Governance Committee, the New Products Committee, the Board Loan Committee, and the Agriculture Loan Committee.

<u>Executive Committee</u>. The purpose of the Executive Committee is to exercise the authority of the Board in the governance and management of PCAP between meetings of the Board. The Chair of the Executive Committee is the Chair of the Board.

<u>Audit Committee</u>. The purpose of the Audit Committee is to oversee and advise the Board regarding the broad range of issues surrounding the accounting, financial reporting and internal controls of PCAP. Audit Committee members are appointed by the Board and, to be eligible for appointment, must not be employed by PCAP. At least a majority of the Audit Committee must consist of Board members.

Governance Committee. The purpose of the Governance Committee is to advise the Board regarding the sound governance of PCAP, including by making recommendations regarding changes to PCAP's Articles of Incorporation, the Bylaws, committee charters, and other policies and procedures; and reviewing and recommending nominees for appointment to the Board or committees. Governance Committee members must be members of, and are appointed by, the Board.

New Products Committee. The purpose of the New Products Committee is to assist PCAP staff with developing new products and services; review and provide guidance on the design of products and services to determine the staffing and financial resources needed and the fit with PCAP's mission and strategies; and review and report to the Board on existing and new products and programs.

Board Loan Committee. The purpose of the Board Loan Committee ("**BLC**") is to review and determine whether to recommend for action by the Board all lending transactions undertaken by PCAP, except for those transactions within the purview of the Agriculture Loan Committee (as described below). The BLC must consist of banking, finance and investment professionals knowledgeable about lending and equity investment transactions and about economic conditions in the areas served by PCAP. At least one member of the BLC must be a member of the Board.

Agriculture Loan Committee. The purpose of the Agriculture Loan Committee ("**ALC**") is to review and determine whether to recommend for action by the Board all lending transactions undertaken by PCAP that pertain to businesses primarily focused on agricultural activities or businesses operated by an applicant that derive most of their income from primary agriculture (i.e., row crop production, dairy and livestock operations, and fruit, vegetable and specialty crop production). Lending decisions pertaining to value-added agricultural business, such as food or beverage processing, are considered by the BIC. The ALC must consist of individuals who have demonstrated knowledge and experience with primary agricultural business as described above, including those with relevant banking, finance and investment experience in this sector. At least one member of the ALC must be a member of the Board.

Management

Marten R. Jenkins, Jr., President and Chief Executive Officer. Marten is PCAP's founder and is responsible for developing, implementing and overseeing all business strategies and fund operations. Specific responsibilities include investment fund capitalization, developing and managing the annual operating budget, supervising all investment underwriting, managing the portfolio, and implementing the business plan. He earned a Master's in Environmental Management from Duke University's School of the Environment and holds a Bachelor of Arts in Economic and Administrative Science from Colby College. Marten works full-time for PCAP and is based in Charles Town, West Virginia. Marten serves on the Boards of Appalachian Community Capital and CDFI Coalition and on the Advisory Boards of the West Virginia Manufacturing Extension Partnership, Appalachian Fund for Growth, and MVB Community Development Partnership, Inc.

Rosalind Black, Executive Vice President and Chief Financial Officer. Rosalind joined PCAP in November 2014 and is based in Charles Town, West Virginia. She is responsible for financial and grant accounting and all financial reporting to management, board and outside investors. Prior to joining PCAP, she held senior accounting related positions with Shepherd University, Pittsburgh Partnership for Neighborhood Development and PNC Bank. She is a certified public accountant and holds a Master of Business Administration and Bachelor of Science from Waynesburg University.

Anna Tefft, Executive Vice President and Director of Lending. Anna joined PCAP in October 2009 and is based in Winston-Salem, North Carolina. Anna came to PCAP with considerable financial analysis, lending and business development experience. She has primary responsibility for supervising PCAP's business lending and marketing, deal origination, underwriting and due diligence, and servicing across PCAP's nine-state region. She also sources and originates loans across North Carolina. Immediately prior to joining PCAP, she was a senior lender with Self-Help Ventures, one of the country's most successful and largest CDFIs. During her nearly ten years at Self-Help, Anna originated SBA 504 loans to small business owners for large fixed-asset financing (buildings and equipment), as well as originating SBA 7(a) and microloans. She also spent three years at the North Carolina Office of State Budget & Management, where she provided budget oversight for several state agencies. Anna holds a Master in Public Administration from Duke University's Sanford Institute of Public Policy and a Bachelor of Arts in Political Science and Spanish from Wake Forest University.

Jessie Maxwell, Vice President and Director of Business Strategy. Jessie joined Partner Community Capital in

March 2022 and is based in Durham, North Carolina. She came to PCAP with experience in small business lending, financial analysis, business development and marketing, strategic planning, and program management. Prior to joining PCAP, Jessie was a Senior Business Development Officer and Small Business Lending Manager at the Center for Community Self-Help, a national CDFI and credit union. There, she supported small business lending strategy and initiatives, managed community loan programs, and specialized in childcare sector development and small business technical assistance. Jessie also worked on statewide business recruitment and retention projects at the Economic Development Partnership of NC. She also served as an economic development consultant and analyst at NCGrowth, an initiative of the Kenan Institute of Private Enterprise. At NCGrowth, Jessie consulted with county officials on economic development projects as well as small businesses on growth strategy. Jessie has an MBA from UNC-Chapel Hill, a Master of Public Policy from Duke University, and a BA from Dartmouth College.

Erika McGilley, Senior Vice President and NC Market Manager. Erika joined PCAP in September 2014 and is based in Hendersonville, North Carolina. Erika's responsibilities include marketing, deal origination, underwriting, due diligence and community partner development for PCAP in western North Carolina. As a former bank commercial lender, she leads PCAP's North Carolina lending team to ensure marketing and outreach activities align with PCAP's state-level strategic plan goals and objectives and loan volume goals. Erika has over 22 years of community and regional bank experience, most recently as Vice President, Commercial Lender with Asheville Savings Bank in North Carolina. Erika has experience with large commercial transactions, SBA Express and 504 programs. Erika earned a Bachelor of Arts in Political Science from the University of Maine at Orono. Erika is the District Lieutenant Governor of the Kiwanis Club of Hendersonville, North Carolina.

Kevin O'Connor, Senior Vice President and WV Market Manager. Kevin joined PCAP in April 2015 and is based in Fairmont, West Virgnia, from which he originates and services loans across West Virginia and Appalachian Maryland. Kevin leads PCAP's West Virginia lending team and is responsible for marketing, deal origination, underwriting, due diligence and community partner development for PCAP in the state. Kevin brings over 22 years of small business lending and banking experience to PCAP. Kevin has a Bachelor of Science in Accounting from the University of Maryland and a Bachelor of Arts in Finance from Eastern Washington University. Kevin serves on the Board of the Fairmont Community Development Partnership Inc.

Roberta McCullough, Treasurer. Ms. McCullough also serves on the Executive Committee and Audit Committee. For Ms. McCullough's biography, see above.

TAX MATTERS

By purchasing a Note, you may be subject to certain income tax provisions of the Code or other tax laws. The following tax risks discuss only general income tax matters under the Code. You are advised to consult your own tax counsel or advisor to determine the particular federal, state, local, or foreign income or other tax consequences particular to your investment in the Notes.

Although PCAP is a Code Section 501(c)(3) organization, you will not be entitled to a charitable contribution deduction for the principal amount of Notes you purchase, and interest paid to you is fully taxable as ordinary income. You have the right to either receive periodic payments of interest or have those interest payments donated to PCAP. The interest will be taxable to you whether you actually receive it or donate it, as of the time it is received or donated, as the case may be, although you may be entitled to a charitable contribution deduction for donated interest, in light of PCAP's status as a Code Section 501(c)(3) organization. You will not be taxed on the return of any principal amount of your Note or on the receipt by you of interest that was previously taxed and reinvested. Payments of principal and interest may be subject to "back-up withholding" of federal income tax if you fail to furnish PCAP with a correct tax identification number, or if you or the IRS has informed PCAP that you are subject to back-up withholding.

In addition, if you have invested or loaned more than $250,000 in the aggregate with or to PCAP and other charitable organizations that control, are controlled by or under common control with PCAP, you may be deemed to receive additional taxable interest under Code Section 7872 if the interest paid to you is below the applicable federal rate, which is a minimum rate of interest which the IRS requires be included in certain loan transactions. In that situation, the IRS may impute income up to that applicable federal rate. If you believe this applies to you, you should consult your tax advisor.

If any law creating the tax consequences described in this summary changes, this summary could become inaccurate. This summary is based on the Code, the regulations promulgated under the Code and administrative interpretations and court decisions existing as of the date of this Offering Memorandum. These authorities could be changed either prospectively or retroactively by future legislation, regulations, administrative interpretations, or court decisions. Accordingly, this summary may not accurately reflect the tax consequences of an investment in the Notes after the date of this Offering Memorandum.

This summary does not address every aspect of tax law that may be significant to your particular circumstances. For instance, it does not address special rules that may apply if you are a financial institution or tax-exempt organization, or if you are a non-U.S. entity. Nor does it address any aspect of state or local tax law that may apply to you.

RELATED PARTY TRANSACTIONS

PCAP was previously recognized under the Code as a supporting organization to The Conservation Fund ("**TCF**"). In 2021 and 2022, PCAP and TCF legally separated from TCF. Among other changes, the management services agreement between PCAP and TCF was terminated, and PCAP and TCF operations were separated effective March 31, 2022. PCAP hired as its own officers and employees the TCF personnel who previously provided services full-time to PCAP, procured its own payroll and information technology services, established standalone benefits plan documents; TCF assigned to PCAP certain intellectual property rights (including the use of the names "PCAP," "Partner Community Capital™, and our former names, "Natural Capital Investment Fund" and "NCIFund"); and PCAP obtained its own determination from the Internal Revenue Service ("**IRS**") that PCAP would continue to be exempt from federal income tax under Section 501(c)(3) of the Code after separation.

For information regarding PCAP's related party transactions, see Note 7 to the Audited Financial Statements.

LEGAL PROCEEDINGS

There are no material legal or administrative proceedings now pending against PCAP, any of its directors, officers or employees acting in their capacity representing PCAP, nor are there any such proceedings known to be threatened or contemplated. In the normal course of activities, PCAP is subject to various pending or threatened litigation.

FINANCIAL STATEMENTS

Before making an investment decision, you should read and carefully consider PCAP's Audited Annual Financial Statements as of and for the years ended December 31, 2022 and 2021 attached as Appendix A, and its Unaudited Interim Financial Statements, attached as Appendix B. Additional financial information about PCAP is available via PCAP's website at partnercap.org. The information included on PCAP's website is not a part of, nor is it incorporated by reference into, this Offering Memorandum.

KraftCPAs PLLC, PCAP's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the Audited Financial Statements. KraftCPAs, PLLC also has not performed any procedures relating to this Offering Memorandum.

Exhibit 1

Summary of Credit Risk Rating System

Risk Level	**Weight**	**1** **Strong**	**2** **Low Risk**	**3** **Acceptable Risk**	**4** **Moderate Risk / Startup**	**5** **High Risk**	**6** **Problem Asset**	**7** **Written Off**
Loan Loss Reserve (% of principal)	—	5%	5%	5% and up	5% and up	Greater than 5%	Up to 100%	100%
Operating Margins / Cash Flow	20.0%	DSC* = 1.6 or greater	DSC = 1.3 to 1.59	DSC = 1.1 to 1.29	DSC = 0.80 to 1.09	DSC = 0.50 to 0.79	DSC = 0.49 or less	PCAP's collateral position is weak or non-existent, the loan has been delinquent for at least 90 days, and current conditions indicate that repayment is unlikely.
Tangible Net Worth	12.5%	Equity to Assets = 0.25 or greater	Equity to Assets = 0.20 to 0.24	Equity to Assets = 0.17 to 0.19	Equity to Assets = 0.13 to 0.16	Equity to Assets = 0.10 to 0.12	Equity Assets = 0.09 or less	
Working Capital	12.5%	Current ratio = 2x or greater	Current ratio = 1.5 to 1.99	Current ratio = 1 to 1.49	Current ratio = 0.9 to 0.99	Current ratio = 0.75 to 0.89	Current ratio = 0.74 or less	
Credit History of Principal(s)	10.0%	Not an option	FICO score = 750 or greater	FICO score = 725 to 749	FICO score = 660 to 724	FICO score = 620 to 659	FICO score = 619 or less	
Management (all points must be true)	15.0%	Not an option	• Proven experience in the same business. • CEO recognizes value of quality workforce; provides employee training and benefits (including retirement plan). • Good financial systems; timely submits requested financials with little to no prompting from PCAP. • Positive financial trends.	• Proven experience in another business. • Company provides employee training and benefits. • Good financial systems; timely submits requested financials after some prompting from PCAP. • Stable financial trends.	• Unproven ability to manage firms of this type. • CEO understands the need for good financial systems and submits requested financials, but sometimes late. • Financial trends may be negative, but CEO has demonstrated that s/he understands what it takes to improve results.	• CEO has not demonstrated adequate knowledge or resources to help company become more profitable. • Financial systems are not adequate, financials are not reliable, or requested financials are not submitted regularly.	• CEO is struggling to demonstrate a viable business model. • Financial systems are not in place, and management cannot produce reliable financial statements.	
Collateral / Source of Repayment	15.0%	LTV** = 50% or lower	LTV = 51% to 75%	LTV = 75.1% to 100% CCR	LTV = 100.1% to 120%	LTV = 120.1% to 150%	LTV = greater than 150%	
Industry, Market, Competitive Advantage	15.0%	Not an option	Niche market: high barriers to entry results in mild competition.	Competitive industry, but firms can control costs to manage market downturns.	Very tough competition, reliant on commodity prices, and difficult to control costs.	Significant deterioration in market conditions; borrower struggling to manage changes in industry (30 to 60 days past due).	Deterioration in markets has manifested itself in severe weakness in the borrower's financial condition (60 to 90 days past due).	

*DSC refers to Debt Service Coverage ratio, calculated by subtracting cash operating expenses from gross cash income and dividing the result by the borrower's total debt service obligations, based on most recent fiscal year cash flows.

**LTV refers to Loan to Value ratio, which equals the total amount of the borrower's loans (including the PCAP loan) that are secured by the collateral that serves as collateral for PCAP's loan, divided by the total value of the borrower's collateral.

Appendix A

Audited Financial Statements as of and for the Year Ended December 31, 2022

Partner Community Capital, Inc.

Financial Report
December 31, 2022 and 2021

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KraftCPAs PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Partner Community Capital, Inc.

REPORT ON THE AUDITS OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Partner Community Capital, Inc. ("PCAP") which comprise the statements of financial position as of December 31, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partner Community Capital, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PCAP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PCAP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

KraftCPAs PLLC • Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • phone: 615-242-7351 • fax: 615-782-4271 • kraftcpas.com

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards,* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PCAP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PCAP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Reporting Requirements by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of PCAP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PCAP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PCAP's internal control over financial reporting and compliance.

KraftCPAs PLLC

Nashville, Tennessee
March 31, 2023

Partner Community Capital, Inc.

Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 13,885,195	$ 16,715,441
Accounts receivable	25,345	5,493
Prepaid expenses	54,355	82,353
Promises to give	1,132,790	1,047,859
Loans receivable, net of $292,014 and $255,319 at December 31, 2022 and 2021, respectively	9,892,061	7,220,933
Accrued interest and fees receivable	296,005	283,061
Total current assets	25,285,751	25,355,140
Noncurrent assets:		
Cash and cash equivalents – restricted	2,938,132	3,264,689
Other asset	802,595	302,595
Operating leases, right-of-use asset	111,955	-
Loans receivable, net of $1,413,904 and $1,521,062 at December 31, 2022 and 2021, respectively	49,853,234	42,914,596
Total noncurrent assets	53,705,916	46,481,880
Total assets	$ 78,991,667	$ 71,837,020
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 67,683	$ 113,773
Line of credit	-	281,877
Accounts payable, related party	-	100,000
Accrued personnel and related expenses	422,413	-
Funds held for others	43,566	62,735
Current maturities of operating lease liabilities	64,429	-
Current maturities of secured borrowings, participations	1,525,565	705,409
Accrued interest payable	134,186	101,505
Deferred revenue	1,294,209	1,011,665
Current maturities of notes payable	7,060,152	2,075,436
Total current liabilities	10,612,203	4,452,400
Operating lease liabilities, less current maturities	48,622	-
Secured borrowings, participations	12,844,845	10,118,005
Notes payable, net	24,569,776	29,960,996
Subordinated notes payable	4,800,000	3,300,000
Total noncurrent liabilities	42,263,243	43,379,001
Total liabilities	52,875,446	47,831,401
Commitments and contingencies (Note 15)		
Net assets:		
Without donor restrictions	15,636,722	15,233,898
With donor restrictions	10,479,499	8,771,721
Total net assets	26,116,221	24,005,619
Total liabilities and net assets	$ 78,991,667	$ 71,837,020

See notes to financial statements.

Partner Community Capital, Inc.

Statements of Activities
Years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Financial activity:						
Financial income:						
Loan interest revenue	$ 3,605,567	$ -	$ 3,605,567	$ 2,930,285	$ -	$ 2,930,285
Fee income on loans, net	319,463	-	319,463	629,084	-	629,084
Interest income	155,822	-	155,822	6,329	-	6,329
Total financial income	4,080,852	-	4,080,852	3,565,698	-	3,565,698
Financial expenses:						
Provision for (recovery of) credit losses	413,230	-	413,230	(313,212)	-	(313,212)
Interest expense	1,473,837	-	1,473,837	1,159,581	-	1,159,581
Total financial expenses	1,887,067	-	1,887,067	846,369	-	846,369
Net financial income	2,193,785	-	2,193,785	2,719,329	-	2,719,329
Revenue and support:						
Grants and contributions	57,175	1,387,505	1,444,680	16,830	870,000	886,830
In-kind services - Forgiven interest	44,070	-	44,070	84,152	-	84,152
Government grants	-	3,033,835	3,033,835	-	4,304,044	4,304,044
Project income	58,092	-	58,092	19,549	-	19,549
Other income	150	-	150	15,211	-	15,211
Net assets released from restriction	2,713,562	(2,713,562)	-	4,064,315	(4,064,315)	-
Total revenue and support	2,873,049	1,707,778	4,580,827	4,200,057	1,109,729	5,309,786
Expenses:						
Program services:						
Lending	2,493,850	-	2,493,850	2,320,110	-	2,320,110
Strategic initiatives	1,780,555	-	1,780,555	1,388,247	-	1,388,247
Total program services	4,274,405	-	4,274,405	3,708,357	-	3,708,357
Supporting services:						
Management and general	353,071	-	353,071	320,701	-	320,701
Fundraising	36,534	-	36,534	31,172	-	31,172
Total supporting services	389,605	-	389,605	351,873	-	351,873
Total expenses	4,664,010	-	4,664,010	4,060,230	-	4,060,230
Change in net assets	402,824	1,707,778	2,110,602	2,859,156	1,109,729	3,968,885
Net assets:						
Beginning of year	15,233,898	8,771,721	24,005,619	11,632,144	7,661,992	19,294,136
Impact of adopting ASC 326	-	-	-	742,598	-	742,598
End of year	$ 15,636,722	$ 10,479,499	$ 26,116,221	$ 15,233,898	$ 8,771,721	$ 24,005,619

See notes to financial statements.

Partner Community Capital, Inc.

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services			Supporting Services		
	Lending	Strategic Initiatives	Total Program	Management and General	Fundraising	Total
Management fee contract, net	$ 534,053	$ 254,311	$ 788,364	$ 50,862	$ 8,477	$ 847,703
Personnel and related expenses, net	1,332,673	634,606	1,967,279	126,921	21,154	2,115,354
Provision for credit loss	413,230	-	413,230	-	-	413,230
Interest expense	1,429,767	-	1,429,767	-	-	1,429,767
In-kind services - Interest expense	44,070	-	44,070	-	-	44,070
Technical assistance	-	567,553	567,553	-	-	567,553
Grant and contract expense	-	116,951	116,951	-	-	116,951
Loan workout expense - Non-legal	7,966	-	7,966	-	-	7,966
Legal fees	11,817	-	11,817	26,598	-	38,415
Professional fees	3,500	-	3,500	60,465	-	63,965
Employee travel	27,247	12,975	40,222	2,595	432	43,249
Loan origination expense, net	95,192	-	95,192	-	-	95,192
Office expense	104,072	49,558	153,630	9,912	1,652	165,194
Computer software maintenance services	110,503	52,620	163,123	10,524	1,754	175,401
Rent	73,547	35,022	108,569	7,005	1,167	116,741
Conference, convention, meeting	11,390	5,424	16,814	1,085	181	18,080
Insurance	-	-	-	32,300	-	32,300
Reporting and filing fees	16,988	-	16,988	-	-	16,988
Bank charges	-	-	-	14,497	-	14,497
Marketing	104,232	49,634	153,866	9,927	1,654	165,447
Employee training and development	3,992	1,901	5,893	380	63	6,336
Other lending costs	56,678	-	56,678	-	-	56,678
Total expense	$ 4,380,917	$ 1,780,555	$ 6,161,472	$ 353,071	$ 36,534	$ 6,551,077
Less expenses included with financial activity on the statement of activities	(1,887,067)	-	(1,887,067)	-	-	(1,887,067)
Total expense included with expenses on the statement of activities	$ 2,493,850	$ 1,780,555	$ 4,274,405	$ 353,071	$ 36,534	$ 4,664,010

See notes to financial statements.

Partner Community Capital, Inc.

Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services			Supporting Services		
	Lending	Strategic Initiatives	Total Program	Management and General	Fundraising	Total
Management fee contract, net	$ 1,741,415	$ 712,397	$ 2,453,812	$ 158,310	$ 26,385	$ 2,638,507
Provision for (recovery of) credit loss	(313,212)	-	(313,212)	-	-	(313,212)
Interest expense	1,075,429	-	1,075,429	-	-	1,075,429
In-kind services - Interest expense	84,152	-	84,152	-	-	84,152
Technical assistance	-	470,738	470,738	-	-	470,738
Grant and contract expense	-	75,877	75,877	-	-	75,877
Loan workout expense - Non-legal	4,889	-	4,889	-	-	4,889
Legal fees	51,983	-	51,983	-	-	51,983
Professional fees	3,500	-	3,500	84,131	-	87,631
Employee travel	10,866	4,445	15,311	988	165	16,464
Loan origination expense, net	129,497	-	129,497	-	-	129,497
Office expense	85,475	34,967	120,442	7,770	1,295	129,507
Computer software maintenance services	53,213	21,769	74,982	4,838	806	80,626
Rent	50,076	20,486	70,562	4,552	759	75,873
Conference, convention, meeting	2,220	908	3,128	202	34	3,364
Insurance	-	-	-	31,419	-	31,419
Reporting and filing fees	21,957	-	21,957	-	-	21,957
Bank charges	-	-	-	18,122	-	18,122
Marketing	109,980	44,992	154,972	9,998	1,666	166,636
Employee training and development	4,077	1,668	5,745	371	62	6,178
Other lending costs	50,962	-	50,962	-	-	50,962
Total expense	**$ 3,166,479**	**$ 1,388,247**	**$ 4,554,726**	**$ 320,701**	**$ 31,172**	**$ 4,906,599**
Less expenses included with financial activity on the statement of activities	**(846,369)**	**-**	**(846,369)**	**-**	**-**	**(846,369)**
Total expense included with expenses on the statement of activities	**$ 2,320,110**	**$ 1,388,247**	**$ 3,708,357**	**$ 320,701**	**$ 31,172**	**$ 4,060,230**

See notes to financial statements.

Partner Community Capital, Inc.

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ 2,110,602**	$ 3,968,885
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for (recovery of) credit losses	**413,230**	(313,212)
Implied interest expense	**4,795**	5,059
Contributions restricted for long-term purposes	**(1,811,999)**	(1,262,910)
Amortization of debt acquisition costs	**56,678**	50,962
Amortization of deferred loan costs (fees)	**17,062**	63,578
Changes in operating assets and liabilities:		
Accounts receivable	**(19,852)**	10,907
Prepaid expenses	**27,998**	(82,353)
Promises to give	**(84,931)**	(76,656)
Accrued interest and fees receivable	**(12,944)**	88,282
Operating leases, right-of-use assets	**53,655**	-
Accounts payable	**(46,090)**	79,619
Accounts payable, related party	**(100,000)**	100,000
Accrued personnel and related expenses	**422,413**	-
Funds held for others	**(19,169)**	(31,371)
Accrued interest payable	**32,681**	24,016
Refundable advance	**282,544**	954,029
Operating lease liabilities	**(52,559)**	-
Net cash provided by operating activities	**1,274,114**	3,578,835
Cash flows from investing activities:		
Cash disbursements on loans receivable	**(21,417,132)**	(18,220,450)
Principal collections on loans receivable	**10,219,784**	13,064,085
Proceeds from the sale of loans receivable	**1,345,390**	1,094,020
Repayment on the sale of loans receivable	**(188,100)**	(123)
Purchase of other asset	**(500,000)**	-
Sale of restricted investment	**-**	206,089
Net cash used in investing activities	**(10,540,058)**	(3,856,379)
Cash flows from financing activities:		
Proceeds from lines of credit	**801,336**	763,127
Repayment of lines of credit	**(1,083,213)**	(630,750)
Proceeds from issuance of notes payable	**4,162,252**	5,781,906
Repayments of notes payable	**(3,099,485)**	(1,515,811)
Payment of debt acquisition costs	**(30,744)**	(47,249)
Advances on secured borrowings, participations	**4,775,332**	2,950,944
Repayments on secured borrowings, participations	**(1,228,336)**	(660,837)
Contributions restricted for long-term purposes	**1,811,999**	1,262,910
Net cash provided by financing activities	**6,109,141**	7,904,240
Net (decrease) increase in cash and cash equivalents	**(3,156,803)**	7,626,696
Cash and cash equivalents:		
Beginning of year	**19,980,130**	12,353,434
End of year	**$ 16,823,327**	$ 19,980,130
Cash and cash equivalents–unrestricted	**$ 13,885,195**	$ 16,715,441
Cash–restricted	**2,938,132**	3,241,291
	$ 16,823,327	19,956,732
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 1,436,361**	$ 1,130,506
Cash payment on operating leases	**$ 61,809**	$ -
Supplemental schedule of noncash operating activities		
ROU asset obtained in exchange for new operating lease liability	**$ 165,610**	$ -

See notes to financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Partner Community Capital, Inc. (PCAP) is a certified community development financial institution that provides financing for and technical assistance to triple-bottom line small businesses and critical community infrastructure. PCAP's base is in West Virginia, but it also conducts lending and investing activities in North Carolina, portions of South Carolina, and the Appalachian counties in Maryland, Virginia, Tennessee, Ohio and Kentucky.

PCAP's activities include the following two program areas:

Lending program: PCAP is a specialized, niche lender for start-up and early stage small businesses in underserved markets. The primary goal of its loan programs is to create or retain full-time private sector jobs. PCAP provides microloans in amounts from $1,000 to $50,000 and business loans sized from $50,000 to $1.5 million. PCAP is approved as a United States Department of Agriculture (USDA) Business & Industry (B&I) Guaranteed Lender, giving it the ability to participate in transactions up to $2.5 million.

PCAP's business clients are predominantly located in economically distressed rural communities that are unable to access capital from traditional sources. Target sectors include, but are not limited to: environmental services, local food system infrastructure, heritage and recreation-based tourism, value-added agriculture, renewable energy, energy efficiency, recycling, water conservation and treatment, secondary forest products, natural medicines, green building, critical community services and technologies that support the sustainable use of natural resources.

PCAP pursues Triple Bottom Line (TBL) small business development as a means to responsibly create wealth in distressed communities. Small and mid-sized businesses can demonstrate the viability of utilizing natural assets responsibly, while offering opportunities in low income communities to build wealth through the creation of living wage jobs with benefits and skill building opportunities. While PCAP specializes in financing TBL companies, it recognizes that economically and environmentally healthy communities require a diverse range of businesses and services, so PCAP expanded its work.

Strategic initiatives program: PCAP's strategic initiatives use targeted funding and partnerships with small business-related or sector-specific community partners to devote added resources to particular sectors or constituencies within PCAP's stated mission. These initiatives frequently combine PCAP's loan capital with a) targeted business advisory services and/or b) grant funding from partners in order to ensure borrower success and "buy down" the cost of critical infrastructure or services for the constituencies PCAP seeks to serve.

Basis of presentation: PCAP prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), which have been applied on a consistent basis and follow general practices within the nonprofit industry. A description of the net asset classes is as follows:

Net assets without donor restrictions: All resources over which the governing board has discretionary control. The governing board of PCAP may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Restriction will be released when the requirements of the donor or grantor have been satisfied through expenditure for the specified purpose of the program or through the passage of time.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor contributions to be used for loan capital are recorded by PCAP in its loan capital revolving fund as perpetual in nature. The funds are used to provide financing capital to qualifying businesses. The Loan Capital Revolving Fund is replenished as the loan principal is repaid. In the event that a note receivable funded by contributions that are perpetual in nature, becomes uncollectible, PCAP writes off the uncollectible amount (loss) against the net assets.

Cash and cash equivalents: PCAP classifies cash and money market funds with original maturities of 90 days or less as cash and cash equivalents. Money market funds consist of US treasury obligations, which are recorded at cost which approximates fair value.

Restricted cash: In order to secure its obligations in existing loan agreements, PCAP is required to maintain certain bank accounts and balances, wherein the proceeds of the loans shall be held in separate custodial accounts established at a mutually acceptable financial institution. This requirement includes two federal programs, two financial institution lenders and one private lender. For the Intermediary Relending Program (IRP) which includes the Rural Microentrepreneur Assistance Program (RMAP), PCAP agrees to deposit in a custodial account on the closing date the full amount of the proceeds of the loan and thereafter, principal or proceeds received by the ultimate recipient, and all interest, dividends or other earnings. The amounts deposited in the account shall not be commingled with any other funds. In addition, IRP, RMAP, and the Small Business Administration (SBA) require cash to be restricted for loan loss reserves. Refer to *Note 3 – Cash and cash equivalents*.

Restricted investments: In order to secure its obligations in its existing loan agreement, PCAP is required to maintain certain balances in such account with a financial institution lender until all its obligations to the lender have been satisfied. The investment consists of a long-term certificate of deposit.

Cash equivalents held as collateral: In order to meet certain private lenders' requirements for loans receivable, PCAP records certificates of deposit as collateral. The certificates of deposit are held at cost and have short-term maturities.

Investment: PCAP holds investments in the U.S. Endowment Fuel Project. PCAP provided two investments totaling $99,995 to finance fuel stations in logging communities in South Carolina for the members of a certain cooperative. PCAP earns minimal revenues on fuel sold.

Promises to give and contribution revenue: Unconditional contributions, including unconditional promises to give, are recognized at fair value as support in the period received. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management determines the allowance for doubtful promises by regularly evaluating individual promises to give and considering the prior history of the donor and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. There was no allowance for doubtful promises to give at December 31, 2022 or 2021.

Loans receivable: PCAP makes small business loans to customers. These loans are made in West Virginia, North Carolina and the Appalachian and rural areas of Maryland, Ohio, Kentucky, Virginia, Tennessee, and South Carolina. The ability of PCAP's debtors to honor their contracts is dependent upon general economic conditions in the respective area.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

PCAP uses the following loan segments for financial reporting purposes: Real Estate – First Position, Real Estate – Subordinated, Other Collateral, Non Risk Rated (Payroll Protection Program, NC COVID-19 Rapid Recovery, WV Emergency), and Unsecured. Loans receivable are stated at the principal amount outstanding, net of allowance for losses and deferred loan origination fees. Interest income on loans is accrued on the principal outstanding at the loans' stated interest rate unless the loan is in default. Direct origination fees, net of direct costs, are deferred and amortized using the effective interest method over the respective lives of the related and are recorded as an adjustment to fee income on loans. Fees relating to expired commitments are recognized as non-interest income. If a commitment is exercised during the commitment period, the fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

Loans are considered past due if the required principal and interest payments have not been received 30 days from the date such payments were due. If it otherwise appears doubtful that the loan will be repaid or if the cash flow of the business can only support a principal payment, management may place the loan on nonaccrual status. Generally, loans on non-accrual status are 90 days or more past due and are moving toward foreclosure/liquidation.

Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for loan losses: As described below under *Note 2. - Recently Adopted Accounting Pronouncements*, PCAP adopted Financial Accounting Standards Board (FASB) ASC 326 effective January 1, 2021, which requires the estimation of an allowance for credit losses in accordance with the current expected credit loss (CECL) methodology. PCAP's management assesses the adequacy of the allowance on a quarterly basis. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management's evaluation of historical default and loss experience, current and projected general economic outlook, composition of the loan portfolio, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations and analysis of key lending staff. The level of the allowance for credit losses maintained by management is believed adequate to absorb all expected future losses inherent in the loan portfolio at the balance sheet date. The allowance is increased through provision for credit losses and decreased by charge-offs, net of recoveries of amounts previously charged-off.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exists. PCAP has identified the following portfolio segments for analysis and measurement of allowance for credit losses: Startup, Non-Startup High Credit Risk as measured by credit score, Non-Startup Acceptable Credit Risk as measured by credit score, Payroll Protection Program, and NC COVID-19 Rapid Recovery loans.

Startup, Non-Startup High Credit Risk as measured by credit score, and Non-Startup Acceptable Credit Risk as measured by credit score portfolio segments measure utilize the Vintage model approach for estimation of an allowance for credit losses. The vintage model utilizes historical indications to develop future loss expectations. Portfolio loans are grouped by calendar year of origination (vintage) and a pattern of credit loss information is developed by averaging relevant historical indications. This loss pattern is applied on a forward looking basis to active vintages to develop loss expectations. All loan segments under the vintage model consider changes in the economic outlook obtained from an independent third party. The following qualitative adjustments are utilized in the analysis and estimation of allowance for credit losses: Changes in average term of portfolio loans, changes in volume and severity of past due loans, and analysis of key lending staff.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Payroll Protection Program and NC COVID-19 Rapid Recovery loans are considered standalone segments as there are no lifetime expected losses attributable to PCAP. Payroll Protection Program loans are fully guaranteed by the Small Business Administration and NC COVID-19 Rapid Recovery loans are participation loans sold in full to third parties as described in *Transfers of financial assets in Note 1. Nature of Activities and Summary of Significant Accounting Policies.*

Loans that do not share similar risk characteristics with the collectively evaluated pools are evaluated on an individual basis and are excluded from the collectively evaluated pools. Individual evaluations are performed for loans which have experienced significant credit deterioration. Such loans are evaluated for credit losses based on either discounted cash flows or the fair value of collateral. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral, less selling costs. For loans for which foreclosure is not probable, but for which repayment is expected to be provided substantially through the operation or sale of the collateral, PCAP has elected the practical expedient under ASC 326 to estimate expected credit losses based on the fair value of collateral, with selling costs considered in the event sale of the collateral is expected. Loans for which terms have been modified in a troubled debt restructures (TDR) are evaluated using these same individual evaluation methods. In the event the discounted cash flow method is used for a TDR, the original interest rate is used to discount expected cash flows.

In accordance with CECL, losses are estimated over the remaining contractual terms of loans, adjusted for prepayments. The contractual term excludes expected extensions, renewals and modifications unless management has a reasonable expectation at the reporting date that a TDR will be executed or such renewals, extensions or modifications are included in the original loan agreement and are not unconditionally cancellable by PCAP.

Credit losses are estimated on the amortized cost basis of loans, which includes the principal balance outstanding, deferred origination fees and costs and accrued interest receivable.

Troubled debt restructures (TDR): A loan that was restructured where the lender granted a concession that otherwise it would not consider due to the borrower's financial difficulties. The concession would allow for continued albeit lower or less frequent payments.

Other real estate owned (OREO): Real estate acquired through foreclosure is carried at estimated fair value, less estimated costs of disposal. Costs of improving OREO are capitalized to the extent that the carrying value does not exceed its fair value less estimated selling costs. Holding costs are charged to period expense. Gains and losses on sales, if any, are recognized in financial income (loss) as they occur.

Notes payable: PCAP uses debt primarily for financing for financing for triple-bottom line small businesses and critical community infrastructure. Most debt is in the form of notes payable to foundations, financial institutions, impact investors and various government agencies. PCAP records a discount and contribution revenue when note interest rates are considered below-market and amortizes the discount to interest expense over the term of the related notes. Debt acquisition costs are capitalized and amortized using the effective interest method over the term of the debt.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Transfers of financial assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from PCAP, (2) the transferee obtains the right to pledge or exchange the transferred assets and no condition both constrains the transferee from taking advantage of that right and provides more than a trivial benefit for the transferor and (3) the transferor does not maintain effective control over the transferred assets through either: (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call. The outstanding balance of sales is $2,251,186 and $1,093,897 as of December 31, 2022 and 2021, respectively.

PCAP sells participation loans to third parties that do not meet the criteria to be accounted for as sales as PCAP has not surrendered control of the participation loans sold. As a result the participation loans are accounted for as secured borrowings, whereby PCAP records cash received from the transferee and records a liability to repay the cash to the transferee. The transferees have no recourse to PCAP for failure of the underlying borrowers to pay amounts contractually due. The outstanding balance of participation loans sold accounted for as secured borrowings is $14,370,410 and $10,823,414 as of December 31, 2022 and 2021, respectively.

Revenue recognition: PCAP's primary revenues come from interest and fees earned on loans originated in connection with the execution of loans to third parties. These revenues are without donor restrictions and are an integral part of the funding of PCAP operations. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

PCAP also receives funding for its programs from federal grants and from corporations and foundations in the form of operating grants. PCAP recognizes contributions and grants received, including unconditional promises to give, as support in the period received. Contributions and grants received are reported as support with or without donor restrictions.

Promises to contribute and grants that stipulate conditions to be met before the contribution or grant is made to PCAP are not recognized until the conditions are met.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses, such as the management fee, rent, employee travel and training and other office expenses that support programs are allocated to the programs based on full-time employee salaries and a percentage of time worked on program-specific duties.

Leases: PCAP made an accounting policy election available under Topic 842 not to recognize right-of-use ("ROU") assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, PCAP used the discount rate implicit in the lease agreement, if readily determinable. For leases in which the rate implicit in the lease agreement is not readily determinable, PCAP made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

PCAP has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate asset class. The non-lease components typically represent additional services transferred to PCAP, such as common area maintenance for office space), which are variable in nature and recorded in variable lease expense in the period incurred.

Income taxes: PCAP is organized as a Maryland nonstock corporation and has received a determination letter from the U.S. Internal Revenue Services (IRS) granting it tax-exempt status as a charitable non-provide organization under IRC Sections 501(c)(3) and 170(b)(1)(A)(vi). Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. PCAP had no net unrelated business income tax for the years ended December 31, 2022 and 2021.

Management evaluated PCAP's tax positions and concluded that PCAP had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. PCAP files income tax returns in the U.S. federal jurisdiction. Generally, PCAP is no longer subject to income tax examinations for the U.S. federal, state or local tax authorities for the years before 2019.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include the allowance for loan losses. Actual results could materially differ from those estimates.

Reclassifications: Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on the results of activities or net assets as previously reported.

Note 2. Recently Adopted Accounting Pronouncements:

On January 1, 2021, PCAP adopted Accounting Standards Update (ASU) 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which replaces the incurred loss methodology with an expected loss methodology that is referred to as the CECL methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized costs, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. The total impact of adoption of ASC 326 was an increase in net assets without donor restriction of $742,598.

PCAP adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized costs and off-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after January 1, 2021 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

Note 2. Recently Adopted Accounting Pronouncements (Continued):

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial positions as a ROU asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities. PCAP adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, PCAP has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Company's historical accounting treatment under ASC Topic 840, Leases. PCAP elected the "package of practical expedients" under the transition guidance within Topic 842, in which the PCAP does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases.

PCAP has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

PCAP determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) PCAP obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. PCAP also considers whether its service arrangements include the right to control the use of an asset.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the PCAP's operating leases of approximately $122,213 at January 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of Net Assets.

Note 3. Cash and Cash Equivalents

Cash and cash equivalents held by PCAP at December 31, 2022 and 2021, consist of the following:

	2022	2021
Cash	$ 3,886,051	$ 5,094,427
U.S. government money market fund	12,913,878	14,862,305
Certificates of deposit	23,398	23,398
	$ 16,823,327	$ 19,980,130
Unrestricted cash and cash equivalents	$ 13,885,195	$ 16,715,441
Restricted cash	2,914,734	3,241,291
Restricted cash equivalents	23,398	23,398
	$ 16,823,327	$ 19,980,130

Note 3. Cash and Cash Equivalents (Continued)

Restricted cash balances at December 31, 2022 and 2021, are held for the following purposes:

	2022	2021
Revolving loan funds:		
Intermediary Relending Program	$ 1,255,958	$ 1,478,304
Economic Development Authority	89,908	4,360
Rural Microentrepreneur Assistance Program	340,887	333,978
	1,686,753	1,816,642
Cash required to be segregated by lender:		
Financial institution lenders	1,061,353	1,273,005
Private lender	-	-
	1,061,353	1,273,005
Cash loan loss reserves:		
Intermediary Relending Program	117,171	102,187
Rural Microentrepreneur Assistance Program	19,458	19,458
Small Business Administration	29,999	29,999
	166,628	151,644
	$ 2,914,734	$ 3,241,291

Note 4. Other Asset

At December 31, 2022, PCAP held three, certificate of deposits (CDs) that are associated with a third-party. The CDs range in amount from $28,000 to $500,000. The CDs are in the name of PCAP but are assigned as collateral to a financial institution that holds three loans totaling approximately $4 million with the third-party. In the event of default in the financial institution's loans, the financial institution would cash in the CDs and apply the balance towards the balance of the outstanding loans. Then, PCAP would have three loans with the third-party ranging from $28,000 to $500,000.

At December 31, 2021, PCAP held two CDs that are associated with a third-party; one CD is for $174,600 and the other CD is for $28,000. The CDs are in the name of PCAP but are assigned as collateral to a financial institution that holds two loans totaling approximately $1 million with the third party. In the event of default in the financial institution's loans, the financial institution would cash in the CDs and apply the balance towards the balance of the outstanding loans. Then, PCAP would have two loans with the third-party for $174,600 and $28,000.

Note 5. Promises to Give

As of December 31, 2022 and 2021, unconditional promises to give totaling $1,132,790 and $1,047,859, respectively, are due in less than one year. At December 31, 2022 and 2021, PCAP also had twelve and sixteen conditional promises to give totaling $5,264,660 and $5,521,729, respectively.

Note 6. Loans Receivable

Loans receivable by category at December 31, 2022 and 2021, as follows:

		2022		2021
Real Estate - First Position	$	34,895,429	$	29,940,042
Real Estate - Subordinated		6,628,675		4,645,853
Other Collateral		12,310,601		8,066,434
Non Risk Rated				
Payroll Protection Program		-		1,068,081
North Carolina COVID 19				
Rapid Recovery		5,878,769		6,363,809
West Virginia Emergency		1,634,389		1,667,056
Unsecured		103,350		160,635
Subtotal		61,451,213		51,911,910
Allowance for credit losses		(1,705,918)		(1,776,381)
Loans receivable, net	$	59,745,295	$	50,135,529

Loans carry remaining terms of less than one year to 18 years and carry interest rates of 0% to 12%. The loans are generally payable in monthly or quarterly installments of either interest-only (non-amortizing) or principal and interest (amortizing) over the term of each loan.

Loans are primarily secured by the underlying assets financed, such as real estate, equipment and inventory.

Loans receivable totaling $2,656,619 and $2,409,381 and restricted cash of $1,255,958 and $1,478,304 serve as collateral on IRP notes payable at December 31, 2022 and 2021, respectively. Loans receivable totaling $48,683 and $85,509 and restricted cash of $340,887 and $333,978 serve as collateral on RMAP notes payable at December 31, 2022 and 2021, respectively.

Accrued interest receivable amounted to $289,217 and $281,768 at December 31, 2022 and 2021, respectively.

There were no non-accrual loans at December 31, 2022 or 2021.

COVID-19 Response: The Coronavirus Aid, Relief and Economic Security (CARES) Act created funding for the Small Business Administration's (SBA) loan program providing forgiveness of up to the full principal amount of qualifying loans guaranteed under a new program called the Paycheck Protection Program (PPP). The intent of the PPP is to provide loans to small businesses in order to keep their employees on the payroll and make certain other eligible payments. Loans granted under the PPP are guaranteed by the SBA and are fully forgivable if used for qualifying expenses, such as payroll, rent, and utilities. If the loans are not forgiven, they must be repaid over a term not to exceed five years. Under the PPP, PCAP funded $3,699,072 in loans to 112 borrowers. As of December 31 2021, $1,059,468 of principal remained outstanding on these PPP loans. As of December 31, 2022, no principal remained outstanding.

With the support of the Appalachian Regional Commission (ARC) and the U.S. Department of Commerce's Economic Development Administration (EDA), PCAP launched the West Virginia Emergency Relief Lending Program to support West Virginia small businesses affected by the COVID-19 pandemic. The intent of the fund is to assist with the working capital needs of the affected businesses. Proceeds from the loan may not be used to refinance existing debts. Repayment of the loan is expected and personal guarantees are required. Under the West Virginia Emergency Relief Lending Program, through December 31, 2022, PCAP funded $1,991,290 in loans to 39 borrowers and deferred approximately $10,695 of net origination costs as of December 31, 2022 ($12,771 as of December 31, 2021), that will be recognized as origination expense over the term of the loans. As of December 31, 2022 and 2021, $1,623,694 and $1,654,285 of principal remained outstanding on the WV Emergency loans, respectively.

Note 6. Loans Receivable (Continued)

PCAP participated in the North Carolina Rapid Recovery (NCRR) loan program, an emergency loan program designed for NC borrowers affected by the COVID-19 pandemic. It was administered by the NC Rural Center. Capital for the NCRR was provided by the Golden LEAF Foundation initially, supplemented by a $125 million appropriation from the State of North Carolina. NCRR served as a central point of contact for potential NCRR borrowers; it then distributed applications to PCAP and other participating Community Development Financial Institutions and community lenders, which reviewed the applications, determined borrower eligibility, and underwrote loans. Repayment of the loans is expected and personal guarantees are required. This program is also a part of PCAP secured borrowings. Repayments of principal at 100% and interest at 50% are returned to NC Rural Center. Under the NCRR program, PCAP funded $6,691,620 in loans to 73 borrowers and deferred approximately $22,819 of net origination costs as of December 31, 2022 ($30,455 as of December 31, 2021), that will be recognized as origination expense over the term of the loans. As of December 31, 2022 and 2021, $5,855,950 and $6,333,354 of principal remained outstanding on the NCRR loans, respectively.

Aging: The following table represent an aging of loans as of December 31, 2022 and 2021. The table presents the principal amount outstanding on the loans that may be past due for principal and/or interest payments contractually due:

	2022					
	31 - 60 Days Past Due	61 - 90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Loans
Real Estate - First Position	$ -	$ -	$ -	$ -	$ 34,895,429	$ 34,895,429
Real Estate - Subordinated	-	-	-	-	6,628,675	6,628,675
Other Collateral	159,361	-	100,006	259,367	12,051,234	12,310,601
Non Risk Rated						
Payroll Protection Program	-	-	-	-	-	-
North Carolina COVID 19						
Rapid Recovery	171,796	-	99,485	-	5,878,769	5,878,769
West Virginia Emergency	90,084	-	-	-	1,634,389	1,634,389
Unsecured	-	-	100,084	100,084	3,266	103,350
Total	$ 421,241	$ -	$ 299,575	$ 359,451	$ 61,091,762	$ 61,451,213

	2021					
	30 - 60 Days Past Due	61 - 90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Loans
Real Estate - First Position	$ -	$ -	$ -	$ -	$ 29,940,042	$ 29,940,042
Real Estate - Subordinated	-	-	-	-	4,645,853	4,645,853
Other Collateral	-	172,154	226,635	398,789	7,667,645	8,066,434
Non Risk Rated						
Payroll Protection Program	-	-	-	-	1,068,081	1,068,081
North Carolina COVID 19						
Rapid Recovery	-	-	-	-	6,363,809	6,363,809
West Virginia Emergency	-	-	-	-	1,667,056	1,667,056
Unsecured	-	-	-	-	160,635	160,635
Total	$ -	$ 172,154	$ 226,635	$ 398,789	$ 51,513,121	$ 51,911,910

Credit quality: Management uses internally assigned risk ratings as indicators of credit quality. Each loan's risk rating is assigned at origination and updated at least annually and more frequently if circumstances warrant a change in risk rating. PCAP uses a loan grading system that follows its loan policy.

In evaluating the credit risk of the PCAP's loan portfolio, management has developed an internal credit risk rating system based on a variety of risk factors that they believe represent leading indicators of credit quality. The PCAP's internal credit risk ratings are categorized as one through seven, with the lowest credit risk rating representing the highest quality financing receivables.

Note 6. Loans Receivable (Continued)

RR 1 – Strong: Loans categorized as RR 1 exhibit extremely high credit quality, with virtually no perceived credit risk, as evidenced by very strong cash flow, net worth, working capital, quality collateral and management.

RR 2 – Low risk: Loans categorized as RR 2 exhibit high credit quality, as evidenced by strong cash flow, an abundance of quality collateral, and borrowers with stable management and seasoned loan payment histories.

RR 3 – Acceptable risk: Loans categorized as RR 3 exhibit normal credit quality profiles, with acceptable overall credit characteristics related to capital, asset quality, management, earnings and liquidity.

RR 4 – Moderate risk/start-up: Loans categorized RR 4 exhibit identified some credit concerns (e.g., start-up with no proven performance, etc.), which warrant increased monitoring, but not necessarily expected to result in credit loss.

RR 5 – High risk: Loans categorized RR 5 exhibit deterioration in overall credit quality, such that some level of credit loss is reasonably expected to occur.

RR 6 – Problem asset: Loans categorized RR 6 exhibit significant deterioration in overall credit quality and collateral position is weak or non-existent. The loan is not performing as agreed and has been delinquent for at least 90 days or more. Current conditions indicate that full repayment is highly questionable or unlikely. PCAP is moving toward writing off the loan.

RR 7 – Written off: Loans that have been determined are not collectible and will be written off.

Non risk rated – The PCAP has certain loans that are not risk rated.

Note 6. Loans Receivable (Continued)

The following table summarizes the loan portfolio classified by internal credit risk rating by primary loan type and based on year of origination at December 31, 2022 and 2021.

	2022						
	2022	2021	2020	2019	2018	Prior	Total
Real Estate - First Position							
1 - Strong	$ -	$ -	$ -	$ -	$ -	$ 54,462	$ 54,462
2 - Low Risk	1,660,878	2,787,263	163,827	1,841,912	786,891	3,107,086	10,347,857
3 - Acceptable Risk	5,768,204	3,202,537	1,667,090	1,521,523	1,416,468	946,930	14,522,752
4 - Moderate Risk/Start-Up	2,452,222	2,728,603	564,028	-	1,214,324	938,289	7,897,466
5 - High Risk	73,048	-	880,453	-	680,957	438,434	2,072,892
6 - Problem Asset	-	-	-	-	-	-	-
7 - Written Off	-	-	-	-	-	-	-
Non risk rated	-	-	-	-	-	-	-
Total Real Estate - First Position	$ 9,954,352	$ 8,718,403	$ 3,275,398	$ 3,363,435	$ 4,098,640	$ 5,485,201	$ 34,895,429
Real Estate - Subordinated							
1 - Strong	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2 - Low Risk	-	-	20,065	-	114,185	674,306	808,556
3 - Acceptable Risk	75,548	-	-	-	-	233,004	308,552
4 - Moderate Risk/Start-Up	2,764,048	1,164,927	454,078	750,919	40,898	28,607	5,203,477
5 - High Risk	250,548	-	-	-	-	-	250,548
6 - Problem Asset	-	57,542	-	-	-	-	57,542
7 - Written Off	-	-	-	-	-	-	-
Non risk rated	-	-	-	-	-	-	-
Total Real Estate - Subordinated	$ 3,090,144	$ 1,222,469	$ 474,143	$ 750,919	$ 155,083	$ 935,917	$ 6,628,675
Other Collateral							
1 - Strong	$ -	$ 18,953	$ 36,352	$ -	$ -	$ 129,046	$ 184,351
2 - Low Risk	520,896	666,633	45,795	448,926	-	355,718	2,037,968
3 - Acceptable Risk	1,561,197	165,801	92,209	175,580	115,275	525,672	2,635,734
4 - Moderate Risk/Start-Up	3,514,769	1,150,812	379,496	494,090	376,265	506,715	6,422,147
5 - High Risk	411,096	233,689	-	198,536	-	9,658	852,979
6 - Problem Asset	-	88,717	-	-	-	88,705	177,422
7 - Written Off	-	-	-	-	-	-	-
Non risk rated	-	-	-	-	-	-	-
Total Other Collateral	$ 6,007,958	$ 2,324,605	$ 553,852	$ 1,317,132	$ 491,540	$ 1,615,514	$ 12,310,601
Non risk rated							
1 - Strong	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2 - Low Risk	-	-	-	-	-	-	-
3 - Acceptable Risk	-	-	-	-	-	-	-
4 - Moderate Risk/Start-Up	-	-	-	-	-	-	-
5 - High Risk	-	-	-	-	-	-	-
6 - Problem Asset	-	-	-	-	-	-	-
7 - Written Off	-	-	-	-	-	-	-
Non risk rated	101,095	2,350,311	5,061,752	-	-	-	7,513,158
Total Non risk rated	$ 101,095	$ 2,350,311	$ 5,061,752	$ -	$ -	$ -	$ 7,513,158
Unsecured							
1 - Strong	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2 - Low Risk	-	12,087	-	-	-	-	12,087
3 - Acceptable Risk	-	15,420	-	-	-	-	15,420
4 - Moderate Risk/Start-Up	47,444	3,304	14,516	-	-	-	65,264
5 - High Risk	-	10,579	-	-	-	-	10,579
6 - Problem Asset	-	-	-	-	-	-	-
7 - Written Off	-	-	-	-	-	-	-
Non risk rated	-	-	-	-	-	-	-
Total Unsecured	$ 47,444	$ 41,390	$ 14,516	$ -	$ -	$ -	$ 103,350
Total Loans							
1 - Strong	$ -	$ 18,953	$ 36,352	$ -	$ -	$ 183,508	$ 238,813
2 - Low Risk	2,181,774	3,465,983	229,687	2,290,838	901,076	4,137,110	13,206,468
3 - Acceptable Risk	7,404,949	3,383,758	1,759,299	1,697,103	1,531,743	1,705,606	17,482,458
4 - Moderate Risk/Start-Up	8,778,483	5,047,646	1,412,118	1,245,009	1,631,487	1,473,611	19,588,354
5 - High Risk	734,692	244,268	880,453	198,536	680,957	448,092	3,186,998
6 - Problem Asset	-	146,259	-	-	-	88,705	234,964
7 - Written Off	-	-	-	-	-	-	-
Non risk rated	101,095	2,350,311	5,061,752	-	-	-	7,513,158
Total Loans	$ 19,200,993	$ 14,657,178	$ 9,379,661	$ 5,431,486	$ 4,745,263	$ 8,036,632	$ 61,451,213

Note 6. Loans Receivable (Continued)

	2021						
	2021	2020	2019	2018	2017	Prior	Total
Real Estate - First Position							
1 - Strong	$ -	$ -	$ -	$ -	$ -	$ 77,640	$ 77,640
2 - Low Risk	2,863,829	2,629,044	1,223,104	2,903,782	3,440,604	970,007	14,030,370
3 - Acceptable Risk	1,464,651	420,132	1,966,389	1,536,494	1,085,629	1,020,615	7,493,910
4 - Moderate Risk/Start-Up	3,504,313	921,197	882,415	617,106	-	336,509	6,261,540
5 - High Risk	-	215,655	1,415,545	-	-	445,382	2,076,582
6 - Problem Asset	-	-	-	-	-	-	-
7 - Written Off	-	-	-	-	-	-	-
Non risk rated	-	-	-	-	-	-	-
Total Real Estate - First Position	$ 7,832,793	$ 4,186,028	$ 5,487,453	$ 5,057,382	$ 4,526,233	$ 2,850,153	$ 29,940,042
Real Estate - Subordinated							
1 - Strong	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2 - Low Risk	-	298,320	120,195	138,996	110,786	425,582	1,093,879
3 - Acceptable Risk	282,251	242,514	84,593	185,000	281,127	103,428	1,178,913
4 - Moderate Risk/Start-Up	1,134,058	223,615	764,012	-	33,324	-	2,155,009
5 - High Risk	-	-	-	-	-	158,956	158,956
6 - Problem Asset	59,096	-	-	-	-	-	59,096
7 - Written Off	-	-	-	-	-	-	-
Non risk rated	-	-	-	-	-	-	-
Total Real Estate - Subordinated	$ 1,475,405	$ 764,449	$ 968,800	$ 323,996	$ 425,237	$ 687,966	$ 4,645,853
Other Collateral							
1 - Strong	$ 24,843	$ 39,786	$ -	$ -	$ -	$ 166,392	$ 231,021
2 - Low Risk	150,048	53,163	537,468	-	89,565	359,104	1,189,348
3 - Acceptable Risk	721,219	788,409	526,672	135,345	194,861	1,194,992	3,561,498
4 - Moderate Risk/Start-Up	702,174	7,975	925,057	249,078	172,154	378,682	2,435,120
5 - High Risk	-	116,722	-	182,931	136,551	12,436	448,640
6 - Problem Asset	90,894	-	-	-	-	109,913	200,807
7 - Written Off	-	-	-	-	-	-	-
Non risk rated	-	-	-	-	-	-	-
Total Other Collateral	$ 1,689,178	$ 1,006,055	$ 1,989,197	$ 567,354	$ 593,131	$ 2,221,519	$ 8,066,434
Non risk rated							
1 - Strong	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2 - Low Risk	-	-	-	-	-	-	-
3 - Acceptable Risk	-	-	-	-	-	-	-
4 - Moderate Risk/Start-Up	-	-	-	-	-	-	-
5 - High Risk	-	-	-	-	-	-	-
6 - Problem Asset	-	-	-	-	-	-	-
7 - Written Off	-	-	-	-	-	-	-
Non risk rated	3,511,613	5,587,333	-	-	-	-	9,098,946
Total Non risk rated	$ 3,511,613	$ 5,587,333	$ -	$ -	$ -	$ -	$ 9,098,946
Unsecured							
1 - Strong	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2 - Low Risk	12,394	-	-	-	25,952	-	38,346
3 - Acceptable Risk	87,119	-	-	-	4,923	-	92,042
4 - Moderate Risk/Start-Up	3,599	15,902	-	-	-	-	19,501
5 - High Risk	10,746	-	-	-	-	-	10,746
6 - Problem Asset	-	-	-	-	-	-	-
7 - Written Off	-	-	-	-	-	-	-
Non risk rated	-	-	-	-	-	-	-
Total Unsecured	$ 113,858	$ 15,902	$ -	$ -	$ 30,875	$ -	$ 160,635
Total Loans							
1 - Strong	$ 24,843	$ 39,786	$ -	$ -	$ -	$ 244,032	$ 308,661
2 - Low Risk	3,026,271	2,980,527	1,880,767	3,042,778	3,666,907	1,754,693	16,351,943
3 - Acceptable Risk	2,555,240	1,451,055	2,577,654	1,856,839	1,566,540	2,319,035	12,326,363
4 - Moderate Risk/Start-Up	5,344,144	1,168,689	2,571,484	866,184	205,478	715,191	10,871,170
5 - High Risk	10,746	332,377	1,415,545	182,931	136,551	616,774	2,694,924
6 - Problem Asset	149,990	-	-	-	-	109,913	259,903
7 - Written Off	-	-	-	-	-	-	-
Non risk rated	3,511,613	5,587,333	-	-	-	-	9,098,946
Total Loans	$ 14,622,847	$ 11,559,767	$ 8,445,450	$ 5,948,732	$ 5,575,476	$ 5,759,638	$ 51,911,910

Note 6. Loans Receivable (Continued)

Allowance for credit losses: The following is an analysis of the allowance for credit losses for the year ended December 31, 2022 and 2021:

2022	Real Estate First Position	Real Estate Subordinated	Other Collateral	Payroll Protection Program	North Carolina COVID 19 Rapid Recovery	West Virginia Emergency	Unsecured	Total
Beginning balance	$ 1,083,541	$ 231,923	$ 335,834	$ -	$ -	$ 62,217	$ 62,866	$ 1,776,381
Provision charged to operations	(122,447)	(40,687)	574,372	-	-	(8,817)	10,809	413,230
Less charge-offs	-	-	(485,599)	-	-	-	-	(485,599)
Recoveries	-	-	1,906	-	-	-	-	1,906
Ending balance	$ 961,094	$ 191,236	$ 426,513	$ -	$ -	$ 53,400	$ 73,675	$ 1,705,918
Allowance for loan losses allocated:								
Individually evaluated for impairment	$ 61,570	$ 6,416	$ 25,315	$ -	$ -	$ -	$ 1,121	$ 94,422
Collectively evaluated for impairment	899,524	184,820	401,198	-	-	53,400	72,554	1,611,496
	$ 961,094	$ 191,236	$ 426,513	$ -	$ -	$ 53,400	$ 73,675	$ 1,705,918
Loans receivable:								
Individually evaluated for impairment	$ 843,627	$ 57,251	$ 598,911	$ -	$ 148,237	$ -	$ 10,000	$ 1,658,026
Collectively evaluated for impairment	34,051,802	6,571,424	11,711,690	-	5,730,532	1,634,389	93,350	59,793,187
	$ 34,895,429	$ 6,628,675	$ 12,310,601	$ -	$ 5,878,769	$ 1,634,389	$ 103,350	$ 61,451,213

2021	Real Estate First Position	Real Estate Subordinated	Other Collateral	Payroll Protection Program	North Carolina COVID 19 Rapid Recovery	West Virginia Emergency	Unsecured	Total
Beginning balance	$ 2,092,727	$ 174,734	$ 536,462	$ -	$ -	$ 17,950	$ 2,259	$ 2,824,132
Impact of adopting ASC 326	(769,670)	(19,748)	34,213	-	-	(8,764)	21,371	(742,598)
Provision charged to operations	(239,516)	76,937	(242,900)	-	-	53,031	39,236	(313,212)
Less charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	8,059	-	-	-	-	8,059
Ending balance	$ 1,083,541	$ 231,923	$ 335,834	$ -	$ -	$ 62,217	$ 62,866	$ 1,776,381
Allowance for loan losses allocated:								
Individually evaluated for impairment	$ 34,809	$ 58,721	$ 103,748	$ -	$ -	$ -	$ -	$ 197,278
Collectively evaluated for impairment	1,048,732	173,202	232,086	-	-	62,217	62,866	1,579,103
	$ 1,083,541	$ 231,923	$ 335,834	$ -	$ -	$ 62,217	$ 62,866	$ 1,776,381
Loans receivable:								
Individually evaluated for impairment	$ 445,380	$ 58,721	$ 403,256	$ -	$ -	$ -	$ -	$ 907,357
Collectively evaluated for impairment	29,494,662	4,587,132	7,663,178	1,068,081	6,363,809	1,667,056	160,635	51,004,553
	$ 29,940,042	$ 4,645,853	$ 8,066,434	$ 1,068,081	$ 6,363,809	$ 1,667,056	$ 160,635	$ 51,911,910

Troubled debt restructures: As of December 31, 2022, the outstanding principal balance of troubled debt restructures was $1,658,026. The associated allowance for loan losses for troubled debt restructures was $94,422 as of December 31, 2022. During the year ended December 31, 2022, fifteen loans were modified and considered to be troubled debt restructures. The loans had a pre-modification and post-modification balance of $1,299,974. The modifications in 2022 included rate reductions and extension of maturity dates. There were no unfunded commitments on troubled debt restructures as of December 31, 2022.

As of December 31, 2021, the outstanding principal balance of troubled debt restructures was $907,357. The associated allowance for loan losses for troubled debt restructures was $197,278 as of December 31, 2021. During the year ended December 31, 2021, three loans were modified and considered to be troubled debt restructures. The loans had a pre-modification and post-modification balance of $149,241. The modifications in 2021 included rate reductions and extension of maturity dates. There were no unfunded commitments on troubled debt restructures as of December 31, 2021.

During the years ended December 31, 2022 PCAP had 4 troubled debt restructures, with pre and post-modification outstanding recorded investments of $389,812, that subsequently defaulted within twelve months of the restructuring. During the year ended December 31, 2021, PCAP had no troubled debt restructures that subsequently defaulted within twelve months of the restructuring.

Note 6. Loans Receivable (Continued)

In the first quarter of 2020, PCAP elected to apply the guidance issued by Congress in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) as wells as by the U.S. banking agencies stating that certain concessions granted to borrowers that are current on existing loans, either individually or as part of a program of creditworthy borrowers who are experiencing short-term financial or operational problems as a result of COVID-19, generally would not be considered troubled debt restructurings (TDRs). Additionally, these loans generally would not be considered nonaccrual status unless collectability concerns exist despite the modification provided. For loans remaining on accrual status, PCAP elected to continue recognizing interest income during the modification periods. The outstanding principal balance on these modified loans was $904,143 and $925,114 at December 31, 2022 and 2021, respectively.

Note 7. Related Party Transactions

PCAP has entered into a management services agreement with The Conservation Fund (TCF). Prior to October 28, 2021, PCAP was recognized under the IRC as a supporting organization to TCF and the management services agreement continued until March 31, 2022. Under the terms of the agreement, TCF provides certain staffing and administrative services to PCAP. The management fee under the agreement was $656,240 and $2,570,638 for the years ended December 31, 2022 and 2021, respectively, and amount payable as of December 31, 2022 and 2021, was $0 and $100,000, respectively. PCAP deferred loan costs associated with the origination of loans included within the management fee expense of $847,703 and $2,502,769 for the years ended December 31, 2022 and 2021, respectively. Effective April 1, 2022, TCF is no longer a related party and PCAP started paying payroll expenses directly.

PCAP has entered into an agreement with a Board Member to provide marketing and consulting services. The fee under the agreement during years ended December 31, 2022 was $28,916 and no balance was payable as of December 31, 2022. The fee under the agreement during the year ended December 31, 2021 was $79,223 and $5,426 was payable as of December 31, 2021.

Note 8. Notes Payable and Subordinated Notes Payable

Notes payable consist of the following at December 31, 2022 and 2021:

Lender	Origination Date	Maturity Date	Interest Rate	Note Amount	Undrawn Amounts	Principal Balance Outstanding 2022	2021
U.S. Department of Agriculture - IRP Net of implied interest (Principal and interest due annually)	2/23/2005	2/23/2035	1.00%	$ 500,000	$ -	$ 226,090	$ 239,733
U.S. Department of Agriculture - IRP (Principal and interest due annually)	11/15/2010	11/15/2040	1.00%	750,000	-	506,706	533,212
West Virginia Infrastructure & Jobs Development Council (Principal and interest due monthly)	1/1/2011	1/1/2026	2.00%	750,000	-	75,175	99,737
U.S. Department of Agriculture - IRP (Principal and interest due annually)	12/1/2015	12/01/2031	1.00%	495,000	-	349,443	386,377
U.S. Department of Agriculture - IRP (Principal and interest due annually)	12/1/2015	12/1/2036	1.00%	257,000	-	203,788	217,291
U.S. Department of Agriculture - IRP (Principal and interest due annually)	5/16/2016	5/16/2046	1.00%	364,104	-	328,300	340,354
U.S. Department of Agriculture - RMAP (Principal and interest due monthly)	6/29/2016	5/16/2036	2.00%	500,000	-	404,851	431,088
West Virginia Infrastructure & Jobs Development Council (Principal and interest due quarterly)	6/1/2018	6/1/2033	3.00%	500,000	-	389,797	421,274
U.S. Department of Agriculture - IRP (Principal and interest due annually)	9/4/2018	9/4/2048	1.00%	750,000	-	725,657	749,738
U.S. Department of Agriculture - IRP (Principal and interest due annually)	9/21/2020	9/21/2050	1.00%	750,000	637,500	112,500	112,500
Total secured notes payable						3,322,307	3,531,304

(Continued)

Note 8. Notes Payable and Subordinated Notes Payable (Continued)

Lender	Origination Date	Maturity Date	Interest Rate	Note Amount	Undrawn Amounts	Principal Balance Outstanding 2022	2021
One Foundation (Principal due quarterly)	1/1/2016	12/31/2025	0.00%	$ 100,000	$ -	$ 45,699	$ 60,817
One Foundation POWER (Principal due quarterly)	7/26/2017	9/30/2027	0.00%	300,000	-	285,000	300,000
Giant Steps Foundation (Principal due at maturity and interest due quarterly)	9/25/2017	9/25/2022	2.50%	25,000	-	-	25,000
Seton Fund (Principal and interest due quarterly)	4/1/2018	4/1/2023	3.00%	150,000	-	79,022	94,813
McKnight Foundation (Principal due at matruity and interest due annually)	4/16/2018	5/1/2028	0.75%	2,000,000	-	2,000,000	2,000,000
Mary Reynolds Babcock Foundation (Principal due at maturity)	7/25/2018	8/31/2023	0.00%	750,000	-	600,000	600,000
Northern Trust (Principal due at maturity and interest due semi-annually)	7/25/2018	7/25/2023	2.00%	2,000,000	-	2,000,000	2,000,000
H. Shott Foundation (Principal due at maturity and interest due annually)	8/30/2018	8/30/2023	2.00%	100,000	-	100,000	100,000
Eastern WV Community Foundation (Principal due at maturity and interest due annually)	9/20/2018	9/20/2023	3.50%	200,000	-	200,000	200,000
New Vision Investment (Principal due at maturity and interest due quarterly)	9/30/2018	9/30/2022	3.00%	75,000	-	-	14,755
Opportunity Finance Network (Principal due at maturity and interest due quarterly)	3/31/2019	3/31/2024	4.00%	1,000,000	-	1,000,000	1,000,000
Greater Kanawha Valley Foundation (Principal due at maturity and interest due annually)	4/30/2019	4/30/2024	2.00%	300,000	-	300,000	300,000
Bank of America (Principal of $1,000,000 due in July 2025 and 2026 with the remaining principal due at maturity and interest due quarterly)	7/18/2019	7/18/2027	3.50%	3,000,000	-	3,000,000	3,000,000
Calvert Impact Capital (Principal due at maturity and interest due quarterly)	12/20/2019	12/31/2023	4.15%	3,500,000	-	1,500,000	3,500,000
CDFI FA 2019 (Principal due at maturity and interest due semi-annually)	2/20/2020	2/20/2033	3.00%	5,754	-	5,754	5,754
Silverio Trust (Principal due at maturity and interest due semi-annually)	3/12/2020	3/12/2025	2.50%	50,000	-	50,000	50,000
Silverio Trust (Principal due at maturity and interest due semi-annually)	3/12/2020	3/6/2023	2.00%	50,000	-	50,000	50,000
Impact Assets, Inc. (Principal due at maturity and interest due semi-annually)	3/27/2020	3/27/2025	1.00%	500,000	-	500,000	500,000
Impact Assets, Inc. (Principal due at maturity and interest due semi-annually)	3/27/2020	3/27/2027	1.00%	500,000	-	500,000	500,000
Laughing Gull Foundation (Principal due at maturity and interest due quarterly)	4/20/2020	4/20/2025	2.00%	500,000	-	500,000	500,000
Northern Trust (Principal due at maturity and interest due semi-annually)	9/25/2020	9/25/2025	2.00%	1,000,000	-	1,000,000	1,000,000
Opportunity Finance Network (Principal due at maturity and interest due quarterly)	1/8/2021	5/31/2030	3.00%	3,000,000	-	3,000,000	3,000,000
Truist Bank (Principal due at maturity and interest due quarterly)	2/12/2021	,2/12/2028	2.00%	3,000,000	3,000,000	-	-
Goulston & Storrs (One individual impact investor. Principal due at maturity and interest due semi-annually)	3/15/2021	3/15/2026	2.50%	125,000	-	125,000	125,000
Mercy Investment Services (Principal due at maturity and interest due quarterly)	3/15/2021	3/15/2026	3.00%	1,000,000	-	1,000,000	1,000,000

(Continued)

Note 8. Notes Payable and Subordinated Notes Payable (Continued)

Lender	Origination Date	Maturity Date	Interest Rate	Note Amount	Undrawn Amounts	Principal Balance Outstanding 2022	2021
Appalachian Community Capital (Principal due at maturity and interest due monthly)	3/22/2021	3/31/2023	2.88%	$ 1,500,000	$ -	$ 750,000	$ 1,500,000
Impact Investor I (Principal due at maturity and interest due semi-annually)	4/6/2021	4/6/2031	3.50%	25,000	-	25,000	25,000
PNC Bank (Principal due at maturity and interest due quarterly)	4/26/2021	4/25/2024	2.47%	1,000,000	-	999,055	999,083
Impact Investor II (Principal due at maturity and interest due semi-annually)	5/26/2021	5/26/2026	2.50%	100,000	-	100,000	100,000
Impact Investor III (Principal due at maturity and interest due semi-annually)	7/31/2021	7/31/2024	2.00%	200,000	-	200,000	200,000
Franconia II 2012 Trust (Principal due at maturity and interest due quarterly)	9/25/2021	9/25/2026	2.50%	75,000	-	75,000	75,000
Appalachian Community Capital (Principal due at maturity and interest due monthly)	9/30/2021	9/30/2028	2.88%	1,000,000	-	1,000,000	1,000,000
Brown Advisory (One individual impact investor. Principal due at maturity and interest due semi-annually)	12/1/2021	12/1/2026	2.50%	150,000	-	150,000	150,000
William Josef Foundation, Inc. (Principal due at maturity and interest due semi-annually)	1/13/2022	1/13/2025	2.00%	250,000	-	250,000	-
Impact Investor IV (Principal due at maturity and interest due semi-annually)	2/5/2022	2/5/2025	2.00%	25,000	-	25,000	-
The Community Foundation of Western North Carolina (Principal due at maturity and interest due semi-annually)	3/14/2022	3/14/2025	2.00%	250,000	-	250,000	-
Cnote Group, Inc. (Fourteen individual notes ranging from $59,476 to $1,076,820 maturing between January 2023 and January 2025. Payable over 30 month terms with interest payable monthly ranging from 2.50% to 3.80%)	Various	Various	Various	3,594,607	-	3,594,607	1,982,356
Fresh Pond Capital (Eighteen impact investors with notes ranging from $50,000 to $500,000 maturing between March 2022 and March 2029. Payable over one to five year terms with interest payable quarterly, semi-annually or annually ranging from 0% to 3%)	Various	Various	Various	2,400,000	-	2,400,000	2,250,000
Loring Wolcott & Coolridge Trust (Nine impact investors with notes ranging from $10,000 to $250,000 maturing between April 2023 and December 2029. Payable over three to seven year terms with interest payable quarterly, semi-annually or annually ranging from 2% to 3%)	Various	Various	Various	610,000	-	610,000	360,000
Pacific Premier Trust (Two impact investors with notes ranging from $50,000 to $75,000 maturing between July 2027 and February 2028. Payable over five to seven year terms with interest payable semi-annually ranging from 2.5% to 3%)	Various	Various	Various	125,000	-	125,000	50,000
					$ 3,637,500	$ 31,716,444	$ 32,148,882
Less debt acquisition costs						86,516	112,450
Less current portion						7,060,152	2,075,436
Noncurrent portion						$ 24,569,776	$ 29,960,996

Note 8. Notes Payable and Subordinated Notes Payable (Continued)

Subordinated notes payable consists of the following at December 31, 2022 and 2021:

Lender	Origination Date	Maturity Date	Interest Rate	Note Amount	Undrawn Amounts	Principal Balance Outstanding 2022	2021
PNC Community Development Company (Principal due at maturity and interest due quarterly)	4/1/2015	4/1/2025	1.00%	$ 500,000	$ -	$ 500,000	$ 500,000
Wells Fargo ENC (Interest due quarterly until August 2026. Thereafter principal payments of $125,000 and interest due quarterly)	5/4/2016	5/4/2028	2.00%	1,000,000	-	1,000,000	1,000,000
United Bank (Interest due quarterly until April 2027. Thereafter principal payments of $62,500 and interest due quarterly)	1/13/2017	1/12/2029	2.00%	500,000	-	500,000	500,000
United Bank (Interest due quarterly until April 2028. Thereafter principal payments of $62,500 and interest due quarterly)	2/5/2018	1/31/2030	2.00%	500,000	-	500,000	500,000
Capital Bank (Principal due at maturity and interest due quarterly)	10/30/2018	10/30/2023	3.50%	400,000	-	400,000	400,000
Wells Fargo (Interest due quarterly until September 2025. Thereafter principal payments of $50,000 and interest due quarterly)	7/23/2020	8/5/2027	2.00%	400,000	-	400,000	400,000
CIT Bank (Principal due at maturity and interest due quarterly)	10/25/2022	10/25/2027	2.50%	1,500,000	-	1,500,000	-
Total subordinated notes payable					$ -	$ 4,800,000	$ 3,300,000

U.S. GAAP requires interest expense and contribution revenue to be reported in connection with loans of cash to not-for-profit organizations that are interest free or that have below-market interest rates. The contribution is recognized at the time the loan is made and amortized using the effective interest method. The accretion increases interest expense and notes payable. Implied interest discount was $33,944 and $38,739 at December 31, 2022 and 2021, respectively.

Aggregate annual principal payments applicable to notes payable and subordinated notes payable in future fiscal years is as follows:

Years ending December 31:	
2023	$ 7,060,152
2024	5,481,319
2025	6,156,892
2026	4,689,611
2027	4,890,169
Thereafter	8,272,245
	$ 36,550,388

Notes payable, net of debt acquisition costs and implied interest consist of following at December 31, 2022 and 2021:

	2022	2021
Principal amount	$ 36,550,388	$ 35,487,621
Less debt acquisition costs	86,516	112,450
Less implied interest	33,944	38,739
	$ 36,429,928	$ 35,336,432

Note 8. Notes Payable and Subordinated Notes Payable (Continued)

Subordinated notes payable: PCAP has entered into equity equivalent transactions with financial institutions as a way to increase its lending capacity and also protect its senior lenders. These equity equivalents are reflected above and in the statement of financial position as subordinated notes payable. The notes represent a general obligation of PCAP and are not secured by any of the entity's assets. They are fully subordinate to the right of repayment of all other creditors and do not allow for acceleration of repayment except in very limited circumstances.

PCAP is subject to a number of restrictive financial and non-financial covenants in its notes payable agreements, such as minimum net asset requirements, current liquidity ratios, loan performance ratios and other various leverage ratios. Audit financial statements are required to be submitted between 90 and 180 days depending on the lender.

Note 9. Revolving Lines of Credit

PCAP maintained a $500,000 revolving capital line of credit with a lending institution, to be drawn upon as needed, with an interest rate of 4% payable quarterly with all unpaid principal and interest due at maturity on June 7, 2020. During 2020, PCAP decreased the available line of credit to $150,000 with a variable rate equal to 0.50 percentage points above The Wall Street Journal Prime Rate, which shall not be more than 9% or less than 4% as of calendar year end, payable monthly with all unpaid principal and interest due at maturity on June 18, 2021. The revolving line of credit was paid in full during the year ended December 31, 2021.

During 2020, PCAP obtained a $3,000,000 revolving capital line of credit with a lending institution, to be drawn upon as needed, with a variable rate equal to the One-Month LIBOR plus 270 basis points. Interest is payable monthly, with all unpaid principal and interest due at maturity on April 10, 2024. The line of credit is utilized to finance the short-term portion of Small Business Administration 504 program loans and are repaid to the lending institution under in line with the related loan receivable. The total outstanding balance was $281,877 at December 31, 2021 and is classified as current on the statement of financial position since the corresponding loan receivable matures in 2022. There was no outstanding balance at December 31, 2022.

During 2021, PCAP obtained a $750,000 revolving operating line of credit with a lending institution, to be drawn upon as needed, with a variable rate of the Secured Overnight Financing Rate (SOFR) rate plus 1.5% with a floor 2.5%. Interest is payable monthly, with all unpaid principal and interest due at maturity on October 31, 2023. There was no outstanding balance at December 31, 2022 and 2021.

Note 10. Concentrations of Credit Risk

PCAP maintains its cash in various banks. The bank account balances, at times, may exceed federally insured limits set by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 for the years ended December 31, 2022 and 20210. As of December 31, 2022 and 2021, PCAP's cash and money market fund balances in excess of FDIC-insured amounts totaled $15,097,396 and $18,372,183, respectively. PCAP has not experienced any losses with these accounts. Management believes PCAP is not exposed to any significant credit risk on domestic cash balances.

During 2022 and 2021, federal grant revenue accounted for 66% and 81%, respectively, of PCAP's revenue and support. During 2022 and 2021, PCAP's expenses incurred to TCF accounted for 10% and 62%, respectively, of total expenses.

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are those net assets whose use by PCAP is limited by the donors for a special purpose or restricted to be used in a later period. At December 31, 2022 and 2021, donor restricted net assets consisted of the following:

	2022	2021
Restricted for specified purpose:		
Loan capital	$ 566,669	$ 215,550
Provide support for business development to natural resource-based enterprises and provide incentives to businesses to engage in sound environmental practices	1,680,077	2,135,418
	2,246,746	2,350,968
Perpetual in nature:		
Restricted for specified purpose:		
Loan capital revolving fund:		
Represents net assets dedicated to providing temporary financing to qualified businesses	8,232,753	6,420,753
	$ 10,479,499	$ 8,771,721

Note 12. Loan Origination Fees and Costs

PCAP accounts for nonrefundable fees and costs associated with origination loans in line with the Statement of Financial Account Standard 91 issued by the FASB. Fees and Costs are amortized over the life of the loans originated with the amortization netted in the accompanying financial statements.

Fee income on loans, net of loan origination fees consists of the following at December 31, 2022 and 2021:

	2022	2021
Fee income on loans	$ 337,087	$ 557,264
Loan origination fee amortization	(17,624)	71,820
Fee income on loans, net	$ 319,463	$ 629,084

Management fee, net of loan origination costs consists of the following at December 31, 2022 and 2021:

	2022	2021
Management fee contract	$ 656,240	$ 2,570,638
Loan origination cost amortization	191,463	67,869
Mangement fee contract, net	$ 847,703	$ 2,638,507

Personnel and related costs, net of loan origination costs consists of the following at December 31, 2022 and 2021:

	2022	2021
Personnel and related expenses	$ 2,325,848	$ -
Loan origination cost amortization	(210,494)	-
Personnel and related expenses, net	$ 2,115,354	$ -

Note 12. Loan Origination Fees and Costs (Continued)

Loan origination expense, net of loan origination costs consists of the following at December 31, 2022 and 2021:

		2022		2021
Loan origination expense	$	76,723	$	61,968
Loan origination cost amortization		18,469		67,529
Loan origination expense, net	$	95,192	$	129,497

Note 13. Leases

PCAP leases office space under operating lease agreements that have initial terms ranging from 2 to 5 years. Some leases include one or more options to renew, generally at PCAP's sole discretion, with renewal terms that can extend the lease term up to 2 years. This option to extend the lease is included in the lease terms when it is reasonably certain that PCAP will exercise that option. PCAP's operating leases generally do not contain any material restrictive covenants or residual value guarantees. Operating lease cost is recognized on a straight-line basis over the lease term.

PCAP does not have leases under finance lease agreements. PCAP does not have leases under operating or finance agreements with any affiliates.

The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease expense	$	55,876
Short-term lease expense		57,865
Variable lease expense		3,000
Total lease cost	$	116,741

Additional information related to operating leases is as follows as of December 31, 2022:

Weighted-average remaining lease term in years for operating leases	1.74
Weighted-average discount rate for operating leases	3.79%

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2022:

Years ending December 31:		
2023	$	67,415
2024		49,288
Total undiscounted cash flows		116,703
Less: present value discount		(3,652)
Total lease liabilities	$	113,051

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable office space leases at December 31, 2021 was $69,139 in 2022, $46,961 in 2023 and $37,826 in 2024.

Rent expense on operating leases for the year ended December 31, 2021, was $75,873.

Note 14. Commitments and Contingencies

PCAP is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statements of activities.

PCAP's exposure to credit loss is represented by the contractual amount of these commitments. PCAP follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2022 and 2021, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2022	2021
Loan commitments approved not disbursed	$ 4,395,656	$ 4,282,149

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by PCAP, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit and revolving credit lines are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and ultimately may not be drawn upon to the total extent to which PCAP is committed.

PCAP participates in a number of federal grant and contract programs which are subject to financial and compliance audits. Accordingly, PCAP's compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures which may be disallowed by the granting or contracting agencies cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

As more fully described in Note 3, PCAP holds three CDs that support a third-party loan made by a bank. If the loan with the bank defaults, the bank would cash in the CDs and apply them to the balance of the bank's loans. Then, PCAP would have three loans with the third-party for $174,600, $28,000 and $500,000.

Note 15. Liquidity and Availability of Financial Resources

PCAP financial assets available within one year of December 31, 2022 and 2021, for general expenditures are as follows:

	2022	2021
Cash and cash equivalents – unrestricted	$ 13,885,195	$ 16,715,441
Cash – restricted	2,914,734	3,241,291
Cash equivalents held as collateral	23,398	23,398
Accounts receivable	25,345	5,493
Promises to give	1,132,790	1,047,859
Loans receivable, net	59,745,295	50,135,529
Accrued interest and fees receivable	296,005	283,061
Other asset	702,600	202,600
Long-term investment (U.S. Endowment Fuel Project)	99,995	99,995
Total financial assets	78,825,357	71,754,667
Cash – restricted	(2,914,734)	(3,241,291)
Cash equivalents held as collateral	(23,398)	(23,398)
Donor restricted funds	(10,479,499)	(8,771,721)
Loans receivable, due after one year, net	(49,853,234)	(42,914,596)
Loans receivable due in next year restricted for federal relending program	(518,666)	(399,520)
Other asset	(702,600)	(202,600)
Long-term investment (U.S. Endowment Fuel Project)	(99,995)	(99,995)
Outstanding loan commitments, not disbursed	(4,395,656)	(4,282,149)
Amounts not available to be used within one year	(68,987,782)	(59,935,270)
Financial assets available to meet general expenditures within one year	$ 9,837,575	$ 11,819,397

PCAP is also supported by restricted programmatic funds that can be used to support programmatic and general expenditures. Because a donor's restriction requires funds to be used in a particular manner or in a future period, PCAP must maintain sufficient resources to meet those responsibilities.

PCAP has a goal to maintain unrestricted cash and cash equivalents to equal or exceed three months of cash operating expenses, which are, on average, approximately $1,200,000. In addition, as a part of its liquidity management, PCAP invests cash in excess of daily requirements in a U.S. government money market fund. In the event of an unanticipated liquidity need, PCAP has an available bank line of credit as described in *Note 9 – Revolving Lines of Credit*.

Note 16. Subsequent Events

Management evaluated subsequent events through March 31, 2023, the date the financial statements were available to be issued.

Appendix B

Unaudited Interim Financial Statements

Financial Highlights

Reporting Period ending, March 31, 2023

Statement of Financial Position

Fundraising:

Truist	$528,000

Debt Repayment:

C Note	$110,109
Impact Investor	$250,000
Sisters of Charity – Seton Fund	$79,022.10
Appalachian Community Capital	$750,000

Line 11: Cash and cash equivalents. PCAP continues to have a strong cash position. As of 3/31/23, committed and approved loans totaled $5.7MM. Principal repayments and the use of participations helps PCAP maintain this cash position even with the strong lending volume.

Line 21: Other asset. This represents the purchase of CD collateral support for the WV CAP program.

Lines 22, 34, and 41 reflect the adoption of FASB ASU 2016-02 Leases. Under this guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. PCAP has 2 such leases.

Line 23: Loans receivables. Outstanding loans total $64MM.

Line 37: Deferred revenue. These are Wells Fargo and Dogwood funds earmarked for the Building Equity Fund.

Line 38 & 43: Notes payable. Outstanding notes total $35.8 MM. The average cost of capital, excluding grant funding, is 2.36%. The average notes payable term is 54 months.

Statement of Financial Activity

Grants Received:

Encova Foundation – WV WBC	$10,000
EQT Foundation – WV WBC	$20,000
Benedum – WV WBC	$50,000
AARP – WV WBC	$5,000
WV CAP	$551,654

To be further discussed in Budget to Actual.

Budget to Actual

Line 11: Temporarily restricted operating contributions are under budget due to the timing of the NC Rural Center Operating grant. Payment is expected in early May.

Line 26: Personal and related expenses are under budget due to three open positions. Two of the three positions were filled in late April. The budget also includes a 5% increase in benefits. Our PPO has since notified PCAP that benefit costs will remain flat for 2023.

Line 45: Loan Loss Reserve reflects the write-off of a non-performing loan offset by YTD recoveries.

Line 60: PCAP posted a surplus in March.

Partner Community Capital, Inc.

Unaudited Financial Statements

March 31, 2023

Partner Community Capital, Inc.

Statements of Financial Position
March 31, 2023 and December 31, 2022

	Unaudited 2023	Audited 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 13,173,764	$ 13,885,195
Accounts receivable	24,970	25,345
Prepaid expenses	25,486	54,355
Promises to give	675,088	1,132,790
Loans receivable, net of allowance of $353,570 and deferred loan origination costs of $35,319	12,494,297	9,892,061
Accrued interest and fees receivable	358,234	296,005
Total current assets	26,751,839	25,285,751
Noncurrent assets:		
Cash and cash equivalents - restricted	3,138,897	2,938,132
Other asset	1,354,249	802,595
Right-of-use asset	111,955	111,955
Loans receivable, net of allowance of $1,352,348 and deferred loan origination costs of $91,594	47,745,098	49,853,234
Total noncurrent assets	52,350,199	53,705,916
Total assets	$ 79,102,038	$ 78,991,667
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 244,590	$ 67,683
Accrued personnel and related expenses	132,832	422,413
Funds held for others	37,986	43,566
Current maturities of operating lease liability	64,429	64,429
Current maturities of secured borrowings, participations	1,525,565	1,525,565
Accrued interest payable	199,602	134,186
Deferred revenue	1,294,209	1,294,209
Current maturities of notes payable	7,530,540	7,060,152
Total current liabilities	11,029,753	10,612,203
Operating lease liability, less current maturities	48,622	48,622
Secured borrowings, participations	13,250,963	12,844,845
Notes payable, net of debt acquisition costs of $88,611 and implied interest of $32,814	23,379,026	24,569,776
Subordinated notes payable	4,800,000	4,800,000
Total noncurrent liabilities	41,478,611	42,263,243
Total liabilities	52,508,364	52,875,446
Net assets:		
Without donor restrictions	15,799,352	15,636,722
With donor restrictions, operating	1,443,247	1,680,078
With donor restrictions, financing	1,118,322	566,668
With donor restrictions, revolving loan fund - perpetual	8,232,753	8,232,753
Total with donor restricitions	10,794,322	10,479,499
Total net assets	26,593,674	26,116,221
Total liabilities and net assets	$ 79,102,038	$ 78,991,667

Partner Community Capital, Inc.

Statements of Activities
Period ended March 31, 2023 and year ended December 31, 2022

	Unaudited 2023						Audited 2022					
	Without Donor	With Donor Restrictions			Total With		Without Donor	With Donor Restrictions			Total With	
	Restrictions	Operating	Financing	RLF - Perpetual	Donor Restrictions	Total	Restrictions	Operating	Financing	RLF - Perpetual	Donor Restrictions	Total
Financial activity:												
Financial income:												
Loan interest revenue	$ 1,082,209	$ -	$ -	$ -	$ -	$ 1,082,209	$ 3,605,567	$ -	$ -	$ -	$ -	$ 3,605,567
Fee income on loans, net	59,360	-	-	-	-	59,360	319,463	-	-	-	-	319,463
Interest income	126,122	-	-	-	-	126,122	155,822	-	-	-	-	155,822
Total financial income	1,267,691	-	-	-	-	1,267,691	4,080,852	-	-	-	-	4,080,852
Financial expenses:												
Provision for credit losses	159,846	-	-	-	-	159,846	413,230	-	-	-	-	413,230
Interest expense	438,875	-	-	-	-	438,875	1,473,837	-	-	-	-	1,473,837
Total financial expenses	598,721	-	-	-	-	598,721	1,887,067	-	-	-	-	1,887,067
Net financial income	668,970	-	-	-	-	668,970	2,193,785	-	-	-	-	2,193,785
Revenue and support:												
Grants and contributions	20,009	85,000	551,654	-	636,654	656,663	57,175	887,505	500,000	-	1,387,505	1,444,680
In-kind services - Forgiven interest	16,354	-	-	-	-	16,354	44,070	-	-	-	-	44,070
Government grants	-	309,999	-	-	309,999	309,999	-	1,221,836	-	1,811,999	3,033,835	3,033,835
Project income	2,384	-	-	-	-	2,384	58,092	-	-	-	-	58,092
Other income	-	-	-	-	-	-	150	-	-	-	-	150
Net assets released					-	-						-
from restriction	631,830	(631,830)	-	-	(631,830)	-	2,713,562	(2,564,681)	(148,881)	-	(2,713,562)	-
Total revenue and support	670,577	(236,831)	551,654	-	314,823	985,400	2,873,049	(455,340)	351,119	1,811,999	1,707,778	4,580,827
Expenses:												
Program services:												
Lending	625,553	-	-	-	-	625,553	2,497,889	-	-	-	-	2,497,889
Strategic initiatives	445,293	-	-	-	-	445,293	1,780,555	-	-	-	-	1,780,555
Total program services	1,070,846	-	-	-	-	1,070,846	4,278,444	-	-	-	-	4,278,444
Supporting services:												
Management and general	97,231	-	-	-	-	97,231	349,032	-	-	-	-	349,032
Fundraising	8,840	-	-	-	-	8,840	36,534	-	-	-	-	36,534
Total supporting services	106,071	-	-	-	-	106,071	385,566	-	-	-	-	385,566
Total expenses	1,176,917	-	-	-	-	1,176,917	4,664,010	-	-	-	-	4,664,010
Change in net assets	162,630	(236,831)	551,654	-	314,823	477,453	402,824	(455,340)	351,119	1,811,999	1,707,778	2,110,602
Net assets:												
Beginning of year	15,636,722	1,680,078	566,668	8,232,753	10,479,499	26,116,221	15,233,898	2,135,418	215,549	6,420,754	8,771,721	24,005,619
End of year	$ 15,799,352	$ 1,443,247	$ 1,118,322	$ 8,232,753	$ 10,794,322	$ 26,593,674	$ 15,636,722	$ 1,680,078	$ 566,668	$ 8,232,753	$ 10,479,499	$ 26,116,221

Partner Community Capital, Inc.

Statement of Functional Expenses
Period ended March 31, 2023

	Unaudited 2023						Audited 2022
	Program Services			Supporting Services			
	Lending	Strategic Initiatives	Total Program	Management and General	Fundraising	Total	Total
Management fee contract, net	$ -	$ -	$ -	$ -	$ -	$ -	$ 847,703
Personnel and related expenses	450,944	214,735	665,679	42,947	7,157	715,783	-
Provision for credit loss	159,846	-	159,846	-	-	159,846	413,230
Interest expense	422,521	-	422,521	-	-	422,521	1,429,767
In-kind services - Interest expense	16,354	-	16,354	-	-	16,354	44,070
Technical assistance	-	147,283	147,283	-	-	147,283	567,553
Grant and contract expense	-	32,687	32,687	-	-	32,687	116,951
Loan workout expense - Non-legal	21,283	-	21,283	-	-	21,283	7,966
Legal fees	15,856	-	15,856	552	-	16,408	38,415
Professional fees	-	-	-	39,846	-	39,846	63,965
Employee travel	9,020	4,295	13,315	859	142	14,316	43,249
Loan origination expense, net	14,661	-	14,661	-	-	14,661	95,192
Office expense	19,855	9,455	29,310	1,891	315	31,516	165,194
Computer software							-
maintenance services	32,744	15,592	48,336	3,118	521	51,975	175,401
Rent	23,638	11,256	34,894	2,251	374	37,519	116,741
Conference, convention,							-
meeting	144	68	212	14	2	228	18,080
Insurance	-	-	-	-	-	-	32,300
Reporting and filing fees	5,167	-	5,167	-	-	5,167	16,988
Bad debt expense	-	-	-	-	-	-	-
Bank charges	-	-	-	3,768	-	3,768	14,497
Marketing	20,263	9,649	29,912	1,930	320	32,162	165,447
Employee training and							-
development	573	273	846	55	9	910	6,336
Other lending costs	11,405	-	11,405	-	-	11,405	56,678
Total expense	$ 1,224,274	$ 445,293	$ 1,669,567	$ 97,231	$ 8,840	$ 1,775,638	$ 4,435,723
Less expenses included with financial activity on the statement of activities	(598,721)	-	(598,721)	-	-	(598,721)	(846,369)
Total expense included with expenses on the statement of activities	$ 625,553	$ 445,293	$ 1,070,846	$ 97,231	$ 8,840	$ 1,176,917	$ 3,589,354

Partner Community Capital, Inc.

Statements of Cash Flows
Period ended March 31, 2023 and year ended December 31, 2022

	Unaudited 2023	Unaudited 2022
Cash flows from operating activities:		
Change in net assets	$ 477,453	$ 2,110,602
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for credit losses	159,846	413,230
Implied interest expense	1,130	4,795
Contributions restricted for long-term purposes	-	(1,811,999)
Amortization of debt acquisition costs	11,405	56,678
Amortization of deferred loan costs (fees)	-	17,062
Changes in operating assets and liabilities:		
Accounts receivable	375	(19,852)
Prepaid expenses	28,869	27,998
Promises to give	457,702	(84,931)
Accrued interest and fees receivable	(62,229)	(12,944)
Operating leases, right-of-use assets	-	55,876
Accounts payable	176,907	(46,090)
Accounts payable, related party	-	(100,000)
Accrued personnel and related expenses	(289,581)	422,413
Funds held for others	(5,580)	(19,169)
Accrued interest payable	65,416	32,681
Refundable advance	-	282,544
Operating lease liabilities	-	(54,780)
Net cash provided by operating activities	1,021,713	1,274,114
Cash flows from investing activities:		
Cash disbursements on loans receivable	(2,501,905)	(21,417,132)
Principal collections on loans receivable	1,894,323	10,219,784
Proceeds from the sale of loans receivable	-	1,345,390
Repayment on the sale of loans receivable	(46,364)	(188,100)
Purchase of other asset	(551,654)	(500,000)
Sale of restricted investment	-	-
Net cash used in investing activities	(1,205,600)	(10,540,058)
Cash flows from financing activities:		
Proceeds from lines of credit	-	801,336
Repayment of lines of credit	-	(1,083,213)
Proceeds from issuance of notes payable	528,000	4,162,252
Repayments of notes payable	(1,247,397)	(3,099,485)
Payment of debt acquisition costs	(13,500)	(30,744)
Advances on secured borrowings, participations	698,849	4,775,332
Repayments on secured borrowings, participations	(292,731)	(1,228,336)
Contributions restricted for long-term purposes	-	1,811,999
Net cash (used in) provided by financing activities	(326,779)	6,109,141
Net increase (decrease) in cash and cash equivalents	(510,666)	(3,156,803)
Cash and cash equivalents:		
Beginning of year	16,823,327	19,980,130
End of year	$ 16,312,661	$ 16,823,327
Cash and cash equivalents–unrestricted	$ 13,173,764	$ 13,885,195
Cash–restricted	3,138,897	2,938,132
	$ 16,312,661	16,823,327
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 372,329	$ 1,436,361
Cash payment on operating leases	$ 37,519	$ 61,809
Supplemental schedule of noncash operating activities		
ROU asset obtained in exchange for new operating lease liability	$ -	$ 165,610

Partner Community Capital, Inc.
Budgeted to Actual
Period ended March 31, 2023

	Unaudited Actual					
	PCAP	WV WBC	Total	Budgeted	$ Over or Under Budget	% of Budget
OPERATING REVENUE						
Unrestricted Earned Income	$ 1,270,075	$ -	$ 1,270,075	$ 1,152,780	117,295	110%
Unrestricted Contributions	20,009	-	20,009	5,000	15,009	400%
Temporarily Restricted Operating Contributions	285,656	-	285,656	480,000	(194,344)	60%
Women's Business Center Temporarily Restricted Operating Contributions	-	109,343	109,343	107,500	1,843	102%
TOTAL OPERATING REVENUE	1,575,740	109,343	1,685,083	1,745,280	(60,197)	97%
Revenue Previously Received for 2023 Expenses	-	-	-	110,625	(110,625)	
OPERATING EXPENSES						
Cash Expenses						
General/Administrative Expenses	214,996	-	214,996	200,228	14,768	107%
Travel & Meetings Expense	13,158	-	13,158	15,438	(2,280)	85%
Grant & contract expenses	32,687	-	32,687	30,000	2,687	109%
Loan workout - non legal	21,283	-	21,283	1,750	19,533	1216%
Loan workout - legal			-	1,750	(1,750)	0%
Technical Assistance	113,563	-	113,563	96,500	17,063	118%
Personnel and related expenses	619,837	-	619,837	746,747	(126,910)	83%
403b Retirement Contribution	-	-	-	-	-	0%
Bonus Pool	-	-	-	-	-	0%
Interest Expense	421,391	-	421,391	400,000	21,391	105%
Consulting expense	33,720	-	33,720	19,050	14,670	177%
Women's Business Center						
Personnel and related expenses	-	95,946	95,946	106,695	(10,749)	90%
403b Retirement Contribution	-	-	-	-	-	0%
Bonus Pool	-	-	-	-		
WBC Programming	-	31,727	31,727	32,893	(1,166)	96%
Total Women's Business Center	-	127,673	127,673	139,588	(11,915)	91%
Total Cash Expenses	1,470,635	127,673	1,598,308	1,651,051	(52,743)	97%
NET ORDINARY INCOME (LOSS) BEFORE NON CASH EXPENSES	105,105	(18,330)	86,775	204,854	(118,079)	42%
Non-Cash Expenses						
Net Ordinary Income (Loss) Before Non Cash Expenses						
Non-Cash Expenses						
Discounted interest expense	1,130	-	1,130	1,199	(69)	94%
Loan Loss Reserve	159,846	-	159,846	187,500	(27,654)	85%
Bad debt expense	-	-	-	125	(125)	0%
Total Non-Cash Expenses	160,976	-	160,976	188,824	(27,848)	85%
					-	
TOTAL OPERATING EXPENSES	1,631,611	127,673	1,759,284	1,839,875	(80,591)	96%
NET ORDINARY OPERATING INCOME (LOSS)	(55,871)	(18,330)	(74,201)	16,030	(90,231)	-463%
INVESTMENT REVENUE						
Temporarily Restricted Capital Grants	551,654	-	551,654	250,000	301,654	0%
Permanently Restricted Capital Grants	-	-	-	191,001	(191,001)	0%
TOTAL INVESTMENT REVENUE	551,654	-	551,654	441,001	110,653	125%
NET INCOME (LOSS)	$ 495,783	$ (18,330)	$ 477,453	$ 457,031	$ 20,422	104%
NET INCOME (LOSS) INCLUDING FAS 91	$ 495,783	$ (18,330)	$ 477,453			

Partner Community Capital
106 West Washington 2nd Floor
Charles Town, WV 25414
Work: (681)252-4306
Fax: (304)885-8177

As of 3/31/2023

General Ledger #	Investment #	Investor Type	Investor State	Investor	Investment Advisor (if applicable)	Rate	Origination	Maturity	Balance 3/1/2023	Distributions	Payments	Balance 3/31/2023
ACC												
2242	00046	Nonprofit	VA	Appalachian Community Capital		2.88	03/22/2021	03/31/2023	750,000.00	-	750,000.00	-
ACC Total									750,000.00	-	750,000.00	-
ACC 2018												
2242A	00047	Nonprofit	VA	Appalachian Community Capital		2.88	09/30/2021	09/30/2028	1,000,000.00	-	-	1,000,000.00
ACC 2018 Total									1,000,000.00	-	-	1,000,000.00
Bank of America												
2222	00054	Bank	NC	Bank of America		3.50	07/18/2019	07/18/2027	3,000,000.00	-	-	3,000,000.00
Bank of America Total									3,000,000.00	-	-	3,000,000.00
Brett Yates												
2254	00212	Impact	VT	Brett Yates		3.50	04/06/2021	04/06/2031	25,000.00	-	-	25,000.00
Brett Yates Total									25,000.00	-	-	25,000.00
Brown Advisory												
2259	00269	Impact	VA	Anna J. Morris Revocable Trust		2.50	12/01/2021	12/01/2026	150,000.00	-	-	150,000.00
GKVF FDN Total									150,000.00	-	-	150,000.00
C Note												
2223	00110	For profit	CA	CNote Group, Inc.		3.80	07/21/2020	01/20/2023	128,098.00	-	-	128,098.00
2223	00110	For profit	CA	CNote Group, Inc.		3.80	08/03/2020	02/02/2023	59,476.00	-	-	59,476.00
2223	00110	For profit	CA	CNote Group, Inc.		3.80	08/10/2020	02/09/2023	116,065.00	-	-	116,065.00
2223	00110	For profit	CA	CNote Group, Inc.		3.80	08/13/2020	02/12/2023	238,581.12	-	-	238,581.12
2223	00110	For profit	CA	CNote Group, Inc.		3.80	11/05/2020	05/04/2023	250,000.00	-	-	250,000.00
2223	00257	For profit	CA	CNote Group, Inc.		3.25	09/23/2021	03/22/2024	192,970.00	-	-	192,970.00
2223	00257	For profit	CA	CNote Group, Inc.		3.25	09/28/2021	03/27/2024	105,787.00	-	-	105,787.00
2223	00257	For profit	CA	CNote Group, Inc.		3.25	10/05/2021	04/04/2024	129,764.00	-	-	129,764.00
2223	00257	For profit	CA	CNote Group, Inc.		3.25	10/15/2021	04/14/2024	-	-	-	-
2223	00257	For profit	CA	CNote Group, Inc.		3.25	10/15/2021	04/14/2024	200,398.50	-	-	200,398.50
2223	00257	For profit	CA	CNote Group, Inc.		3.25	10/15/2021	04/14/2024	-	-	-	-
2223	00302	For profit	CA	CNote Group, Inc.		2.50	05/09/2022	11/08/2024	1,019,699.16	-	-	1,019,699.16
2223	00302	For profit	CA	CNote Group, Inc.		2.50	6/24/2022	12/23/2024	500,000.00	-	-	500,000.00
2223	00326	For profit	CA	CNote Group, Inc.		3.20	07/09/2022	01/08/2025	68,721.62	-	-	68,721.62
2223	00326	For profit	CA	CNote Group, Inc.		3.20	07/11/2022	01/10/2025	101,453.22	-	-	101,453.22
2223	00326	For profit	CA	CNote Group, Inc.		3.20	07/25/2022	01/24/2025	373,484.29	-	-	373,484.29
C Note Total									3,484,497.91	-	-	3,484,497.91
CDFA FA 2019												
2224	00111	FA	DC	CDFI Fund		3.00	02/20/2020	02/20/2033	5,754.00	-	-	5,754.00
CDFA FA 2019 Total									5,754.00	-	-	5,754.00
Calvert Foundation												
2220	00109	CDFI	MD	Calvert Impact Capital, Inc.		4.15	12/20/2019	12/31/2023	1,500,000.00	-	-	1,500,000.00
Calvert Foundation Total									1,500,000.00	-	-	1,500,000.00
Capital Bank EQ2												
2218	00019	EQ2	TN	Capital Bank EQ2/SBIC		3.50	10/30/2018	10/30/2023	400,000.00	-	-	400,000.00
Capital Bank EQ2 Total									400,000.00	-	-	400,000.00
CIT Bank												
2206	00322	Bank	NC	CIT Bank, First Citizens Bank & Trust Company		2.50	10/25/2022	10/25/2027	1,500,000.00	-	-	1,500,000.00
Franconia II Total									1,500,000.00	-	-	1,500,000.00
Eastern WV Community Fdn												
2208	00009	FDN	WV	Eastern WV Community Foundation		3.50	09/20/2018	09/20/2023	200,000.00	-	-	200,000.00
Eastern WV Community Fdn Total									200,000.00	-	-	200,000.00
Franconia II												
2246	00006	Impact	MA	Franconia II 2012 Trust U/Agr		2.50	09/25/2021	09/25/2026	75,000.00	-	-	75,000.00
Franconia II Total									75,000.00	-	-	75,000.00

General Ledger #	Investment #	Investor Type	Investor State	Investor	Investment Advisor	Rate	Origination	Maturity	Balance 3/1/2023	Distributions	Payments	Balance 3/31/2023
Fresh Pond Cap												
2229A	00025	Impact	VT	Rebecca L. Polk Trust	Fresh Pond Capital - Reynders McVeigh	0.00	08/05/2020	08/05/2025	50,000.00	-	-	50,000.00
2229B	00026	Impact	NY	Elspeth Gilmore & Liz Liguori	Fresh Pond Capital - Reynders McVeigh	1.75	12/22/2021	12/22/2022	-	-	-	-
2229C	00027	Impact	ME	Charles Scwab FBO Susan Layton Bartovics	Fresh Pond Capital - Reynders McVeigh	2.50	08/05/2020	08/05/2025	250,000.00	-	-	250,000.00
2229D	00028	Impact	RI	Jay & Elissa Brown LLC	Fresh Pond Capital - Reynders McVeigh	2.50	12/01/2020	12/01/2025	150,000.00	-	-	150,000.00
2229E	00029	Impact	MA	Oona May Coy Revocable Trust	Fresh Pond Capital - Reynders McVeigh	2.50	12/13/2021	12/13/2026	100,000.00	-	-	100,000.00
2229F	00030	Impact	MA	Trilby Galen DuPont	Fresh Pond Capital - Reynders McVeigh	0.00	07/19/2022	07/19/2027	100,000.00	-	-	100,000.00
2229H	00032	Impact	NY	Ida & Robert Gordon Family Foundation	Fresh Pond Capital - Reynders McVeigh	2.50	05/27/2022	05/27/2027	50,000.00	-	-	50,000.00
2229I	00033	Impact	MA	Merck Family Fund	Fresh Pond Capital - Reynders McVeigh	3.00	03/20/2022	03/20/2029	100,000.00	-	-	100,000.00
2229K	00035	Impact	MA	Vervane Trust	Fresh Pond Capital - Reynders McVeigh	2.00	04/01/2019	03/31/2024	250,000.00	-	-	250,000.00
2229J	00123	Impact	MA	Lewis & Goldberg	Fresh Pond Capital - Reynders McVeigh	2.50	11/16/2022	11/16/2027	50,000.00	-	-	50,000.00
2229L	00137	Impact	MA	Keough	Fresh Pond Capital - Reynders McVeigh	2.50	07/29/2020	07/29/2025	50,000.00	-	-	50,000.00
2229M	00197	Impact	NY	GST Trust II	Fresh Pond Capital - Reynders McVeigh	2.50	02/08/2021	02/08/2026	150,000.00	-	-	150,000.00
2229N	00199	Impact	NY	The Ida & Ropert	Fresh Pond Capital - Reynders McVeigh	2.50	02/11/2021	02/11/2026	100,000.00	-	-	100,000.00
2229O	00203	Impact	MA	Shanna Berger	Fresh Pond Capital - Reynders McVeigh	2.50	03/01/2021	03/01/2026	75,000.00	-	-	75,000.00
2229P	00211	Impact	ME	Alison Mann	Fresh Pond Capital - Reynders McVeigh	2.50	03/24/2021	03/24/2026	500,000.00	-	-	500,000.00
2229Q	00213	Impact	NC	M. Coward 2010 Trust	Fresh Pond Capital - Reynders McVeigh	2.50	04/08/2021	04/08/2026	50,000.00	-	-	50,000.00
2229R	00295	Impact	NM	Lucia Bowie Duncan	Fresh Pond Capital - Reynders McVeigh	2.50	04/05/2022	04/05/2027	75,000.00	-	-	75,000.00
2229S	00315	Impact	NY	Trans Justice Funding Project Trust	Fresh Pond Capital - Reynders McVeigh	2.50	07/26/2022	07/26/2027	50,000.00	-	-	50,000.00
Fresh Pond Cap Total									2,150,000.00	-	-	2,150,000.00
GKVF FDN												
2227	00024	FDN	WV	The Greater Kanawha Valley Foundation		2.00	04/30/2019	04/30/2024	300,000.00	-	-	300,000.00
GKVF FDN Total									300,000.00	-	-	300,000.00
Goulston & Storrs												
2253	00210	Impact	MA	M. Beeuwkes Irr. Trust	Goulston & Storrs	2.50	03/15/2021	03/15/2026	125,000.00	-	-	125,000.00
Goulston & Storrs Total									125,000.00	-	-	125,000.00
H Shott PRI												
2217	00018	FDN		Hugh I. Shott, Jr. Foundation		2.00	08/30/2018	08/30/2023	100,000.00	-	-	100,000.00
H Shott PRI Total									100,000.00	-	-	100,000.00
ImpactAssets Inc.												
2233a	00115	Impact	MD	ImpactAssets Inc.		1.00	03/27/2020	03/27/2025	500,000.00	-	-	500,000.00
2233b	00117	Impact	MD	ImpactAssets Inc.		1.00	03/27/2020	03/27/2027	500,000.00	-	-	500,000.00
ImpactAssets Inc. Total									1,000,000.00	-	-	1,000,000.00
Laughing Gull Fdtn												
2247	00122	FDN		Laughing Gull Foundation		2.00	04/20/2020	04/20/2025	500,000.00	-	-	500,000.00
Laughing Gull Fdtn Total									500,000.00	-	-	500,000.00
Loring Wolcott												
2204	00005	Impact	MA	Jobin-Leeds Investment Mgmt	Loring, Wolcott & Coolidge	2.25	04/30/2018	04/30/2023	50,000.00	-	-	50,000.00
2204a	00120	Impact	MA	Reyn Whitman	Loring, Wolcott & Coolidge	2.25	10/28/2019	10/31/2024	25,000.00	-	-	25,000.00
2204b	00102	Impact	MA	Julia G. Kahrl Trust	Loring, Wolcott & Coolidge	2.25	10/28/2019	10/31/2024	100,000.00	-	-	100,000.00
2204c	00103	Impact	MA	Sarah B. Gamble Trust	Loring, Wolcott & Coolidge	2.25	10/28/2019	10/28/2024	50,000.00	-	-	50,000.00
2204d	00104	Impact	CA	Laura Ruth Ticciati	Loring, Wolcott & Coolidge	2.50	02/01/2020	02/01/2025	50,000.00	-	-	50,000.00
2204e	00157	Impact	MA	Linda Clapp	Loring, Wolcott & Coolidge	2.50	10/15/2020	10/15/2025	10,000.00	-	-	10,000.00
2204f	00158	Impact	MA	Louise Bowditch	Loring, Wolcott & Coolidge	2.50	10/15/2020	10/15/2025	50,000.00	-	-	50,000.00
2204g	00230	Impact	WA	Helen Forester Stillman	Loring, Wolcott & Coolidge	2.00	06/30/2021	06/30/2024	25,000.00	-	-	25,000.00
2204h	0327	Impact	IL	Willow Springs Charitable Trust U/DEC Dtd 1/9/2006	Loring, Wolcott & Coolidge	3.00	12/09/2022	12/09/2029	250,000.00	-	-	250,000.00
Loring Wolcott Total									610,000.00	-	-	610,000.00
Mary Reynolds Babcock Fdn PRI												
2200	00001	FDN		Mary Reynolds Babcock Foundation		0.00	07/25/2018	08/31/2023	600,000.00	-	-	600,000.00
Mary Reynolds Babcock Fdn PRI Total									600,000.00	-	-	600,000.00
McKnight PRI												
2231	00037	FDN		US Bank - Trust Custody St. Paul		0.75	04/16/2018	05/01/2028	2,000,000.00	-	-	2,000,000.00
McKnight PRI Total									2,000,000.00	-	-	2,000,000.00
Mercy												
2201	00003	Faith		Mercy Investments Services		3.00	03/15/2021	03/15/2026	1,000,000.00	-	-	1,000,000.00
Mercy Total									1,000,000.00	-	-	1,000,000.00
NC USDA IRP I												
2236	00041	FED		USDA Rural Development		1.00	12/01/2015	12/01/2031	349,442.73	-	-	349,442.73
NC USDA IRP I Total									349,442.73	-	-	349,442.73
NC USDA IRP II												
2237	00042	FED		USDA Rural Development		1.00	12/01/2015	12/01/2036	203,788.45	-	-	203,788.45
NC USDA IRP II Total									203,788.45	-	-	203,788.45
NC USDA IRP III												
2239	00043	FED		USDA Rural Development		1.00	05/16/2016	05/16/2046	328,300.47	-	-	328,300.47
NC USDA IRP III Total									328,300.47	-	-	328,300.47
NC USDA IRP IV												
2239A	00044	FED		USDA Rural Development		1.00	09/04/2018	09/04/2048	725,656.76	-	-	725,656.76
NC USDA IRP IV Total									725,656.76	-	-	725,656.76
NC USDA RMAP												
2238	00045	FED		USDA Rural Development		2.00	06/29/2016	05/16/2036	400,388.36	-	2,203.67	398,184.69
NC USDA RMAP Total									400,388.36	-	2,203.67	398,184.69

General Ledger #	Investment #	Investor Type	Investor State	Investor	Investment Advisor	Rate	Origination	Maturity		Balance 3/1/2023	Distributions	Payments	Balance 3/31/2023
Northern Trust													
2232	00038	Bank		Northern Trust Company		0.01	07/25/2018	07/25/2023		2,000,000.00	-	-	2,000,000.00
2232a	00148	Bank		Northern Trust Company		2.00	09/25/2020	09/25/2025		1,000,000.00	-	-	1,000,000.00
Northern Trust Total										3,000,000.00	-	-	3,000,000.00
OFN 2019													
2219	00020	Nonprofit		Opportunity Finance Network		4.00	03/31/2019	03/31/2024		1,000,000.00	-	-	1,000,000.00
OFN 2019 Total										1,000,000.00	-	-	1,000,000.00
OFN Google													
2219a	00194	Nonprofit		Opportunity Finance Network / Google		3.00	01/08/2021	05/31/2030		3,000,000.00	-	-	3,000,000.00
OFN Google Total										3,000,000.00	-	-	3,000,000.00
One Foundation PRI													
2212	00013	FDN		One Foundation		0.00	01/01/2016	12/31/2025		45,699.33	-	3,779.52	41,919.81
One Foundation PRI Total										45,699.33	-	3,779.52	41,919.81
One Power Foundation													
2209	00010	FDN		One Foundation		0.00	07/26/2017	09/30/2027		285,000.00	-	15,000.00	270,000.00
One Power Foundation Total										285,000.00	-	15,000.00	270,000.00
Pacific Premier Trust													
2252	00202	Impact	CA	Pacific Premier Trust FBO Elisa R. Breton, IRA		3.00	02/15/2021	02/15/2028		50,000.00	-	-	50,000.00
2252	00313	Impact	CA	Pacific Premier Trust FBO Elisa R. Breton, IRA		2.50	07/27/2022	07/27/2027		75,000.00	-	-	75,000.00
Pacific Premier Trust Total										125,000.00	-	-	125,000.00
PNC Bank 2015													
2249	00053	Bank		PNC BANK, N.A. Commercial Loan Operations		1.00	04/01/2015	04/01/2025		500,000.00	-	-	500,000.00
PNC Bank 2015 Total										500,000.00	-	-	500,000.00
PNC Bank 2017													
2221	00021	Bank		PNC BANK, N.A. Commercial Loan Operations		2.465	04/26/2021	04/25/2024		999,054.63	-	-	999,054.63
PNC Bank 2017 Total										999,054.63	-	-	999,054.63
The Peterson Family 2017 Revocable Trust													
2255	00226	Impact	IN	The Peterson Family 2017 Revocable Trust		2.50	05/26/2021	05/26/2026		100,000.00	-	-	100,000.00
The Peterson Family 2017 Revocable Trust Total										100,000.00	-	-	100,000.00
Rebecca L. Keller 2017 Living Trust													
2261	00275	Impact	NC	Rebecca L. Keller 2017 Living Trust		2.00	02/05/2022	02/05/2025		25,000.00	-	-	25,000.00
Rebecca L. Keller 2017 Living Trust Total										25,000.00	-	-	25,000.00
Seton Fund													
2203	00008	Faith		Seton Enablement Fund (Sisters of Charity)		3.00	04/01/2018	04/01/2023		79,022.10	-	79,022.10	-
Seton Fund Total										79,022.10	-	79,022.10	-
Silverio-3 year													
2228b	00113	Impact	NC	Thomas J. Silverio, Acct. No. 200377825 3 year		1.85	02/22/2023	02/22/2025	Renewal	50,000.00	-	-	50,000.00
Silverio-3 year Total										50,000.00	-	-	50,000.00
Silverio-5 year													
2228a	00112	Impact	NC	Thomas J. Silverio, Acct. No. 200377825 5 Year		2.50	03/12/2020	03/12/2025		50,000.00	-	-	50,000.00
Silverio-5 year Total										50,000.00	-	-	50,000.00
USDA IRP													
2210	00011	Fed		USDA Rural Development		1.00	02/23/2005	02/23/2035		241,408.69	-	-	241,408.69
USDA IRP Total										241,408.69	-	-	241,408.69
USDA IRP II													
2211	00012	Fed		USDA Rural Development		1.00	11/15/2010	11/15/2040		506,706.39	-	-	506,706.39
USDA IRP II Total										506,706.39	-	-	506,706.39
USDA IRP III													
2211a	00149	Fed		USDA Rural Development		1.00	09/21/2020	09/21/2050		112,500.00	-	-	112,500.00
USDA IRP III Total										112,500.00	-	-	112,500.00
United Bank EQ2													
2234	00039	EQ2		United Bank		2.00	01/13/2017	01/12/2029		500,000.00	-	-	500,000.00
United Bank EQ2 Total										500,000.00	-	-	500,000.00
United Bank EQ2 2018													
2202	00125	EQ2		United Bank		2.00	02/05/2018	01/31/2030		500,000.00	-	-	500,000.00
United Bank EQ2 2018 Total										500,000.00	-	-	500,000.00
Truist Bank													
2258	00271	Bank		Truist Bank		2.00	02/12/2021	02/12/2028		528,000.00	-	-	528,000.00
The University of the South Total										528,000.00	-	-	528,000.00
The University of the South													
2256	00233	Nonprofit		The University of the South		2.00	07/31/2021	07/31/2024		200,000.00	-	-	200,000.00
The University of the South Total										200,000.00	-	-	200,000.00

General Ledger #	Investment #	Investor Type		Account Name	Rate	Origination	Maturity		Balance 3/1/2023	Distributions	Payments	Balance 3/31/2023
The Community Foundation of Western North Carolina												
2262	00288	Impact	NC	Community Foundation of Western NC	2.00	03/14/2022	03/14/2025		250,000.00	-	-	250,000.00
William Josef Foundation Total									250,000.00	-	-	250,000.00
William Josef Foundation												
2260	00276	Impact	GA	William Josef Foundation	2.00	01/13/2022	01/13/2025		250,000.00	-	-	250,000.00
William Josef Foundation Total									250,000.00	-	-	250,000.00
WV IJDC 2017												
2214	00015	State		WV Infrastructure & Jobs Development Council	3.00	06/01/2018	06/01/2033		384,458.22	-	2,679.26	381,778.96
WV IJDC 2017 Total									384,458.22	-	2,679.26	381,778.96
WVIJDC IRP II												
2213	00124	State		WV Infrastructure & Jobs Development Council	1.00	01/01/2011	01/01/2026		68,996.20	-	-	68,996.20
WVIJDC IRP II Total									68,996.20	-	-	68,996.20
Wells Fargo												
2225a	00225	Bank		Wells Fargo Bank National Association - LOC	6.8201	04/10/2020	04/10/2024		-	-	-	-
Wells Fargo Total									-	-	-	-
Wells Fargo												
2225	00134	EQ2		Wells Fargo Patient Capital	2.00	07/23/2020	08/05/2027		400,000.00	-	-	400,000.00
Wells Fargo Total									400,000.00	-	-	400,000.00
Wells Fargo ENC												
2226	00023	EQ2		Wells Fargo Community Investment Holdings	2.00	05/04/2016	05/04/2028		1,000,000.00	-	-	1,000,000.00
Wells Fargo ENC Total									1,000,000.00	-	-	1,000,000.00
Grand Total							New	-	**36,683,674.24**	**-**	**852,684.55**	**35,830,989.69**
							Renewal	50,000.00		***Weighted Average Cost of Capital***		**2.366%**
										Weighted Average Remaining Term (Years)		**4.52**
										Weighted Average Remaining Term (Months)		**54.20**

Appendix C

Application to Purchase Note and Investor Questionnaire

Partner Community Capital™

APPLICATION TO PURCHASE NOTE AND INVESTOR QUESTIONNAIRE

The information contained in this Application to Purchase Note and Investor Questionnaire (this "**Application**") is provided to Partner Community Capital™, a Maryland non-profit corporation ("**PCAP**"), and its respective transferees, successors, assigns, heirs, and legal representatives in connection with the undersigned's interest in participating in PCAP's proposed offering of Community Impact Notes (the "**Notes**"). Execution of this Application by the undersigned prospective investor (the "**Applicant**") does not constitute an offer to sell or a solicitation of an offer to buy any security. The Applicant understands that the information provided to PCAP will be kept confidential by PCAP and its agents and advisors and will not be disclosed to third parties without the Applicant's written consent unless disclosure of such information is required by law or regulation.

☐ By checking this box, the Applicant affirms that the Applicant has reviewed and understands the representations, warranties, and other terms of this Application set forth in Section 3 below.

Investment Amount: $____________________

☐ Payment by check payable to the order of "Partner Community Capital" and sent to:

(if sent via FedEx or UPS)	*(if sent via USPS)*
106 W. Washington St.	P.O. Box 839
Charles Town, WV 25414	Charles Town, WV 25414

☐ Payment by wire transfer (PCAP will send instructions upon receipt of Application)

Investor Type: ☐ New ☐ Existing

Note: New investors must invest a minimum of $25,000, or any integral multiple of $5,000 in excess thereof). Existing investors who currently have at least $25,000 in outstanding Notes may purchase additional Notes in any integral multiple of $5,000.

Interest Rate and Term of Note:

	Years	Rate
☐	1 year	1.75%
☐	2 years	1.85%
☐	3 years	2.00%
☐	5 years	2.50%
☐	7 years	3.00%
☐	10 years	3.50%

Semiannual Interest Payment:

☐ Receive interest payment by check
☐ Receive interest payment by ACH
☐ Donate accrued interest to PCAP*

*Donation may be tax-deductible, as PCAP is a 501(c)(3) organization. Consult with your tax adviser.

THE NOTES ARE OFFERED IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION PROVIDED BY SECTION 4(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 506(C) OF REGULATION D PROMULGATED THEREUNDER. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT OR THE OFFERING MEMORANDUM AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THESE SECURITIES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Notes are not secured by any collateral, guaranteed or endorsed by any bank, and are not insured by the FDIC or any other agency. The Applicant must depend solely on PCAP's financial condition and operations for repayments of principal and interest on the Notes.

The Notes are subject to certain risks, which are described in the "Risk Factors" section of the Offering Memorandum, which must be reviewed before investing. For additional information, please contact Marten Jenkins, PCAP CEO, at mjenkins@partnercapital.org.

SECTION 1
INVESTOR INFORMATION

Name of Investor(s): ______________________________

Type of owner or form of ownership:

☐ Individual ☐ Individual (joint owners) ☐ Corporation ☐ Partnership

☐ Trust ☐ Other (specify): ______________________________

Note: For revocable trusts, the grantor or maker of the trust should complete this Application as an individual and must individually qualify as an accredited investor (see Section 2).

Address in Principal State of Residence:

____

____

____

Preferred Mailing Address (if different):

____

____

____

Telephone: ______________________________

Email: ______________________________

SSN or Taxpayer ID: ______________________________

Date of Birth: ______________________________

Note: The USA PATRIOT Act requires all financial institutions to obtain, verify and record information that identifies each person who purchases a Note—specifically, name, address, date of birth, and social security number or taxpayer identification number.

Place of Payment: Please provide the address where PCAP should direct interest and/or principal payments.

☐ Use Address in Principal State of Residence (above)

☐ Use Preferred Mailing Address (above)

☐ Electronic payment

☐ Other address: ______________________________

____

____

Authorization to Share Information with Third-Party Advisory Firm:

☐ By checking this box, the Applicant authorizes the following investment advisor, wealth manager, broker-dealer, attorney, or accountant to receive and transmit information to and from PCAP on the Applicant's behalf.

Note: If the third-party advisor will be responsible for verifying the Applicant's status as an accredited investor, the advisor must complete and submit a Third Party Accredited Investor Verification Letter in the form provided by PCAP (or another form acceptable to PCAP). See Section 2 of this Application, and contact PCAP for details.

Firm Name: ______________________________

Address: ______________________________

Telephone: ______________________________

Email: ______________________________

CRD/IARD #: ______________________________

Note Delivery Instructions: Please indicate where PCAP should direct the original executed and electronic copies of the Unsecured Promissory Note evidencing the investment.

Original: ☐ Investor ☐ Advisor

Electronic: ☐ Investor ☐ Advisor ☐ Both

SECTION 2
ACCREDITED INVESTOR VERIFICATION

Under Rule 506(c) of Regulation D promulgated under the Securities Act of 1933, as amended (the "**Securities Act**"), PCAP must take reasonable steps to verify that all purchasers of Notes are "accredited investors" within the meaning of Rule 501(a) of Regulation D under the Securities Act.

Please initial in the appropriate space(s) below to indicate the category or categories of "accredited investor" applicable to the Applicant. Please enclose or attach the requested documentation corresponding to the selected category or categories. PCAP may request additional documentation from the Applicant for the purpose of verifying that the Applicant is an accredited investor.

By initialing below, the Applicant certifies that the Applicant is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, and comes within the following category or categories under Rule 501(a):

____ A natural person (not an entity) whose individual net worth, or joint net worth with his or her spouse, at the time of purchase of the Note, exceeds $1,000,000 excluding the value of such natural person's primary residence[1].

Please provide the following types of documentation dated within the prior three months: (1) with respect to assets: bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments, or appraisal reports issued by independent third parties; and (2) with respect to liabilities: a consumer report from at least one of the nationwide consumer reporting agencies. If qualification for this category is based on joint net worth with the Applicant's spouse, such documentation must be provided with respect to both the Applicant and the Applicant's spouse. In lieu of the requested documentation, the Applicant may provide a written verification letter from a registered broker-dealer, an investment advisor registered with the U.S. Securities and Exchange Commission ("SEC"), a licensed attorney in good standing, or a registered certified public accountant in good standing that such person has taken reasonable steps to verify that the Applicant is an accredited investor within the past 3 months and has determined that the Applicant is an accredited investor. Please contact PCAP for the form of written verification letter to be used.

By initialing above, the Applicant represents that all liabilities necessary to make a determination of net worth, whether individual or joint, have been disclosed in the documentation provided.

____ A natural person (not an entity) who had an individual income in excess of $200,000 in each of the two most recent years, or joint income with his or her spouse in excess of $300,000 in each of those years, and who has a reasonable expectation of having the same income level in the current year.

Please provide the Internal Revenue Service form that reports the Applicant's income for the two most recent years (including, but not limited to, Form W-2, Form 1099, Schedule K-1 to Form 1065, and Form 1040). If qualification for this category is based on joint income with the Applicant's spouse, such documentation must be provided with respect to both the Applicant and the Applicant's spouse. In lieu of the requested documentation, the Applicant may provide a written verification letter from a registered broker-dealer, an investment advisor registered with the U.S. Securities and Exchange Commission ("SEC"), a licensed attorney in good standing, or a registered certified public accountant in good standing that such person has taken reasonable steps to verify that the Applicant is an accredited investor within the past 3 months and has determined that the Applicant is an accredited investor. Please contact PCAP for the form of written verification letter to be used.

By initialing above, the Applicant represents, on behalf of the Applicant and, to the extent applicable, the Applicant's spouse, that the Applicant, together with the Applicant's spouse, as applicable, has a reasonable expectation of reaching the income level necessary to qualify as an accredited investor during the current year.

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[1] In calculating net worth, you must exclude the value of any positive equity that you may have in your primary residence. If indebtedness secured by your primary residence exceeds the estimated fair market value of such primary residence, you should reduce your net worth by the amount of any such excess indebtedness. The fair market value of a primary residence and the amount of outstanding indebtedness should be measured as of the date of this Application. In addition, if outstanding indebtedness secured by your primary residence has increased (other than as a result of the acquisition of such primary residence) in the 60-day period preceding the date of this Application (e.g., due to a home equity loan), you should reduce your net worth by the amount of such increase.

____ A natural person (not an entity) who holds in good standing one or more of the following certifications, designations, and/or credentials: (i) Licensed General Securities Representative (Series 7 exam); (ii) Licensed Investment Adviser Representative (Series 65 exam); and/or (iii) Licensed Private Securities Offering Representative (Series 82 exam).

Please provide the Applicant's relevant CRD number.

____ A corporation, a Massachusetts or similar business trust, a partnership, limited liability company, or an organization described in Section 501(c)(3) of the Code, in each case which has total assets in excess of $5,000,000 and which was not formed for the specific purpose of acquiring the Note.

Please provide an audited balance sheet (or reviewed, if Applicant's financial statements are not audited, or as prepared by the Applicant, if not reviewed) for the Applicant dated within the prior three months, and the most recently completed tax return (including, as applicable, Form 1120 or Form 990).

____ A trust with total assets in excess of $5,000,000 which was not formed for the specific purpose of acquiring the Note and whose purchase of the Note was directed by a person who has such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of the investment.

Please provide a trust accounting or trust report, or if no such trust accounting or trust report is available, a description of the assets of the trust and documentation supporting the fair market value of each category of such assets.

____ A director or executive officer of PCAP.

____ A bank, as defined in Section 3(a)(2) of the Securities Act, acting in its individual or fiduciary capacity.

____ A savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity.

____ A broker or dealer registered under Section 15 of the Exchange Act.

____ An investment adviser registered pursuant to Section 203 of the Investment Advisers Act of 1940 (the "**Advisers Act**") or registered pursuant to the laws of a state.

____ An investment adviser relying on the exemption from registering with the SEC under Section 203(l) or (m) of the Advisers Act.

____ An insurance company, as defined in Section 2(a)(13) of the Securities Act.

____ An investment company registered under the Investment Company Act of 1940 (the "**Investment Company Act**").

____ A business development company as defined under Section 2(a)(48) of the Investment Company Act.

____ A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.

____ A Rural Business Investment Company as defined in Section 384A of the Consolidated Farm and Rural Development Act.

____ A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000.

Please provide a report showing the total account balance of the plan dated within the prior three months.

____ An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

To the extent the plan is not required to file Form 5500 or Form 5500-SF, please provide a report showing the total account balance of the plan dated within the prior three months.

____ A private business development company as defined in section 202(a)(22) of the Advisers Act.

____ A "family office" as defined in Rule 202(a)(11)(G)-1 under the Advisers Act, (i) with assets under management in excess of $5,000,000, (ii) that is not formed for the specific purpose of acquiring the Securities, and (iii) whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment (a "**Family Office**").

Please provide a report showing the total balance of the Family Office's assets under management dated within the prior three months.

____ A "family client," as defined in Rule 202(a)(11)(G)-1 under the Advisers Act, of a Family Office whose prospective investment in the Company is directed by such Family Office whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment.

Please provide a report showing the total balance of the Family Office's assets under management dated within the prior three months.

____ A trust with total assets in excess of $5,000,000 which was not formed for the specific purpose of acquiring the Securities and whose purchase is directed by a person who has such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of the investment.

____ An entity, of a type not listed above, not formed for the specific purpose of acquiring the Securities, owning "investments" (as defined in Rule 2a51-1(b) under the Investment Company Act) in excess of $5,000,000.

____ An entity in which all of the equity owners are "accredited investors" within the meaning of Rule 501(a) of Regulation D under the Securities Act.

Please also initial the categories above applicable to each equity owner, and provide the corresponding required documentation for each applicable equity owner.

SECTION 3
ADDITIONAL TERMS OF INVESTMENT

1. Representations and Warranties. The Applicant represents, warrants and agrees as follows:

(a) The Applicant is an "accredited investor" as that term is defined in Rule 501(a) under Regulation D promulgated under the Securities Act of 1933, as amended (the "**Securities Act**"), and meets the definition as indicated on Section 2 of this Application. Any documentation provided to verify the Applicant's status as an "accredited investor" is complete and accurate in all respects.

(b) The Applicant has received and reviewed a copy of the Offering Memorandum of Partner Community Capital, Inc. dated June 15, 2023 (the "**Offering Memorandum**"), including the current Description of Notes, current Interest Rate Sheet, and any other documents that are incorporated into the Offering Memorandum, which summarizes the terms, risks and other information regarding the Notes. "**Notes**" has the meaning as defined in the Offering Memorandum. In addition, the Applicant acknowledges that the Applicant has been given the opportunity to (i) ask questions and receive satisfactory answers concerning the terms and conditions of the offering and (ii) obtain additional information from PCAP in order to evaluate the merits and risks of an investment in the Notes and to verify the accuracy of the information contained in the Offering Memorandum. No statement, printed material or other information that is contrary to the information contained in the Offering Memorandum has been given or made by or on behalf of PCAP to the Applicant.

(c) The Applicant understands that the Notes have not been, and will not be, registered under the Securities Act or any state securities laws, and are being offered and sold in reliance upon federal and state exemptions from registration requirements for transactions not involving any public offering. The Applicant recognizes that reliance upon such exemptions is based in part upon the representations of the Applicant contained herein. The Applicant represents and warrants that the Notes will be acquired by the Applicant solely for the account of the Applicant, for investment purposes only and not with a view to the distribution thereof. The Applicant has no contract, undertaking, agreement or arrangement to sell, pledge, assign, or otherwise transfer or dispose of the Note to any other person. The Applicant represents that the Applicant (i) is a sophisticated investor with such knowledge and experience in business and financial matters as will enable the Applicant to evaluate the merits and risks of investment in the Notes, (ii) is able to bear the economic risk and lack of liquidity of an investment in the Notes and (iii) is able to bear the risk of loss of its entire investment in the Notes.

(d) The Applicant recognizes that (i) an investment in the Notes involves certain risks, and (ii) the Notes will be subject to certain restrictions on transferability as described in the Offering Memorandum and, as a result, the marketability of the Notes will be severely limited. The Applicant agrees that it will not transfer, sell or otherwise dispose of the Notes in any manner that will violate the terms of the Note, the Securities Act, the rules and regulations of the U.S. Securities and Exchange Commission (the "**SEC**") or the laws and regulations of any other federal, state or municipal authority having jurisdiction thereof, or subject PCAP to regulation under the Investment Company Act of 1940, as amended.

(e) The Applicant is aware that (i) no federal, state, local or foreign agency has passed upon the Notes or made any finding or determination as to the fairness of this investment, and (ii) PCAP may choose not to accept this Application, for any reason or no reason.

(f) The Applicant has full legal capacity, power and authority to execute and deliver this Application, to make the investment, and to perform its obligations hereunder and under the Note. If the Applicant is an individual, the Applicant is a resident of the state indicated on <u>Section 1</u> of this Application. If the Applicant is an entity, the Applicant is duly formed, validly existing, and in good standing under the laws of the jurisdiction of formation indicated on <u>Section 1</u> of this Application. This Application, if accepted by PCAP, and the Note, constitutes the valid and binding obligation of the Applicant, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity. The execution and delivery of this Application and the Note, the consummation of the transactions contemplated hereby by the Applicant and the performance of the Applicant's obligations hereunder and under the Note will not conflict with, or result in any violation of or default under, any provision of any governing instrument applicable to the Applicant, or any agreement or other instrument to which the Applicant is a party or by which the Applicant or any of its properties are bound, or any foreign or domestic permit, franchise, judgment, decree, statute, rule or regulation applicable to the Applicant or the Applicant's business or properties. There is no action, suit, or proceeding pending or threatened before any court or governmental or administrative body or agency, nor is there any basis for any such action, that may reasonably be expected to impair the ability of the Applicant to perform its obligations under this Application and the Note. The Applicant is not in violation of or alleged to be in violation of any judgment, writ, injunction, decree, rule, or regulation of any court or any governmental or administrative body or agency.

(g) The Applicant represents as follows:

(i) The Applicant has not, within the last 10 years, been convicted of a felony or misdemeanor, in the United States, (i) in connection with the purchase or sale of any security, (ii) involving the making of any false filing with the SEC or (iii) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(ii) The Applicant is not currently subject to any order, judgment or decree of any court of competent jurisdiction, entered in the last 5 years, that restrains or enjoins the Applicant from engaging in any conduct or practice (i) in connection with the purchase or sale of any security, (ii) involving the making of a false filing with the SEC or (iii) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(iii) The Applicant is not currently subject to a "final order"[2] of a state securities commission (or an agency or officer of a state performing like functions), a state authority that supervises or examines banks, savings associations, or credit unions, a state insurance commission (or an agency or officer of a state performing like functions), an appropriate federal banking agency, the National Credit Union Administration, or the Commodity Futures Trading Commission, that (i) bars the Applicant from: (A) association with an entity regulated by such commission, authority, agency, or officer; (B) engaging in the business of securities, insurance, or banking; or (C) engaging in savings association or credit union activities; or (ii) constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct within the last 10 years;

(iv) The Applicant is not currently subject to an order of the SEC pursuant to Section 15(b) or 15B(c) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") or Section 203(e) or (f) of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") that (i) suspends or revokes the Applicant's registration as a broker, dealer, municipal securities dealer or investment adviser, (ii) places limitations on the Applicant's activities, functions or operations or (iii) bars the Applicant from being associated with any entity or from participating in the offering of any penny stock;

(v) The Applicant is not currently subject to any order of the SEC, entered in the last 5 years, that orders the Applicant to cease and desist from committing or causing a violation or future violation of (i) any scienter-based anti-fraud provision of the federal securities laws (including without limitation Section 17(a)(1) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Section 15(c)(1) of the Exchange Act and Section 206(1) of the Advisers Act, or any other rule or regulation thereunder) or (ii) Section 5 of the Securities Act;

[2] The term "final order" means a written directive or declaratory statement issued by a federal or state agency pursuant to applicable statutory authority that provides for notice and an opportunity for hearing, which constitutes a final disposition or action by that federal or state agency. A final order may still be subject to appeal and otherwise meet this definition.

(vi) The Applicant is not currently suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade;

(vii) The Applicant has not filed as a registrant or issuer, or has not been named as an underwriter in, a registration statement or Regulation A offering statement filed with the SEC that, within the last 5 years, (i) was the subject of a refusal order, stop order, or order suspending the Regulation A exemption or (ii) is currently the subject of an investigation or proceeding to determine whether such a stop order or suspension order should be issued; and

(viii) The Applicant is not subject to (i) a United States Postal Service false representation order entered into within the last 5 years, or (ii) a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations.

(ix) If the Applicant is an entity, the Applicant confirms that all of the above representations made under this subsection (g) are true and correct with respect to the Applicant and each person (whether an individual or an entity) that controls such entity (whether through ownership of voting securities or otherwise).

(x) If the Applicant cannot confirm all of the statements under this subsection (g), by checking the following box, the Applicant (i) confirms that the Applicant has obtained a waiver from disqualification under Rule 506(d) either (A) from the SEC or (B) from the court or regulatory authority that entered the relevant order, judgment or decree and (ii) agrees to submit information about the relevant disqualifying event and evidence of the waiver to PCAP together with this Application. ☐

(h) The foregoing representations and warranties, and all other statements contained elsewhere in this Application or in any documentation provided in connection with this Application, are true and correct as of this date and the date of Note. **If in any respect such representations and warranties or statements shall not be correct and accurate prior to the time, if any, that PCAP issues the Note, the Applciant shall give immediate written notice of such fact to PCAP, specifying which representations and warranties or statements are not true and correct and the reasons therefor**.

2. Indemnification. The Applicant acknowledges that the Applicant understands the meaning and legal consequences of the representations and warranties and statements made by the Applicant herein, and that PCAP is relying on such representations and warranties and statements in making its determination of whether to accept this Application. The Applicant hereby agrees to indemnify and hold harmless PCAP and its affiliates, all other noteholders and each director, employee or agent of PCAP from and against any and all loss, damage or liability due to or arising out of a breach of any representation or warranty or inaccuracy of any statement made by the Applicant in this Application.

3. Non-transferability. The Applicant may not transfer or assign this Application, or any interest herein.

4. Acceptance. PCAP may, in its sole discretion, determine whether to accept this Application. Acceptance will be given to the Applicant by PCAP's execution and delivery of the Note to the Applicant. If so accepted, this Application (i) will be binding upon the Applicant's heirs, successors, legal representatives and assigns, (ii) may not be canceled, terminated or revoked by the Applicant, except as provided under applicable law, and (iii) will be governed by and construed in accordance with the laws of the State of West Virginia (without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than the State of West Virginia).

5. Termination. If this Application is not accepted by PCAP, this Application will be null and void and of no further force and effect, and no party shall have any rights against any other party hereunder.

6. Successors. Except as otherwise provided herein, this Application and all of the terms and provisions hereof shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, successors, trustees and legal representatives. If the Applicant is more than one person, the obligation of the Applicant shall be joint and several and the acknowledgements, representations, warranties, covenants, and agreements herein contained shall be deemed to be made by and be binding upon each such person and such person's heirs, executors, administrators, successors, trustees and legal representatives.

7. Survival. The acknowledgements, representations, warranties, covenants, and agreements herein contained shall survive the acceptance of this Application and the issuance of Note to the Applicant.

8. No-Waiver. No provision of this Application shall be deemed to have been waived, unless such waiver is contained in a written notice given to the party claiming such waiver has occurred, and no such waiver shall be deemed to be a waiver of any other or further obligation or liability of the party or parties in whose favor the waiver was given.

APPLICATION TO PURCHASE NOTE AND INVESTOR QUESTIONNAIRE

SIGNATURE PAGE

FOR INDIVIDUAL INVESTORS:

______________________________	______________________________
(Print Name)	(Signature)
Date: __________________________	

(If jointly held, also complete below for joint tenant, joint noteholder, or tenant in common)

______________________________	______________________________
(Print Name)	(Signature)
Date: __________________________	

FOR CORPORATIONS, PARTNERSHIPS, LIMITED LIABILITY COMPANIES, TRUSTS OR OTHER ENTITIES:

______________________________	
(Print Name of Entity)	
______________________________	______________________________
(Print Name of Authorized Representative)	(Signature)
______________________________	Date: __________________________
(Title of Authorized Representative)	

28428448

Appendix D

Description of Notes and Form of Unsecured Promissory Note

106 W. Washington Street | Charles Town, WV 25414
681-252-4306 | partnercapital.org

DESCRIPTION OF NOTES

Current as of June 15, 2023

JUNE 15, 2023 OFFERING MEMORANDUM

$20,000,000 OF COMMUNITY IMPACT NOTES

This Description of Notes relates to Community Impact Notes (the "**Notes**") offered pursuant to the June 15, 2023 Offering Memorandum (the "**Offering Memorandum**"). Partner Community Capital™ ("**PCAP**") may determine, in its discretion, to offer the Notes with terms different than those described below, and in such case will issue a revised or additional Description of Notes. All terms used but not otherwise defined herein shall have the respective meanings given to them in the Offering Memorandum.

Term/Maturity

The Notes have a fixed duration of one (1), two (2), three (3), five (5), seven (7), or ten (10) years, as selected by the noteholder, and are payable at maturity, if not automatically or otherwise reinvested in a new Note. PCAP may offer Notes of different durations at any time in its discretion.

Minimum Investment

The minimum investment amount for each new investor is $25,000, and Notes may be purchased in integral multiples of $5,000 in excess thereof, unless PCAP in its discretion accepts lesser amounts on a case-by-case basis. As long as an investor holds Notes with an aggregate principal amount of at least $25,000, that investor may purchase additional Notes in any integral multiple of $5,000, at then-current interest rates. The issuance of Notes is not contingent upon receiving any minimum aggregate number or dollar amount of commitments from investors.

Interest Rates

Interest rates currently offered on new issuances of Notes are as set forth on the accompanying Interest Rate Sheet, which may be amended from time to time by PCAP in its discretion. The interest rate for each Note is fixed at the time of issuance for the life of the Note. If a noteholder reinvests in a Note at maturity, a new Note of the same term as the matured Note will be issued at then-current interest rates(see "Options at Maturity" below).

Interest Accrual and Payments

The Notes begin to accrue simple interest upon the deposit of funds sent by the noteholder to the Issuer. Interest accrues on a 360-day year of twelve 30-day months, and noteholders elect to have their semiannual interest payment paid out or donated to PCAP as a potentially tax-deductible contribution.

Increasing an Investment in the Notes

Noteholders may not increase the principal balance of a Note once issued, but may buy additional Notes or, at PCAP's discretion, may have the existing Note cancelled and a new Note issued for the higher amount.

Options at Maturity

PCAP will mail a notice to noteholders prior to the maturity of their Notes, providing instructions for reinvestment or permitting the Notes to mature, and, upon receipt of the noteholder's response, will follow the noteholder's instructions. If a noteholder notifies PCAP before the maturity date that the noteholder elects not to reinvest in the Note, then at maturity, PCAP will repay the principal and accrued but unpaid interest. If a noteholder does not respond to the notice within thirty (30) calendar days, principal will be automatically reinvested for the same duration as the previous Note, consistent with the then-current Offering Memorandum (including then-current interest rates, which may be lower than the rate payable on the maturing Note).

No Right of Repurchase

Noteholders should plan to hold their Notes for the full term selected. Noteholders have no rights to cause PCAP to repurchase the Notes before maturity. Any repurchase of a Note before maturity at the request of a noteholder will be at PCAP's discretion and will be on such terms and conditions as PCAP may require or accept. If PCAP determines to repurchase any Note before maturity at the request of a noteholder, the Note will be cancelled and PCAP will repay the noteholder the principal on the Note, and the noteholder will forfeit both (i) any interest on the Note, which has yet to accrue, and (ii) any interest on the Note, which has accrued, but which has yet to be paid to the noteholder. In addition, PCAP may, in its discretion, assess a fee up to the difference between the amount of the interest actually paid under the note and the amount of the interest that would have been paid if the note had been held until the original maturity date.

Transfer

The Notes may not be transferred or resold except as permitted by applicable federal and state securities laws, and only with approval by PCAP, which approval may be withheld in its sole discretion. Accordingly, noteholders should be prepared to bear the financial risks of an investment in a Note for the full term of the Note.

Right of Prepayment

PCAP has the right to prepay any of the outstanding Notes, in whole or in part, at any time upon thirty (30) days' prior written notice by payment of the principal amount of such Notes together with any accrued but unpaid interest.

Ranking

The Notes are PCAP's general unsecured and unsubordinated obligations and rank equally in right of payment with all of PCAP's other existing and future unsecured and unsubordinated obligations. The Notes are and will be effectively subordinated to any of PCAP's existing or future secured debt to the extent of the value of the assets securing such debt.

Certificate of Ownership

Notes are evidenced through an original executed promissory note sent to a noteholder upon receipt of a completed application and payment of the purchase price of the Note. PCAP will send periodic statements that report principal investment outstanding, interest payments and interest accrual on the Notes.

Other Terms and Conditions

Notes are not and will not be issued pursuant to any trust indenture or sinking or escrow fund and there is no trustee or agent appointed to represent your interests. Noteholders not have an equity interest in PCAP and have no right to vote on matters brought before PCAP's Board of Directors. Noteholders are unsecured creditors of PCAP.

THE OFFERING WILL BE MADE IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION PROVIDED BY SECTION 4(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 506(C) OF REGULATION D PROMULGATED THEREUNDER.

THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THE OFFERING MEMORANDUM AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THE NOTES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED.

THE NOTES ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC), THE SECURITIES INVESTOR PROTECTION CORPORATION (SIPC), OR ANY OTHER STATE OR FEDERALLY REGULATED INSTITUTION. THE NOTES ARE ALSO NOT CERTIFICATES OF DEPOSIT OR DEPOSIT ACCOUNTS WITH A BANK, SAVINGS AND LOAN ASSOCIATION, CREDIT UNION OR OTHER FINANCIAL INSTITUTION REGULATED BY FEDERAL OR STATE AUTHORITIES. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE NOTES IS DEPENDENT UPON, AMONG OTHER THINGS, PCAP'S FINANCIAL CONDITION, WHICH IS IN TURN DEPENDENT UPON REPAYMENT OF PRINCIPAL AND PAYMENT OF INTEREST BY ITS BORROWERS. A PURCHASE OF THE NOTES IS SUBJECT TO INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE ENTIRE PRINCIPAL AMOUNT INVESTED.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THE OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY PCAP OR ANY OF ITS AFFILIATES, EMPLOYEES OR AGENTS.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THIS NOTE MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND THE PROMISOR SHALL HAVE RECEIVED AT THE EXPENSE OF THE HOLDER HEREOF, EVIDENCE OF SUCH EXEMPTION REASONABLY SATISFACTORY TO THE PROMISOR (WHICH MAY INCLUDE, AMONG OTHER THINGS, AN OPINION OF COUNSEL SATISFACTORY TO THE PROMISOR).

UNSECURED PROMISSORY NOTE

Date: _____________ **US $** _____________

For value received, Partner Community Capital, Inc., a Maryland nonstock corporation, with its principal address at 106 W. Washington Street, Charles Town, WV 25414 (the "**Promisor**") promises to pay __________________, whose address is ______________________ or its successors or assigns ("**Holder**"), in lawful currency of the United States of America, the aggregate principal sum of $_____________ (as may be reduced pursuant to the terms hereof, "**Principal**") when due, whether upon the Maturity Date (as defined in Section 1) or otherwise (in accordance with the terms hereof) and to pay simple interest ("**Interest**") on any outstanding Principal at the applicable interest rate (as set forth in Section 2) from the date hereof.

1. **Repayment of Principal**. The unpaid Principal amount of this Note shall be due and payable on the ___ year anniversary of the date hereof (the "**Maturity Date**").

2. **Interest Rate**. The unpaid Principal balance of this Note shall bear Interest at an annual rate of __% calculated on the basis of a 360-day year of twelve 30-day months. Interest shall commence with the date hereof and shall continue on the outstanding Principal balance hereof until paid in full.

3. **Payment of Interest**. Interest accruing under this Note shall be due and payable semi-annually, unless donated by Holder, as shown below:

Interest under this Note shall be:

☐ Paid to Holder

☐ Donated to Promisor

The first Interest payment under the Note shall be paid on the first June 30 or December 31, whichever comes first, after the date hereof. Thereafter, Interest shall be due and payable on each succeeding 6-month period-end (June 30 and December 31).

4. **Ranking**. This Note is the Promisor's general unsecured and unsubordinated obligation and ranks equally in right of payment with all of Promisor's other existing and future unsecured and unsubordinated obligations.

5. **Payment**. All payments due and payable hereunder shall be paid by check or wire transfer, in U.S. funds. If any payments on this Note become due on a Saturday, Sunday or a public holiday under the laws of the State of West Virginia, such payment shall be made on the

next succeeding business day and such extension of time shall be included in computing Interest in connection with such payment.

6. **Promisor's Right of Prepayment**. The Promisor may, at any time, prepay all or a portion of the unpaid Principal and unpaid accrued Interest of this Note without penalty. Any prepayment of this Note will be credited first against unpaid accrued Interest, then Principal. The Promisor shall give notice to Holder of its intent to prepay all or any portion of this Note at least 30 days preceding the date of such prepayment.

7. **Early Repurchase Request by Holder**. Holder may request Promisor to repurchase this Note prior to the Maturity Date by sending a signed writing to the Promisor stating such request. The Promisor is under no obligation to fulfill Holder's request. If the Promisor agrees to repurchase this Note prior to the Maturity Date in its discretion, (a) this Note will be cancelled; (b) Promisor will repay Holder the Principal, *less* a fee in an amount to be determined by Promisor in its discretion, which shall be no more than the difference between (i) the amount of the Interest actually paid under this Note and (ii) the amount of the Interest that would have been paid if this Note had been held until the Maturity Date; and (c) Holder will forfeit any right to repayment of both (i) any Interest that has yet to accrue, and (ii) any Interest that has accrued, but which has yet to be paid to Holder.

8. **Events of Default**. Each of the following acts, events or circumstances shall constitute an event of default (each an "**Event of Default**") hereunder:

(a) The Promisor fails to pay, when it becomes due and payable under the terms of this Note, any Principal or Interest, and Promisor fails to cure such nonpayment no later than 90 days after the due date;

(b) The Promisor files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any assignment for the benefit of creditors or takes any company action in furtherance of any of the foregoing, or;

(c) An involuntary petition is filed against the Promisor or a custodian, receiver, trustee, or assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody, or control of any property of the Promisor.

Upon the occurrence and continuance of an Event of Default, Holder may declare all or any portion of the outstanding Principal amount hereof (together with all accrued but unpaid Interest thereon and all other amounts due in connection therewith) due and payable and demand immediate payment thereof.

9. **Waiver of Notice**. The Promisor waives presentment, demand for performance, notice of nonperformance, protest, notice of protest and notice of dishonor notice of intent to accelerate, notice of acceleration of maturity, and diligence in connection with the enforcement of this Note or the taking of any action to collect sums owing hereunder.

10. **Notice**. Any notice or other communication required or permitted to be given under this Note shall be in writing, shall be delivered by hand or overnight courier service, by certified mail, postage prepaid, or by facsimile, and will be deemed given upon delivery, delivered personally, one day after deposit with a national courier service for overnight delivery, or one day

after transmission by facsimile with confirmation of receipt, and three days after deposit in the mails, if mailed, to the last known address of the party.

11. **Amendment Provision**. This Note may be amended only by an instrument in writing signed by the Promisor and Holder. The term "**Note**" and all references thereto, as used throughout this instrument, shall mean this instrument originally executed, or if later amended or supplemented, then as so amended or supplemented.

12. **Waivers**. No failure or delay on the part of Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof. Nor shall any single or partial exercise of any such power, right or privilege preclude further or other exercise thereof, or of any other right, power or privilege.

13. **Assignment**. Holder may not assign any of its rights or delegate any of its obligations under this Note without the prior written consent of the Promisor, and any attempt to do so in contravention of this Section 13 will have no legal effect.

14. **Governing Law**. This Note shall be governed by and construed under the laws of the State of West Virginia, made to be performed entirely within the State of West Virginia, without giving effect to conflicts of laws principles, including those of the State of West Virginia.

15. **Consent to Jurisdiction**. Holder and the Promisor each irrevocably agrees and consents that any action under this Note shall be brought in the circuit court located in Jefferson County, West Virginia, and that any such court shall have the exclusive personal jurisdiction over each of them for purposes of the proceeding.

16. **Remedies**. Holder shall have all rights and remedies provided under applicable law. The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note, at law or in equity (including a decree of specific performance or other injunctive relief). No remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy and nothing herein shall limit Holder's right to actual damages for any failure by the Promisor to comply with the terms of this Note.

17. **Restriction on Transfer**. This Note may not be transferred or resold except as permitted by applicable federal and state securities laws, and with approval by the Promisor, which approval may be withheld in its sole discretion.

Signature page follows.

IN WITNESS WHEREOF, the Promisor has caused this Note to be signed as of the date first written above.

Partner Community Capital, Inc.

By: ____
Name: ____
Its: ____

28428453

Appendix E

Interest Rate Sheet

106 W. Washington Street | Charles Town, WV 25414
681-252-4306 | partnercapital.org

INTEREST RATE SHEET

Current as of June 15, 2023

JUNE 15, 2023 OFFERING MEMORANDUM

$20,000,000 OF COMMUNITY IMPACT NOTES

Term of Note	Interest Rate
One (1) year	1.75%
Two (2) years	1.85%
Three (3) years	2.00%
Five (5) years	2.50%
Seven (7) years	3.00%
Ten (10) years	3.50%

Interest rates currently offered on new issuances of Community Impact Notes (the "**Notes**") pursuant to the June 15, 2023 Offering Memorandum (the "**Offering Memorandum**") are as set forth above. This Interest Rate Sheet may be amended at any time by Partner Community Capital, Inc. ("**PCAP**") in its discretion.

Notes are offered pursuant to the Offering Memorandum, which contains essential information about PCAP and the Notes. Investors are advised to read carefully the Offering Memorandum, and the materials incorporated therein, prior to making any decision to purchase the Notes.

THE OFFERING WILL BE MADE IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION PROVIDED BY SECTION 4(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 506(C) OF REGULATION D PROMULGATED THEREUNDER.

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