

## EQUALIZE COMMUNITY DEVELOPMENT FUND

Equalize Community Development Fund (f/k/a Bluestone Community Development Fund) (the “Fund”) is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended, as a closed-end, non-diversified management investment company. The Fund’s investment objectives are to provide current income, consistent with the preservation of capital, and to enable institutional Fund investors that are subject to regulatory examination for CRA compliance to claim favorable regulatory consideration of their investment under the Community Reinvestment Act of 1977, as amended (“CRA”). The Fund seeks to achieve its objectives by investing primarily in a portfolio of loans that are eligible for CRA treatment as qualified investments, including 504 First Lien Loans secured by owner-occupied commercial real estate which represent the non-guaranteed portion of a U.S. Small Business Administration (“SBA”) Section 504 transaction, loans originated under a number of U.S. Department of Agriculture Rural Development (“USDA RD”) loan programs and loans issued by the Bureau of Indian Affairs (“BIA”). 504 First Lien Loans are not guaranteed by the SBA, the U.S. government or by its agencies, instrumentalities or sponsored enterprises. USDA RD loans and loans issued by BIA are generally partially guaranteed by the U.S. government or the applicable agency. The Fund has no limitation on the amount of its assets that may be invested in securities or other financial instruments that are illiquid. There can be no assurance that the Fund will achieve its investment objectives.

This Prospectus applies to the offering of shares of beneficial interest in the Fund. The Fund has registered 50,000,000 shares and is authorized as a Delaware statutory trust to issue an unlimited number of shares. The Fund is offering to sell 50,000,000 shares (less shares previously sold) on a continuous basis monthly at net asset value (“NAV”) per share. As of October 14, 2024, the Fund’s NAV per share was \$9.38. Each investor is required to make a minimum initial investment of \$10,000, unless this requirement is waived by Equalize Capital LLC, the Fund’s investment adviser (the “Adviser”). Pending the closing of any monthly offering, funds received from prospective investors will be placed in an interest-bearing escrow account with UMB Bank, n.a., the Fund’s escrow agent. On the date of any monthly closing, the balance in the escrow account with respect to each investor whose investment is accepted will be invested in the Fund on behalf of such investor. Any interest earned on escrowed amounts will be credited to the Fund. The Fund’s initial offering period terminated on December 16, 2013, and the Fund commenced operations on that date. See “*The Offering.*”

The Fund operates as an “interval fund,” which means that the Fund, subject to applicable law, will offer to repurchase a portion of its outstanding shares at per share NAV on a regular schedule. The schedule requires the Fund to make repurchase offers once every three months. For each repurchase offer, the Fund will offer to repurchase 5% of its outstanding shares, unless the Fund’s Board of Trustees has approved a different amount (not less than 5% or more than 25% of outstanding shares) for a particular repurchase offer. It is possible that a repurchase offer may be oversubscribed, with the result that shareholders may only be able to have a portion of the shares they request for repurchase actually repurchased. The Fund anticipates issuing its quarterly repurchase offers in March, June, September and December. For more information on the Fund’s interval structure, policies and related risks, see “*Risks—Repurchase Offers Risk*” and “*Periodic Repurchase Offers*” below.

This Prospectus sets forth concisely the information about the Fund that a prospective investor ought to know before investing. You should read it carefully before you invest, and keep it for future reference. The Fund has filed with the Securities and Exchange Commission (“SEC”) a Statement of Additional Information (“SAI”) dated October 28, 2024. The SAI is incorporated by reference into this Prospectus, which means it is part of this Prospectus for legal purposes. The SAI’s table of contents appears at the end of this Prospectus. The Fund’s SAI and annual and semi-annual reports to shareholders include additional information about the Fund and are available (free of charge) on the Fund’s website ([www.equalizecapital.com](http://www.equalizecapital.com)), by writing the Fund at 37 West Avenue, Suite 301, Wayne, Pennsylvania 19087, or by calling the Fund toll-free at 1-855-386-3504. You may also call the Fund’s toll-free number to request other information about the Fund or to make shareholder inquiries.

You may also access reports and other information about the Fund on the EDGAR Database on the SEC’s website at <http://www.sec.gov>. You may get copies of this information, with payment of a duplication fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov). You may need to refer to the Fund’s file number (333-190432).

**The Fund’s securities have no history of public trading and the Fund does not currently intend to list its shares for trading on any national securities exchange. There is no guarantee that a secondary market for Fund shares will develop. The shares, therefore, may not be readily marketable. Even if any such market were to develop, closed-end fund shares frequently trade at a discount from NAV, which creates a risk of loss for investors purchasing shares at NAV.**

Even though the Fund will make periodic repurchase offers to repurchase a portion of the shares to provide some liquidity to shareholders, you should consider the shares to be an illiquid investment. An investment in the Fund is suitable only for long-term investors who can bear the risks associated with the limited liquidity of the shares. The Fund is not an appropriate investment for investors who desire the ability to reduce their investments to cash on a timely basis.

Investment in the Fund involves significant risk and is suitable only for persons who can bear the economic risk of the loss of their investment. The Fund's Community Development Loans (as defined below) typically are not rated by any rating agency. The Adviser believes that if such loans were rated, certain loans would likely be rated as below investment grade or "junk," which are viewed as having predominantly speculative characteristics with respect to the borrower's capacity to pay interest and repay principal. Many of the loans may include variable interest rates that reset periodically based on benchmarks. As a result, significant increases in the benchmarks in the future may make it more difficult for these borrowers to pay the increased interest. Also, certain of the loans do not require the borrowers to pay down the outstanding principal of such loans prior to maturity, which could result in a material loss to the Fund if such borrowers are unable to refinance or repay their debt at maturity. Some of the loans may be to Alt-A or sub-prime borrowers and such loans have a higher risk of default than loans to prime borrowers. Finally, the Fund expects to have a concentration of loan investments involving hospitality properties not to exceed 50% of the Fund's net assets and such investments may present a heightened level of additional special risks.

You should carefully consider these and other risks, including the risk of the use of leverage, before investing in the Fund. Please see "*Risks*" on page 58 of this Prospectus.

You should not construe the contents of this Prospectus as legal, tax or financial advice. You should consult with your own professional advisors as to legal, tax, financial or other matters relevant to the suitability of an investment in the Fund. The U.S. Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offense.

Ticker Symbol: EQCDX

October 28, 2024

## TABLE OF CONTENTS

	<b>Page</b>
PROSPECTUS SUMMARY	1
SUMMARY OF FUND FEES AND EXPENSES	26
FINANCIAL HIGHLIGHTS	28
THE FUND	29
USE OF PROCEEDS	29
INVESTMENT OBJECTIVES, STRATEGIES AND POLICIES	30
SBA 504 CERTIFIED DEVELOPMENT COMPANY LOAN PROGRAM	30
USDA LOAN PROGRAMS	41
BUREAU OF INDIAN AFFAIRS INDIAN LOAN GUARANTEE AND INSURANCE PROGRAM	50
OTHER FUND INVESTMENTS AND POLICIES	55
LEVERAGE	56
RISKS	58
MANAGEMENT OF THE FUND	71
SERVICE PROVIDERS	73
THE OFFERING AND PLAN OF DISTRIBUTION	74
PERIODIC REPURCHASE OFFERS	76
DETERMINATION OF NET ASSET VALUE	79
DISTRIBUTIONS AND DISTRIBUTION REINVESTMENT PLAN	81
TAX CONSIDERATIONS	82
DESCRIPTION OF CAPITAL STRUCTURE AND SHARES	84
TABLE OF CONTENTS OF STATEMENT OF ADDITIONAL INFORMATION	86
PRIVACY NOTICE	87

## PROSPECTUS SUMMARY

*The following summary does not purport to be complete and is qualified in its entirety by reference to the more detailed information included elsewhere in this Prospectus and the Statement of Additional Information (“SAI”).*

### **The Fund**

Equalize Community Development Fund (the “Fund”) is a Delaware statutory trust registered as an investment company under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund is a non-diversified, closed-end management investment company that operates as an “interval fund.” (See “*Periodic Repurchase Offers*” below.)

### **The Offering**

Shares of beneficial interest in the Fund are offered on a continuous basis monthly (generally as of the last business day of each month) at net asset value (“NAV”) per share. For more information regarding the offering, see “*The Offering and Plan of Distribution*” below.

For each investor, the Fund requires a minimum initial investment and minimum subsequent investments of \$10,000. Equalize Capital LLC, the Fund’s investment adviser (the “Adviser”), may waive these minimum investment requirements for one or more investors in its sole discretion.

The shares are not listed on any securities exchange. There is no guarantee that a secondary market for Fund shares will develop. Shareholders will not have the right to redeem their shares. However, as described below, in order to provide some liquidity to shareholders, the Fund will conduct periodic repurchase offers for a portion of its outstanding shares.

***An investment in the Fund is suitable only for long-term investors who can bear the risks associated with the limited liquidity of the shares.***

### **Interval Fund; Periodic Repurchase Offers**

As an interval fund, the Fund will make periodic offers to repurchase a portion of its outstanding shares at NAV per share. The Fund has adopted a fundamental policy, which cannot be changed without shareholder approval, to make repurchase offers once every three months. The Fund anticipates issuing quarterly repurchase offers in March, June, September and December.

For each repurchase offer, the Fund will offer to repurchase 5% of its outstanding shares, unless the Fund’s Board of Trustees (the “Board”) has approved a different amount (not less than 5% or more than 25% of outstanding shares) for a particular repurchase offer. There is no guarantee that you will be able to sell shares in an amount or at the time that you desire.

The procedures that will apply to the Fund's repurchase offers are described in "*Periodic Repurchase Offers*" below.

Proceeds from the repurchase of shares will be paid in cash (in U.S. dollars).

## **Investment Objectives and Strategies**

The Fund's investment objectives are to provide current income, consistent with the preservation of capital, and to enable institutional Fund investors that are subject to regulatory examination for CRA compliance to claim favorable regulatory consideration of their investment under the Community Reinvestment Act of 1977, as amended (the "CRA"). The Fund seeks to achieve its objective by investing primarily in a portfolio of loans that are eligible for CRA treatment as community development loans or qualified investments ("Community Development Loans"), including investments in 504 First Lien Loans ("504 First Lien Loans") secured by owner-occupied commercial real estate, which represent the non-guaranteed portion of a U.S. Small Business Administration ("SBA") Section 504 transaction, loans originated under the U.S. Department of Agriculture's Rural Development ("USDA RD Loans") programs and loans issued by the Bureau of Indian Affairs ("BIA"). 504 First Lien Loans are made by financial institutions and other lenders to small businesses for the purchase or improvement of land and buildings. 504 First Lien Loans are not guaranteed by the SBA, the U.S. government or by its agencies, instrumentalities or sponsored enterprises. Loans issued under USDA RD programs may be partially guaranteed. The BIA may guarantee BIA loans up to specified amounts or as a percentage of the unpaid principal and accrued interest due on a loan.

Under normal market conditions, the Fund will invest at least 80% of its net assets (plus any borrowings for investment purposes) in Community Development Loans.

The Adviser will seek to limit the Fund's investments and investment strategies so as to qualify the Fund as a permissible investment for nationally chartered banks and federal credit unions under current applicable federal laws and regulations.

For additional information about the Fund's investment strategies, see "*Investment Objectives, Strategies and Policies*" below.

## 504 First Lien Loans

The SBA developed the 504 Certified Development Company Loan Program (the “SBA 504 Program”) to promote economic development and create jobs. Under the SBA 504 Program, a bank, credit union, insurance company or other financial institution, including investment-grade rated institutions regularly engaged in commercial real estate lending (“Financial Institution”), or other non-bank lending institution (“Non-bank Lender”) partners with a certified development company (“CDC”), a specialized SBA-certified nonprofit corporation, to make a loan to a qualifying small business. The borrower makes two loan payments, one to the Financial Institution or Non-bank Lender (a “First Lien Lender”) and one to the CDC. The First Lien Lender’s loan (also referred to herein as a “504 First Lien Loan”) is secured with a first lien, typically covering 50% to 60% of the project’s cost. The CDC’s loan (referred to herein as a “504 Second Lien Loan”) is secured with a second lien, covering a maximum of 40% of the project’s cost. Please see the table below for a sample loan and “*SBA 504 Certified Development Company Loan Program – Financing Structure*” for more information.

### Sample Building Acquisition Uses & Sources

USE OF PROCEEDS		
Purchase Real Property	\$2,000,000	
		% OF PROJECT COSTS
SOURCE OF FUNDS		
504 First Lien Loan	\$1,200,000	60%
504 Second Lien Loan*	\$600,000	30%
Borrower Down Payment	\$200,000	10%

\* Federal regulations require that, in most cases, the 504 Second Lien Loan must create or maintain one job per \$65,000 of federal funding. In this example, (\$800,000/\$65,000), 12.3 jobs.

The Fund may purchase 504 First Lien Loans through assignments, co-originations, originations or participations as described under “*SBA 504 Certified Development Company Loan Program – Investments in 504 First Lien Loans*” below. The Fund may purchase the whole loan or a fractional interest in a loan (subject to certain limitations described herein). 504 First Lien Loans may be fixed rate or variable rate loans. All 504 First Lien Loans will be current on the payment of interest and principal at the time that they are purchased by the Fund. Many, but not all, of the 504 First Lien Loans purchased by the Fund will have been originated in the last 12 months.

504 First Lien Loans are not guaranteed by the SBA or any other federal agency. Rather, 504 First Lien Loans benefit from a low loan-to-value ratio (averaging 50% to 55%). If the SBA chooses to protect its interest in the 504 Second Lien Loan, it can, but is not legally obligated to, pay off the 504 First Lien Loan or purchase the property at a foreclosure sale.

The SBA considers a number of variables when determining whether or not to proactively protect its 504 Second Lien Loan position. Key variables include the amount of net equity present in the collateral based on an updated appraisal, liquidation costs, marketing time (also determined by the appraisal), and holding costs. The more equity in the property, the more likely it is that the SBA would either purchase the 504 First Lien Loan or purchase the property at the foreclosure sale (thus retiring the 504 First Lien Loan). By way of example noted in the table above, if the property value at the time of liquidation was determined to be \$1,600,000 (a 20% drop), the SBA would expect to realize a gross recovery of 75% of the original loan balance (\$400,000/\$600,000) less an estimate for liquidation and holding costs. The SBA's incentive to protect its position would be higher than if the current market value at liquidation was only \$1,200,000. In the latter scenario, the amount of recoverable equity after liquidation and holding costs would be minimal and one would expect the SBA to not proactively protect its position. The SBA is not legally obligated to purchase the 504 First Lien Loan, or purchase the property at the foreclosure sale (thus retiring the 504 First Lien Loan) under any circumstances.

There are potentially two key benefits in having the SBA in the 504 Second Lien Loan position in the event of borrower default. The first potential benefit is that, as noted above, the SBA elects to proactively protect its position and retires the senior loan in full (either before or at the foreclosure sale). The second potential benefit is the substantial first loss position funded on any one real estate transaction. For the senior lender's principal balance to be negatively affected, the liquidation proceeds would have to be less than the combined original down payment or equity position contributed by the borrower and the 504 Second Lien Loan. The combination of borrower equity and SBA investment provides a 25% to 45% buffer between the original purchase price and the liquidation proceeds prior to the Fund incurring a loss. The Fund expects to have an average loan-to-value ratio of 55%. However, the Fund will consider loan to value ratios on multi-purpose properties of up to 65%, and up to 60% for hospitality and special purpose properties. The total investment in any one loan (outstanding investment plus liquidation costs) may be higher than proceeds recovered during liquidation which would result in a loss to the Fund. For additional information about companion 504 Second Lien Loans, see "*504 Second Lien Loans*" below.

## USDA RD Loans

The USDA's OneRD Guarantee Loan Initiative seeks to increase private investment in rural businesses and economic development projects. The OneRD Guarantee Loan Initiative includes four programs:

- USDA Rural Energy for America Program ("REAP") Loan Guarantees;
- USDA Community Facilities Guaranteed Loan Program;
- USDA Water & Waste Disposal Loan Guarantees Program; and
- USDA Business & Industry Loan Guarantees.

The Fund will typically invest in USDA RD Loans through the acquisition of loan participations from Financial Institutions and Non-bank Lenders. The Fund will invest in USDA RD Loans that meet USDA eligibility requirements and that have been approved by USDA. All USDA RD Loans in which the Fund will acquire a participation will be fully collateralized after commercially reasonable discounts and adhere to standard USDA collateral requirements. USDA RD Loans may be made by Financial Institutions or Non-bank Lenders that are approved by USDA ("USDA Lenders").

*REAP Loans.* Loans made under REAP ("REAP Loans") may be made to agricultural producers and rural small businesses for renewable energy systems or to make energy efficiency improvements. Agricultural producers may also apply for new energy efficient equipment and new system loans for agricultural production and processing. Individual borrowers under REAP must be U.S. citizens or reside in the U.S. after being legally admitted for permanent residence. Private entity borrowers must demonstrate that loan funds will remain in the U.S. REAP Loans may be given to businesses located in rural areas with populations of 50,000 residents or less, or to agricultural producers that may be in rural or non-rural areas.

REAP Loans are guaranteed by the USDA up to a percentage for each fiscal year. REAP Loans approved in the federal government's 2025 fiscal year have an 80% guarantee. Interest rates for REAP Loans are negotiated between USDA Lenders and borrowers and the interest rates may be fixed or variable. If a REAP Loan borrower is in default, the holder of a participation in the guaranteed portion of the REAP Loan may submit a claim to the USDA, and would be due proceeds from the USDA guarantee on a pro rata basis. The holder of a participation in the unguaranteed portion of a REAP Loan would be dependent on the lead lender to liquidate the underlying collateral, and would then be due proceeds from liquidation on a pro rata basis.



USDA Lenders issuing REAP Loans will pay an initial guarantee fee equal to 1.00% of the guaranteed amount, and an annual guarantee retention fee equal to 0.25% of the outstanding principal balance. Applicants for REAP Loans must provide at least 25% of the project cost if applying for a REAP Loan.

*Community Facilities Loans.* Loans made under the Community Facilities Guaranteed Loan Program (“Community Facilities Loans”) may be made by USDA Lenders to public bodies, Indian tribes on federal and state reservations, federally-recognized Indian Tribes and non-profit organizations. Community Facilities Loans may be used to develop essential community facilities in rural areas with populations of 50,000 or less. Community Facilities Loans may not exceed \$100 million.

Community Facilities Loans are guaranteed by the USDA up to a percentage for each fiscal year. Community Facilities Loans approved in the federal government’s 2025 fiscal year have an 80% guarantee. Interest rates for Community Facilities Loans are negotiated between USDA Lenders and borrowers and the interest rates may be fixed or variable. If a Community Facilities Loan borrower is in default, the holder of a participation in the guaranteed portion of the Community Facilities Loan may submit a claim to the USDA, and would be due proceeds from the USDA guarantee on a pro rata basis. The holder of a participation in the unguaranteed portion of a Community Facilities Loan would be dependent on the lead lender to liquidate the underlying collateral, and would then be due proceeds from liquidation on a pro rata basis.

USDA Lenders issuing Community Facilities Loans will pay an initial guarantee fee equal to 1.25% of the guaranteed amount, an annual guarantee retention fee equal to 0.50% of the outstanding principal balance and a 0.50% fee for the issuance of a loan note guarantee prior to construction.

*Water & Waste Disposal Loans.* Loans made under the Water & Waste Disposal Loan Guarantees Program (“Water & Waste Disposal Loans”) may be made by USDA Lenders to public bodies, federally-recognized Indian Tribes and non-profit businesses to construct or improve facilities for drinking water, sanitary sewers, solid waste disposal and storm water disposal facilities. Water & Waste Disposal Loans may be made to eligible borrowers in rural areas with populations of 50,000 or less, Tribal lands in rural areas and colonias, which are unincorporated low-income areas located along the Mexico-U.S. border region.

Water & Waste Disposal Loans are guaranteed by the USDA up to a percentage for each fiscal year. Water & Waste Disposal Loans approved in the federal government's 2025 fiscal year have a 90% guarantee. Interest rates for Water & Waste Disposal Loans are negotiated between USDA Lenders and borrowers and the interest rates may be fixed or variable. If a Water & Waste Disposal Loan borrower is in default, the holder of a participation in the guaranteed portion of the Water & Waste Disposal Loan may submit a claim to the USDA, and would be due proceeds from the USDA guarantee on a pro rata basis. The holder of a participation in the unguaranteed portion of a Water & Waste Disposal Loan would be dependent on the lead lender to liquidate the underlying collateral, and would then be due proceeds from liquidation on a pro rata basis.

USDA Lenders issuing Water & Waste Disposal Loans will pay an initial guarantee fee equal to 1.00% of the guaranteed amount and a 0.50% fee for the issuance of a loan note guarantee prior to construction.

*Business & Industry Loans.* Loans made under the Business & Industry Loan Guarantees Program ("Business & Industry Loans") may be made by USDA Lenders to for-profit or non-profit businesses, cooperatives, federally-recognized Indian Tribes, public bodies, or individuals engaged or proposing to engage in a business. Business & Industry Loans may be used for business conversions, enlargements, repairs modernizations or developments, the purchase of land, buildings and associated infrastructure for commercial or industrial properties, the purchase of machinery and equipment, supplies or inventory, debt refinancing and business and industrial acquisitions.

Business & Industry Loans are guaranteed by the USDA up to a percentage for each fiscal year. Business & Industry Loans approved in the federal government's 2025 fiscal year have at least an 80% guarantee. Interest rates for Business & Industry Loans are negotiated between USDA Lenders and borrowers and the interest rates may be fixed or variable. If a Business & Industry Loan borrower is in default, the holder of a participation in the guaranteed portion of the Business & Industry Loan may submit a claim to the USDA, and would be due proceeds from the USDA guarantee on a pro rata basis. The holder of a participation in the unguaranteed portion of a Business & Industry Loan would be dependent on the lead lender to liquidate the underlying collateral, and would then be due proceeds from liquidation on a pro rata basis.

USDA Lenders issuing Business & Industry Loans will typically pay an initial guarantee fee equal to 3.00% of the guaranteed amount and a guarantee retention fee of 0.50% of the outstanding principal balance, paid annually.

**BIA Indian Loan Guarantee and Insurance Program**

The Fund may invest in participations in loans made under the BIA Indian Loan Guarantee and Insurance Program (“ILGP Loans”) by Financial Institutions or Non-bank Lenders (“BIA Lenders”). ILGP Loans may be made to a federally-recognized Indian Tribe, an individual member of a federally-recognized Indian Tribe or an entity that is at least 51% owned by members of federally-recognized Indian Tribes. Borrowers with ILGP Loans must have at least 20% tangible equity in the project being financed and the project must benefit the economy of a reservation or tribal service area. ILGP Loans may be used for a variety of purposes including for operating capital, equipment purchases, acquisitions and refinancings, building construction and lines of credit.

BIA can guarantee up to 90% of the unpaid principal and accrued interest due on a loan and insure the lesser of 90% of the unpaid principal and accrued interest due on a loan, or 15% of the aggregate outstanding principal amount of all loans the BIA Lender has insured under the ILGP program as of the date the BIA Lender makes a claim under its insurance coverage. If an ILGP borrower is in default, the holder of a participation in the guaranteed portion of the ILGP Loan may submit a claim to the BIA, and would be due proceeds from the BIA guarantee on a pro rata basis. The holder of a participation in the unguaranteed portion of an ILGP Loan would be dependent on the lead lender to liquidate the underlying collateral, and would then be due proceeds from liquidation on a pro rata basis.

BIA Lenders that issue ILGP Loans will pay a premium of 2.00% of the guaranteed amount of the loan within 30 days of closing and a fee of 1.00% of the portion of the original loan principal amount that BIA insures. These costs may be passed onto borrowers by the BIA Lenders under the ILGP program.

**Community Reinvestment Act**

The Fund expects that Fund investors that are subject to examination for CRA compliance may seek favorable regulatory consideration of their Fund investment under the CRA. At the time of an investment in the Fund, an investor that meets the minimum investment threshold (an investment in the Fund of \$1 million or more) may request to have its investment amount invested in particular areas of the United States as its preferred geographic focus or designated target region (“Target Region”). However, there is no guarantee that investments will be made in Target Regions or that shares will be eligible for CRA credit. Each shareholder’s returns will be based on the investment performance of the Fund’s blended overall portfolio of investments and not just on the performance of the assets, if any, in the Target Region(s) selected by that shareholder.

**Other Fund Investments**

The Fund may invest up to 20% of its assets in investments other than Community Development Loans, including the investments described below. The Fund may invest in bonds or other fixed income instruments issued by, or whose principal and interest payments are guaranteed by, the U.S. Government or one of its agencies or instrumentalities, including various U.S. Government-sponsored enterprises (collectively, “U.S. Government securities”). The Fund may also invest in money market funds that invest exclusively in U.S. Government securities. The Fund may invest in repurchase and reverse repurchase agreements collateralized by U.S. Government securities or Community Development Loans. The Fund may invest in mortgage-backed and asset-backed securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities. The Fund may invest in certificates of deposit and other time deposits and savings accounts in a commercial or savings bank or savings association whose accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”).

**Leverage**

The Fund may borrow money for investment purposes, to satisfy repurchase requests from shareholders and to otherwise provide the Fund with liquidity. For example, the Fund may borrow money through a credit facility or other arrangements to manage timing issues in connection with the acquisition of its investments (i.e., to provide the Fund with liquidity to acquire investments in Community Development Loans in advance of the Fund’s receipt of proceeds from the sale of additional Fund shares or the receipt of redemption proceeds from the sale of one or more Community Development Loans). The Fund also may borrow money to fund repurchase payments to Fund shareholders. Any such borrowings, as well as the issuance of notes or other forms of indebtedness, would constitute leverage. The use of leverage for investment purposes increases both investment opportunity and investment risk.

The 1940 Act requires a registered investment company to satisfy an asset coverage requirement of 300% of its indebtedness, including amounts borrowed, measured at the time the investment company incurs the indebtedness (the “Asset Coverage Requirement”). This requirement means that the value of the investment company’s total indebtedness may not exceed one-third of the value of its total assets (including the value of the assets purchased with the proceeds of its indebtedness). The Fund’s borrowings will at all times be subject to the Asset Coverage Requirement.

## Risks

***There can be no assurance that the Fund will achieve its investment objectives. An investment in the Fund is an appropriate investment only for those investors who can tolerate a high degree of risk and do not require a liquid investment. Investors may lose some or all of their investment in the Fund. The Fund is not designed to be a complete investment program and may not be a suitable investment for all investors. A complete discussion of the risks of the Fund begins on page 58 of this Prospectus. Principal risks of investing in the Fund include:***

***Investment and Market Risk.*** An investment in the Fund is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in the Fund represents an indirect investment in a portfolio of Community Development Loans and other investments, and the value of these loans and other investments may fluctuate. At any point in time an investment in the Fund’s shares may be worth less than the original amount invested.

The Fund’s shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the FDIC, the Federal Reserve Board (the “FRB”) or any other government agency.

Except to the extent used to satisfy periodic repurchase offers, the Adviser expects to be able to fully invest net proceeds in accordance with the Fund’s investment objectives and policies within three to six months of receipt of the proceeds. Such investments may be additionally delayed for a period of three months or longer if Community Development Loans in which the Fund invests are unavailable at the time or for other reasons. A delay in the anticipated use of proceeds could prevent the Fund from achieving its investment objectives.

**Recent Market Events Risk.** U.S. and international markets have experienced and may continue to experience significant periods of volatility in recent years and months due to a number of economic, political and global macro factors including uncertainty regarding inflation and central banks' interest rate increases, the possibility of a national or global recession, trade tensions, political events, the war between Russia and Ukraine, and armed conflict between Israel and Hamas in the Middle East. Market volatility within the U.S. may cause disruptions to the operations of small business borrowers that may utilize the Community Development Loans in which the Fund invests and may have adverse effects on their long-term health and viability. As a result, the market for certain Community Development Loans and the value of Community Development Loans held by the Fund could be negatively affected by these market conditions and may also be negatively affected in the future by increased rates of default and foreclosure, loan repayment deferral or forbearance requests by borrowers, lower loan origination volumes and the availability of other government loan and relief programs. In addition, the impact of the factors noted above may exacerbate certain risks discussed in the Fund's Prospectus, including Community Development Loans risk, hospitality industry concentration risk, credit risk, valuation risk, liquidity risk and interest rate risk. Continuing uncertainties regarding interest rates, rising inflation, political events, rising government debt in the U.S. and trade tensions also contribute to market volatility. As a result of continuing political tensions and armed conflicts, including the war between Ukraine and Russia, the U.S. and the European Union imposed sanctions on certain Russian individuals and companies, including certain financial institutions, and have limited certain exports and imports to and from Russia. The war has contributed to recent market volatility and may continue to do so. The Middle East conflict has led to significant loss of life, damaged infrastructure and escalated tensions both in the region and globally. The Adviser will monitor developments and seek to manage the Fund in a manner consistent with achieving the Fund's investment objectives, but there can be no assurance that it will be successful in doing so.

**Non-Marketability of Shares.** The Fund's shares are not listed on any securities exchange. There is no guarantee that a secondary market for Fund shares will develop. The Fund's shares, therefore, may not be readily marketable. Even if any such market were to develop, closed-end fund shares frequently trade at a discount from NAV, which creates a risk of loss for investors purchasing shares in the initial offering period.

***Repurchase Offers Risk.*** An investment in the Fund is subject to the risk that the Fund's repurchases of shares may hurt investment performance by forcing the Fund to maintain a higher percentage of its assets in liquid investments or to liquidate certain investments when it is not desirable to do so. Repurchases may be oversubscribed, preventing shareholders from selling some or all of their tendered shares back to the Fund.

***Fixed Income Instruments Risk.*** Fixed income instruments are particularly susceptible to the following risks:

***Issuer Risk.*** The value of fixed income instruments may decline for a number of reasons that directly relate to the issuer, such as management performance and financial leverage.

***Interest Rate Risk.*** The market price of the Fund's investments will change in response to changes in interest rates and other factors. During periods of declining interest rates, the market price of fixed rate fixed income instruments generally rises. Conversely, during periods of rising interest rates, the market price of such instruments generally declines. The magnitude of these fluctuations in the market price of fixed income instruments is generally greater for instruments with longer durations because such instruments do not mature, reset interest rates or become callable for longer periods of time. Fluctuations in the market price of the Fund's instruments will not affect interest income derived from instruments already owned by the Fund, but will be reflected in the Fund's NAV.

***Interest Rate Reset Risk.*** Market interest rates may dictate that Community Development Loans include shorter duration adjustable rate terms based on Prime, the Secured Overnight Financing Rate ("SOFR"), U.S. Treasury yields, or some other index. If market rates are higher at the time of future rate resets, the borrower's Community Development Loan payment will rise accordingly. A significant rise in a Community Development Loan's interest rate and payment, especially if that increase is concentrated over a short period of time, could result in borrower distress or default.

Since a 504 Second Lien Loan has a fixed interest rate, only the borrower's 504 First Lien Loan payment will be affected and this increased payment could result in the default of the 504 First Lien Loan, subsequent liquidation action and loss to the Fund.



*Prepayment Risk.* During periods of declining interest rates, the issuer of an instrument may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest the proceeds from such prepayment in potentially lower yielding instruments. This is known as prepayment or “call” risk.

*Risk of Loans That Are Not Fully Amortized.* Certain First Lien Lenders may offer loans that are not fully amortizing, such as a 25 year amortization due in 10 years, to their small business commercial real estate borrowers. If a borrower is unable to pay off a loan at maturity with proceeds of a refinancing by a third party lender or sale of the property, the Fund would be faced with a matured loan with an outstanding principal balance which would result in substantial losses to the Fund.

***Community Development Loans Risk.*** The Fund predominantly invests in fixed or variable rate Community Development Loans arranged through private negotiations between individuals, agricultural producers, small business borrowers, public bodies, federally-recognized Indian Tribes and non-profit businesses (each, a “Borrower”) and one or more Financial Institutions or Non-bank Lenders. Community Development Loans are secured by collateral and have a claim on the assets of the Borrower that is senior to a second lien held by a CDC in the case of a 504 First Lien Loan and any claims held by unsecured creditors. The Community Development Loans the Fund will invest in are not rated. Community Development Loans are subject to a number of risks described elsewhere in this Prospectus, including credit risk, liquidity risk, valuation risk and interest rate risk.

Although the Community Development Loans in which the Fund will invest will be secured by collateral, there can be no assurance that such collateral can be readily liquidated or that the liquidation of such collateral would satisfy the Borrower’s obligation in the event of non-payment of scheduled interest or principal, which could result in substantial loss to the Fund.

In the event of the bankruptcy or insolvency of a Borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a Community Development Loan. In the event of a decline in the value of the already pledged collateral, the Fund will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the Borrower’s obligations under the Community Development Loan.

In general, the secondary trading market for Community Development Loans is not fully developed. No active trading market may exist for certain Community Development Loans, which may make it difficult to value them. Illiquidity and adverse market conditions may mean that the Fund may not be able to sell certain Community Development Loans quickly or at a fair price. To the extent that a secondary market does exist for certain Community Development Loans, the market for them may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

If legislation or state or federal regulations impose additional requirements or restrictions on the ability of Financial Institutions or Non-bank Lenders to make Community Development Loans, the availability of Community Development Loans for investment by the Fund may be adversely affected. In addition, such requirements or restrictions could reduce or eliminate sources of financing for certain Borrowers.

There may be less readily available information about Community Development Loans and the Borrowers than is the case for investments in many other types of securities. Community Development Loans are issued to Borrowers that are not subject to SEC reporting requirements. As a result, the Adviser will rely primarily on its own evaluation of a Borrower's credit quality rather than on any available independent sources. Therefore, the Fund will be particularly dependent on the analytical abilities of the Adviser.

The Fund may invest in Community Development Loans through participations with Financial Institutions and, in the case of participations in USDA RD Loans and BIA Loans, through participations with Non-Bank Lenders. Non-bank Lenders issuing USDA RD Loans are subject to a rigorous approval process that evaluates the experience, servicing capabilities, capitalization, warehouse financing and track record of issuing loans. A participation typically results in a contractual relationship only with the Financial Institution or Non-bank Lender selling the participation interest, not with the Borrower. In purchasing participations, the Fund generally will have no direct right to enforce compliance by the Borrower with the terms of the loan agreement and, depending on the terms of the participation agreement, the Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation and will be subject to the manner in which the Financial Institution or Non-bank Lender enforces the terms of the loan agreement with the Borrower. As a result, the Fund will be exposed to the credit risk of both the Borrower and the Financial Institution or Non-bank Lender selling the participation.

***Real Estate Risk.*** The Fund will not invest in real estate directly, but, because the Fund will invest in Community Development Loans secured by real estate, its portfolio will be significantly impacted by the performance of the real estate market and may experience more volatility and be exposed to greater risk than a more diversified portfolio. The value of real estate collateral is affected by changes in general economic and market conditions; local economic conditions, overbuilding and increased competition; increases in property taxes and operating expenses; changes in zoning laws; casualty and condemnation losses including environment remediation costs; and changes in interest rates.

***Credit Risk.*** Credit risk is the risk that one or more debt instruments in the Fund's portfolio will decline in price or fail to pay interest or principal when due because the borrower experiences a decline in its financial status. Losses may occur because the market value of a debt security is affected by the creditworthiness of the issuer and by general economic and specific industry conditions.

***Alt-A and Sub-Prime Borrowers Risk.*** Some of the guarantors of the loans may have Fair Isaac Credit Organization ("FICO") scores of Alt-A or sub-prime. Loans to Alt-A or sub-prime borrowers have a higher risk of default than loans to prime borrowers. Sub-prime borrowers typically have weakened credit histories that include payment delinquencies and possibly more severe problems such as charge-offs, judgments and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, debt-to-income ratios, or other criteria that may encompass borrowers with incomplete credit histories. The purchase of loans with exposure to risks associated with Alt-A or sub-prime lending is not a principal investment strategy of the Fund; however, such investments could still result in substantial loss to the Fund.

***Below Investment Grade or "Junk" Risk.*** Community Development Loans typically are not rated by any rating agency. The Adviser believes that if such loans were rated, they would likely be rated as below investment grade or "junk." Exposure to below investment grade loans involves certain risks and those loans are viewed as having predominantly speculative characteristics with respect to the borrower's capacity to pay interest and repay principal. A below investment grade loan or an interest in a below investment grade loan may experience a default for a variety of reasons. Upon any loan becoming defaulted, such loan may become subject to either substantial workout negotiations or restructuring, which may entail a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such loan. In addition, such negotiations or restructuring may be extensive and protracted, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such loan. The liquidity for defaulted loans may be limited and, to the extent that such loans are sold, the proceeds from such sale may be less than the amount of unpaid principal and interest on such loans.

***Liquidity Risk.*** Community Development Loans are not readily marketable. Community Development Loans are not listed on any national securities exchanges or automated quotation systems and no active trading market exists for certain Community Development Loans. To the extent that a secondary market does exist for certain Community Development Loans, such market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. Illiquid Community Development Loans may impair the Fund's ability to realize the full value of its assets in the event of a voluntary or involuntary liquidation of such assets and thus may cause a decline in the Fund's NAV. The Fund has no limitation on the amount of its assets which may be invested in securities or other financial instruments which are not readily marketable or are subject to restrictions on resale.

***Valuation Risk.*** Unlike publicly traded equity securities that trade on national exchanges, there is no central place or exchange for Community Development Loans to trade. Due to the lack of centralized information and trading, the Adviser's judgment plays a greater role in the valuation process and the valuation of Community Development Loans. Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency, and inconsistency of valuation models and processes, including the inability to obtain timely and/or accurate information for model inputs, may lead to inaccurate asset pricing. In addition, other market participants may value instruments differently than the Fund, and therefore the actual amount received in the sale of the Community Development Loan may be less than the fair value of such loan, as determined by the Fund.

***Lender Liability Risk.*** A number of U.S. judicial decisions have upheld judgments obtained by borrowers against lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has violated a duty of good faith, commercial reasonableness and fair dealing or a similar duty owed to the borrower, or has assumed an excessive degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of its investments, the Fund may be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.”

***Income Risk.*** The income investors receive from the Fund is based primarily on the interest the Fund earns from its investments, which can vary widely over the short and long term. If during a loan’s adjustable rate period the prevailing market interest rates drop, investors’ income from the Fund could drop as well.

***State Lending Risk.*** The Fund may invest in Community Development Loans originating in all 50 states and, potentially, territories of the U.S. if one or more investors are based in a territory. There is a relatively wide range of economic prosperity between the states. Loans in certain states or sub-regions may perform better or worse as compared to other states or sub-regions. Certain states are focused on energy production where other states may be based more on tourism or agriculture. If a state-focused industry suffers an economic downturn, the Fund may sustain higher loan defaults and/or lower recovery values on foreclosed properties.

A further disparity among states is the process and timing of the foreclosure process. For instance, California, the highest 504 First Lien Loan producing state, is a non-judicial foreclosure state and enjoys reasonable average foreclosure time frames. Florida, on the other hand, is a judicial foreclosure state with an average foreclosure time frame of more than double that of California. The longer the foreclosure time period, the higher the liquidation cost. Please also see “*Geographic Concentration Risk*” below.

***Non-Diversification Risk.*** The Fund is classified as “non-diversified” under the 1940 Act. As a result, it can invest a greater portion of its assets in obligations of a single issuer than a “diversified” fund. The Fund may, therefore, be more susceptible than a diversified fund to being adversely affected by any single corporate, economic, political or regulatory occurrence. Further, if the Fund is not able to attract a sufficient level of assets, the Fund’s underlying investments may be less diversified than they would be if the Fund had greater assets.

***Geographic Concentration Risk.*** The Fund’s Community Development Loan investments are currently concentrated in California and Georgia. As a result, the Fund may be more susceptible to being adversely affected by any single occurrence in California and Georgia. Mortgaged properties in California may be particularly susceptible to certain types of hazards, such as earthquakes, floods, mudslides, wildfires and other natural disasters, for which there may or may not be insurance. Mortgaged properties in Georgia may be particularly susceptible to economic risks of the state and certain types of hazards such as tornadoes, hurricanes, floods and other natural disasters, for which they may not be insurance. As of June 30, 2024, 42.11% and 14.53% of the Fund’s investments were associated with properties located in Georgia and California, respectively. Mortgaged properties in other states similarly may be adversely affected by natural disasters for which there may not be insurance and which could result in substantial loss to the Fund. Please also see “*State Lending Risks*” above.

***Heavy Equipment Risk.*** The Fund may invest in Community Development Loans where a component of the loan permits the acquisition of heavy equipment. Heavy equipment is subject to special risks such as potentially shorter asset life, quicker depreciation in value and lower liquidation or resale value than real estate.

***Hospitality Industry Concentration Risk.*** The Fund may have a concentration of hospitality properties. Such concentration will not exceed 50% of the Fund’s net assets. If the hospitality industry suffers an economic downturn as was seen in the periods from 2002–2003, 2008–2010 and during the COVID-19 pandemic, it is possible that the default rate on 504 First Lien Loans held in the Fund’s portfolio could be affected. It is also possible that the recovery rate could be negatively affected due to a surplus of hospitality properties in the general economy in liquidation throughout the country. Hospitality properties are special purpose properties with a limited resale market.

***Qualification for CRA Credit Risk.*** Although the Adviser believes that the Fund's Community Development Loan investments will have the community development qualities that are eligible for favorable consideration as community development loans and qualified investments under the CRA, there is no guarantee that an investor will receive CRA credit for an investment in the Fund.

***CRA Strategy Risk.*** The Fund's goal of holding Community Development Loans so that Fund investors that are subject to regulatory examination for CRA compliance may claim their Fund investment as a community development loan or as a qualified investment under the CRA will cause the Adviser to take this factor into account in determining which loans the Fund will purchase and sell. Accordingly, portfolio decisions will not be exclusively based on the investment characteristics of the Community Development Loans, which may have an adverse effect on the Fund's investment performance. For example, CRA qualified loans in geographic areas sought by the Fund may not provide as favorable return as CRA qualified loans in other geographic areas. The Fund may sell loans for reasons relating to CRA qualification at times when such sales may not be desirable. Such sales could occur, for example, if an investor redeems its shares of the Fund, or if investments that have been designated to specific investors for CRA qualifying purposes are ultimately determined not to be, or to have ceased to be, CRA qualifying. The Fund may hold short-term investments that produce relatively low yields pending the selection of long-term investments believed to be CRA-qualified.

***Non-Bank Lending Institutions Risk.*** The Fund may purchase whole loan interests in 504 First Lien Loans (but not participations or fractional interests) from Non-bank Lenders. The Fund may also acquire participations in certain types of Community Development Loans from Non-bank Lenders. Non-bank Lenders are not held to the same regulatory requirements as Financial Institutions and may not be as well-capitalized or well-known as Financial Institutions. The chances of fraud or insolvency are higher with Non-bank Lenders. The Adviser, in its sole discretion, will approve Non-bank Lenders from which the Fund may purchase 504 First Lien Loans or participations in Community Development Loans and will require that such 504 First Lien Loans or participations in Community Development Loans be fully funded prior to purchase by the Fund. There is no assurance that any of these policies will minimize the incentive for Non-bank Lenders to knowingly commit fraud or unknowingly make poor loan approval decisions.

***Renewable Energy Project Risks.*** The Fund may invest in participations in Community Development Loans that are used to finance investments in renewable energy systems. Renewable energy systems may be subject to price volatility, significant cost of maintenance and regulatory changes impacting the costs or profitability of operating and maintaining renewable energy systems. This may affect the ability of a Borrower to make payments on a Community Development Loan relating to installation of a renewable energy system.

***U.S. Government Securities Risk.*** U.S. Government securities are not guaranteed against price movement and may decrease in value. Some obligations issued or guaranteed by U.S. Government agencies and instrumentalities or government sponsored enterprises, including, for example, pass-through certificates issued by the Government National Mortgage Association (“Ginnie Mae”) and certificates issued by the SBA or its agent representing interests in a pool of debentures issued by CDCs and guaranteed by the SBA, are supported by the full faith and credit of the U.S. Treasury. Other obligations issued by or guaranteed by federal agencies or government-sponsored enterprises, such as securities issued by the Federal National Mortgage Association (“Fannie Mae”), are supported by the discretionary authority of the U.S. Government to purchase certain obligations of the federal agency or government-sponsored enterprise, while other obligations issued by or guaranteed by federal agencies or government-sponsored enterprises, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Treasury. While the U.S. Government provides financial support to such U.S. Government agencies and government-sponsored enterprises, no assurance can be given that the U.S. Government will always do so, since the U.S. Government is not so obligated by law. Other obligations are backed solely by the government-sponsored enterprise’s own resources. As a result, investments in securities issued by U.S. Government-sponsored enterprises that are not backed by the U.S. Treasury are subject to higher credit risk than those that are backed by the U.S. Treasury.



***Repurchase Agreements Risk.*** The Fund may enter into repurchase agreements under which the Fund acquires a U.S. Government security from a Financial Institution, broker, dealer or other counterparty (“Counterparty”), and simultaneously agrees to resell such security to the seller at an agreed upon price and date (normally the next business day for U.S. Government securities). The Fund does not bear the risk of a decline in the value of the underlying security unless the seller defaults under its repurchase obligation. In the event of the bankruptcy or other default of a seller of a repurchase agreement, the Fund could experience both delays in liquidating the underlying securities and losses, including: (1) possible decline in the value of the underlying security during the period in which the Fund seeks to enforce its rights thereto; (2) possible lack of access to income on the underlying security during this period; and (3) expenses of enforcing its rights. In addition, the value of the collateral underlying the repurchase agreement will be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement. In the event of a default or bankruptcy by a selling Counterparty, the Fund generally will seek to liquidate such collateral. However, the exercise of the Fund’s right to liquidate such collateral could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, the Fund could suffer a loss.

***Collateral Specific Repurchase Agreements Risk.*** The Fund also may enter into repurchase agreements that are collateralized with Community Development Loans. In addition to the risks discussed above, repurchase agreements involving obligations other than U.S. Government securities may be subject to special risks and may not have the benefit of certain protections in the event of the Counterparty’s insolvency. Collateral with longer maturities such as Community Development Loans may be subject to greater price fluctuations than U.S. Government securities. If the repurchase agreement Counterparty were to default, Community Development Loans would be more difficult to liquidate than U.S. Government securities. Should the Counterparty default and the amount of collateral not be sufficient to cover the Counterparty’s repurchase obligation, the Fund would retain the status of an unsecured creditor of the Counterparty in the amount of the shortfall. As an unsecured creditor, the Fund would be at risk of losing some or all of the principal and income involved in the transaction.

***Reverse Repurchase Agreements Risk.*** The Fund may also enter into reverse repurchase agreements. There is a risk that the market value of securities acquired in a reverse repurchase agreement may decline below the price of the securities that the Fund has sold but remains obligated to repurchase. In addition, there is a risk that the market value of the securities retained by the Fund may decline. If the buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experience insolvency, the Fund may be adversely affected. Also, in entering into reverse repurchase agreements, the Fund would bear the risk of loss to the extent that the proceeds of the reverse repurchase agreement are less than the value of the underlying securities. In addition, due to the interest costs associated with reverse repurchase transactions, the Fund's NAV may decline and, in some cases, the Fund may be worse off than if it had not used such instruments.

***Counterparty Risk.*** The Fund will be subject to the credit risk presented by another party (Counterparty credit risk) to the extent it enters into repurchase agreements and reverse repurchase agreements which involve a promise by the Counterparty to honor an obligation to the Fund. The Fund's ability to realize a profit from such transactions will depend on the ability of the Counterparty to meet its obligations to the Fund. If the Fund enters into a transaction with a Counterparty, the value of an investment in the Fund may be adversely affected if the Counterparty files for bankruptcy, becomes insolvent, or otherwise becomes unable or unwilling to honor its obligation to the Fund. If a Counterparty's creditworthiness declines, the value of the agreement would be likely to decline, resulting in losses.

***Cybersecurity Risk.*** With the increased use of technologies such as the Internet to conduct business, the Fund is susceptible to operational, information security, and related risks. Cyber incidents affecting the Fund or its service providers have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Fund's ability to calculate its NAV, impediments to trading, the inability of shareholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

***Leverage Risk.*** Capital raised through leverage will be subject to interest and other costs, and these costs could exceed the income earned by the Fund on the proceeds of such leverage. There can be no assurance that the Fund's income from the proceeds of leverage will exceed these costs. However, the Adviser seeks to use leverage for the purposes of making additional investments only if it believes, at the time of using leverage, that the total return on the assets purchased with such funds will exceed interest payments and other costs of the leverage.

***Large Shareholder Concentration Risk.*** The Fund will be subject to certain risks to the extent that the ownership of shares of the Fund is concentrated in a single shareholder. As of September 30, 2024, a single shareholder had ownership in the Fund in the amount of 16.26%. A shareholder with a controlling interest (as the term “control” is defined in the 1940 Act) could affect the outcome of matters submitted for shareholder vote by the Fund or the direction of the management of the Fund for its own benefit, which may not be in the best interests of the Fund or other shareholders of the Fund.

***Regulatory Risk.*** The Adviser seeks to limit the Fund’s investments and investment strategies so as to qualify the Fund as a permissible investment for nationally chartered banks and federal credit unions under current applicable federal laws and regulations. The qualification of the Fund as a permissible investment for nationally chartered banks and federal credit unions is subject to the Adviser’s active monitoring of applicable federal laws and regulations and regulatory changes relating thereto and updating the Fund’s investment guidelines as necessary.

For additional information on these and other risks related to the Fund, see “*Risks*” below and the SAI.

#### **Investment Adviser**

Equalize Capital LLC, an SEC-registered investment adviser, provides investment management services to the Fund and is responsible for the management of the Fund’s portfolio of investments.

**Distributor**

J. Alden Associates, Inc. is the principal underwriter of shares of the Fund effective as of November 1, 2024. Shares may be purchased through broker-dealers who have entered into a wholesaling agreement with the Distributor. The Distributor acts as the distributor of shares for the Fund on a best efforts and agency basis (not as principal). The Distributor is not obligated to sell any specific number of shares of the Fund. Mr. Lee Calfo, a control person of the Adviser and portfolio manager of the Fund, is the chief executive officer and a control person of the Distributor. Mr. Joseph Gladue, a control person of the Adviser and a portfolio manager of the Fund, is the Director of Research for the Distributor. Prior to November 1, 2024, Foreside Fund Services, LLC (the “Distributor”), an affiliate of Foreside Financial Group, LLC (dba ACA Group) was the principal underwriter of shares of the Fund.

**Fees and Expenses**

The Fund will pay to the Adviser a monthly fee at the annual rate of 1.50%, which will be applied to the Fund’s average net assets for the month.

Effective November 1, 2024, the Adviser has contractually agreed to waive or reduce its management fees and/or reimburse expenses of the Fund through at least October 31, 2025 to ensure that total annual fund operating expenses (excluding interest, leverage interest (i.e., any expenses incurred in connection with borrowings made by the Fund), taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses (collectively, “Excluded Expenses”)) will not exceed 3.50% of the Fund’s average annual net assets. To the extent the Fund incurs Excluded Expenses, Total Annual Expenses (after fee waiver and expense reimbursement) may be greater than 3.50%. Prior to November 1, 2024, the operating expense limitation in effect for the Fund was 2.25% average annual net assets. All fees and expenses of the Fund are indirectly borne by the Fund’s shareholders.

The Adviser or its affiliates also may pay from their own resources additional compensation to brokers, dealers or other financial intermediaries (such as a bank) in connection with the servicing of investors. These payments may create a conflict of interest by influencing the broker, dealer or other intermediary as your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information. The Adviser will pay the Distributor a fee out of its own resources for distribution-related services it provides to the Fund.

For additional information on fees and expenses related to an investment in the Fund, see "*Summary of Fund Fees and Expenses*" below.

**Distributions**

The Fund expects to declare and pay distributions of net investment income quarterly and net realized capital gains annually. Unless shareholders specify otherwise, distributions will be reinvested in shares of the Fund.

**Tax Considerations**

The Fund's distributions generally will be taxed to shareholders as ordinary income, long-term capital gains, or both.

The Fund intends to elect and to qualify each year to be treated as a regulated investment company under the provisions of Subchapter M of the Internal Revenue Code of 1986, as amended. In order to so qualify, the Fund must meet certain requirements with respect to the sources of its income, the diversification of its assets and the distribution of its income. If the Fund qualifies as a regulated investment company, it will not be subject to federal income or excise tax on income or net capital gains that it distributes in a timely manner to its shareholders in the form of investment company taxable income or net capital gain distributions.

Prospective investors should consult with their tax advisors as to the federal, state and local tax consequences to them of the purchase, ownership and disposition of shares.

**SUMMARY OF FUND FEES AND EXPENSES**

**Shareholder Transaction Expenses (fees paid directly from your investment)**

Maximum Sales Load (as a percentage of offering price)	None
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## Annual Expenses (as a percentage of net assets attributable to common shares)

Management Fees	1.50%
Expenses on Borrowed Funds <sup>(1)</sup>	0.70%
Other Expenses	1.92%
<b>Total Annual Expenses</b>	<b>4.12%</b> <sup>(2)</sup>

- (1) *The Fund entered into a secured, revolving line of credit facility in the maximum principal amount of \$10 million. During the year ended June 30, 2024, the average principal balance outstanding and related average interest rate was approximately \$2,945,006 and 8.36% per annum, respectively. At June 30, 2024, the principal balance outstanding was \$1,381,356 at an interest rate of 8.50% per annum. The actual Interest Payments on Borrowed Funds incurred in the future may be higher or lower. Interest Payments on Borrowed Funds are Excluded Expenses of the Fund.*
- (2) *Note that Total Annual Expenses in the table above does not correlate to the Ratio of expenses to average net assets (after waiver inclusive of interest expense) found within the “Financial Highlights” section of this Prospectus because, effective November 1, 2024, the operating expense limitation in effect for the Fund increased from 2.25% to 3.50% of the Fund’s average net assets.*

The purpose of the above table is to assist an investor in understanding the fees and expenses that an investor in the Fund will bear directly or indirectly.

### Example

This example is based on the expenses set forth in the table and should not be considered a representation of the Fund’s future expenses. Actual expenses of the Fund may be higher or lower than those shown.

<b>Example</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>10 years</b>
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return (without a repurchase at end of the period)	\$30	\$115	\$201	\$424
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return (with a repurchase at end of the period)	\$30	\$115	\$201	\$424

## FINANCIAL HIGHLIGHTS

The Financial Highlights table describes the Fund's financial performance for the fiscal years ended June 30, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015. Total returns represent the rate an investor would have earned (or lost) on an investment in the Fund, assuming reinvestment of any net investment income and capital gains distributions.

The information in the table below was derived from financial statements audited by Tait, Weller & Baker LLP ("Tait Weller"), the Fund's independent registered public accounting firm, for the most recent fiscal year ended June 30, 2024, and by the Fund's prior independent registered public accounting firm for the prior years. Tait Weller's report, along with the Fund's financial statements and notes thereto, is included in the Fund's Annual Report for the fiscal year ended June 30, 2024, which is available free of charge from the Fund.

	<u>Year Ended June 30, 2024</u>	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019<sup>2</sup></u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015<sup>3</sup></u>
<i>Per Share</i>										
<i>Income and</i>										
<i>Capital</i>										
<i>Changes for a</i>										
<i>Share</i>										
<i>Outstanding</i>										
<i>Throughout</i>										
<i>Each Year</i>										
<i>Presented</i>										
<b>Net Asset Value, Beginning of Year</b>	\$ 9.20	\$ 9.59	\$ 9.94	\$ 10.07	\$ 9.81	\$ 9.61	\$ 9.79	\$ 10.17	\$ 9.93	\$ 9.91
<b>Income (Loss) from Investment Operations:</b>										
Net investment income	0.30	0.29	0.22	0.26	0.35	0.35	0.41	0.34	0.31	0.20
Net realized and unrealized gain (loss) on investments	0.08	(0.34)	(0.34)	(0.10)	0.26	0.21	(0.21)	(0.37)	0.28	0.02
<b>Total Income (Loss) from Investment Operations</b>	<b>0.38</b>	<b>(0.05)</b>	<b>(0.12)</b>	<b>0.16</b>	<b>0.61</b>	<b>0.56</b>	<b>0.20</b>	<b>(0.03)</b>	<b>0.59</b>	<b>0.22</b>
<b>Less Distributions:</b>										
From net investment income	(0.34)	(0.34)	(0.23)	(0.29)	(0.35)	(0.35)	(0.38)	(0.35)	(0.35)	(0.20)
Net realized gains	-	-	-	-	-	(0.01)	-	-	-	-
<b>Total distributions</b>	<b>(0.34)</b>	<b>(0.34)</b>	<b>(0.23)</b>	<b>(0.29)</b>	<b>(0.35)</b>	<b>(0.36)</b>	<b>(0.38)</b>	<b>(0.35)</b>	<b>(0.35)</b>	<b>(0.20)</b>
<b>Net Asset</b>	<b>\$ 9.24</b>	<b>\$ 9.20</b>	<b>\$ 9.59</b>	<b>\$ 9.94</b>	<b>\$ 10.07</b>	<b>\$ 9.81</b>	<b>\$ 9.61</b>	<b>\$ 9.79</b>	<b>\$ 10.17</b>	<b>\$ 9.93</b>

<b>Value, End of Year</b>										
<b>Total Return</b>	4.20%	(0.50)%	(1.18)%	1.58%	6.40%	5.96%	2.04%	(0.30)%	5.98%	2.18%
<b>Ratios/ Supplemental Data:</b>										
Net assets, end of period (in thousands)	\$36,673	\$44,020	\$55,224	\$46,783	\$42,029	\$44,939	\$45,846	\$48,611	\$52,681	\$45,814
Ratio of expenses to average net assets:										
Before waiver inclusive of interest expense	4.12%	3.63%	2.83%	2.75%	2.80%	2.87%	3.08%	3.11%	2.84%	3.76%
After waiver inclusive of interest expense	2.95%	3.05%	2.39%	1.84% <sup>1</sup>	1.75%	1.75%	1.89%	1.79%	1.43%	2.24%
Before waiver exclusive of interest expense	3.42%	2.83%	2.68%	2.75%	2.80%	2.87%	2.94%	3.07%	2.83%	3.76%
After waiver exclusive of interest expense	2.25%	2.25%	2.25%	1.84% <sup>1</sup>	1.75%	1.75%	1.75%	1.75%	1.42%	2.24%
Ratio of net investment income to average net assets	3.25%	3.10%	2.24%	2.56%	3.49%	3.57%	4.17%	3.40%	3.18%	1.97%
Portfolio turnover rate	5%	9%	22%	27%	7%	0%	0%	4%	13%	13%

(1) Effective May 2, 2021, the operating expense limitation was increased from 1.75% to 2.25% of the Fund's average annual net assets.

(2) As of March 1, 2019, the Adviser replaced 504 Fund Advisors, LLC as the investment adviser to the Fund.

(3) As of March 1, 2015, 504 Fund Advisors, LLC replaced Pennant Management, Inc. as the investment adviser to the Fund.



**Senior Securities, year ended**

<b>June 30:</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total amount outstanding exclusive of treasury securities (000's)	\$ 1,382	\$ 4,356	\$ 2,070	-	-	-	-	\$ 2,000	-	-
Asset coverage, per \$1,000 of borrowings	<u>27,549</u>	<u>11,105</u>	<u>27,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,305</u>	<u>-</u>	<u>-</u>
Asset coverage ratio	<u>2,755%</u>	<u>1,111%</u>	<u>2,768%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>2,531%</u>	<u>0%</u>	<u>0%</u>

**THE FUND**

The Fund is a continuously offered, non-diversified, closed-end management investment company that is operated as an interval fund. The Fund was organized as a Delaware statutory trust on July 29, 2013 and commenced operations on December 16, 2013. The Fund's name changed from "The 504 Fund" to "Bluestone Community Development Fund" effective May 1, 2019. The Fund's name changed from "Bluestone Community Development Fund" to "Equalize Community Development Fund" effective February 18, 2022. The Fund's principal office is located at 37 West Avenue, Suite 301, Wayne, Pennsylvania 19087, and its telephone number is 1-855-386-3504.

**USE OF PROCEEDS**

The Adviser will invest the net proceeds of the offering of shares in accordance with the Fund's investment objectives and policies. Except to the extent used to satisfy periodic repurchase offers, the Adviser expects to be able to fully invest net proceeds in accordance with the Fund's investment objectives and policies within three to six months of receipt of the proceeds. Such investments may be additionally delayed for a period of three months or longer if Community Development Loans that are eligible for CRA treatment as community development loans or qualified investments are unavailable at the time or for other reasons. A delay in the anticipated use of proceeds could prevent the Fund from achieving its investment objectives.

Pending investment of the net proceeds in accordance with the Fund's investment objectives and policies, the Adviser will invest in U.S. Government securities; money market funds that invest exclusively in U.S. Government securities; certificates of deposit and other time deposits and savings accounts in a commercial or savings bank or savings association whose accounts are insured by the FDIC; and repurchase and reverse repurchase agreements collateralized by U.S. Government securities or Community Development Loans. Therefore, investors should expect that before the Adviser has fully invested the net proceeds, the Fund's assets would earn interest income at a modest rate, which could prevent the Fund from achieving its investment objectives. The Fund's expenses could be substantially higher than the income on such investments.

## INVESTMENT OBJECTIVES, STRATEGIES AND POLICIES

### Investment Objectives

The Fund's investment objectives are to provide current income, consistent with the preservation of capital, and to enable institutional Fund investors that are subject to regulatory examination for CRA compliance to claim favorable regulatory consideration of their investment under the CRA.

*Change in Investment Objectives.* The Fund's investment objectives are not fundamental and may be changed by the Board without shareholder approval upon 60 days' prior written notice to shareholders. The Fund may not make any change in its policy of investing in securities suggested by the Fund's name without first changing the Fund's name and providing shareholders with at least 60 days' prior written notice.

### Investment Strategies

The Fund seeks to achieve its objective by investing primarily in a portfolio of Community Development Loans, including investments in 504 First Lien Loans secured by owner-occupied commercial real estate, which represent the non-guaranteed portion of an SBA Section 504 transaction, as well as loans originated under USDA RD programs and BIA Loans. Under normal market conditions, the Fund will invest at least 80% of its net assets (plus any borrowings for investment purposes) in Community Development Loans.

The Adviser will seek to limit the Fund's investments and investment strategies so as to qualify the Fund as a permissible investment for nationally chartered banks and federal credit unions under current applicable federal laws and regulations. By way of example, the Adviser will ensure the Fund will not invest in certain types of investments that federal credit unions are prohibited from owning, including stripped mortgage-backed securities, collateralized mortgage obligation ("CMO") and real estate mortgage investment conduit ("REMIC") securities that do not pass a high risk securities test, CMO and REMIC residuals, and zero coupon securities with maturities greater than 10 years.

Nationally chartered banks and federal credit unions should consult with their legal counsel regarding federal laws and regulations applicable to their investment in the Fund. The Fund also encourages state chartered commercial banks and state chartered credit unions to consult their legal counsel regarding whether shares of the Fund are a permissible investment under their state law.

### Investment Policies

The SAI contains a list of the fundamental and non-fundamental investment policies of the Fund under the heading "*Investment Limitations.*"

### SBA 504 CERTIFIED DEVELOPMENT COMPANY LOAN PROGRAM

The SBA developed the SBA 504 Program to promote economic development and create and retain jobs. The program helps First Lien Lenders provide small businesses with long-term financing to acquire and improve major fixed assets, such as owner-occupied commercial real estate and heavy equipment. The program helps businesses by giving them access to financing backed with as little as ten percent owner equity.

Under the program, a First Lien Lender partners with a CDC, a specialized SBA-certified nonprofit corporation, to provide financing for small businesses to acquire or improve real estate or heavy equipment. Each of the First Lien Lenders and the CDC make a loan to a qualifying small business. Typically, the 504 First Lien Loan is secured by a first lien covering 50% to 60% of a project's cost. The 504 Second Lien Loan is secured by a second lien for up to 40% of the project's cost, for a combined loan to project cost of no more than 90%. 504 First Lien Loans are not guaranteed by the SBA, U.S. Government or by its agencies, instrumentalities or sponsored enterprises.

The program helps Financial Institutions attract and serve small business borrowers that may not meet conventional underwriting criteria. Participating with a CDC can help reduce risk for the Financial Institution. Banks and savings institutions also may receive CRA consideration for 504 First Lien Loans, as discussed below.

### **Eligible Borrowers and Uses of Loans**

The SBA 504 Program helps businesses acquire or improve real estate or heavy equipment. The program helps businesses with eligible loan requests that might not otherwise qualify for credit without SBA participation.

To be eligible for a 504 Loan, a business must be operated for profit and fall within the size standards set by the SBA. Under the SBA 504 Program, a business generally qualifies if it has a tangible net worth of not more than \$15 million, and an average annual income of \$5 million or less for the two years prior to application.

For real estate loans, existing buildings financed by an SBA 504 financing transaction must be at least 51% owner-occupied, and new construction must be at least 60% owner-occupied. The Fund will not engage in any construction financing, but may offer forward commitments to purchase a 504 First Lien Loan at the completion of construction if financed by a third party lender. Loans cannot be made under the SBA 504 Program to a business engaged in real estate speculation or rental investments.

All SBA 504 proceeds must be used for fixed assets, such as the acquisition or improvement of real estate and heavy equipment. While heavy equipment is an eligible use of SBA 504 proceeds, the Fund will not invest in any 504 First Lien Loans where the use of funds is primarily for the purchase of heavy equipment. However, the Fund may invest in a 504 First Lien Loan where the use of funds is for the combined acquisition or improvement of real estate and heavy equipment. In such a loan, the maximum loan to value guidelines for the 504 First Lien Loan will be applied against the real estate value only.

### **Public Benefit Requirements**

The SBA created the SBA 504 Program to help stimulate economic development and create jobs. Since its inception, more than two million jobs have been created or retained nationwide as a direct result of the SBA 504 Program according to a 2010 Certified Development Company Industry Capability Study published by the National Association of Development Companies (the "NADCO"). In most cases, a business must create or retain one job for every \$65,000 guaranteed by the SBA. Small manufacturers must create or retain one job for every \$100,000 guaranteed by the SBA. Borrowers must include projections for meeting these requirements in their applications for CDC loans. The projections are not part of the First Lien Lender loan process. As an alternative to job creation or retention, a small business may qualify if it meets a community development or public policy goal as long as the CDC maintains its portfolio job average requirements.

## Financing Structure

An SBA 504 Program project is funded by a First Lien Lender, secured with a first lien, typically covering 50% to 60% of the project's cost (up to a maximum of 65%); a loan from a CDC, secured with a second lien, covering a maximum of 40% of the cost; and a contribution by the borrower of at least 10% of the project cost. The 504 First Lien Loan can be fixed or variable rate and is typically amortized over a term of 20 to 30 years. The 504 First Lien Loan rate, term and fees are negotiable between the borrower and the First Lien Lender.

504 First Lien Loans are not guaranteed by the SBA or any other federal agency. Rather, 504 First Lien Loans benefit from a low loan-to-value ratio (averaging 50% to 55%). If the SBA chooses to protect its interest in the 504 Second Lien Loan, it can, but is not legally obligated to, pay off the 504 First Lien Loan before or at a foreclosure sale, or elect to receive the proceeds from a foreclosure sale only if the 504 First Lien Loan has been satisfied in full.

The SBA considers a number of variables when determining whether or not to proactively protect its 504 Second Lien Loan position. Key variables include the amount of net equity present in the collateral based on an updated appraisal, liquidation costs, marketing time (also determined by the appraisal), and holding costs. The more equity in the property, the more likely it is that the SBA would either purchase the 504 First Lien Loan, or purchase the property at the foreclosure sale (thus retiring the 504 First Lien Loan). By way of example noted in the table below, if the property value at the time of liquidation was determined to be \$1,600,000 (a 20% drop), the SBA would expect to realize a gross recovery of 75% of the original loan balance (\$400,000/\$600,000) less an estimate for liquidation and holding costs. The SBA's incentive to protect its position would be higher with a current market value of \$1,600,000 than if the current market value at liquidation were only \$1,200,000. In the latter scenario, the amount of recoverable equity after liquidation and holding costs would be minimal and one would expect the SBA to not proactively protect its position.

There are potentially two key benefits in having the SBA in the 504 Second Lien Loan position in the event of borrower default. The first potential benefit is that, as noted above, the SBA elects to proactively protect its position and retires the senior loan in full (either before or at the foreclosure sale). The second potential benefit is the substantial first loss position funded on any one real estate transaction. For the senior lender's principal balance to be negatively affected, the liquidation proceeds would have to be less than the combined original down payment or equity position contributed by the borrower and the 504 Second Lien Loan. The combination of borrower equity and SBA investment provides a 25% to 45% buffer between the original purchase price and the liquidation proceeds prior to the Fund incurring a loss. The Fund expects to have an average loan-to-value ratio of 55%. However, the Fund will consider loan-to-value ratios on multi-purpose properties of up to 65%, and up to 60% for hospitality and special purpose properties. The total investment in any one loan (outstanding investment plus liquidation costs) may be higher than proceeds recovered during liquidation which would result in a loss to the Fund.

The 504 Second Lien Loan is a fixed rate loan, and its term is 20 years for real estate. The rate on the 504 Second Lien Loan is determined when the SBA sells a debenture to fund the loan. Although there is no maximum project size, the maximum 504 Second Lien Loan generally is \$5 million, but never more than \$5.5 million.

Table 1: Sample Building Acquisition Uses & Sources

USE OF PROCEEDS		
Purchase Real Property		\$2,000,000
SOURCE OF FUNDS		% OF PROJECT COSTS
504 First Lien Loan	\$1,200,000	60%
504 Second Lien Loan	\$600,000	30%
Borrower Down Payment	\$200,000	10%

The First Lien Lender has the option to retain the loan in its portfolio, participate in the loan with another lender, sell the whole loan to a buyer for premium and/or servicing income, or sell a partial interest in the loan to a buyer for premium and/or servicing income.

### Investments in 504 First Lien Loans

The Fund will typically acquire 504 First Lien Loans through assignments. The Fund may also invest in a 504 First Lien Loan through a participation, origination or co-origination.

*Assignments.* The Fund may purchase 504 First Lien Loans on a direct assignment basis. If the Fund purchases a 504 First Lien Loan on direct assignment, it typically succeeds to all the rights and obligations under the loan agreement of the assigning First Lien Lender and becomes a lender under the loan agreement with the same rights and obligations of the assigning First Lien Lender. Assignments may, however, be arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning First Lien Lender. In this case, the Fund may be required generally to rely upon the assigning bank to demand payment and enforce its rights against the Borrower.

In some cases, the First Lien Lender will negotiate with the Fund prior to loan closing and ask for the loan to be “table funded.” In this scenario, the Fund will wire the principal portion of the loan directly to the escrow agent in place of the First Lien Lender’s funds. The Fund will immediately take an assignment of the loan from the First Lien Lender.

*Participations.* The Fund may, but will not typically, invest in a 504 First Lien Loan through a participation with a Financial Institution. A participation typically results in a contractual relationship only with the Financial Institution selling the participation interest, not with the Borrower. As a result, the Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the Financial Institution selling the participation and only upon receipt by such Financial Institution of such payments from the Borrower. In purchasing participations, the Fund generally will have no direct right to enforce compliance by the Borrower with the terms of the loan agreement (but will generally have voting rights on proposed solutions in a liquidation scenario), nor any rights with respect to any funds acquired by other lenders through set-offs against the Borrower. The Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Fund will be exposed to the credit risk of both the Borrower and the Financial Institution selling the participation. Due to the increased risk of a participation versus other types of loan purchases, the Fund will only participate with Financial Institutions. Participations with Non-bank Lenders will not be considered.

*Originations and Co-Originations.* The Fund may act as an original lender or one of a group of lenders originating a 504 First Lien Loan. In a co-origination, the selling First Lien Lender will prepare loan documents as normal, except for the promissory note. The promissory note will be bifurcated into an “A” note and a “B” note. The “A” note or the “B” note would then be assigned to the Fund. If the two notes are not pari-passu (i.e., not on equal footing), the Fund will take assignment of the senior note. The Fund will not purchase any subordinated or junior note. An inter-creditor agreement between the Fund and the selling First Lien Lender will dictate rights and responsibilities.

*Restrictive Covenants.* Loan agreements may include various restrictive covenants designed to limit the activities of the Borrower in an effort to protect the right of the First Lien Lender to receive timely payments of interest on and repayment of principal of the 504 First Lien Loans. Restrictive covenants typically will include a prepayment penalty provision and restrictions on change of ownership of the real property and/or the Borrower without the prior consent of the Adviser on behalf of the Fund. They also may include provisions requiring the Borrower to maintain specific minimum financial ratios and limits on total debt. The typical practice of the Adviser in relying exclusively or primarily on reports from the Borrower to monitor the Borrower’s compliance with covenants may involve a risk of fraud by the Borrower. In the case of a Community Development Loan in the form of a participation, the agreement between the buyer and seller may limit the rights of the buyer to vote on certain changes that may be made to the loan agreement, such as waiving a breach of a covenant. However, the buyer of the participation will, in almost all cases, have the right to vote on certain fundamental issues such as changes in principal amount, payment dates and interest rate. A Borrower must comply with various covenants in a loan agreement between the Borrower and the First Lien Lender. A Borrower’s failure to comply could be considered to be an event of default, which may lead to a formal liquidation proceeding depending upon the particular circumstances involving the particular Borrower and property. The Adviser typically will be responsible for monitoring compliance with covenants contained in the loan agreement based upon reports prepared by the Borrower.

*Portfolio Maturity.* Although the Fund is not subject to any restrictions with respect to the maturity of 504 First Lien Loans held in its portfolio, 504 First Lien Loans typically have a stated term of between 10 and 30 years, and amortization periods of 20 to 30 years. Many, but not all, of the 504 First Lien Loans purchased by the Fund will have been originated in the last 12 months. 504 First Lien Loans may be fixed rate or variable rate loans. The Fund generally will purchase 504 First Lien Loans with adjustable rate features. The rates of interest may adjust either quarterly or periodically (over periods of one to five years). For example, if the Fund purchases or table-funds a loan with an initial fixed rate of three years, the loan could either reset for another three years at the conclusion of the initial three-year period and every three years thereafter, or the loan could convert to a quarterly adjustable rate after the initial three-year term. As a result of adjustable rate features, as short-term interest rates increase, interest payable to the Fund from its investments in 504 First Lien Loans should increase, and as short-term interest rates decrease, interest payable to the Fund from its investments in 504 First Lien Loans should decrease. This may increase fluctuations in the Fund's NAV as a result of changes in interest rates. The amount of time required to pass before the Fund will realize the effects of changing short-term interest rates on its portfolio will vary with the dollar-weighted average time until the next interest rate redetermination on the 504 First Lien Loans in its investment portfolio. Despite prepayment penalties, in a declining interest rate environment there may be significant economic incentives for a Borrower to prepay its loans. If prepayments occur, the Fund may need to reinvest the proceeds in a lower interest rate environment. If prepayments occur, the actual remaining maturity of the Fund's investment portfolio invested in 504 First Lien Loans may vary substantially from the average stated maturity of the 504 First Lien Loans held in the Fund's investment portfolio. As a result of anticipated prepayments from time to time of 504 First Lien Loans in the investment portfolio, the Adviser believes that the actual remaining maturity of the 504 First Lien Loans held in its portfolio will range from approximately 5 to 10 years, but the actual remaining maturity of the 504 First Lien Loans could be substantially longer or shorter than 5 to 10 years.

*Loans That Are Not Fully Amortized.* The Fund anticipates that a substantial portion of the 504 First Lien Loans held in its portfolio will be fully amortizing loans. However, certain First Lien Lenders may offer loans that are not fully amortizing, such as a 25-year amortization due in 10 years, to their small business commercial real estate borrowers. A Borrower has numerous options to plan for this eventuality, including: payoff from cash proceeds; refinance by a third-party lender; sale of the property, or extension of the loan by the Fund. It is possible that the Fund will be faced with a matured loan with an outstanding principal balance. In the absence of any of the aforementioned remedies, the Fund's sole option would be liquidation. An action of liquidation could be mitigated by the principal pay down that occurred over the life of the loan and price appreciation, if any, over the term of the loan, but the Fund still could incur substantial losses on the loan.

*Investments.* The Adviser plans to allow the Fund to invest in loans for a defined group of property types, including, but not limited to, multipurpose properties (e.g., warehouses, retail stores, industrial, medical offices, research and design properties, etc.), hospitality properties (restricted to franchises of major companies and excluding independent hotel/motel properties) and other special purpose properties (e.g., bowling alleys, surgery centers and nursing homes, including assisted living properties, etc.). The Adviser will also generally exclude from the Fund's portfolio loans for certain property types, such as gas stations, car washes, and certain properties with underground storage tanks, and other properties that could give rise to environmental liabilities.

*Loan Collateral.* In order to borrow money pursuant to a 504 First Lien Loan, a Borrower will, for the term of the loan, pledge collateral, including tangible fixed assets, such as real property, buildings and equipment. Collateral may consist of assets that may not be readily liquidated, and there is no assurance that the liquidation of such assets would fully satisfy a Borrower's obligations under a 504 First Lien Loan. Even assuming that the collateral provides adequate security for a 504 First Lien Loan, substantial delays could be encountered in connection with the liquidation of defaulted loans. An action of foreclosure on property securing a 504 First Lien Loan is similar to the foreclosure process on similar non-SBA loans, is regulated by state statutes and rules, and is subject to many of the delays and expenses of other lawsuits if defenses or counterclaims are interposed, sometimes requiring several years to complete. Furthermore, in some states an action to obtain a deficiency judgment is not permitted following a non-judicial sale of a property. See "*Anti-Deficiency Legislation and Other Limitations on Lenders.*" In the event of a default by a Borrower, these restrictions may impede the Fund's ability to foreclose on or sell the collateral or to obtain liquidation proceeds sufficient to repay all amounts due on the related loan, and could result in substantial loss to the Fund.

The Adviser will rely upon an independent third-party appraisal management company to order appraisals, review appraisal qualifications and review appraisals for compliance with the Uniform Standards of Professional Appraisal Practice. The Adviser's policy is that all appraisers must be certified general appraisers and state certified.

*Credit Quality.* Although a Borrower must satisfy the credit underwriting requirements of the First Lien Lender, the SBA and the CDC to obtain a loan, the Adviser performs its own credit and investment analysis of the Borrower and its 504 First Lien Loan. The Adviser receives a full financial application package, which includes personal and business tax returns, personal financial statements, business financial statements, credit reports and information on underlying real estate, collateral and title. The Adviser's analysis will include consideration of the Borrower's financial strength and managerial experience, debt coverage, changing financial conditions, and responsiveness to changes in business conditions and interest rates. Post-closing, the Adviser will generally rely on an independent third-party servicing agent to send written requests annually to a Borrower for updated financial information, such as personal and business tax returns and financial statements, which the Adviser will review and analyze. A Borrower's failure to provide this information could be considered to be an event of default, which may lead to a formal liquidation proceeding depending on the circumstances and whether there were other covenant violations.

Fund credit underwriting guidelines will generally follow SBA underwriting guidelines regarding debt service coverage ratio. However, the Fund will be more conservative than the SBA with respect to the following underwriting parameters:

- The Borrower must have at least two years of ownership experience in the same, or similar, industry (i.e., no start-ups).



- Loan-to-value ratio of the 504 First Lien Loan (65% maximum multi-purpose, 60% maximum special purpose). For purposes of the Fund’s analysis, the loan-to-value ratio is calculated by dividing the 504 First Lien Loan by the lower of the appraised value, or the purchase price if the property was purchased within the last 24 months.
- Minimum credit score from a nationally-recognized credit reporting entity (620 minimum on major principal, or average among multiple, key principals).

Because 504 First Lien Loans in which the Fund may invest are not generally rated by independent credit rating agencies, a decision by the Fund to invest in a particular loan will depend almost exclusively on the Adviser’s credit analysis of the Borrower. All 504 First Lien Loans will be current on the payment of interest and principal at the time they are purchased by the Fund.

The 504 First Lien Loans in which the Fund may invest include those that pay fixed rates of interest and those that pay floating rates—i.e., rates that adjust periodically based on a known lending rate, such as a bank’s prime rate.

*Bankruptcy Considerations.* The Fund will be subject to the risk that collateral securing a 504 First Lien Loan will decline in value. Such a decline, whether as a result of bankruptcy proceedings or otherwise, could cause the 504 First Lien Loan to be under collateralized or unsecured. If a Borrower becomes involved in bankruptcy proceedings, a court may invalidate the Fund’s security interest in the loan collateral or subordinate the Fund’s rights under the 504 First Lien Loan to the interests of the Borrower’s unsecured creditors or cause interest previously paid to be refunded to the Borrower. If a court requires interest to be refunded, it could negatively affect the Fund’s performance. Such action by a court could be based, for example, on a “fraudulent conveyance” claim to the effect that the Borrower did not receive fair consideration for granting the lien or security interest in the loan collateral to the Fund. There are also other events, such as the failure to record a lien or perfect a security interest due to faulty documentation or faulty official filings, which could lead to the invalidation of the Fund’s lien or security interest in loan collateral. If the Fund’s lien or security interest in loan collateral is invalidated or the 504 First Lien Loan is subordinated to other debt of a Borrower in bankruptcy or other proceedings, the Fund would have substantially lower recovery, or perhaps no recovery, on the full amount of the principal and interest due on the 504 First Lien Loan.

*Improved Liquidity in 504 First Lien Loan Market.* The Adviser hopes that the Fund will help to create some liquidity in the SBA First Lien Loan market. The addition of the Fund as a potential buyer of 504 First Lien Loans may enable First Lien Lenders to sell certain 504 First Lien Loans to the Fund and, once sold, originate additional 504 First Lien Loans. Thus, small business borrowers may have more access to 504 First Lien Loans. As noted earlier under “*Public Benefit Requirements*,” an increased volume of 504 First Lien Loans may have a positive impact on economic development and job creation. In addition, the Fund may benefit from improved liquidity in the 504 First Lien Loan market. If the market becomes more liquid, the 504 First Lien Loans in the portfolio could be easier to value.

*Certain fees paid to or by the Fund.* In the process of buying, selling and holding 504 First Lien Loans, the Fund may receive and/or pay certain fees. These fees are in addition to interest payments received and may include commitment fees, amendment fees, commissions and prepayment penalty fees. In certain circumstances, the Fund may receive a prepayment penalty fee upon the prepayment of a 504 First Lien Loan by a Borrower. Other fees received by the Fund may include covenant waiver fees, covenant modification fees or other amendment fees.

*Servicing.* There will be both a master servicer and a sub-servicer. The Adviser will generally rely upon an independent third-party servicing agent not affiliated with the Adviser to act as the master servicer (the “Master Servicer”) to receive and forward to the Fund its portion of the principal and interest payments on the 504 First Lien Loan. The Master Servicer may monitor the Borrower’s property tax payments, insurance compliance and UCC expirations. If applicable, the Master Servicer will administer loan impound accounts and work with the Adviser to calculate and accept prepayment penalties. The Master Servicer is compensated by the Adviser, not the Fund, for providing these services. The Fund will not reimburse the Adviser for the Master Servicer’s fees.

A Financial Institution or a Non-Bank Lender may sell a 504 First Lien Loan to the Fund at a premium without retaining any servicing responsibility or receiving any sub-servicing fee, in which case the Adviser will act as the sub-servicer without receiving any compensation for its services. Alternatively, the Financial Institution or Non-Bank Lender may elect to retain its role as sub-servicer and continue to facilitate interaction with the Borrower. In such cases, the Financial Institution or Non-Bank Lender may exchange some or all of the negotiated premium on the sale of the 504 First Lien Loan for a negotiated ongoing sub-servicing fee. The Fund will not pay any sub-servicing fees. Rather, for those 504 First Lien Loans where the Financial Institution or Non-Bank Lender elects to convert all or a portion of the purchase premium for a loan to receipt of a portion of negotiated coupon payable by the Borrower with respect to the loan, the Master Servicer will allocate the Borrower’s interest payments between the Fund and the Financial Institution or Non-Bank Lender. For example, the Financial Institution or Non-Bank Lender may elect to convert the premium to a sub-servicing fee at a negotiated rate of 0.25% in servicing for each 1.00% in premium. In this example, if the one-time premium on a 504 First Lien Loan was equal to 3.00%, the Financial Institution or Non-Bank Lender may elect to retain an ongoing sub-servicing fee of 0.25% in exchange for 1.00% in premium, and retain 2.00% in premium.

*Prepayments.* Upon a prepayment, either in part or in full, the actual outstanding debt on which the Fund derives interest income will be reduced. The Fund may receive a prepayment penalty fee from the prepaying Borrower. However, there is no assurance that the Fund will be able to reinvest the proceeds of any loan prepayment at the same interest rate or on the same terms as those of the original loan.

*Selling 504 First Lien Loans.* When the option exists, the Adviser will consider selling 504 First Lien Loans to a secondary market buyer for either income or CRA purposes. However, only limited opportunities may exist to sell loans or the Fund may be able to sell them only at a price that is less than their fair market value.

*Other information regarding 504 First Lien Loans.* From time to time, the Adviser and its affiliates may borrow money from various unaffiliated banks in connection with their business activities. Such banks may also sell interests in 504 First Lien Loans to, or acquire them from, the Fund or may be intermediate participants with respect to 504 First Lien Loans in which the Fund owns interests. Such banks may also act as servicing agents for 504 First Lien Loans held by the Fund.

*Losses.* There will be two loss scenarios in situations where a partial interest in a loan is purchased:

*Pari-Passu (i.e., on equal footing).* The Fund may purchase partial interests in 504 First Lien Loans on a pari-passu basis with equal seniority and right to payment. In the event of default, the Financial Institution and the Fund share losses equally. For example, if the Fund purchases 50% of a \$1 million loan and only \$900,000 is recovered through liquidation, the Fund would realize \$50,000 of the \$100,000 loss and the seller would realize the remaining \$50,000 of the loss. Under the pari-passu scenario, if liquidation proceeds are less than the remaining principal plus accrued interest and liquidation costs, the Fund will realize a loss on a pro rata basis with the pari-passu lender. There is no cushion for losses.

*Last-Loss.* The Fund may purchase or co-originate 504 First Lien Loans on a last-loss basis. In the event of default, the Fund suffers the last loss. For example, if the Fund purchases or co-originate 85% of a \$1 million loan and only \$900,000 is recovered through liquidation, the Fund would realize no loss and the junior first-loss holder would suffer the entire \$100,000 loss. Under the last-loss scenario, if the liquidation proceeds are less than the remaining principal plus accrued interest and liquidation costs, the Fund will realize losses only after the junior first-loss holder's subordinated interest has been depleted.

When purchasing or co-originating 504 First Lien Loans on a last-loss basis, the Fund will only pay an ongoing sub-servicing fee to the junior first-loss holder with no upfront premium. In this payment structure, the junior first-loss holder derives compensation only if a loan is performing.

*Example: A First Lien Lender submits a \$1 million 504 First Lien Loan to the Fund for consideration of the purchasing or co-originating of an 85% interest on a last-loss basis. The Fund would co-originate \$850,000 of the 504 First Lien Loan at par with, for example, an ongoing 1.00% sub-servicing fee on the senior 85% interest payable to the 15% junior first-loss holder.*

## **504 Second Lien Loans**

According to the SBA Standard Operating Procedure on 504 Loan Servicing and Liquidation, the SBA determines on a case-by-case basis which Loan Action (defined below) or combination of Loan Actions, if any, is most appropriate under the circumstances to protect the equity available for a 504 Second Lien Loan. The SBA is under no legal obligation to take any of the Loan Actions described below or otherwise take any action.

Loan Actions include, but are not limited to:

#### *Payment Advances to Bring 504 First Lien Loan Current*

The SBA may advance funds to the First Lien Lender to keep payments on a 504 First Lien Loan current if the goal is to negotiate a workout.

#### *504 First Lien Loan Purchase or Pay Off*

The SBA may purchase or pay off a 504 First Lien Loan, particularly if the First Lien Lender offers a discount, the risk is justified by an appraisal and recoverable value analysis, and purchasing or paying off the loan will improve the Borrower's ability to repay the 504 Second Lien Loan.

#### *Judicial Foreclosures and Protective Bids*

If the First Lien Lender initiates a judicial foreclosure action, the SBA may enter a protective bid at the foreclosure sale if the Recoverable Value of the property is 10% or more of its Liquidation Value, unless abandonment is appropriate. For example, if the collateral has an appraised value of \$100,000, a Liquidation Value of \$80,000, and a Recoverable Value of \$50,000 (i.e., Liquidation Value minus the balance owed on senior liens, foreclosure costs, and holding and resale costs), a Protective Bid could be entered because \$50,000 is more than \$8,000 (10% of \$80,000). The maximum amount of a protective bid is the lesser of the balance owed on the 504 Second Lien Loan or the Recoverable Value of the collateral.

Abandonment of the collateral being foreclosed upon is appropriate for Recoverable Value of less than \$10,000 for real property and \$5,000 for personal property collateral. A "no bid" position may also be justified if, based on the circumstances which are not reflected in the appraisal but are documented in the loan file, a prudent lender would not enter a protective bid even though the Recoverable Value of the collateral is 10% or more of its Liquidation Value.

#### **Anti-Deficiency Legislation and Other Limitations on Lenders**

Certain states have imposed statutory and judicial restrictions that limit the remedies of a beneficiary under a deed of trust or a mortgagee under a mortgage. In some states, including California, statutes and case law limit the right of the beneficiary or mortgagee to obtain a deficiency judgment against borrowers financing the purchase of their commercial property or following sale under a deed of trust or certain other foreclosure proceedings. A deficiency judgment is a personal judgment against the borrower equal in most cases to the difference between the amount due to the lender and the fair market value of the real property at the time of the foreclosure sale. As a result of these prohibitions, it is anticipated that in most instances where deficiency judgments are not permitted, the Adviser will utilize the non-judicial foreclosure remedy and will not seek deficiency judgments against defaulting borrowers in those states where non-judicial foreclosure is acceptable.

In addition to anti-deficiency and related legislation, numerous other federal and state statutory provisions, including the federal bankruptcy laws and state laws affording relief to debtors, may interfere with or affect the ability of the secured mortgage lender to realize upon its security. For example, in a proceeding under the federal Bankruptcy Code, a lender may not foreclose on a mortgaged property without the permission of the bankruptcy court. The rehabilitation plan proposed by the debtor may provide, if the court determines that the value of the mortgaged property is less than the principal balance of the mortgage loan, for the reduction of the secured indebtedness to the value of the mortgaged property as of the date of the commencement of the bankruptcy, rendering the lender a general unsecured creditor for the difference, and also may reduce the monthly payments due under such mortgage loan, change the rate of interest and alter the mortgage loan repayment schedule. The effect of any such proceedings under the federal Bankruptcy Code, including but not limited to any automatic stay, could result in delays in receiving payments on the loans underlying a series of securities and possible reductions in the aggregate amount of such payments.

The federal tax laws provide priority to certain tax liens over the lien of a mortgage or secured party.

## USDA LOAN PROGRAMS

Starting on October 1, 2020, the USDA implemented an initiative to help increase private investment in rural businesses and economic development projects. The USDA implemented a standard set of requirements, process and forms for these programs, unifying them under the umbrella of the OneRD Guarantee Loan Initiative. The OneRD Guarantee Loan Initiative is intended to increase private investment in rural communities across the United States by making it easier for USDA Lenders to access for flagship USDA RD programs:

- Rural Energy for America Program (“REAP”) Loans;
- Community Facilities Guaranteed Loans;
- USDA Water & Waste Disposal Loan Guarantees; and
- USDA Business & Industry Loan Guarantees

Funding for such projects is provided through the Strategic Economic and Community Development (“SECD”) provision of the Agriculture Improvement Act of 2018 (the “Farm Bill”). The purpose of SECD is to support projects that promote and implement strategic community investment plans. USDA RD Loans help finance projects to build community prosperity by using community assets, identifying resources, convening partners and leveraging federal, state, local or private funding. USDA RD Programs included under SECD funding include USDA Community Facilities Guaranteed Loans, USDA Water & Waste Disposal Loan Guarantees, and USDA Business & Industry Loan Guarantees. Banks and savings institutions also may receive CRA consideration for USDA RD Loans, as discussed below.

The USDA RD programs are guaranteed by the U.S. Government up to a specified percentage, as set forth below. Each USDA RD Program may set the maximum percentage of guarantee for the loans at 90% although each USDA RD Program may set the guaranteed percentage below the maximum. The Fund may purchase up to 100% of the guaranteed portion of each USDA RD Loan (currently 80% guarantee percentage for each USDA RD program noted above except for Water & Waste Disposal loans which have a 90% guarantee percentage), or up to 62.50% of the unguaranteed portion of each USDA RD Loan (12.50% of the gross loan amount). USDA regulations require that the USDA Lender retain 7.50% of each USDA RD Loan issued for the life of the Loan.

## **Investments in USDA RD Loans**

The Fund will invest in USDA RD Loans through participations originated by USDA Lenders.

The Fund may invest in participations in USDA RD Loans (including REAP Loans, Community Facilities Loans, Water & Waste Disposal Loans and Business & Industry Loans that meet USDA eligibility requirements and have been approved by USDA. All USDA RD Loans will be fully collateralized after commercially reasonable discounts and adhering to standard USDA collateral requirements. The Fund will consider investing in USDA RD Loans where cash flow is deemed to be sufficient on a historical or future project basis to service the USDA RD Loan for the entirety of the term.

USDA RD Loans must be funded to the borrower. Should a borrower declare bankruptcy, the Fund would work with the seller of the interest in the USDA RD Loan to either restructure the loan or foreclose and liquidate the collateral.

*Certain Fees Paid to or by the Fund.* The Fund may purchase participating interests in the guaranteed or unguaranteed portion of the USDA RD Loans that are part of the USDA RD programs. In acquiring a participation in such USDA RD Loans, the Adviser will negotiate a participation purchase price that may include payment of premium, a purchase at par, or a purchase at below par with the seller retaining servicing income.

*Servicing.* USDA requires the seller of a participation in a USDA RD Loan to maintain a servicing fee of at least a 0.50% of the guaranteed amount of a USDA RD Loan amount when selling the guaranteed portion of the USDA RD Loan in the secondary market. The servicing fee is meant to provide sufficient income to current and potentially future loan servicers for the life of the USDA RD Loan. Sellers are permitted to retain more than a 0.50% servicing fee.

*Prepayments.* Prepayment penalties are negotiated between the USDA Lender and borrower for a USDA RD Loan. Prepayment penalties range from 5% to 1% in years one through five of the USDA RD Loan to a 10% flat fee for ten years. Prepayment penalties are passed through to the USDA Lender including any parties that purchase a participation in the USDA RD Loan, such as the Fund.

*Selling USDA RD Loans.* Should a secondary sale become necessary, the Fund can sell all or a portions of an interest in a USDA RD Loan through an assignment of the USDA RD Loan note guarantee, subject to the acknowledgement of USDA. The Fund can sell all or portions of the unguaranteed portion of a USDA RD Loan without USDA involvement but with the consent of the USDA Lender.

## **Rural Energy for America Program**

REAP was authorized by a predecessor to the Farm Bill in 2014. REAP provides guaranteed loan financing to enable USDA Lenders to provide loans (“REAP Loans”) and grant funding to agricultural producers and rural small businesses for renewable energy systems or to make energy efficiency improvements. Agricultural producers may also apply for new energy efficient equipment and new system loans for agricultural production and processing.

*Eligible Borrowers and Uses of REAP Loans.* Eligible recipients of REAP Loans are agricultural producers with at least 50% of their gross income coming from agricultural operations, and small businesses in eligible rural areas with 50,000 residents or fewer. Agricultural producers may be in rural or non-rural areas. To be eligible, agricultural producers and small business must have no outstanding delinquent federal taxes, debt judgment or debarment.

Individual borrowers must be citizens of the United States or reside in the U.S. after being legally admitted for permanent residence. Private-entity borrowers must demonstrate that funds will remain in the U.S.

REAP Loans may be used for renewable energy systems, such as biomass (for example: biodiesel, and ethanol, anaerobic digesters, and solid fuels), geothermal for electric generation or direct use, hydropower below 30 megawatts, hydrogen, small and large wind generation, small and large solar generation and ocean (tidal, current, thermal) generation. REAP Loans may also be used for the purchase, installation and construction of energy efficiency improvements, such as high efficiency heating, ventilation and air conditioning systems, insulation, lighting, doors and windows, electric, solar or gravity pumps for sprinkler pivots, switching from a diesel to electric irrigation motor and replacement of energy-inefficient equipment.

*Collateral Requirements and Financing Structure.* All REAP Loans must be fully collateralized. Collateral can include, but is not limited to: general obligation bonds; revenue bonds; pledges of taxes or assessments; assignments of facility revenue and byproduct revenue, as well as other assets such as land, easements, rights-of-way, water rights, buildings, machinery, equipment, inventory; accounts receivable, other accounts, contracts, cash, assignments of leases and leasehold interests.

REAP provides loan guarantees on loans up to 75% of total eligible project costs. The loan guarantee percentage is published annually in the federal register. REAP Loans approved during the federal government's 2025 fiscal year will receive an 80% guarantee. If a REAP Loan borrower is in default, the holder of a participation in the guaranteed portion of the REAP Loan may submit a claim to the USDA, and would be due proceeds from the USDA guarantee on a pro rata basis. The holder of a participation in the unguaranteed portion of a REAP Loan would be dependent on the lead lender to liquidate the underlying collateral, and would then be due proceeds from liquidation on a pro rata basis.

The USDA Lender, with USDA concurrence, will establish and justify the guaranteed REAP Loan term based on the use of guaranteed loan funds, the useful economic life of the assets being financed and those used as collateral, and the borrower's repayment ability. The REAP Loan term will not typically exceed 30 years. Interest rates are negotiated between the USDA Lender and borrower. Rates may be fixed or variable. Variable interest rates may not be adjusted more often than quarterly.

Fees applicable to REAP Loans include:

- An initial guarantee fee payable by USDA Lenders which is currently 1.00% of the guaranteed REAP Loan amount.
- A guarantee retention fee payable by USDA Lenders which is currently 0.25% of the outstanding guaranteed REAP Loan balance, paid annually.
- A fee for the issuance of the loan note guarantee prior to construction of 0.50% of the guaranteed REAP Loan amount.
- Reasonable and customary fees for loan origination are negotiated between the borrower and USDA Lender.

*Underwriting Requirements.* REAP Loans are subject to the following regulatory underwriting requirements:

- The USDA Lender will conduct a credit evaluation using credit documentation procedures and underwriting processes that are consistent with generally accepted prudent lending practices and also consistent with the USDA Lender's own policies, procedures and lending practices;
- The USDA Lender's evaluation must address any financial or other credit weaknesses of the borrower and project and discuss risk mitigation requirements;
- The USDA Lender must analyze all credit factors to determine that the credit factors and guaranteed loan terms and conditions ensure guaranteed loan repayment; and
- Credit factors to be analyzed include but are not limited to character, capacity, capital, collateral, and conditions.

*Additional Requirements.* REAP Loans are subject to the following additional requirements:

- Applicants for a loan must provide at least 25% of the project cost;
- All projects funded by a REAP Loan must have technical merit and utilize commercially available technology; and
- Energy efficiency projects require an energy audit or assessment.

### **USDA Community Facilities Guaranteed Loans**

The USDA Communities Facilities Guaranteed Loan Program provides loan guarantees to eligible USDA Lenders to provide loans ("Community Facilities Loans") to develop essential community facilities in rural areas. An essential community facility is defined as a public improvement, operated on a non-profit basis, needed for the orderly development of a rural community where the rural community is a city or town, or its equivalent county or multi-county area. The term "facility" refers to both the physical structure financed, and the resulting service provided to rural residents or rural businesses.

*Eligible Borrowers and Uses of Community Facilities Loans.* Eligible borrowers are public bodies, Indian tribes on federal and state reservations, federally-recognized Indian Tribes and non-profit organizations. Community Facilities Loans may generally be given to eligible borrowers in rural areas with populations of 50,000 residents or less.



Each year the USDA will reserve funds to guarantee Community Facilities Loans for projects located in rural areas with populations of 20,000 inhabitants or fewer on the following schedule: 100% of the first \$200 million made available, 50% of the next \$200 million made available, and 25% of all amounts exceeding \$400 million made available. Community Facilities Loans may be used to construct, enlarge, extend or otherwise improve essential community facilities. Community Facilities Loans may also be used to refinance the debt of an essential community facility.

Examples of essential community facilities include health care facilities and services, including but not limited to hospitals, fire, rescue, and public safety facilities equipment, and services; community, public, social, educational, or cultural facilities or services; transportation facilities such as streets, bridges, roads, ports, and airports; certain utility projects, gas distribution systems, recycling and transfer centers or stations; telecommunications end-user equipment when related to public safety, medical, or educational telecommunication links; water infrastructure facilities such as levees, dams, reservoirs, inland waterways, canals, and irrigation systems; purchase and installation of renewable energy systems for use by an essential community facility; land acquisition and necessary site preparation including access ways and utility extensions to and throughout an industrial park site; and community parks, community activity centers, and similar types of facilities.

Community Facilities Loans may not be used for lines of credit, owner-occupied and rental housing, golf courses or golf course infrastructure, racetracks or gambling facilities, facilities used for inherently religious activities, projects that create, directly or indirectly a conflict of interest, and inherently commercial enterprises.

*Collateral Requirements and Financing Structure.* For Community Facilities Loans, the USDA Lender is responsible for obtaining and maintaining proper and adequate collateral for the guaranteed loan. All collateral relating to Community Facilities Loans must secure the guaranteed loan. The loan guarantee percentage is published annually in a federal register notice. Community Facilities Loans approved in the federal government's 2025 fiscal year will receive an 80% guarantee. If a Community Facilities Loan borrower is in default, the holder of a participation in the guaranteed portion of the Community Facilities Loan may submit a claim to the USDA, and would be due proceeds from the USDA guarantee on a pro rata basis. The holder of a participation in the unguaranteed portion of a Community Facilities Loan would be dependent on the lead lender to liquidate the underlying collateral, and would then be due proceeds from liquidation on a pro rata basis.

The maximum amount of a guaranteed Community Facilities Loan is \$100 million. The maximum loan amount includes the guaranteed and unguaranteed portion. It also includes the balance of any existing Community Facilities Loans for a borrower and the new Community Facilities Loan requests.

The USDA Lender, with USDA concurrence, will establish and justify the Community Facility Loan guaranteed loan term based on the use of guaranteed loan funds, the useful economic life of the assets being financed and those used as collateral, and the borrower's repayment ability. The loan term for a Community Facilities Loan will not exceed 40 years.

Interest rates for Community Facilities Loans are negotiated between the USDA Lender and borrower. Rates may be fixed or variable. Variable interest rates may not be adjusted more often than quarterly.

Fees applicable to Community Facilities Loans include:

- An initial guarantee fee payable by USDA Lenders which is currently 1.25% of the guaranteed amount of the Community Facilities Loan;
- A guarantee retention fee payable by USDA Lenders which is currently 0.50% of the outstanding guaranteed balance of the Community Facilities Loan, paid annually;
- A fee for the issuance of the loan note guarantee prior to construction of 0.50% of the guaranteed amount of the Community Facilities Loan; and
- Reasonable and customary fees for loan origination are negotiated between the borrower and USDA Lender.

*Underwriting Requirements.* Community Facilities Loans are subject to the following regulatory underwriting requirements:

- The USDA Lender will conduct a credit evaluation using credit documentation procedures and underwriting processes that are consistent with generally accepted prudent lending practices and also consistent with the USDA Lender's own policies, procedures and lending practices;
- The USDA Lender's evaluation must address any financial or other credit weaknesses of the borrower and project and discuss risk mitigation requirements;
- The USDA Lender must analyze all credit factors to determine that the credit factors and guaranteed loan terms and conditions ensure guaranteed loan repayment; and
- Credit factors to be analyzed include but are not limited to character, capacity, capital, collateral, and conditions.

*Additional Requirements.* Additional requirements applicable to Community Facilities Loans include the following:

- Borrowers must have legal authority to construct, operate and maintain the proposed facilities and services and to obtain, give security for and repay the proposed Community Facilities Loan;
- Borrowers must be unable to finance the project from their own resources or through commercial credit at reasonable rates and terms;
- Borrowers must provide evidence of significant community support;
- Non-profit borrowers must have significant ties to the project service area;
- Facilities must be for public use and serve the rural area where they are/will be located; and

- USDA Lenders are responsible for becoming familiar, and ensuring compliance with federal environmental requirements.

## **USDA Water & Waste Disposal Loans**

The USDA Water & Waste Disposal Guaranteed Loan Program helps USDA Lenders provide loans (“Water & Waste Disposal Loans”) to qualified borrowers to improve access to clean, reliable water and waste disposal systems for households and business in rural areas.

*Eligible Borrowers and Uses of Waste Disposal Loans.* Eligible recipients of Water & Waste Disposal Loans include public bodies, federally-recognized Indian tribes and non-profit businesses. Water & Waste Disposal Loans are available to borrowers in rural areas with populations of 50,000 residents or less, tribal lands in rural areas and colonias.

Water & Waste Disposal Loans may be used to construct or improve facilities for drinking water, sanitary sewers, solid waste disposal or storm water disposal facilities. Water & Waste Disposal Loans may also be used for guarantee and lender fees, legal and engineering fees, land acquisition and equipment, additional labor paid for by borrowers to install and extend service, initial operating expenses, capitalized interest, purchase of existing facilities to improve service or prevent loss of service or debt refinancing.

*Collateral Requirements and Financing Structure.* For Water & Waste Disposal Loans, the USDA Lender is responsible for obtaining and maintaining proper and adequate collateral for the guaranteed loan. All collateral relating to Water & Waste Disposal Loans must secure the guaranteed loan. The loan guarantee percentage is published annually in a Federal Register notice. Water & Waste Disposal Loans approved in the federal government’s 2025 fiscal year will receive a 90% guarantee. If a Water & Waste Disposal Loan borrower is in default, the holder of a participation in the guaranteed portion of the Water & Waste Disposal Loan may submit a claim to the USDA, and would be due proceeds from the USDA guarantee on a pro rata basis. The holder of a participation in the unguaranteed portion of a Water & Waste Disposal Loan would be dependent on the lead lender to liquidate the underlying collateral, and would then be due proceeds from liquidation on a pro rata basis.

The USDA Lender, with USDA concurrence, will establish and justify the Water & Waste Disposal Loan term based on the use of Water & Waste Disposal Loan funds, the useful economic life of the assets being financed and those used as collateral including revenues taken as security, and the borrower’s repayment ability. The Water & Waste Disposal Loan term will not exceed 40 years.

Interest rates are negotiated between the USDA Lender and borrower for Water & Waste Disposal Loans. Rates may be fixed or variable. Variable interest rates may not be adjusted more often than quarterly.

Fees applicable to Water & Waste Disposal Loans include:

- An initial guarantee fee payable by USDA Lenders which is currently 1.00% of the guaranteed Waste & Water Disposal Loan amount.

- A fee for the issuance of the loan note guarantee prior to construction of 0.50% of the guaranteed amount of the Waste & Water Disposal Loan amount.
- Reasonable and customary fees for loan origination are negotiated between the borrower and USDA Lender.

*Underwriting Requirements.* Waste & Water Disposal Loans are subject to the following regulatory underwriting requirements:

- USDA Lenders will conduct a credit evaluation using credit documentation procedures and underwriting processes that are consistent with generally accepted prudent lending practices and also consistent with the USDA Lender's own policies, procedures and lending practices;
- The USDA Lender's evaluation must address any financial or other credit weaknesses of the borrower and project and discuss risk mitigation requirements;
- The USDA Lender must analyze all credit factors to determine that the credit factors and guaranteed loan terms and conditions ensure guaranteed loan repayment; and
- Credit factors to be analyzed include but are not limited to character, capacity, capital, collateral, and conditions.

*Additional Requirements.* Additional requirements applicable to Water & Waste Disposal Loans include the following:

- Borrowers must have legal authority to construct, operate and maintain the proposed facilities and services and to obtain, give security for and repay the proposed Water & Waste Disposal Loan; and
- Facilities financed with a Water & Waste Disposal Loan must be used for public purposes.

## **USDA Business & Industry Loans**

The USDA Business & Industry Loan Guarantees Program provides loan guarantees to USDA Lenders for their loans to rural businesses ("Business & Industry Loans").

*Eligible Borrowers and Uses of Business & Industry Loans.* Eligible recipients of Business & Industry Loans must be citizens of the U. S. or reside in the U.S. after being legally admitted for permanent residence. Private-entity borrowers must demonstrate that loans will remain in the U.S. and the facility being financed will primarily create new or save existing jobs for rural U.S. residents. Business & Industry Loans are available to borrowers in rural areas with populations of 50,000 residents or less, although a borrower's headquarters may be in a larger city as long as the project is located in an eligible rural area. USDA Lenders of Business & Industry Loans may be located anywhere in the U.S. Business & Industry Loans may be used for projects in rural or urban areas under the Local and Regional Food System Initiative.

Permissible uses of Business & Industry Loans include business conversion, enlargement, repair, modernization or development; the purchase and development of land, buildings and associated infrastructure for commercial or industrial properties; the purchase and installation of machinery and equipment, supplies or inventory; debt refinancing when such refinancing improves cash flow and creates jobs; and business and industrial acquisitions when the loan will maintain business operations and create or save jobs.

Business & Industry Loans may not be used for lines of credit; owner-occupied and rental housing; golf courses or golf course infrastructure; racetracks or gambling facilities; churches or church-controlled organizations; fraternal organizations; lending, investment and insurance companies; agricultural production with certain exceptions; distribution or payment to a beneficiary of the borrower or an individual entity that will retain an ownership interest in the borrower.

*Collateral Requirements and Financing Structure.* For Business & Industry Loans, the USDA Lender is responsible for obtaining and maintaining proper and adequate collateral for the guaranteed loan. All collateral relating to Business & Industry Loans must secure the guaranteed loan, with any discount of collateral being consistent with sound loan-to-value policy. USDA Lenders must provide satisfactory justification for discounts being used. The loan guarantee percentage applicable to Business & Industry Loans is published annually in a Federal Register notice. Business & Industry Loans approved in the federal government's 2025 fiscal year will receive at least an 80% guarantee. If a Business & Industry Loan borrower is in default, the holder of a participation in the guaranteed portion of the Business & Industry Loan may submit a claim to the USDA, and would be due proceeds from the USDA guarantee on a pro rata basis. The holder of a participation in the unguaranteed portion of a Business & Industry Loan would be dependent on the lead lender to liquidate the underlying collateral, and would then be due proceeds from liquidation on a pro rata basis.

USDA Lenders, with USDA concurrence, will establish and justify Business & Industry Loan terms based on the use of the Business & Industry Loan, the useful economic life of the assets being financed and those used as collateral, and the borrower's repayment ability. The term of a Business & Industry Loan term will not exceed 40 years.

Interest rates for Business & Industry Loans are negotiated between the USDA Lender and borrower. Rates may be fixed or variable. Variable interest rates may not be adjusted more often than quarterly.

Fees applicable to Business & Industry Loans include:

- An initial guarantee fee payable by USDA Lenders which is typically 3.00% of the guaranteed amount.
- A fee for the issuance of the loan note guarantee prior to construction of 0.50% of the guaranteed amount.
- Reasonable and customary fees for loan origination are negotiated between the borrower and USDA Lender.

Qualifying projects financed by Business & Industry Loans may receive a reduced fee of 1.00%.

*Underwriting Requirements.* Business & Industry Loans are subject to the following regulatory underwriting requirements:

- USDA Lenders will conduct a credit evaluation using credit documentation procedures and underwriting processes that are consistent with generally accepted prudent lending practices and also consistent with the USDA Lender's own policies, procedures and lending practices;
- The USDA Lender's evaluation must address any financial or other credit weaknesses of the borrower and project and discuss risk mitigation requirements;
- The USDA Lender must analyze all credit factors to determine that the credit factors and guaranteed loan terms and conditions ensure guaranteed loan repayment; and
- Credit factors to be analyzed include but are not limited to character, capacity, capital, collateral, and conditions.

### **BUREAU OF INDIAN AFFAIRS INDIAN LOAN GUARANTEE AND INSURANCE PROGRAM**

Under the U.S. Bureau of Indian Affairs ("BIA") Indian Loan Guarantee and Insurance Program, the U.S. Department of the Interior helps American Indian and Alaska Native tribes and individuals overcome barriers to conventional financing and secure loans ("ILGP Loans") with reasonable interest rates, while also reducing the risk to BIA Lenders by providing financial backing from the U.S. federal government.

#### **Investments in BIA Loans**

The Fund will invest in ILGP Loans through participations originated by BIA Lenders.

The Fund may invest in participations in BIA Loans that meet BIA eligibility requirements and have been approved by BIA. All BIA Loans will be fully collateralized after commercially reasonable discounts and adhering to standard BIA collateral requirements. The Fund will consider investing in BIA Loans where cash flow is deemed to be sufficient on a historical or future project basis to service the BIA Loan for the entirety of the term.

BIA Loans must be funded to the Borrower. Should a Borrower declare bankruptcy, the Fund would work with the seller of the interest in the BIA Loan to either restructure the loan or foreclose and liquidate the collateral.

*Certain Fees Paid to or by the Fund.* The Fund may purchase participating interests in the guaranteed or unguaranteed portion of the BIA Loans that are part of the ILGP Program. In acquiring a participation in such BIA Loans, the Adviser will negotiate a participation purchase price that may include payment of premium, a purchase at par, or a purchase at below par with the seller retaining servicing income.

*Selling BIA Loans.* Should a secondary sale become necessary, the Fund can sell its participation to another entity.

*Eligible Borrowers and Uses of ILGP Loans.* Eligible recipients of ILGP Loans must be either a federally-recognized Indian Tribe, an individual member of a federally-recognized Indian Tribe, or an entity that is at least 51% owned by members of federally-recognized Indian Tribes. The borrower must have at least 20% tangible equity in the project being financed, and the project must benefit the economy of a reservation or tribal service area. The limit for guaranteed loans to individual borrowers is \$500,000. A BIA Lender must ensure that a business entity is qualified. If at any time a business entity or tribal enterprise becomes less than 51% Indian-owned, the BIA Lender either may declare a default as of the date the enterprise becomes less than 51% Indian owned, or continue to extend the loan to borrower and allow the guarantee or insurance under the loan to become invalid.

ILGP Loans may be used for a variety of purposes including for operating capital, equipment purchases, acquisitions and refinancings, building construction and lines of credit. ILGP Loans may not be used for casinos, smoke shops, vape shops, businesses whose substantial purpose is to cultivate, prepare, package, transport distribute or sell tobacco or vaping products, breweries, wineries or distillers making products with over 20% alcohol by volume, brothels or other businesses involving prostitution.

*Collateral Requirements and Financing Structure.* For ILGP Loans, BIA can guarantee or insure a loan of combination of loans of up to \$500,000 for an individual, or more for an acceptable Indian business entity, Indian Tribe or tribal enterprise involving two or more persons. BIA may limit the size of loans it will guarantee or insure depending on the size of loans it will guarantee or insure. The BIA Lender is responsible for obtaining and maintaining proper and adequate collateral for the guaranteed loan. All collateral relating to ILGP Loans must secure the guaranteed loan. BIA can guarantee up to 90% of the unpaid principal and accrued interest due on a loan and insure the lesser of 90% of the unpaid principal and accrued interest due on a loan, or 15% of the aggregate outstanding principal amount of all loans the BIA Lender has insured under the ILGP Program as of the date the BIA Lender makes a claim under its insurance coverage. Generally, BIA will not allow more than two simultaneous guarantees under the ILGP Program covering outstanding loans from the same BIA Lender to the same borrower, or one loan guarantee under the ILGP Program when the BIA Lender simultaneously has one or more outstanding loans insured under the ILGP Program to the same borrower. If an ILGP Loan borrower is in default, the holder of a participation in the guaranteed portion of the ILGP Loan may submit a claim to the BIA, and would be due proceeds from the BIA guarantee on a pro rata basis. The holder of a participation in the unguaranteed portion of an ILGP Loan would be dependent on the lead lender to liquidate the underlying collateral, and would then be due proceeds from liquidation on a pro rata basis.

Fees applicable to ILGP Loans include:

- A premium of 2.00% of the guaranteed amount payable by BIA Lenders within 30 days of the loan closing.
- A fee of 1.00% of the portion of the original loan principal amount that BIA insures, without considering the 15% aggregate outstanding principal limitation on the BIA Lender's insured loans.

BIA Lenders may pass the cost of these fees onto the borrowers.

*Underwriting Requirements.* ILGP Loans are subject to the following regulatory underwriting requirements:

- BIA Lenders will conduct a credit evaluation using credit documentation procedures and underwriting processes that are consistent with generally accepted prudent lending practices and also consistent with the BIA Lender's own policies, procedures and lending practices;
- The BIA Lender's evaluation must address any financial or other credit weaknesses of the borrower and project and discuss risk mitigation requirements;
- The BIA Lender must analyze all credit factors to determine that the credit factors and guaranteed loan terms and conditions ensure guaranteed loan repayment;
- Credit factors to be analyzed include but are not limited to character, capacity, capital, collateral, and conditions

BIA Lenders must also state they are unable to make an ILGP Loan without a guarantee.

## **COMMUNITY REINVESTMENT ACT**

### **Community Reinvestment Act**

The CRA encourages banks and savings institutions ("Banks") to help meet the credit needs of their local communities, including low- and moderate-income ("LMI") neighborhoods through lending activities, investments, financial and other services, and community development investments and activities. The term "community development" is defined in the CRA to include loans and investments that promote economic development by financing businesses or farms that meet the SBA's size eligibility standards or that have gross annual revenues of \$1 million or less.

An activity may be deemed to promote economic development if it supports permanent job creation, retention, and/or improvement for persons who are currently LMI, or supports permanent job creation, retention, and/or improvement in LMI areas targeted for redevelopment by federal, state, local or tribal governments. Economic development activities are not the only activities that can be considered community development activities under the CRA. Activities that revitalize or stabilize LMI geographies can also have the community development qualities that are eligible for favorable consideration in a Bank's CRA examination.

The FRB, the Office of the Comptroller of the Currency ("OCC") and the FDIC generally consider loans exceeding \$1 million made as part of the SBA 504 Program to be community development loans. To simplify CRA designation, the Fund will target 504 First Lien Loans greater than \$1 million. From time to time, however, the Fund will consider 504 First Lien Loans under \$1 million, evaluating whether the loan's primary purpose is community development. Any expenses associated with a CRA evaluation will be borne by the Adviser and not passed on to the Fund or its shareholders. USDA RD Loans and ILGP Loans may also be considered community development loans.



Although the Fund expects that its Community Development Loan investments will satisfy the community development standards of the CRA and that shares of the Fund will therefore be eligible for favorable consideration in a Bank's CRA examination, the regulatory agencies—including the FRB, the OCC and the FDIC—will make the final determination about whether Community Development Loans have the community development qualities that are necessary for favorable consideration. There is no assurance that the agencies will concur with the Adviser's evaluation of Community Development Loans as CRA qualifying.

### **Designated Target Regions**

In most cases, community development loans and qualified investments must be responsive to the community development needs of a Bank's delineated CRA assessment area or a broader statewide or regional area that includes the CRA assessment area. However, if the regulatory agency concludes that a Bank has adequately addressed the needs of its assessment areas, the agency may give favorable consideration to community development loans and qualified investments in geographies beyond the statewide or regional area of which the Bank's CRA assessment area is a part. This provision applies to BIA Loans in areas designated by the BIA as "Indian Country," indicating that BIA Loans located both inside and outside of a bank's assessment area would be eligible for CRA consideration, as long as a bank satisfies the needs of its own assessment area(s). In addition, banking regulators have commented that nationwide funds may be suitable investment opportunities, particularly for large Banks with a nationwide branch footprint or a nationwide business focus.

Generally, however, a Bank receives the most favorable consideration for loans, investments, services and community development activities that benefit the assessment area of the Bank. Accordingly, investors meeting certain investment levels at the time of their share purchase may request to have their investment amount invested in particular areas of the United States as their preferred geographic focus or designated target region ("Target Region"). Investors who purchase Fund shares may request to allocate their investment to a Target Region in a single or multiple state, metropolitan statistical area, county or city. In determining whether an investor is eligible to request a Target Region, the investor's current investment will be aggregated with the investor's existing account value.

The Adviser will use its best efforts to invest in Community Development Loan in the Target Region. However, there is no guarantee that investments will be possible in designated Target Regions. The Adviser will continue its efforts until an investment is made or the Bank redeems its shares.

Investors who do not select or are ineligible to select a Target Region will not be assigned any particular loan or geographical area.

Each shareholder's returns will be based on the investment performance of the Fund's blended overall portfolio of investments, not just on the performance of the assets in the Target Region selected by that shareholder.

## **Attribution Among Bank Fund Investors for CRA Evaluation Purposes**

The bank regulatory agencies evaluate a Bank's compliance with the goals of the CRA in a geographic context, meaning the agencies evaluate the Bank's efforts to satisfy credit needs of the communities that the Bank actually serves, particularly LMI communities. The CRA rules allow a Bank to define the geographic context for its CRA evaluation as a CRA assessment area, making evaluation results dependent on the Bank's performance within that physical assessment area. However, an economically disadvantaged community or assessment area can derive not only a micro-economic benefit from a Bank's loan and other transactions with individual borrowers, with businesses, and with community-service organizations located within the geographic confines of the community, but can also derive a macro-economic benefit from community development activities and collective efforts that cross the geographic lines of a particular Bank's assessment area (for example, by an equity investment in state-wide, regional, or even nationwide funds whose goal is community development).

If Banks were unable to receive favorable consideration under the CRA for those fund investments, that would discourage an important means of promoting both micro-economic and macro-economic benefits in disadvantaged communities. To encourage Banks to take advantage of all opportunities for promoting the well-being of economically disadvantaged communities, the federal banking agencies make clear through interagency CRA interpretations and policy pronouncements that Banks will receive favorable consideration for collective efforts to promote community well-being (for example, by investment in a fund having a community-development focus).

To obtain favorable consideration, however, the Bank investor in a fund must show that the investment produces benefits either within the Bank's specific CRA assessment area or within a broader statewide or regional area of which the assessment area is part. When a fund itself does not confine its activities to that specific statewide or regional area, however (for example, when a fund's activities potentially are nationwide), a fund's adviser may, for the benefit of a specific fund investor, attribute a particular fund investment to that investor if the geographic focus of the particular fund investment coincides with the investor's geographic area, doing so for CRA purposes only and without also specially allocating to that fund investor the economic benefits of that fund investment. Referred to in interagency bank regulatory interpretations as "earmarking," the bank regulatory agencies recognize and endorse the attribution of a fund investment to a specific fund investor for CRA evaluation purposes, a process that can be accomplished in a number of ways, including by a specific letter from the fund sponsor to an individual fund investor.

Although Fund investors share equally in Fund benefits from an economic and financial point of view, each proportionately according to its investment in the Fund, the Fund may "earmark" specific loans to specific Banks for CRA evaluation purposes only. Any expenses associated with "earmarking" or assisting a Bank with its CRA evaluation will be treated as an Adviser expense to be absorbed by the Adviser and not passed on to the Fund or its shareholders.

Earmarking does not grant a Bank any vested interest or ownership interest in any loan or portfolio of loans. It also does not give a Bank any rights to make investment decisions regarding the loan or to veto any of the Adviser's portfolio management decisions. The Adviser will make investment decisions for the Fund, in its sole discretion and in the best interests of the Fund, with both of the Fund's investment objectives in mind: (1) to provide current income, consistent with the preservation of capital, and (2) to enable institutional Fund investors that are subject to regulatory examination for CRA compliance to claim favorable regulatory consideration of their investment under the CRA. The Adviser will manage the Fund equitably for the benefit of all investors. This means, among other things, that the Adviser will purchase and sell Community Development Loans independently of the earmarking. A Community Development Loan must satisfy the Adviser's underwriting criteria to be considered for an investment by the Fund. The Adviser is free to and will only sell a Community Development Loan if such sale is in the best interests of the Fund, irrespective of the fact that the loan is earmarked for a particular Bank investor.

## OTHER FUND INVESTMENTS AND POLICIES

In addition to the principal investment strategies described above, the Fund may also invest up to 20%, in the aggregate, of its assets in investments other than Community Development Loans, including the investments described in this paragraph and under “*When-Issued 504 First Lien Loans and Forward Commitments*,” “*Repurchase Agreements*” and “*Reverse Repurchase Agreements*” below. The Fund may invest in U.S. Government securities and money market funds that invest exclusively in U.S. Government securities. The Fund may invest in repurchase and reverse repurchase agreements collateralized by U.S. Government securities. The Fund may invest in mortgage-backed and asset-backed securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities. The Fund may invest in certificates of deposit and other time deposits and savings accounts in a commercial or savings bank or savings association whose accounts are insured by the FDIC.

### **When-Issued 504 First Lien Loans and Forward Commitments**

504 First Lien Loans may be purchased or sold on a “forward commitment” or “when-issued” basis (meaning 504 First Lien Loans are purchased or sold with payment and delivery taking place in the future) in order to secure what is considered to be an advantageous price and yield at the time of entering into the transaction. An example of such a situation is committing to purchase a 504 First Lien Loan on a to-be-constructed facility. The yield on a comparable 504 First Lien Loan when the transaction is consummated may vary from the yield on the 504 First Lien Loan at the time that the forward commitment or when-issued transaction was made. From the time of entering into the transaction until delivery and payment is made at a later date, the 504 First Lien Loan that is the subject of the transaction is subject to market fluctuations. In a forward commitment or when-issued transaction, if the seller or buyer, as the case may be, fails to consummate the transaction, the counterparty may miss the opportunity of obtaining a price or yield considered to be advantageous. Forward commitments or when-issued transactions may be expected to occur a month or more before delivery is due; however, no payment or delivery is made until payment is received or delivery is made from the other party to the transaction. Forward commitments or when-issued transactions are not entered into for the purpose of investment leverage.

## **Repurchase Agreements**

The Fund may invest in repurchase agreements under which the Fund acquires a U.S. Government security from a Financial Institution, broker, dealer or other counterparty (a “Counterparty”), and simultaneously agrees to resell such security to the seller at an agreed upon price and date (normally, the next business day for U.S. Government securities). The Fund also may invest in repurchase agreements under which the Fund acquires a Community Development Loan from a Counterparty, and simultaneously agrees to resell such loan at a mutually agreed upon price and date (normally, less than a year). Because the security purchased constitutes collateral for the repurchase obligation, a repurchase agreement may be considered a loan that is collateralized by the security purchased. The acquisition of a repurchase agreement may be deemed to be an acquisition of the underlying securities as long as the obligation of the seller to repurchase the securities is collateralized fully. The Fund follows certain procedures designed to minimize the risks inherent in such agreements. These procedures include effecting repurchase transactions only with creditworthy Counterparties whose condition will be periodically monitored by the Adviser.

## **Reverse Repurchase Agreements**

The Fund may invest in reverse repurchase agreements with Counterparties. Reverse repurchase agreements involve sales by the Fund of portfolio assets concurrently with an agreement by the Fund to repurchase the same assets at a later date at a fixed price. Reverse repurchase agreements are considered to be borrowings under the 1940 Act.

## **504 Second Lien Loans**

The Fund may invest in 504 Second Lien Loans through assignments. The Fund may also invest in a 504 Second Lien Loan through a participation, origination or co-origination. Additional information on 504 Second Lien Loans is available above under “*SBA 504 Certified Development Company Loan Program – 504 Second Lien Loans.*”

## **SBA 7(a) Loans and SBA 7(a) Pooled Loan Securities**

The Fund may invest in SBA 7(a) loans (“7(a) Loans”) and SBA 7(a) pooled loan securities. 7(a) Loans are intended to provide help for small businesses with special requirements such as the purchase of real estate, working capital, refinancing of current debt and purchase of furniture, fixtures and supplies. The maximum amount of a 7(a) Loan is \$5 million dollars. The Fund may acquire participations in 7(a) Loans. Alternatively, Financial Institutions may pool 7(a) Loans and sell interests in 7(a) Loan pool. The Fund may also acquire interests in pools of 7(a) Loans offered by a Financial Institution.

## **LEVERAGE**

The Fund may borrow money for investment purposes, to satisfy repurchase requests from shareholders, and to otherwise provide the Fund with liquidity. For example, the Fund may borrow money through a credit facility or other arrangements to manage timing issues in connection with the acquisition of its investments (i.e., to provide the Fund with liquidity to acquire investments in Community Development Loans in advance of the Fund’s receipt of proceeds from the sale of additional Fund shares or the receipt of redemption proceeds from the sale of one or more Community Development Loans). The Fund also may borrow money to fund repurchase payments to Fund shareholders. Any such borrowings, as well as the issuance of notes or other forms of indebtedness, would constitute leverage. The use of leverage for investment purposes increases both investment opportunity and investment risk.

The 1940 Act requires a registered investment company to satisfy an asset coverage requirement of 300% of its indebtedness, including amounts borrowed, measured at the time the investment company incurs the indebtedness (the “Asset Coverage Requirement”). This requirement means that the value of the investment company’s total indebtedness may not exceed one-third of the value of its total assets (including the value of the assets purchased with the proceeds of its indebtedness). The Fund’s borrowings will at all times be subject to the Asset Coverage Requirement.

The Fund is not permitted to declare distributions (except a distribution payable in shares of the Fund) or other distributions or purchase shares of the Fund unless at the time thereof the Fund meets the Asset Coverage Requirements. In addition, a credit facility may contain covenants that, among other things, likely would limit the Fund’s ability to pay distributions in certain circumstances.

The Fund will be subject to certain covenants and restrictions imposed by lenders to the Fund. These restrictions may impose asset coverage, fund composition requirements (e.g., maintaining a portion of the Fund’s assets in cash or cash equivalents as a reserve against interest and principal payments) and limits on additional debt that are more stringent than those imposed on the Fund by the 1940 Act.

Borrowings by the Fund may be made on a secured basis. The Fund’s custodian will either segregate the assets securing the Fund’s borrowings for the benefit of the Fund’s lenders or arrangements will be made with a suitable sub-custodian. If the assets used to secure a borrowing decrease in value, the Fund may be required to pledge additional collateral to the lender in the form of cash or securities to avoid liquidation of those assets. In the event of a default, the lenders have the right to cause a liquidation of the collateral (i.e., sell Community Development Loans and other assets of the Fund) and, if any such default is not cured, the lenders may be able to control the liquidation as well. The Fund’s lenders will have priority to the Fund’s assets over the Fund’s shareholders. In addition, a lender to the Fund may terminate or refuse to renew any credit facility. If the Fund is unable to access additional credit, it may be forced to sell investments at inopportune times, which may depress the returns of the Fund or cause a loss to the Fund.

## RISKS

**There can be no assurance that the Fund will achieve its investment objectives. An investment in the Fund is an appropriate investment only for those investors who can tolerate a high degree of risk and do not require a liquid investment. Investors may lose some or all of their investment in the Fund. The Fund is not designed to be a complete investment program and may not be a suitable investment for all investors. The risk factors described below are the principal risk factors associated with an investment in the Fund, as well as those factors associated with an investment in an investment company with similar investment objectives and investment policies.**

### **Investment and Market Risk**

An investment in the Fund is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in the Fund represents an indirect investment in a portfolio of Community Development Loans, which will predominantly be comprised of 504 First Lien Loans, USDA Loans and ILGP Loans, and other investments, and the value of these loans and other investments may fluctuate. At any point in time an investment in the Fund's shares may be worth less than the original amount invested.

The Fund's shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the FDIC, the FRB or any other government agency.

Except to the extent used to satisfy periodic repurchase offers, the Adviser expects to be able to fully invest net proceeds in accordance with the Fund's investment objectives and policies within three to six months of receipt of the proceeds. Such investments may be additionally delayed for a period of three months or longer if Community Development Loans that are eligible for CRA treatment as community development loans or other qualified investments are unavailable at the time or for other reasons. A delay in the anticipated use of proceeds could prevent the Fund from achieving its investment objectives.

### **Recent Market Events Risk**

U.S. and international markets have experienced and may continue to experience significant periods of volatility in recent years and months due to a number of economic, political and global macro factors including uncertainty regarding inflation and central banks' interest rate increases, the possibility of a national or global recession, trade tensions, political events, the war between Russia and Ukraine, and armed conflict between Israel and Hamas in the Middle East. Market volatility within the U.S. may cause disruptions to the operations of small business borrowers that may utilize the Community Development Loans in which the Fund invests and may have adverse effects on their long-term health and viability. As a result, the market for certain Community Development Loans and the value of Community Development Loans held by the Fund could be negatively affected by these market conditions and may also be negatively affected in the future by increased rates of default and foreclosure, loan repayment deferral or forbearance requests by borrowers, lower loan origination volumes and the availability of other government loan and relief programs. In addition, the impact of the factors noted above may exacerbate certain risks discussed in the Fund's Prospectus, including Community Development Loans risk, hospitality industry concentration risk, credit risk, valuation risk, liquidity risk and interest rate risk. Continuing uncertainties regarding interest rates, rising inflation, political events, rising government debt in the U.S. and trade tensions also contribute to market volatility.

As a result of continuing political tensions and armed conflicts, including the war between Ukraine and Russia, the U.S. and the European Union imposed sanctions on certain Russian individuals and companies, including certain financial institutions, and have limited certain exports and imports to and from Russia. The war has contributed to recent market volatility and may continue to do so. The Middle East conflict has led to significant loss of life, damaged infrastructure and escalated tensions both in the region and globally. The Adviser will monitor developments and seek to manage the Fund in a manner consistent with achieving the Fund's investment objectives, but there can be no assurance that it will be successful in doing so.

These developments, as well as other events, could result in further market volatility and negatively affect financial asset prices, the liquidity of certain securities and the normal operations of securities exchanges and other markets, despite government efforts to address market disruptions. As a result, the risk environment remains elevated. The Adviser will monitor developments and seek to manage the Fund in a manner consistent with achieving the Fund's investment objectives, but there can be no assurance that it will be successful in doing so.

### **Non-Marketability of Shares**

The Fund's shares are not listed on any securities exchange. There is no guarantee that a secondary market for Fund shares will develop. The Fund's shares, therefore, may not be readily marketable. Even if any such market were to develop, closed-end fund shares frequently trade at a discount from NAV, which creates a risk of loss for investors purchasing shares in the initial offering period.

### **Repurchase Offers Risk**

An investment in the Fund is subject to the risk that the Fund's repurchases of shares may hurt investment performance by forcing the Fund to maintain a higher percentage of its assets in liquid investments or to liquidate certain investments when it is not desirable to do so. Repurchases may be oversubscribed, preventing shareholders from selling some or all of their tendered shares back to the Fund.

### **Fixed Income Instruments Risk**

Fixed income instruments are particularly susceptible to the following risks:

*Issuer Risk.* The value of fixed income instruments may decline for a number of reasons that directly relate to the issuer, such as management performance and financial leverage.

*Interest Rate Risk.* The market price of the Fund's investments will change in response to changes in interest rates and other factors. During periods of declining interest rates, the market price of fixed rate fixed income instruments generally rises. Conversely, during periods of rising interest rates, the market price of such instruments generally declines. The magnitude of these fluctuations in the market price of fixed income instruments is generally greater for instruments with longer durations because such instruments do not mature, reset interest rates or become callable for longer periods of time. Fluctuations in the market price of the Fund's instruments will not affect interest income derived from instruments already owned by the Fund, but will be reflected in the Fund's NAV.

*Interest Rate Reset Risk.* Market interest rates may dictate that Community Development Loans include shorter duration adjustable rate terms based on Prime, SOFR, U.S. Treasury yields, or some other index. If market rates are higher at the time of future rate resets, the Borrower's Community Development Loan payment will rise accordingly. A significant rise in a Community Development Loan's interest rate and payment, especially if that increase is concentrated over a short period of time, could result in Borrower distress or default.

Since certain Community Development Loans have a fixed interest rate, only the Borrower's Community Development Loan payment will be affected, and this increased payment could result in the default of the Community Development Loan, subsequent liquidation action and loss to the Fund.

*Prepayment Risk.* During periods of declining interest rates, the issuer of an instrument may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest the proceeds from such prepayment in potentially lower yielding instruments. This is known as prepayment or "call" risk.

*Extension Risk.* The other side of prepayment risk occurs when interest rates are rising. Rising interest rates can cause the Fund's average maturity to lengthen unexpectedly due to a drop in prepayments.

*Risk of Loans That Are Not Fully Amortized.* Certain First Lien Lenders may offer loans that are not fully amortizing, such as a 25-year amortization due in 10 years, to their small business commercial real estate borrowers. If a Borrower is unable to pay off a loan at maturity with proceeds of a refinancing by a third party lender or sale of the property, the Fund would be faced with a matured loan with an outstanding principal balance which would result in substantial losses to the Fund.

## **Community Development Loans Risk**

The Fund predominantly invests in fixed or variable rate Community Development Loans arranged through private negotiations between individuals, agricultural producers, small business borrowers, public bodies, federally-recognized Indian Tribes and non-profit businesses (collectively, the "Borrower") and one or more lenders. Community Development Loans are secured by collateral and have a claim on the assets of the Borrower that is senior to the second lien held by a CDC in the case of a 504 First Lien Loan and any claims held by unsecured creditors. The Community Development Loans the Fund will invest in are not rated. Community Development Loans are subject to a number of risks described elsewhere in this Prospectus, including credit risk, liquidity risk, valuation risk and interest rate risk.



All of the Community Development Loans in which the Fund will invest will be secured by collateral. Although the Community Development Loans in which the Fund will invest will be secured by collateral, including real property in some cases, there can be no assurance that such collateral has been accurately appraised and/or can be readily liquidated or that the liquidation of such collateral would satisfy the Borrower's obligation in the event of non-payment of scheduled interest or principal, which could result in substantial loss to the Fund. There is also a risk that the Fund's lien on the real property may not be perfected. In the event of a default on any Community Development Loan, the Fund is reliant upon the Financial Institution or Non-bank Lender to liquidate collateral in a manner that will minimize any potential losses. For any default on a Community Development Loan, Financial Institutions or Non-Bank Lenders issuing the Community Development Loan typically have a responsibility to work with Borrowers to bring the Community Development Loan current before the Financial Institution or Non-bank Lender can seek to liquidate any collateral.

In the event of the bankruptcy or insolvency of a Borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a Community Development Loan. In the event of a decline in the value of the already pledged collateral, the Fund will be exposed to the risk that the value of the real property will not at all times equal or exceed the amount of the Borrower's obligations under the Community Development Loan.

In general, the secondary trading market for Community Development Loans is not fully developed. No active trading market may exist for certain Community Development Loans, which may make it difficult to value them. Illiquidity and adverse market conditions may mean that the Fund may not be able to sell certain Community Development Loans quickly or at a fair price. To the extent that a secondary market does exist for certain Community Development Loans, the market for them may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

If legislation or state or federal regulations impose additional requirements or restrictions on the ability of Financial Institutions or Non-bank Lenders to make Community Development Loans, the availability of Community Development Loans for investment by the Fund may be adversely affected. In addition, such requirements or restrictions could reduce or eliminate sources of financing for certain Borrowers.

There may be less readily available information about Community Development Loans and the Borrowers than is the case for investments in many other types of securities. Community Development Loans are issued to Borrowers that are not subject to SEC reporting requirements. As a result, the Adviser will rely primarily on its own evaluation of a Borrower's credit quality rather than on any available independent sources. Therefore, the Fund will be particularly dependent on the analytical abilities of the Adviser.

The Fund may invest in Community Development Loans through participations with Financial Institutions and, in the case of participations in USDA RD Loans and BIA Loans, through participations with Non-bank Lenders. Non-bank Lenders issuing USDA RD Loans are subject to a rigorous approval process that evaluates the experience, servicing capabilities, capitalization, warehouse financing and track record of issuing loans. A participation typically results in a contractual relationship only with the Financial Institution or Non-bank Lender selling the participation interest, not with the Borrower. In purchasing participations, the Fund generally will have no direct right to enforce compliance by the Borrower with the terms of the loan agreement and, depending on the terms of the participation agreement, the Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation and will be subject to the manner in which the Financial Institution or Non-bank Lender enforces the terms of the loan agreement with the Borrower. As a result, the Fund will be exposed to the credit risk of both the Borrower and the Financial Institution or Non-bank Lender selling the participation.

## **Real Estate Risk**

The Fund will not invest in real estate directly, but, because the Fund will invest in Community Development Loans secured by real estate, its portfolio will be significantly impacted by the performance of the real estate market and may experience more volatility and be exposed to greater risk than a more diversified portfolio. The value of real estate collateral is affected by changes in general economic and market conditions; local economic conditions, overbuilding and increased competition; increases in property taxes and operating expenses; changes in zoning laws; casualty and condemnation losses including environment remediation costs; and changes in interest rates.

## **Credit Risk**

Credit risk is the risk that one or more debt instruments in the Fund's portfolio will decline in price or fail to pay interest or principal when due because the borrower experiences a decline in its financial status. Losses may occur because the market value of a debt security is affected by the creditworthiness of the issuer and by general economic and specific industry conditions.

## **Alt-A and Sub-Prime Borrowers Risk**

Some of the guarantors of the loans may have FICO scores of Alt-A or sub-prime. Loans to Alt-A or sub-prime borrowers have a higher risk of default than loans to prime borrowers. Sub-prime borrowers typically have weakened credit histories that include payment delinquencies and possibly more severe problems such as charge-offs, judgments and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, debt-to-income ratios, or other criteria that may encompass borrowers with incomplete credit histories. The purchase of loans with exposure to risks associated with Alt-A or sub-prime lending is not a principal investment strategy of the Fund; however, such investments could still result in substantial loss to the Fund.

## **Below Investment Grade or "Junk" Risk**

SBA 504 First Lien Loans, USDA RD Loans, and BIA Loans typically are not rated by any rating agency. The Adviser believes that if such loans were rated, they would likely be rated as below investment grade or "junk." Exposure to below investment grade loans involves certain risks and those loans are viewed as having predominantly speculative characteristics with respect to the borrower's capacity to pay interest and repay principal. A below investment grade loan or an interest in a below investment grade loan may experience a default for a variety of reasons. Upon any loan becoming defaulted, such loan may become subject to either substantial workout negotiations or restructuring, which may entail a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such loan. In addition, such negotiations or restructuring may be extensive and protracted, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such loan. The liquidity for defaulted loans may be limited and, to the extent that such loans are sold, the proceeds from such sale may be less than the amount of unpaid principal and interest on such loans.

## **Liquidity Risk**

Community Development Loans are not readily marketable. Community Development Loans are not listed on any national securities exchanges or automated quotation systems and no active trading market exists for certain Community Development Loans. To the extent that a secondary market does exist for certain Community Development Loans, such market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. Illiquid Community Development Loans may impair the Fund's ability to realize the full value of its assets in the event of a voluntary or involuntary liquidation of such assets and thus may cause a decline in the Fund's NAV. The Fund has no limitation on the amount of its assets which may be invested in securities or other financial instruments which are not readily marketable or are subject to restrictions on resale.

## **Valuation Risk**

Unlike publicly traded equity securities that trade on national exchanges, there is no central place or exchange for Community Development Loans to trade. Due to the lack of centralized information and trading, the Adviser's judgment plays a greater role in the valuation process and the valuation of Community Development Loans. Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency and inconsistency of valuation models and processes, including the inability to obtain timely and/or accurate information for model inputs may lead to inaccurate asset pricing. In addition, other market participants may value instruments differently than the Fund, and therefore the actual amount received in the sale of the Community Development Loan may be less than the fair value of such loan, as determined by the Fund.

## **Lender Liability Risk**

A number of U.S. judicial decisions have upheld judgments obtained by borrowers against lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has violated a duty of good faith, commercial reasonableness and fair dealing, or a similar duty owed to the borrower, or has assumed an excessive degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of its investments, the Fund may be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination."

### **Anti-Deficiency Legislation Risk**

Certain states have imposed statutory and judicial restrictions that limit the remedies of a beneficiary under a deed of trust or a mortgagee under a mortgage. As a result of these prohibitions, it is anticipated that in most instances where deficiency judgments are not permitted, the Adviser will utilize the non-judicial foreclosure remedy and will not seek deficiency judgments against defaulting borrowers in those states where non-judicial foreclosure is acceptable.

In addition to anti-deficiency and related legislation, numerous other federal and state statutory provisions, including the federal bankruptcy laws and state laws affording relief to debtors, may interfere with or affect the ability of the secured mortgage lender to realize upon its security. The federal tax laws provide priority to certain tax liens over the lien of a mortgage or secured party.

### **Income Risk**

The income investors receive from the Fund is based primarily on the interest the Fund earns from its investments, which can vary widely over the short and long term. If during a loan's adjustable rate period the prevailing market interest rates drop, investors' income from the Fund could drop as well.

### **State Lending Risk**

The Fund may invest in Community Development Loans originating in all 50 states and, potentially, territories of the U.S. if one or more investors are based in a territory. There is a relatively wide range of economic prosperity between the states. Loans in certain states or sub-regions may perform better or worse as compared to other states or sub-regions. Certain states are focused on energy production where other states may be based more on tourism or agriculture. If a state-focused industry suffers an economic downturn, the Fund may sustain higher loan defaults and/or lower recovery values on foreclosed properties.

A further disparity among states is the process and timing of the foreclosure process. For instance, California, the highest 504 First Lien Loan producing state, is a non-judicial foreclosure state and enjoys reasonable average foreclosure time frames. Florida, on the other hand, is a judicial foreclosure state with an average foreclosure time frame of more than double that of California. The longer the foreclosure time period, the higher the liquidation cost. Please also see "*Geographic Concentration Risk.*"

## **Non-Diversification Risk**

The Fund is classified as “non-diversified” under the 1940 Act. As a result, it can invest a greater portion of its assets in obligations of a single issuer than a “diversified” fund. The Fund may, therefore, be more susceptible than a diversified fund to being adversely affected by any single corporate, economic, political or regulatory occurrence. The Fund’s Community Development Loan investments are concentrated in California and Georgia. As a result, the Fund may be more susceptible to being adversely affected by any single occurrence in California and Georgia. Further, if the Fund is not able to attract a sufficient level of assets, the Fund’s underlying investments may be less diversified than they would be if the Fund had greater assets.

## **Geographic Concentration Risk**

The Fund’s Community Development Loan investments are currently concentrated in California and Georgia. As a result, the Fund may be more susceptible to being adversely affected by California’s or Georgia’s economy. While California’s economy is broad, it does have major concentrations in high technology, aerospace and defense-related manufacturing, trade, entertainment, real estate and financial services, and may be sensitive to economic problems affecting those industries.

Mortgaged properties in California may be particularly susceptible to certain types of hazards, such as earthquakes, floods, mudslides, wildfires and other natural disasters, for which there may or may not be insurance. Mortgaged properties in Georgia may be particularly susceptible to economic risks of the state and certain types of hazards such as tornadoes, hurricanes, floods and other natural disasters, for which they may not be insured. As of June 30, 2024, 42.11% and 14.53% of the Fund’s investments were associated with properties located in Georgia and California, respectively. Mortgaged properties in other states similarly may be adversely affected by natural disasters for which there may not be insurance and which could result in substantial loss to the Fund. The Adviser requires hazard insurance in amounts and with coverages customarily required in commercial real estate lending transactions, covering losses such as fires and floods, where flood insurance is available. Please also see “*State Lending Risks*” above.

## **Heavy Equipment Risk**

The Fund may invest in Community Development Loans where a component of the loan permits the acquisition of heavy equipment. Heavy equipment is subject to special risks such as potentially shorter asset life, quicker depreciation in value and lower liquidation or resale value than real estate.

## **Hospitality Industry Concentration Risk**

The Fund may have a concentration of hospitality properties. Such concentration will not exceed 50% of the Fund’s net assets. If the hospitality industry suffers an economic downturn as was seen in the periods from 2002–2003, 2008–2010 and during the COVID-19 pandemic, it is possible that the default rate on Community Development Loans held in the Fund’s portfolio could be affected. It is also possible that the recovery rate could be negatively affected due to a surplus of hospitality properties in the general economy in liquidation throughout the country. Hospitality properties are special purpose properties with a limited resale market. Hospitality properties and certain other special purpose properties are uniquely challenging to liquidate. The primary reasons are the single purpose nature (e.g., can only be used as a hotel) and the desire to have the hospitality business remain open during liquidation. The rationale is that an operating business will command a higher price than a closed business. This often requires a lender to hire a professional management firm.

### **Qualification for CRA Credit Risk**

Although the Adviser believes that the Fund's Community Development Loan investments will have the community development qualities that are eligible for favorable regulatory consideration as community development loans and qualified investments under the CRA, there is no guarantee that an investor will receive CRA credit for an investment in the Fund.

### **CRA Strategy Risk**

The Fund's goal of holding Community Development Loans so that Fund investors that are subject to regulatory examination for CRA compliance may claim their Fund investment as a community development loan or as a qualified investment will cause the Adviser to take this factor into account in determining which loans the Fund will purchase and sell. Accordingly, portfolio decisions will not be exclusively based on the investment characteristics of the Community Development Loans, which may have an adverse effect on the Fund's investment performance. For example, CRA qualified loans in geographic areas sought by the Fund may not provide as favorable return as CRA qualified loans in other geographic areas. The Fund may sell loans for reasons relating to CRA qualification at times when such sales may not be desirable. Such sales could occur, for example, if an investor redeems its shares of the Fund, or if investments that have been designated to specific investors for CRA qualifying purposes are ultimately determined not to be, or to have ceased to be, CRA qualifying. The Fund may hold short-term investments that produce relatively low yields pending the selection of long-term investments believed to be CRA-qualified.

### **Non-Bank Lending Institutions Risk**

The Fund may purchase whole loan interests in 504 First Lien Loans (but not participations or fractional interests) from Non-bank Lenders. The Fund may also acquire participations in certain types of Community Development Loans from Non-bank Lenders. Non-bank Lenders are not held to the same regulatory requirements as Financial Institutions and may not be as well-capitalized or well-known as Financial Institutions. The chances of fraud or insolvency are higher with Non-bank Lenders. The Adviser, in its sole discretion, will approve Non-bank Lenders from which the Fund may purchase 504 First Lien Loans or participations in Community Development Loans and will require that such 504 First Lien Loans or participations in Community Development Loans be fully funded prior to purchase by the Fund. There is no assurance that any of these policies will minimize the incentive for Non-bank Lenders to knowingly commit fraud or unknowingly make poor loan approval decisions.

## **Renewable Energy Project Risks**

The Fund may invest in participations in Community Development Loans that are used to finance investments in renewable energy systems. Renewable energy systems may be subject to price volatility, significant cost of maintenance and regulatory changes impacting the costs or profitability of operating and maintaining renewable energy systems. This may affect the ability of a Borrower to make payments on a Community Development Loan relating to installation of a renewable energy system.

## **U.S. Government Securities Risk**

U.S. Government securities are not guaranteed against price movement and may decrease in value. Some obligations issued or guaranteed by U.S. Government agencies and instrumentalities or government-sponsored enterprises, including, for example, pass-through certificates issued by the Government National Mortgage Association (“Ginnie Mae”) and certificates issued by the SBA or its agent representing interests in a pool of debentures issued by CDCs and guaranteed by the SBA, are supported by the full faith and credit of the U.S. Treasury. Other obligations issued by or guaranteed by federal agencies or government sponsored enterprises, such as securities issued by the Federal National Mortgage Association (“Fannie Mae”), are supported by the discretionary authority of the U.S. Government to purchase certain obligations of the federal agency or government-sponsored enterprise, while other obligations issued by or guaranteed by federal agencies or government-sponsored enterprises, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Treasury. While the U.S. Government provides financial support to such U.S. Government agencies and government-sponsored enterprises, no assurance can be given that the U.S. Government will always do so, since the U.S. Government is not so obligated by law. Other obligations are backed solely by the government-sponsored enterprise’s own resources. As a result, investments in securities issued by U.S. Government-sponsored enterprises that are not backed by the U.S. Treasury are subject to higher credit risk than those that are backed by the U.S. Treasury.

## **Repurchase Agreements Risk**

The Fund may enter into repurchase agreements under which the Fund acquires a U.S. Government security from a Counterparty, and simultaneously agrees to resell such security to the seller at an agreed upon price and date (normally the next business day for U.S. Government securities). The Fund does not bear the risk of a decline in the value of the underlying security unless the seller defaults under its repurchase obligation. In the event of the bankruptcy or other default of a seller of a repurchase agreement, the Fund could experience both delays in liquidating the underlying securities and losses, including: (1) possible decline in the value of the underlying security during the period in which the Fund seeks to enforce its rights thereto; (2) possible lack of access to income on the underlying security during this period; and (3) expenses of enforcing its rights. In addition, the value of the collateral underlying the repurchase agreement will be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement. In the event of a default or bankruptcy by a selling Counterparty, the Fund generally will seek to liquidate such collateral. However, the exercise of the Fund’s right to liquidate such collateral could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, the Fund could suffer a loss.

## **Collateral Specific Repurchase Agreements Risk**

The Fund also may enter into repurchase agreements that are collateralized with Community Development Loans. In addition to the risks discussed above, repurchase agreements involving obligations other than U.S. Government securities may be subject to special risks and may not have the benefit of certain protections in the event of the Counterparty's insolvency. Collateral with longer maturities such as Community Development Loans may be subject to greater price fluctuations than U.S. Government securities. If the repurchase agreement Counterparty were to default, Community Development Loans would be more difficult to liquidate than U.S. Government securities. Should the Counterparty default and the amount of collateral not be sufficient to cover the Counterparty's repurchase obligation, the Fund would retain the status of an unsecured creditor of the Counterparty in the amount of the shortfall. As an unsecured creditor, the Fund would be at risk of losing some or all of the principal and income involved in the transaction.

## **Reverse Repurchase Agreements Risk**

The Fund also may enter into reverse repurchase agreements. There is a risk that the market value of securities acquired in a reverse repurchase agreement may decline below the price of the securities that the Fund has sold but remains obligated to repurchase. In addition, there is a risk that the market value of the securities retained by the Fund may decline. If the buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experiences insolvency, the Fund may be adversely affected. Also, in entering into reverse repurchase agreements, the Fund would bear the risk of loss to the extent that the proceeds of the reverse repurchase agreement are less than the value of the underlying securities. In addition, due to the interest costs associated with reverse repurchase transactions, the Fund's NAV may decline, and, in some cases, the Fund may be worse off than if it had not used such instruments.

## **Counterparty Risk**

The Fund will be subject to the credit risk presented by another party (Counterparty credit risk) to the extent it enters into repurchase agreements and reverse repurchase agreements, which involve a promise by the Counterparty to honor an obligation to the Fund. The Fund's ability to realize a profit from such transactions will depend on the ability of the Counterparty to meet its obligations to the Fund. If the Fund enters into a transaction with a Counterparty, the value of an investment in the Fund may be adversely affected if the Counterparty files for bankruptcy, becomes insolvent, or otherwise becomes unable or unwilling to honor its obligation to the Fund. If a Counterparty's creditworthiness declines, the value of the agreement would be likely to decline, resulting in losses.

## **Cybersecurity Risk**

With the increased use of technologies such as the Internet to conduct business, the Fund is susceptible to operational, information security, and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Fund or its service providers may cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Fund's ability to calculate its NAV, impediments to trading, the inability of shareholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which the Fund invests, counterparties with which the Fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for shareholders) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While the Fund's service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Fund cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect the Fund or its shareholders. As a result, the Fund and its shareholders could be negatively impacted.



## **Leverage Risk**

Capital raised through leverage will be subject to interest and other costs, and these costs could exceed the income earned by the Fund on the proceeds of such leverage. Money borrowed for leveraging will be subject to interest costs that may or may not be recovered by return on the securities purchased. The Fund also may be required to maintain minimum average balances in connection with its borrowings or to pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate. There can be no assurance that the Fund's income from the proceeds of leverage will exceed these costs. However, the Adviser seeks to use leverage for the purposes of making additional investments only if it believes, at the time of using leverage, that the total return on the assets purchased with such funds will exceed interest payments and other costs of the leverage.

The Fund anticipates that any money borrowed for investment purposes will accrue interest based on short-term interest rates that would be periodically reset. So long as the Fund's portfolio provides a higher rate of return, net of expenses, than the interest rate on borrowed money, as reset periodically, the leverage may cause shareholders to receive a higher current rate of return than if the Fund were not leveraged. If, however, short-term rates rise, the interest rate on borrowed money could exceed the rate of return on investments held by the Fund, reducing returns to shareholders. Developments in the credit markets may adversely affect the ability of the Fund to borrow for investment purposes and may increase the costs of such borrowings, which would reduce returns.

Although leverage will increase investment return if the Fund earns a greater return on the investments purchased with borrowed money than it pays for the use of such funds, using leverage will decrease investment return if the Fund fails to earn as much on such investments as it pays for the use of such funds. Using leverage, therefore, will magnify the volatility of the value of the Fund's investment portfolio. If the Fund's portfolio securities decline in value, it could be required to deposit additional collateral with the lender or suffer mandatory liquidation of the pledged securities to compensate for the decline in value.

Leverage is a speculative technique that exposes the Fund to greater risk and increased costs than if it were not implemented. Increases and decreases in the value of the Fund's portfolio will be magnified if the Fund uses leverage. In particular, leverage may magnify interest rate risk, which is the risk that the prices of portfolio securities will fall (or rise) if market interest rates for those types of securities rise (or fall). As a result, leverage may cause greater changes in the Fund's net asset value.

Any event that adversely affects the value of an investment would be magnified to the extent that leverage is employed. The cumulative effect of the use of leverage by the Fund could result in a loss to the Fund that would be greater than if leverage were not employed. In addition, to the extent that the Fund borrows money, the rates at which it borrows will affect the operating results of the Fund.

There is no assurance that a leveraging strategy will be successful.

### *Effect of Leverage*

To cover the projected annual interest payments on the borrowings anticipated for the current fiscal year (assuming an average annual interest rate of 8.00% for the entire fiscal year (which is the rate of the Fund's outstanding borrowings as of September 30, 2024) and assuming that the Fund borrows an amount equal to \$10 million (the maximum amount available under the revolving line of credit facility as of September 30, 2024), the Fund would need to experience an annual return of 2.02% on its portfolio (including the assets purchased with the assumed leverage) to cover such annual interest.

The following table is designed to illustrate the effect on return to a shareholder of the leverage created by the Fund's use of borrowing, using the average annual interest rate of 5.00% for the Fund's current fiscal year, assuming the Fund has used leverage by borrowing \$10 million and assuming hypothetical annual returns on the Fund's portfolio of minus 10% to plus 10%. As can be seen, leverage generally increases the return to shareholders when portfolio return is positive and decreases return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

Assumed Portfolio Return, net of expenses <sup>1</sup>	(10)%	(5)%	0%	5%	10%
Corresponding Return to Shareholders <sup>2</sup>	(14.63)%	(8.33)%	(2.02)%	4.29%	10.60%

1 The Assumed Portfolio Return is required by regulations of the SEC and is not a prediction of, and does not represent, the projected or actual performance of the Fund.

2 In order to compute the Corresponding Return to Shareholders, the Assumed Portfolio Return is multiplied by the total value of the Fund's assets at the beginning of the Fund's fiscal year to obtain an assumed return to the Fund. From this amount, all interest accrued during the year is subtracted to determine the return available to shareholders. The return available to shareholders is then divided by the total value of the Fund's net assets as of the beginning of the fiscal year to determine the Corresponding Return to Shareholders.

## **Large Shareholder Concentration Risk**

The Fund will be subject to certain risks to the extent that the ownership of shares of the Fund is concentrated in a single shareholder. As of September 30, 2024, a single shareholder had ownership in the Fund in the amount of 16.26%. A shareholder with a controlling interest (as the term “control” is defined in the 1940 Act) could affect the outcome of matters submitted for shareholder vote by the Fund or the direction of the management of the Fund for its own benefit, which may not be in the best interests of the Fund or other shareholders of the Fund. These conflicts of interest between such a large shareholder, on the one hand, and the Fund and the other shareholders, on the other hand, may also lead to proxy contests that could result in increased costs to the Fund that would not exist in the absence of such conflicts. Such contests could ultimately lead to the liquidation of the Fund during a period of adverse market conditions. Such liquidation could result in the sale of the Fund’s assets at prices that are less than the Fund has valued such assets, which may cause the shareholders to incur significant losses on their investment in the Fund.

In addition, to the extent that a large shareholder tenders the maximum amount of its shares in connection with an offer by the Fund to repurchase its shares from shareholders, the Fund may be unable to repurchase all of the shares tendered by the shareholders of the Fund.

## **Regulatory Risk**

The Adviser seeks to limit the Fund’s investments and investment strategies so as to qualify the Fund as a permissible investment for nationally chartered banks and federal credit unions under current applicable federal laws and regulations. The qualification of the Fund as a permissible investment for nationally chartered banks and federal credit unions is subject to the Adviser’s active monitoring of applicable federal laws and regulations and regulatory changes relating thereto and updating the Fund’s investment guidelines as necessary.

## **MANAGEMENT OF THE FUND**

### **Board of Trustees**

The Board is responsible for the overall management of the Fund, including the supervision of the duties performed by the Adviser. The Board is comprised of four Trustees, each of whom is not an “interested person” of the Fund, as that term is defined by the 1940 Act (the “Independent Trustees”). The Trustees are responsible for the Fund’s overall management, including adopting the investment and other policies of the Fund, electing officers of the Fund and selecting and supervising the Adviser. The name and business address of the Trustees and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth under “*Trustees and Officers of the Fund*” in the SAI.

### **Investment Adviser**

Equalize Capital LLC, a Puerto Rico limited liability company with its principal offices located at 151 Calle de San Francisco, Suite 200, PMB 5333, San Juan, PR 00901-1607, serves as the investment adviser to the Fund. Messrs. Joseph Gladue and Lee A. Calfo are each control persons of the Adviser.

The Adviser makes investment decisions for the Fund and continuously reviews, supervises and administers the Fund's investment program. The Board supervises the Adviser and establishes policies that the Adviser must follow in its management activities. For its advisory services to the Fund, the Adviser is entitled to a fee, which is calculated daily and paid monthly, at an annual rate of 1.50% of the average net assets of the Fund.

Pursuant to an operating expenses limitation agreement between the Adviser and the Fund, the Adviser has contractually agreed to waive or reduce its management fees and/or reimburse expenses of the Fund through at least October 31, 2025 to ensure that total annual fund operating expenses (excluding Excluded Expenses) will not exceed 3.50% of the Fund's average annual net assets. Effective November 1, 2024, the operating expense limitation in effect for the Fund increased from 2.25% to 3.50% of the Fund's average net assets. The Adviser is permitted to be reimbursed in any subsequent month in the three year period from the date of the fee waiver and/or expense reimbursement if the aggregate amount actually paid by the Fund toward operating expenses for such month (taking into account the reimbursement) will not cause the Fund to exceed the lesser of: (a) the expense limitation in effect at the time of the fee waiver and/or expense reimbursement; or (b) the expense limitation in effect at the time of the reimbursement. The Fund's operating expenses limitation agreements may be terminated only by, or with the consent of, the Board.

A discussion regarding the basis for the Board's approval of the Fund's investment advisory agreement with the Adviser is available in the Fund's annual report to shareholders for the period ended June 30, 2024.

### **Portfolio Managers**

The following individuals are jointly and primarily responsible for the day-to-day management of the Fund.

Lee A. Calfo is the Chief Executive Officer and a Portfolio Manager of the Adviser and has served as President and a Portfolio Manager of the Fund since 2019. Mr. Calfo has been a Managing Partner of American Home Opportunity Mortgage Fund, a private partnership fund, since 2020. He has also served as the Chief Executive Officer of J. Alden Associates, Inc., a broker-dealer, and Alden Capital Management, an asset management firm, since 2018. Mr. Calfo served as the President and founder of Bluestone Capital Management, LLC, an investment advisory firm, where he served as a Portfolio Manager and managed the firm's asset management strategies, from 2010 until 2020. Mr. Calfo served as President of MCG Securities LLC, a broker-dealer, from 2012 to 2017. Mr. Calfo served as President of Iron Bay Capital in 2011, Portfolio Manager at Boenning & Scattergood, Inc. from 2007 to 2009, and Chief Investment Officer and Director of Research at Cohen & Company Securities, LLC from 2004 to 2007. Mr. Calfo earned a B.S. in Finance at Penn State University.

Joseph Gladue is the Chief Financial Officer and a Portfolio Manager of the Adviser and has served as the Treasurer and a Portfolio Manager of the Fund, since 2019. Mr. Gladue has been a Managing Partner of American Home Opportunity Mortgage Fund, a private partnership fund, since 2020. Mr. Gladue has also served as the Director of Research for J. Alden Associates, Inc., broker-dealer, since 2018. Mr. Gladue served as the Director of Research for MCG Securities LLC, a broker-dealer, from 2015 to 2018 and Vice President Corporate Development for BofI Federal Bank from 2014 to 2015. He also served as an Analyst for B. Riley & Co., LLC from 2007 to 2012 and Cohen & Company Securities, LLC from 2003 to 2007. Mr. Gladue earned a M.S. in Finance at Loyola University in Maryland and a B.A. in Economics at the University of Notre Dame. Mr. Gladue has also earned the Chartered Financial Analyst (CFA) and the Professional Risk Manager (PRM) designations.

The Fund's SAI provides additional information about the portfolio managers' compensation, other accounts managed, and ownership of Fund shares.

The Adviser is dependent upon the experience and expertise of the portfolio managers to provide services with respect to the Fund's investments. If the Adviser were to lose the services of these individuals, its ability to service the Fund could be adversely affected. The Adviser has informed the Fund that the portfolio managers are actively involved in other business and investment activities not concerning the Fund and will not be able to devote all of their time to the Fund's business and affairs.

### **Potential Conflicts of Interest**

The Adviser and the portfolio managers will be subject to certain conflicts of interest in their management of the Fund. These conflicts will arise primarily from the involvement of the Adviser and the portfolio managers in other activities that may conflict with those of the Fund.

The Adviser believes that the portfolio managers have sufficient time and resources to discharge their responsibilities to the Fund. However, conflicts of interest may arise in allocating time, services or functions between the Fund and other entities or businesses to which a portfolio manager provides services. A portfolio manager will devote such time to the Fund as he believes is reasonably necessary for the conduct of the business of the Fund and its respective investments.

In the ordinary course of his business activities, a portfolio manager may engage in activities where the interests of the Fund and its shareholders conflict with the interest of other entities or businesses to which a portfolio manager provides services. Other present and future activities of the portfolio managers or such entities or businesses may give rise to additional conflicts of interest. In the event that a conflict of interest arises, a portfolio manager will attempt to resolve such conflicts in a fair and equitable manner and in accordance with the requirements and limitations of the 1940 Act.

## **SERVICE PROVIDERS**

### **Administrator, Transfer Agent and Fund Accountant**

UMB Fund Services, Inc. ("UMBFS"), with its principal business office located at 235 West Galena Street, Milwaukee, Wisconsin 53212, serves as administrator, transfer agent and fund accountant of the Fund. Under an Administration Agreement with the Fund ("Administration Agreement"), UMBFS is responsible for managing the business affairs of the Fund, subject to the supervision of the Board, and receives an administration fee computed at an annual rate based on the Fund's average weekly gross assets. UMBFS's administrative services include recordkeeping, preparation and filing of documents required to comply with federal and state securities laws, providing assistance in connection with the Trustees' and shareholders' meetings and other administrative services necessary to conduct the Fund's business. As transfer agent, UMBFS is responsible for the transfer of shares, disbursement of dividends and maintenance of shareholder accounting records. As fund accountant, UMBFS provides accounting and bookkeeping services for the Fund, including the calculation of the Fund's NAV.

### **Custodian and Escrow Agent**

UMB Bank, n.a. (“UMB Bank”), with its principal business office located at 1010 Grand Boulevard, Kansas City, Missouri 64106, serves as the custodian and escrow agent for the Fund.

### **Valuation Specialist**

Government Loan Solutions, Inc. (“GLS”), with its principal place business office located at 1741 Tiburon Drive, Wilmington, North Carolina 28403, serves as the Fund’s valuation specialist.

### **Legal Counsel**

Godfrey & Kahn, S.C., with its principal business office located at 833 East Michigan Street, Suite 1800, Milwaukee, Wisconsin 53202, serves as legal counsel to the Fund. Reinhart Boerner Van Deuren s.c., with its principal business office located at 1000 North Water Street, Suite 1700, Milwaukee, Wisconsin 53202, serves as legal counsel to the Independent Trustees.

### **Control Persons**

Any person who beneficially owns 25% or more of the outstanding shares of the Fund may be presumed to “control” (as that term is defined in the 1940 Act) the Fund. As of October 4, 2024, there were no shareholders in the Fund that owned 25% or more of the Fund’s outstanding shares.

## **THE OFFERING AND PLAN OF DISTRIBUTION**

### **The Offering**

Shares are offered on a continuous basis monthly (generally as of the last business day of each month) at NAV per share, and may be purchased on the last business day of any month or at such other times as the Fund may determine. During any continuous offering, shares may be purchased through the Fund, broker-dealers who have entered into an agreement with the Distributor or the transfer agent. Any continuous offering may be discontinued at any time. The Fund will have the sole right to accept orders to purchase shares and reserves the right to reject any order in whole or in part.

For each investor, the Fund requires a minimum initial investment and subsequent minimum investments of \$10,000. The Adviser may waive these minimum investment requirements for one or more investors in its sole discretion. The Adviser may accept investments in the Fund on such other terms as it authorizes from time to time and may reject applications for shares for any or no reason, in its sole discretion. Subscriptions are generally subject to the receipt of cleared funds on or prior to the acceptance date set by the Fund and notified to prospective investors. Pending the closing of any monthly offering, funds received from prospective investors will be placed in an interest-bearing escrow account with UMB Bank, the Fund’s escrow agent. On the date of any monthly closing, the balance in the escrow account with respect to each investor whose investment is accepted will be invested in the Fund on behalf of such investor. The Fund expects to continue the use of its escrow account to deposit funds received mid-month in connection with share purchases. Any interest earned on escrowed amounts will be credited to the Fund. An investor’s investment may not be accepted when an investment in the Fund has been determined to be unsuitable for such investor, or when the Fund or its agents have determined that acceptance of an investor’s purchase would be in violation of applicable law or regulations. If an investor’s investment is not accepted, then the Fund will return the investor’s order and money collected.

Each prospective investor must submit a completed application five business days prior and payment three business days prior to the purchase date (currently the last business day of the month) in U.S. funds.

The shares are not listed on any securities exchange. Shareholders will not have the right to redeem their shares. However, as described below, in order to provide some liquidity to shareholders, the Fund will conduct periodic repurchase offers for a portion of its outstanding shares.

The Fund and the Adviser have determined that \$30 million in assets is sufficient for the Fund to sustain operations as an economically viable fund, including sufficient liquidity to meet repurchase requests in accordance with the Fund's procedures.

The Adviser anticipates closing the Fund to new investors when the Fund's total assets exceed \$500 million. There is no guarantee that the Fund will achieve \$500 million in assets. If the Fund does not reach \$500 million in assets, however, Fund investments may not be as diversified as they would be with \$500 million or more in assets.

### **The Plan of Distribution**

J. Alden Associates, Inc. is the principal underwriter of shares of the Fund. The principal business address of the Distributor is 37 West Avenue, Suite 301, Wayne, Pennsylvania 190878. The Distributor may enter into selected dealer agreements with other broker-dealers for the sale and distribution of Fund shares. The Distributor acts as the distributor of shares for the Fund on a best efforts and agency basis (not as principal), subject to various conditions, pursuant to the terms of a distribution agreement with the Fund.

The Distributor is not obligated to sell any specific number or dollar amount of the Fund's shares, but will use reasonable efforts to facilitate the sale of shares. There is no guarantee that a secondary market for Fund shares will develop.

To the extent consistent with applicable law, the Distributor has agreed to indemnify the Fund against certain liabilities under the Securities Act of 1933 and in connection with the services rendered to the Fund. To the extent consistent with applicable law, the Fund has agreed to indemnify the Distributor against certain liabilities under the Securities Act of 1933. Such agreement does not include the indemnification of the Distributor against liability resulting from willful misfeasance, bad faith or gross negligence on the part of the Distributor in the performance of its duties or from reckless disregard by the Distributor of its obligations and duties under the distribution agreement.

Mr. Lee Calfo, a control person of the Adviser and portfolio manager of the Fund, is the chief executive officer and a control person of the Distributor. Mr. Joseph Gladue, a control person of the Adviser and a portfolio manager of the Fund is the Director of Research for the Distributor. Prior to November 1, 2024, Foreside Fund Services, LLC, an affiliate of Foreside Financial Group, LLC (dba ACA Group) was the principal underwriter of shares of the Fund.

### **Purchase Terms**

The price of the shares during the Fund's continuous offering will fluctuate over time with the NAV of the shares.

The Adviser or its affiliates also may pay from their own resources additional compensation to brokers or dealers in connection with the servicing of investors. In particular, the Adviser may pay an approved broker-dealer selling agent a fee out of its own resources that is based upon the percentage of assets invested in the Fund by certain shareholders.

### **PERIODIC REPURCHASE OFFERS**

The Fund is a closed-end "interval" fund which, to provide some liquidity and the ability to receive NAV on a disposition of at least a portion of your shares, makes periodic offers to repurchase shares. Except as permitted by the Fund's interval structure, no shareholder will have the right to require the Fund to repurchase its shares.

The Fund has adopted, pursuant to Rule 23c-3(b) under the 1940 Act, a fundamental policy, which cannot be changed without shareholder approval, requiring the Fund to offer to repurchase not less than 5% and not more than 25% of its shares at NAV on a regular schedule. Although the policy permits repurchases of between 5% and 25% of the Fund's outstanding shares, for each repurchase offer the Fund will offer to repurchase 5% of its outstanding shares, unless the Board has approved a different amount (not less than 5% or more than 25% of outstanding shares) for that repurchase offer.

The schedule requires the Fund to make repurchase offers every three months. The Fund anticipates issuing its quarterly repurchase offers in March, June, September and December.

When a repurchase offer commences, the Fund sends, at least 21 days before the repurchase request deadline, written notice to each shareholder setting forth, among other things:

- A statement that the Fund is offering to repurchase its securities from shareholders at NAV.
- Any fees applicable to the repurchase.



- The percentage of outstanding shares that the Fund is offering to repurchase (the “repurchase offer amount”) and how the Fund will purchase shares on a pro rata basis if the offer is oversubscribed.
- The date on which a shareholder’s repurchase request is due (the “repurchase request deadline”).
- The date that will be used to determine the Fund’s NAV applicable to the repurchase offer (the “repurchase pricing date”).
- The date by which the Fund will pay to shareholders the proceeds from their shares accepted for repurchase (the “repurchase payment deadline”).
- The risk of fluctuation in NAV between the repurchase request deadline and the repurchase pricing date.
- The procedures by which shareholders may tender their shares and the right of shareholders to withdraw or modify their tenders before the repurchase request deadline.
- The circumstances in which the Fund may suspend or postpone the repurchase offer.
- The NAV of the shares as of a date no more than seven days before the date of the written notice and the means by which shareholders may ascertain the NAV.

This notice may be included in a shareholder report or other Fund document. **The repurchase request deadline will be strictly observed.** If a shareholder fails to submit a repurchase request in good order (including a tender of stock in response to a repurchase offer) by the repurchase request deadline, the shareholder will be unable to liquidate shares until a subsequent repurchase offer, and will have to resubmit a request in the next repurchase offer. Shareholders may withdraw or change a repurchase request with a proper instruction submitted in good form at any point before the repurchase request deadline.

#### **Determination of Repurchase Price and Payment for Shares**

The repurchase price payable in respect of a tendered share is equal to the share’s NAV as determined on the repurchase pricing date, which will be no later than the 14<sup>th</sup> day (or the next business day if the 14<sup>th</sup> day is not a business day) following the repurchase request deadline. The repurchase payment deadline will be seven days after the repurchase pricing date. The Fund’s NAV per share may change materially between the date a repurchase offer is mailed and the repurchase request deadline, and it may also change materially between the repurchase request deadline and repurchase pricing date. The method by which the Fund calculates its NAV is discussed under “*Determination of Net Asset Value.*” During the period an offer to repurchase is open, the Fund calculates its NAV daily on the five business days preceding a repurchase request deadline. Shareholders may obtain the current NAV by calling UMBFS at 1-855-386-3504.

The Fund does not currently charge a repurchase fee, and it does not currently expect to impose a repurchase fee. However, the Fund may charge a repurchase fee of up to 2.00%, which the Fund would retain to help offset non-*de minimis* estimated costs related to the repurchase incurred by the Fund, directly or indirectly, as a result of repurchasing shares, thus allocating estimated transaction costs to the shareholder whose shares are being repurchased. The Fund may introduce, or modify the amount of, a repurchase fee at any time. The Fund may also waive or reduce the repurchase fee if the Adviser determines that the repurchase is offset by a corresponding purchase or if for other reasons the Fund will not incur transaction costs or will incur reduced transaction costs.

## **Suspension or Postponement of Repurchase Offers**

The Fund may suspend or postpone a repurchase offer in limited circumstances set forth in Rule 23c-3 under the 1940 Act as described below, but only with the approval of a majority of the Trustees, including a majority of the Independent Trustees.

The Fund may suspend or postpone a repurchase offer only: (1) if the repurchase would cause the Fund to lose its status as a regulated investment company under the Internal Revenue Code of 1986, as amended (the “Code”); (2) if making or effecting the repurchase offer would cause the shares that are subject to the offer that are quoted in an inter-dealer quotation system of a national securities association to not be quoted on any inter-dealer quotation system of a national securities association; (3) for any period during which the New York Stock Exchange (“NYSE”) or any other market in which the securities owned by the Fund are principally traded is closed, other than customary weekend and holiday closings, or during which trading in such market is restricted; (4) for any period during which an emergency exists as a result of which disposal by the Fund of assets owned by it is not reasonably practicable, or during which it is not reasonably practicable for the Fund to fairly determine the value of its net assets; or (5) for such other periods as the SEC may by order permit for the protection of shareholders of the Fund.

## **Oversubscribed Repurchase Offers**

There is no minimum number of shares that must be tendered before the Fund will honor repurchase requests. However, the Board sets for each repurchase offer a maximum percentage of shares that may be repurchased by the Fund. In the event a repurchase offer by the Fund is oversubscribed, the Fund may repurchase, but is not required to repurchase, additional shares up to a maximum amount of 2.00% of the outstanding shares of the Fund. If the Fund determines not to repurchase additional shares beyond the repurchase offer amount, or if shareholders tender an amount of shares greater than that which the Fund is entitled to repurchase, the Fund will repurchase the shares tendered on a pro rata basis.

If any shares that you wish to tender to the Fund are not repurchased because of proration, you will have to wait until the next repurchase offer and resubmit your repurchase request, and your repurchase request will not be given any priority over other shareholders’ requests. Thus, there is a risk that the Fund may not purchase all of the shares you wish to have repurchased in a given repurchase offer or in any subsequent repurchase offer.

**There is no assurance that you will be able to tender your shares when or in the amount that you desire.**

### **Consequences of Repurchase Offers**

From the time the Fund distributes or publishes each repurchase offer notification until the repurchase pricing date for that offer, the Fund must maintain liquid assets at least equal to the percentage of its shares subject to the repurchase offer. For this purpose, “liquid assets” means assets that may be sold or otherwise disposed of in the ordinary course of business, at approximately the price at which the Fund values them, within the period between the repurchase request deadline and the repurchase payment date, or which mature by the repurchase payment date. The Fund may, for the purpose of paying for repurchased shares, be required to liquidate portfolio holdings earlier than the Adviser would otherwise have liquidated these holdings. Such liquidations may result in losses, and may increase the Fund’s portfolio turnover. The Fund is also permitted to borrow to meet repurchase requests.

If the Fund borrows to finance repurchases, interest on that borrowing will negatively affect shareholders who do not tender their shares by increasing the Fund’s expenses and reducing any net investment income. There is no assurance that the Fund will be able to sell a significant amount of additional shares so as to mitigate these effects.

These and other possible risks associated with the Fund’s repurchase offers are described under “*Risks—Repurchase Offers Risk*” above. In addition, the repurchase of shares by the Fund will be a taxable event to shareholders, potentially even to those shareholders that do not participate in the repurchase. For a discussion of these tax consequences, see “*Tax Considerations*” below and “*Taxes*” in the SAI.

### **DETERMINATION OF NET ASSET VALUE**

The Fund calculates its NAV on the last business day of every week and the last business day of every month as of the close of regular trading on the NYSE (normally, 4:00 p.m., Eastern Time) by adding the total value of its assets, subtracting its liabilities and then dividing the result by the number of shares outstanding. The Fund also calculates its NAV in connection with periodic repurchase offers as described above.

In general, assets for which market quotations are readily available are valued at current market value, and all other assets are valued at fair value as determined in good faith by the Board.

### **Standards for Fair Value Determinations**

The Fund has adopted ASC 820, which defines fair value as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 establishes a three-tier fair value hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk (for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique). Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing an asset or liability and are based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability and are based on the best information available in the circumstances.

Fair value inputs are summarized in the three broad levels listed below:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Other significant observable inputs (including quoted prices for similar assets, with similar interest rates, prepayment speeds, credit risk, etc.).

Level 3 – Significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments). Generally, the types of assets included in Level 3 of a fund are assets that are not traded in any organized market, or for which there are significant unobservable fair value inputs available such as the Fund’s investments in Community Development Loans.

Should a transfer between levels occur, it is the Fund’s policy to recognize transfers in and out of all levels at the end of the reporting period.

The Trust has authorized a Valuation Committee composed of Mr. Gladue, Mr. Dean Pelos, the Fund’s Chief Compliance Officer, Mr. Robert O. Judge (Chief Executive Officer and a founding partner of GLS), Mr. Scott Evans (a founding partner of GLS), and Mr. Buddy Doyle (Founding Principal, Chief Executive Officer and Managing Director of Oyster Consulting, LLC) to determine the fair valuation of the Fund’s investments whose market prices are not “readily available” or are deemed to be unreliable. Mr. Gladue and Mr. Judge are non-voting members of the Valuation Committee.

### **Community Development Loans**

The Valuation Committee, with the assistance of GLS, will assign a value to the Fund’s Community Development Loans using a pricing methodology designed to incorporate, among other things, the present value of the projected stream of cash flows on such investments (the “discounted cash flow” methodology). This pricing methodology takes into account a number of relevant factors, including changes in prevailing interest rates, yield spreads, the Borrower’s creditworthiness, the debt service coverage ratio, lien position, delinquency status, frequency of previous late payments and the projected rate of prepayments. Newly purchased loans are fair valued at cost and subsequently analyzed using the discounted cash flow methodology. Loans with a pending short payoff will be fair valued at the anticipated recovery rate. Valuations of Community Development Loans are determined no less frequently than weekly. Although the Valuation Committee believes the pricing methodologies to be reasonable and appropriate, the actual values that may be realized upon the sale of Community Development Loans can only be determined in negotiations between the Fund and third parties. The significant unobservable inputs used in the determination of fair value using the discounted cash flow methodology for loans include yield spreads and debt service coverage ratios. Significant increases (decreases) in yield spreads would result in lower (higher) fair values. A significant decrease (increase) in the debt service coverage ratio of a loan’s borrower could result in lower (higher) fair values.

If the Valuation Committee concludes that the fundamentals of a loan or its underlying collateral do not support the use of the discounted cash flow methodology, an alternative fair value determination may be made by the Valuation Committee as described below.

### **Valuation Process for Fair Value Measurements Categorized within Level 3**

The Trust and the Adviser have adopted policies and procedures for the valuation of the Fund's investments (the "valuation procedures"). The Board has authorized the Valuation Committee as being responsible for making fair value determinations in accordance with the valuation procedures. The Valuation Committee, with the assistance of GLS, takes into account the relevant factors and surrounding circumstances, which may include: (i) the nature and pricing history (if any) of the asset; (ii) whether any dealer quotations for the asset are available; (iii) possible valuation methodologies that could be used to determine the fair value of the asset; (iv) the recommendation of the Fund's portfolio managers with respect to the valuation of the asset; (v) whether the same or similar assets are held by other funds managed by the Adviser and the method used to price the asset in those funds; (vi) the extent to which the fair value to be determined for the asset will result from the use of data or formulae produced by independent third parties; and (vii) the liquidity or illiquidity of the market for the asset. The Valuation Committee meets at least weekly or otherwise as necessary to consider the fair value to be assigned to each Community Development Loan within the Fund's portfolio. The Valuation Committee periodically reports the fair value of each Community Development Loan to the Fund's Administrator and the Independent Trustees and their counsel.

The Board meets at least quarterly to consider the valuations provided by the Valuation Committee and ratify valuations for the applicable assets. The Board considers the reports provided by the Valuation Committee, including follow up studies of subsequent market-provided prices when available, in reviewing and determining in good faith the fair value of the applicable portfolio assets. The Valuation Committee provides an annual written report to the Board that provides an assessment of the adequacy and effectiveness of the Valuation Committee's process for determining the fair value of the Fund's investments and a summary of the results of testing the fair value methodologies.

### **DISTRIBUTIONS AND DISTRIBUTION REINVESTMENT PLAN**

The Fund distributes its net investment income quarterly and distributes its net realized capital gains, if any, at least annually. If you own Fund shares on the Fund's record date, you will be entitled to receive the distribution.

All distributions will automatically be reinvested in additional shares of the Fund, unless you choose to opt out and receive distributions in cash. If you wish to opt out, please write or call UMBFS, 235 West Galena Street, Milwaukee, Wisconsin 53212, 1-855-386-3504, thirty (30) days in advance of the record date for the distributions. If you elect to receive distributions in cash, and the U.S. Postal Service cannot deliver the check, or if a check remains outstanding for six months, the Fund reserves the right to reinvest the distribution check in your account, at the Fund's then-current NAV, and to reinvest all subsequent distributions.

When the Fund declares a distribution, UMBFS, on the shareholder's behalf, will receive additional authorized shares from the Fund either newly issued or repurchased from shareholders by the Fund and held as treasury stock. The number of shares to be received when distributions are reinvested will be determined by dividing the amount of the distribution by the Fund's NAV per share. Reinvested distributions increase the Fund's managed assets on which a management fee is payable to the Adviser.

The automatic reinvestment of distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such distributions. Shareholders are taxed in the same manner whether they receive distributions in cash or reinvest them in additional Fund shares. See "*Tax Considerations*." Shareholders who receive distributions in the form of additional shares will not receive a corresponding cash distribution with which to pay any applicable federal, state or local income taxes.

The Fund reserves the right to amend or terminate the distribution reinvestment policy. There is no direct service charge to participants with regard to purchases under the distribution reinvestment policy; however, the Fund reserves the right to amend the distribution reinvestment policy to include a service charge payable by the participants.

Additional information about the plan is available from UMBFS at the address and phone number given above.

### **TAX CONSIDERATIONS**

If your shares are held in a taxable account, you should be aware of the following U.S. federal income tax considerations. Shares held by tax-exempt investors or held in tax-deferred or other tax-advantaged accounts may be subject to special rules not discussed herein. Changes in tax laws, potentially with retroactive effect, could impact the Fund's investments or the tax consequences to you of investing in the Fund.

Distributions of the Fund's investment company taxable income (which includes, but is not limited to, interest and net short-term capital gain), if any, are generally taxable to the Fund's shareholders as ordinary income. To the extent that the Fund's distributions of investment company taxable income are attributable to net short-term capital gain, such distributions will be treated as ordinary income and generally cannot be offset by a shareholder's capital losses from other investments.

Distributions of the Fund's net capital gain (net long-term capital gain less net short-term capital loss) are generally taxable to the Fund's shareholders as long-term capital gains regardless of the length of time that a shareholder has owned Fund shares.

Shareholders are taxed in the same manner whether they receive distributions in cash or reinvest them in additional Fund shares. Distributions are generally taxable when received. However, distributions declared in October, November or December to shareholders of record and paid the following January are taxable as if received on December 31.

In addition to the federal income tax, certain individuals, trusts and estates may be subject to a Net Investment Income ("NII") tax of 3.8 percent. The NII tax is imposed on the lesser of (i) a taxpayer's investment income, net of deductions properly allocable to such income, or (ii) the amount by which such taxpayer's modified adjusted gross income exceeds certain thresholds (\$250,000 for married individuals filing jointly, \$200,000 for unmarried individuals and \$125,000 for married individuals filing separately). The Fund's distributions are includable in a shareholder's investment income for purposes of this NII tax. In addition, any capital gain or dividend income realized by a shareholder upon a repurchase of Fund shares is includable in such shareholder's investment income for purposes of this NII tax.

Shareholders whose shares are repurchased by the Fund may realize a capital gain or loss on the repurchase. For federal income tax purposes, a repurchase generally should be treated as a sale if, after the repurchase, the shareholder does not own any Fund shares and is not deemed to constructively own any Fund shares through related individuals or entities under the attribution rules in Section 318 of the Code. Additionally, if a shareholder's proportionate ownership interest in the Fund (taking into account shares constructively owned under the attribution rules) is reduced by more than 20% following a repurchase, the repurchase generally should be treated as a sale. If the foregoing tests are not met, there is a risk that the proceeds from a repurchase could be taxable as a dividend to such shareholder unless the payment for the shares is "not essentially equivalent to a dividend." Furthermore, there is a risk that shareholders who do not participate in a repurchase could be treated as receiving a constructive dividend as a result of their proportionate increase in their ownership of the Fund resulting from the repurchase of other shareholders' shares.

If a repurchase of Fund shares is treated as a sale, the amount of the capital gain or loss and the applicable tax rate will depend generally upon the amount paid for the shares, the amount received from the repurchase, and the length of time that the shares were held by the shareholder. Gain or loss realized upon a repurchase treated as a sale will generally be long-term capital gain or loss if the shares have been held for more than one year and short-term capital gain or loss if the shares have been held for one year or less. Any loss arising from the repurchase of shares held for six months or less, however, is treated as a long-term capital loss to the extent of any distributions of net capital gain received or deemed to be received with respect to such shares. In determining the holding period of such shares for this purpose, any period during which a shareholder's risk of loss is offset by means of options, short sales or similar transactions is not counted. Different rules generally apply to shareholders who do not hold their Fund shares as a capital asset. If a shareholder purchases Fund shares (through reinvestment of distributions or otherwise) within thirty days before or after any Fund shares are repurchased at a loss, all or part of such loss will not be deductible and will instead increase the basis of the new shares.

The Fund is required to report to certain shareholders and the Internal Revenue Service ("IRS") the cost basis of Fund shares that are repurchased by the Fund. The Fund will determine cost basis using the average cost method unless the shareholder elects in writing (and not over the telephone) any alternate IRS-approved cost basis method. Please see the SAI for more information regarding cost basis reporting.

The federal income tax status of all distributions made by the Fund for the preceding year will be annually reported to all shareholders. Distributions made by the Fund may also be subject to state and local taxes. Additional tax information may be found in the SAI.

This section is not intended to be a full discussion of tax laws and the effect of such laws on you. There may be other federal, state, foreign, or local tax considerations applicable to your investment in the Fund. You are urged to consult your own tax advisor.

## DESCRIPTION OF CAPITAL STRUCTURE AND SHARES

The Fund is a statutory trust established under the laws of the State of Delaware upon the filing of a Certificate of Trust with the Secretary of State of Delaware on July 29, 2013. The Fund’s Agreement and Declaration of Trust, as amended from time to time (the “Declaration of Trust”), authorizes the issuance of an unlimited number of shares of the Fund, each of which represents an equal proportionate interest in the Fund with each other share. Shares are entitled upon liquidation to a pro rata share in the net assets of the Fund. Shareholders have no preemptive rights. The Declaration of Trust provides that the Trustees may create additional classes of shares. Share certificates representing shares will not be issued. The Fund’s shares, when issued, are fully paid and non-assessable. The Fund does not intend to hold annual meetings of its shareholders.

Set forth below is a chart describing shares outstanding as of October 4, 2024:

(1)	(2)	(3)	(4)
Title of Class	Authorized Amount	Amount Held by us or for Our Account	Amount Outstanding Exclusive of Amount Under Column 3
<b>Common Stock</b>	<b>50,000,000</b>	—	3,792,752

### Shares

The Declaration of Trust, which has been filed with the SEC, permits the Fund to issue an unlimited number of full and fractional shares of beneficial interest, no par value. Each share of the Fund represents an equal proportionate interest in the assets of the Fund with each other share in the Fund. Holders of shares will be entitled to the payment of distributions when, as and if declared by the Board. The Fund currently intends to make distributions to its shareholders after payment of Fund operating expenses including interest on outstanding borrowings, if any, no less frequently than quarterly. Unless the registered owner of shares elects to receive cash, all distributions declared on shares will be automatically reinvested for shareholders in additional shares of the Fund. See “*Distributions and Distribution Reinvestment Plan.*” The 1940 Act may limit the payment of distributions to the holders of shares. Each whole share shall be entitled to one vote as to matters on which it is entitled to vote pursuant to the terms of the Declaration of Trust on file with the SEC. Upon liquidation of the Fund, after paying or adequately providing for the payment of all liabilities of the Fund, and upon receipt of such releases, indemnities and refunding agreements as they deem necessary for their protection, the Trustees may distribute the remaining assets of the Fund among its shareholders. The shares are not liable to further calls or to assessment by the Fund. There are no pre-emptive rights associated with the shares. The Declaration of Trust provides that the Fund’s shareholders are not liable for any liabilities of the Fund. Although shareholders of an unincorporated statutory trust established under Delaware law, in certain limited circumstances, may be held personally liable for the obligations of the Fund as though they were general partners, the provisions of the Declaration of Trust described in the foregoing sentence make the likelihood of such personal liability remote.



## **Anti-Takeover Provisions in the Declaration of Trust**

The Declaration of Trust includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to change the composition of the Board, and could have the effect of depriving the Fund's shareholders of an opportunity to sell their shares at a premium over prevailing market prices, if any, by discouraging a third party from seeking to obtain control of the Fund. These provisions may have the effect of discouraging attempts to acquire control of the Fund, which attempts could have the effect of increasing the expenses of the Fund and interfering with the normal operation of the Fund. The Trustees are elected for indefinite terms and do not stand for reelection. A Trustee may be removed from office without cause only by a written instrument signed or adopted by a majority of the remaining Trustees or by a vote of the holders of at least two-thirds of the class of shares of the Fund that are entitled to elect a Trustee and that are entitled to vote on the matter. Other than provisions providing for the removal of Trustees described above and provisions for the election of Trustees, the Fund's shareholders only have the ability to vote on other matters to the extent such vote is required by the Declaration of Trust, the Bylaws, the 1940 Act or any registration of the Trust with the SEC, or as the Trustees may consider necessary or desirable. Other than provisions providing for the removal of Trustees described above and provisions for the election of Trustees, the Fund's shareholders only have the ability to vote on other matters to the extent such vote is required by the Declaration of Trust, the Bylaws, the 1940 Act or any registration of the Fund with the SEC, or as the Trustees may consider necessary or desirable. The Declaration of Trust does not contain any other specific inhibiting provisions that would operate only with respect to an extraordinary transaction such as a merger, reorganization, tender offer, sale or transfer of substantially all of the Fund's assets, or liquidation. Reference should be made to the Declaration of Trust on file with the SEC for the full text of the anti-takeover provisions described herein.

## TABLE OF CONTENTS OF STATEMENT OF ADDITIONAL INFORMATION

THE FUND

DESCRIPTION OF PERMITTED INVESTMENTS

INVESTMENT LIMITATIONS

THE ADVISER

THE PORTFOLIO MANAGERS

THE ADMINISTRATOR

THE DISTRIBUTOR

PAYMENTS TO FINANCIAL INTERMEDIARIES

THE TRANSFER AGENT

THE CUSTODIAN AND ESCROW AGENT

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

LEGAL COUNSEL

TRUSTEES AND OFFICERS OF THE FUND

PURCHASING SHARES

DETERMINATION OF NET ASSET VALUE

TAXES

FUND TRANSACTIONS

PORTFOLIO HOLDINGS

ANTI-MONEY LAUNDERING COMPLIANCE PROGRAM

DESCRIPTION OF SHARES

SHAREHOLDER LIABILITY

LIMITATION OF TRUSTEES' LIABILITY

PROXY VOTING

CODES OF ETHICS

CONTROL PERSONS AND PRINCIPAL SHAREHOLDERS

FINANCIAL STATEMENTS

## PRIVACY NOTICE

The Fund recognizes and respects the privacy concerns of its customers. The Fund collects nonpublic personal information about you in the course of doing business with shareholders and investors. “Nonpublic personal information” is personally identifiable financial information about you. For example, it includes information regarding your social security number, account balance, bank account information and purchase and redemption history.

### **The Fund collects this information from the following sources:**

- Information we receive from you on applications or other forms;
- Information about your transactions with us and our service providers, or others;
- Information we receive from consumer reporting agencies (including credit bureaus).

### **What information the Fund discloses and to whom the Fund discloses information**

The Fund only discloses nonpublic personal information the Fund collects about shareholders as permitted by law. For example, the Fund may disclose nonpublic personal information about shareholders:

- To government entities, in response to subpoenas or to comply with laws or regulations.
- When you, the customer, direct the Fund to do so or consent to the disclosure.
- To companies that perform necessary services for the Fund, such as shareholder servicing centers that the Fund uses to process your transactions or maintain your account.
- To protect against fraud, or to collect unpaid debts.

### **Information about former customers**

If you decide to close your account(s) or become an inactive customer, we will adhere to the privacy policies and practices described in this notice.

### **How the Fund safeguards information**

The Fund conducts its business affairs through trustees, officers and third parties that provide services pursuant to agreements with the Fund (for example, the service providers described above). We restrict access to your personal and account information to those persons who need to know that information to provide services to you. The Fund or its service providers maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

### **Customers of other financial institutions**

In the event that you hold shares of the Fund through a financial intermediary, including, but not limited to, a broker-dealer, bank or trust company, the privacy policy of your financial intermediary will govern how your non-public personal information will be shared with non-affiliated third parties by that entity.

**EQUALIZE COMMUNITY DEVELOPMENT FUND  
PROSPECTUS**

**October 28, 2024**

**Investment Adviser  
Equalize Capital LLC**

All dealers that buy, sell or trade the Fund's shares, whether or not participating in this offering, may be required to deliver a Prospectus.

You should rely only on the information contained in or incorporated by reference into this Prospectus. The Fund has not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.