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OFFERING MEMORANDUM – 2022-2023

Dated July 1, 2022

This Offer expires on June 30, 2023, unless extended

Legends Required Pursuant 18 NCAC 06A.1316

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE;

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE; and

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

Offering of Promissory Notes

Mountain BizCapital, Inc. d/b/a Mountain BizWorks (hereafter referenced as “Mountain BizWorks”) is a nonprofit, U.S. Treasury-certified, community development financial institution (CDFI). Mountain BizWorks provides loans, classes and coaching to small businesses in western North Carolina.

Note Offering

Mountain BizWorks offers unsecured promissory notes (“Notes”), on an ongoing basis, in the minimum principal amount of \$1,000 to investors in Mountain BizWorks (each, an “Investor,” and collectively, “Investors”). The maximum aggregate amount of this offering is \$2,500,000. See “Plan of Distribution.”

Use of Proceeds

Mountain BizWorks will use the aggregate principal amount of the Notes as well as investments of loan capital from institutions to fund a revolving loan fund (“Funds”). Mountain BizWorks uses the Funds to provide loans to small businesses when traditional bank loans are not available or sufficient.

Terms of the Notes

Term: The Notes have a minimum term of one year. Investors may elect to have longer terms (maximum 10 years), or to renew the Notes for the same or different terms by signing a Renewal Form, which Mountain BizWorks will mail to the Investor 21 days prior to maturity of the Note. If, within ten days after the Note’s maturity, the Investor fails to instruct Mountain BizWorks to renew the Note under different

terms or to close the investment, the investment will automatically be renewed with the same terms as the maturing Note, subject to Mountain BizWorks' current maximum interest rate.

Interest: Each Note bears a fixed, annual interest rate, ranging based on term, from 0% to Mountain BizWorks' defined maximum rate on the effective date of the Note. Mountain BizWorks' maximum interest rate is determined by the Mountain BizWorks Board of Directors based on market conditions. The current maximum interest rate is 3%.

- Interest accrues on an annual basis on the anniversary of the Note.
- Investors choosing longer terms and lower rates allow Mountain BizWorks to dedicate more funds from its client loan repayments to assisting applicants and borrowers.

Payments

The Notes require that Mountain BizWorks will repay all principal and any unpaid accrued interest on the maturity date of the Notes, unless the Note is renewed. For Notes with a term of more than a year, Investors may elect to receive annual payments of accrued interest or to receive all accrued interest at maturity. Unless the Investor requests on the Promissory Note to receive interest payments, earned interest will be reinvested in the Note until closure of the investment.

Prepayment

Mountain BizWorks may agree to pay accrued interest before a Note's maturity upon request by the Investor. However, if Mountain BizWorks agrees to prepay principal prior to the Note's maturity date upon request of the Investor, Mountain BizWorks may charge a penalty equal to six months' interest against the Note's principal balance. Mountain BizWorks may prepay all or a portion of a Note's principal balance plus interest prorated to the date of prepayment, before the Note's maturity date, without penalty.

Restrictions

The Notes are not transferable or assignable. Accordingly, no secondary market can develop.

Audited Financial Statements

Mountain BizWorks' current audited financial statement will be made available to investors upon written request, and will be mailed to investors within 120 days of its last fiscal year end. The current audited financial statements are also included herein as an attachment.

Potential Investors should consider all of the Risk Factors starting on page 14 before participating in the Offering.

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NOTICES TO POTENTIAL INVESTORS

Forward-looking Statements

Many sections in this Offering Memorandum, including “Mountain BizWorks,” “The Offering,” “Use of Proceeds,” “Plan of Distribution,” and “Risk Factors,” contain forward-looking statements. These forward-looking statements are not guarantees of Mountain BizWorks’ future performance. They are subject to risks and uncertainties related to business operations, some of which are beyond Mountain BizWorks’ control. Any of these risks or uncertainties may cause actual results or future circumstances to differ materially from the forward-looking statements contained in this Offering Memorandum.

Potential Investors are Urged to Consult Their Own Advisors

Prospective Investors are not to construe this Offering Memorandum as investment, legal, or tax advice. This Offering Memorandum does not purport to be all inclusive or to contain all the information that a prospective Investor may need to evaluate Mountain BizWorks or an investment. Each Investor should consult his or her own counsel, accountant, and other advisors as to legal, tax, business, financial, and related aspects of a purchase of the Notes. Mountain BizWorks makes no representation regarding the legality of an investment in the Notes by an Investor under applicable investment or securities laws.

Information in this Offering Memorandum

Mountain BizWorks’ management prepared the information presented in this Offering Memorandum solely for use by potential Investors in connection with this Offering. No person is authorized to give any information or to make any representation in connection with this Offering that is not contained in this Offering Memorandum except as permitted in “Additional Information” – in the following paragraph. Potential Investors must not rely on such other information or representation as having been authorized by Mountain BizWorks, and must base their decision to purchase Notes solely on the information contained in this Offering Memorandum. Mountain BizWorks’ affairs could have changed since the date of this Offering Memorandum and delivery of this Offering Memorandum or sale of any Note shall not be construed to imply that there has been no change in the information contained in this Offering Memorandum.

Additional Information

Mountain BizWorks will, upon request, make available to each potential Investor and such Investor’s representatives and advisors, if any, the opportunity to ask questions and receive answers concerning the terms and conditions of this Offering. Mountain BizWorks will make available any additional information that Mountain BizWorks may possess or can obtain without unreasonable effort or expense that is necessary to verify the accuracy of the information furnished to such potential Investor. Any such questions should be directed to the CEO or Director of Development and Communications at the addresses and telephone number for Mountain BizWorks set forth on the top of the cover page of this Offering Memorandum.

Proprietary Information

This Offering Memorandum contains proprietary information of Mountain BizWorks. Mountain BizWorks is providing this Offering Memorandum to prospective Investors solely for their use in order to evaluate an investment in the Notes. By accepting delivery of this Offering Memorandum, a prospective Investor agrees not to use this Offering Memorandum for any purpose other than to evaluate a potential investment in the Notes, without Mountain BizWorks’ prior written permission.

Securities

The distribution of this Offering Memorandum and the offer and sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about and observe any such restrictions. This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Notes to any person or by anyone in any jurisdiction in which it is unlawful to make such offer or solicitation.

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

These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the securities act of 1933, as amended, and under applicable state securities laws, pursuant to registration thereunder or exemption therefrom. Investors should be aware that they may be required to bear the financial risks of this investment for the period of time that Investors hold these Notes.

These securities are being offered by Mountain BizWorks.

MOUNTAIN BIZWORKS

Mountain BizWorks is a nonprofit community development financial institution (CDFI) serving western North Carolina, a largely rural, underserved area of southern Appalachia. Mountain BizWorks was established in 1989 as a microenterprise practitioner, became certified by the U.S. Treasury as a CDFI in 2003, and since that time has evolved into a small business CDFI.

Through a combination of business lending and learning, Mountain BizWorks helps start and grow small, local businesses. We provide a continuum of lending and business development services to help entrepreneurs launch or expand their businesses and create permanent, living-wage jobs in our communities – jobs that provide regular wages, sustain families and support asset building.

In June 2016, the Mountain BizWorks Board of Directors adopted the following mission statement: “Mountain BizWorks’ mission is to build a vibrant and inclusive entrepreneurial community in Western North Carolina by helping small businesses start, grow, and thrive. We do this by providing loans and peer-to-peer business coaching to those businesses that may find it difficult to secure funding from banks and other traditional sources. When small businesses succeed, we all prosper”

Mountain BizWorks is funded primarily by grants and contributions, and by earned income, e.g. interest earned on loans and fee income from classes and coaching.

Funds for lending originate from various public and private sources and are used to make loans to small businesses. Sources of Funds include investments from individuals in the form of Notes; investments from institutions, e.g. banks, foundations, and religious institutions; program-related investments; loans from U.S. Department of Agriculture’s Intermediary Relending Program; and loans from the U.S. Small Business Administration’s Microloan Program.

Purposes

Mountain BizWorks’ primary purposes are to:

- provide loans, classes and coaching to small businesses, helping them grow from pre-launch ideas to durable businesses that create living-wage jobs, and;
- offer low-yield investment vehicles for Investors who are interested in social returns and the option of limited financial returns.

Recipient Criteria

Mountain BizWorks’ target borrowers and funding recipients include enterprises that:

- are owned, controlled by, or have the potential to employ low-income persons, people of color, immigrants, or women, and;
- have the potential to create living-wage jobs in western North Carolina,

Services and Products

- **Lending:** Mountain BizWorks provides term loans and lines of credit up to \$350,000 to a range of small businesses, from micro or start-up businesses that create jobs for the business owners and their families, to existing, mid-sized businesses that have the potential to create jobs. Our loans are designed to help small businesses launch or expand when traditional bank loans are not available or sufficient.
- **Learning:** Mountain BizWorks provides its borrowers, potential borrowers and other clients with a wide variety of business development services – the “learning” component of our mission and purpose – to help them improve their business skills, and to ensure that their businesses succeed. This includes pre- and post-loan technical assistance, one-on-one business coaching, and classes on business planning, marketing, and financial management.

See “Mountain BizWorks Loans” and “Business Development Services.”

MOUNTAIN BIZWORKS LOANS

Loan Qualifications

All Mountain BizWorks loans must:

- be intended to have an economically beneficial impact in the community;
- be to borrowers that demonstrate a degree of fiscal soundness, managerial competence, and the ability to meet the loan terms, and;
- add to the diversification of Mountain BizWorks' loan portfolio in order to advance the financial and social interests of Mountain BizWorks' Investors and funders.

Loan Underwriting Process

Mountain BizWorks' loan application process, though rigorous, supports timely loan approvals to deploy capital quickly and where it is needed most. Mountain BizWorks usually provides a loan decision within two to three weeks from when an application is received. In some rare instances when an applicant submits a complete application package, Mountain BizWorks could make a decision in less than a week. The loan review committee meets monthly, but when a borrower's timeframe demands it, the committee can make a loan decision by email or conference call.

In the loan approval process Mountain BizWorks creates the terms, rates, and fees to accommodate the clients' ability to pay. Most loans are structured as hybrids: part of the loan is a term loan with third party checks (when not for working capital); and the other part is a line of credit with benchmarks that must be met before the full amount of the loan is disbursed. Collateral is required on all loans, and a co-signer may be required with non-traditional collateral or less than 100% collateral. Also, 10-20% of the total project cost is required; this can be grant funds, a gift, or the owner's funds. Mountain BizWorks aims to ensure that borrowers have adequate capitalization, and helps applicants identify and understand their full capital needs in order to ensure that they do not start their venture from an undercapitalized position.

Mountain BizWorks follows Board-approved underwriting policies to ensure quality and consistency, maintaining a detailed electronic and paper trail of business and borrower performance and communications; perfected collateral and loan documentation; and firm and consistent collection procedures. Mountain BizWorks utilizes ACH loan payments to increase the likelihood of repayment.

Loan Application Procedures

Our lender conducts an initial interview with a prospective borrower and prepares and provides the person with necessary information and forms. Once the borrower completes the necessary information, the lender prepares a loan request summary and analyzes and verifies information in conjunction with our Director of Business Lending, who completes and prepares the loan summary for presentation to the internal loan committee and, as appropriate, the loan review committee.

Loan Approval Limits

- Any application – Executive Director (ED) and Chief Credit Officer (CCO) have veto authority for any loan application prior to submission to the loan review committee.
- Loans up to \$125,000 (plus any fees) – approved by ED and CCO. Loans under \$125,000 that are deemed complex or difficult may be referred to the loan review committee for final approval.
- Loans from \$125,001 to \$250,000 (plus any fees) – approved by loan review committee.
- Loans over \$250,000 – approved by loan review committee; then referred to the Board of Directors for final approval.

Loan Amount

The maximum aggregate of all loans to one borrower cannot exceed \$350,000 or 10% of total capital designated for lending, whichever is less. Exceptions to this policy can be made only by approval of the Board of Directors. For purposes of aggregate risk, loans will be grouped by borrower and related entities. Related entities will include those corporations, partnerships and limited partnerships where the main borrower has an equity stake. It will also include those loans where the main borrower is a guarantor.

Mountain BizWorks determines the loan amount based on: (1) funds availability, (2) the prospective borrower's cash needs, (3) the prospective borrower's projected cash flow, and (4) other business aspects.

Interest Rate

Interest rates for loans are typically 7-10% depending on the risk of the loan. These rates can change from year to year.

Financial Products

Mountain BizWorks offers term loans and lines of credit, both of which can be used for acquisition capital, working capital/inventory, cash flow/receivables, equipment purchases, business expansion, or any combination of these items.

Collateral

Mountain BizWorks secures each loan as fully as possible and requires secured and unsecured guarantees as appropriate. Mountain BizWorks typically requires collateral to be long- or short-term business assets such as real property, accounts receivable, inventory, and equipment, as well as personal assets of the guarantors. Mountain BizWorks values collateral at its liquidation value.

Monitoring, Compliance, and Default

Mountain BizWorks generally requires all borrowers to submit quarterly and annual financial statements and may require monthly financial statements. Mountain BizWorks monitors its borrowers' compliance with their loan covenants. If a borrower fails to make payments as scheduled or to comply with other loan covenants, Mountain BizWorks has the right to declare a default and to accelerate the loan's maturity. However, in most instances, Mountain BizWorks will first seek to work with borrowers to regain compliance with loan terms. Mountain BizWorks has the right to waive certain defaults or to elect not to accelerate a loan at its discretion.

As of December 31, 2021, the total outstanding loan portfolio was \$11,580,088. The portfolio at risk was 1.41%, which represented 7 borrowers and a total of \$149,385.

Risk Rating System

Mountain BizWorks maintains a cash-funded loan loss reserve of at least 5% of the average outstanding portfolio of the previous month, in accordance with Mountain BizWorks' Board-approved, written risk rating system. Should the loan loss reserve fall below 5% of the prior month's outstanding portfolio balance, Mountain BizWorks would not disburse any new loans until the loan loss reserves was back in compliance with policy.

Each quarter, the Chief Credit Officer reviews every active loan for risk and adjusts the risk rating and corresponding loan loss reserve as needed. Loans are written off against the loan loss reserve. Every effort is made to collect loans that have been written off, and funds collected on written-off accounts are posted as a recovery of bad debt. Any loan for which no payment has been made for 180 days is automatically written off. Bankruptcy filings trigger an automatic write off, even when payments are being received from the bankruptcy trustee or the customer reaffirms our debt.

Mountain BizWorks utilizes the risk rating system to determine the amount of risk associated with each loan, and to ensure that every loan is adequately reserved. To determine which rating a loan should receive, Mountain BizWorks looks to certain key criteria associated with the loan and to the degree a borrower fulfills these criteria. Because the risk with which a lender is concerned is the risk of non-repayment, it is important to link risk ratings to loan loss reserve levels. By tying ratings to reserves, Mountain BizWorks indexes its portfolio risk to loan loss reserves, and the process of rating loans then becomes an automatic calculation of loan loss reserves.

On-Going Risk Rating and Reserve System Process

Establishing the initial reserve for a loan is an important first step in the reserve process. The initial reserve reflects the risk a lender identified during the underwriting process. However, we realize that a

borrower's profile and market conditions change over time. This is especially true for low income borrowers who have little financial cushion to withstand a personal crisis or business setback. Therefore, our Chief Credit Officer monitors loans on a quarterly basis and adjusts risk ratings and reserves as circumstances change. This way, as it becomes more likely that a loan will not be repaid, Mountain BizWorks is gradually preparing (by expensing more funds for loan loss reserves as the risk of non-repayment increases) for the possibility of a loss.

Loan Losses

Although Mountain BizWorks loans are considered high risk based on the credit qualifications of its borrowers, Mountain BizWorks has been successful to date in limiting loan losses. Mountain BizWorks net loan losses for 2021 were \$80,319, representing 0.69% of Mountain BizWorks' total outstanding loans – \$11,580,088 as of December 31, 2021.

As of December 31, 2021, Mountain BizWorks had \$1,459,990 in loan loss reserves, representing 12.6% of the \$11,580,088 loan portfolio.

If there are future losses that exceed Mountain BizWorks' net assets, such losses could be borne in part by Mountain BizWorks' Investors. To this date no allocation of losses to Investors has ever occurred.

Advisory Groups

Mountain BizWorks may consider loan applications on the basis of recommendations from groups of Investors from a particular geographical area or interest group, or from advisory groups representing such Investors. However, all such loans will be subject to Mountain BizWorks' underwriting standards and loan approval process, as discussed above, in Mountain BizWorks' sole and absolute discretion.

BUSINESS DEVELOPMENT SERVICES

Technical Assistance to Borrowers and Applicants

Mountain BizWorks considers the availability and utilization of high-quality technical assistance to be critical to the success of its borrowers, and many borrowers receive technical assistance to ensure their business is on the right track throughout the loan period. If Mountain BizWorks believes that technical assistance is necessary for the successful operation of a business, Mountain BizWorks requires the applicant or borrower to obtain technical assistance either from Mountain BizWorks or from other sources. The specific kinds of technical assistance vary, but may include assistance in financial accounting, product marketing, personal financial management, the preparation of initial loan requests, and the creation of business and production plans. Mountain BizWorks attributes its very low historical loan loss rate to the provision of this technical assistance. Mountain BizWorks is largely reliant on grants and donations to subsidize this assistance.

Coaching and Classes

Mountain BizWorks offers one-on-one business coaching itself plus basic business classes and seminars all of which are available in both English and Spanish:

- **Business coaching:** Mountain BizWorks' coaching program is a one-on-one, structured coaching service provided by contract service coaches who meet Mountain BizWorks' high professional standards. These coaches are available to start-up and existing businesses. Coaching helps the entrepreneur with specific needs, such as business plan implementation, marketing strategies, or financial management.
- **Business-planning classes:** Participants study and estimate start-up and overhead costs, determine profit goals, study cash flow, develop marketing plans, and learn about necessary licensing and record keeping.
- **Advanced training classes:** These classes cover topics such as bookkeeping, financial tools, marketing, website development, and social media.

Services for Existing Businesses

Mountain BizWorks offers coaching and advanced classes through its partner organizations to borrowers and other clients with existing small businesses, ensuring that these small businesses have access to the technical resources necessary to grow their businesses. These services help businesses resolve operating problems, build revenues & profits, and expand to create jobs. One-on-one engagements and classes cover topics such as accounts receivable and accounts payable, monthly break-even objectives, operating decisions using projected cash flow, validated business models, measurable and targeted marketing plans, etc.

Educational Activities

Mountain BizWorks considers education to be among its primary goals, and seeks to teach borrowers, investors, and the general public about ways in which capital can be used to benefit low-income, minority, and underserved communities. Mountain BizWorks provides such education through routine interactions with its borrowers, the publication of informational materials, and participation in educational seminars and conferences.

THE OFFERING

The following discussion of the Offering is a summary only and is qualified in its entirety by the actual terms of the Investor Agreements and the Notes. See attached "Investor Agreement", "Promissory Note", and "Renewal Form" in Attachment Section starting on page 21.

Amount

Mountain BizWorks is offering the Notes to Investors who meet certain criteria in the minimum initial principal amount of \$1,000. The maximum aggregate amount of this offering is \$2,500,000. Notes may be purchased by electronic transfer, check, or money order.

Terms of the Notes

Term: The Notes have a minimum term of one year. Investors may elect to have longer terms, or to renew the Notes for the same or different terms by signing a renewal form, which Mountain BizWorks will mail to the Investor 21 days prior to maturity of the Note. If, within ten days after the Note's maturity, the Investor fails to instruct Mountain BizWorks to renew the Note under different terms or to close the investment, the investment will automatically be renewed with the same terms as the matured Note, subject to Mountain BizWorks' current maximum interest rate.

Interest: Each Note bears a fixed, annual interest rate, ranging based on term, from 0% to Mountain BizWorks' defined maximum rate on the effective date of the Note. Mountain BizWorks' maximum interest rate is determined by the board of directors based on market conditions.

Interest rates are below market, currently ranging between 0% and 3%, and will be paid as simple interest, compounded annually. Interest will be paid once a year on the anniversary date of your investment unless the Investor Agreement were to specify otherwise.

Investors choosing lower rates allow Mountain BizWorks to dedicate more loan repayment funds to assisting applicants and borrowers.

Payments

The Notes require Mountain BizWorks to repay all principal and any unpaid accrued interest on the maturity date of the Notes, unless the Note is renewed. For Notes with a term of more than a year, Investors may elect to receive annual payments of accrued interest or to receive all accrued interest at maturity. Unless the Investor requests to receive interest payments, earned interest will be reinvested in the Note until closure of the investment.

Prepayment

Mountain BizWorks may agree to pay accrued interest before a Note's maturity upon request by the Investor. However, if Mountain BizWorks agrees to prepay principal prior to the Note's maturity date upon request of the Investor, Mountain BizWorks may charge a penalty equal to six months' interest against the Note's principal balance. Mountain BizWorks may prepay all or a portion of a Note's principal balance plus interest prorated to the date of prepayment, before the Note's maturity date, without penalty.

Restrictions

The Notes are not transferable or assignable. Accordingly, no secondary market can develop.

Estimated Offering Expenses

There are no expected material expenses associated with this offering. All Offering Proceeds will be used to provide loans to qualifying borrowers (see the following section, "Use of Proceeds," for additional detail).

Net Proceeds

Mountain BizWorks expects annual net proceeds resulting from Note purchases under this offering to be equal to or less than \$2,500,000.

USE OF PROCEEDS

Mountain BizWorks will use the Offering Proceeds to provide loans to qualified borrowers. See “Mountain BizWorks Loans, Loan Qualifications.”

Mountain BizWorks may or may not immediately use the Offering Proceeds to make loans, depending on the needs and availability of qualified borrowers. Any amount of Offering Proceeds not immediately lent to borrowers will be invested in interest-bearing accounts, pending distribution in the form of loans; these are restricted funds that will be used specifically for lending. Interest income received upon repayment of the loans by borrowers, or from the interest-bearing accounts, will be used to pay the interest on the Notes as it becomes due, and to pay the administrative and operating expenses of Mountain BizWorks.

Mountain BizWorks will not use the Offering Proceeds, or any of the funds allocated to Mountain BizWorks lending, for its general working capital needs unless the Mountain BizWorks Board of Directors approves a short-term loan from the Funds to Mountain BizWorks’ general accounts. To date, such a loan has never been made.

PLAN OF DISTRIBUTION

Investment in the Notes involves significant risks and is suitable only for persons of adequate financial means who have no need for liquidity with respect to an investment in the Notes, and who can bear the economic risk of a complete loss of their investment.

The Notes will be offered on a continuing basis by designated employees of Mountain BizWorks. No person will receive a fee or commission for the offer or sale of the Notes.

Investor Requirements

In order to invest in the Notes, a potential Investor must:

- reside in North Carolina, the only state in which Mountain BizWorks is qualified to sell Notes to individual investors; and
- deliver the required documents to Mountain BizWorks.

Mountain BizWorks may, in its sole discretion, offer and sell the Notes in the future to suitable Investors or to persons residing in other states (i.e. someone who invested while living in North Carolina, but moved to another state after making an investment), if it is permitted to do so under applicable securities laws.

Delivery of Documents

Before Mountain BizWorks accepts an investment in the Notes, the Investor must execute and deliver to Mountain BizWorks:

- an investor agreement in substantially the form attached to this Offering Memorandum as the “Investor Agreement”, and;
- an amount equal to the purchase price of the Notes by electronic transfer, check, or money order.

However, Mountain BizWorks reserves the right to reject any investment in the Notes, in its absolute discretion, even if an Investor provides Mountain BizWorks with all of the above documents.

Investor Agreement

After the terms of an investment have been determined, the Investor should complete and sign the Investor Agreement and send it with payment for the amount of the Investor’s Note to Mountain BizWorks, 153 South Lexington Avenue, Asheville, NC 28801.

After the check has cleared or the wire transfer is complete, Mountain BizWorks will send to the Investor a countersigned copy of the Investor Agreement and a signed Promissory Note in substantially the same form as is attached to this Offering Memorandum.

The standards discussed above represent the minimum suitability standards for prospective Investors. The satisfaction of such standards by a prospective Investor does not necessarily mean that the Notes are a suitable investment for that prospective Investor. Prospective Investors are encouraged to consult their personal financial advisors to determine whether an investment in the Notes is appropriate for them.

RISK FACTORS

An investment in the Notes involves certain risks. Potential Investors should carefully consider all of the information set forth in this Offering Memorandum. In particular, potential Investors should evaluate the following risk factors before investing in the Notes.

The Notes are Speculative and High-Risk Investments

The Notes will not be secured by any collateral and are uninsured. The sole source of repayment of the Notes is the amount invested into and repaid to the Funds. Loans generally will be made to businesses that conventional lenders may consider to be undercapitalized or to be lacking sufficient operational experience or other traditional credit qualifications. Investors may suffer a loss of their Note principal or accrued interest, a delay in repayment, or both, if a number of loans were not repaid as scheduled. Investors will not have any recourse against Mountain BizWorks or its assets beyond the Funds' net assets, or against the borrowers under loans made by Mountain BizWorks from the Funds. Repayment of the Notes will therefore depend solely upon the financial condition of the Funds when payments on the Notes are due.

Unequal Risk of Loss

Each Investor does not bear the same risk of loss. Because the sale of Notes and the issuance of loans will be ongoing, Mountain BizWorks' portfolio of loans will be continuously changing. Accordingly, risk of loss will be shared disproportionately by Investors purchasing Notes at different times or for different terms, as the risk profile of the portfolio constantly changes. Additionally, the maturity date, interest rate, and payment schedules of each Note are separately designated by each Investor. Furthermore, some Investors have elected to subordinate their investments to other Investors. All of these variations could result in some Investors being fully repaid in accordance with the terms of their Notes, while other Investors could suffer losses or delays in repayment.

Illiquidity of the Notes

No market exists for trading the Notes, and no such market can develop, as transfer of the Notes is not permitted. Consequently, the Notes are illiquid. In general, Investors will be unable to obtain repayment of their Notes before maturity. Even at maturity, there is no assurance that Mountain BizWorks will have the cash available to repay any particular Note.

Limited Financial Return; Subjective Value of Societal Return

The Notes offer a low rate of return when compared to other investments of comparable risk, in order to allow more of each investment to go toward achieving Mountain BizWorks' community development goals. However, Investors will place different values on the societal component of their investment when considering their total return on investment in the Notes. Because the Offering Proceeds will be pooled in the Funds before distribution to various borrowers, individual Investors will not have control over where their funds are used. Consequently, there can be no assurance that the funds provided by an individual Investor will be used to advance the particular societal interests that that Investor considers important.

No Tax Deduction Allowed for the Notes

The Internal Revenue Service ("IRS") does not consider the purchase of a Note to be a donation to a charitable organization. Accordingly, the purchase of the Notes does not allow for a tax deduction. Consequently, the interest paid to Investors by Mountain BizWorks on the Notes must be declared as income and will therefore generally be subject to federal income tax. The deductibility of donations will depend on the individual Investor's tax situation. See "Income Tax Consequences" on page 19.

Limited Protection against Default

Mountain BizWorks will attempt to obtain collateral for loans to the fullest extent possible. However, if a borrower defaults, the total amount that Mountain BizWorks will realize after exercising its rights to the collateral may be less than the total amount of the borrower's loan. There are several instances in which this may occur, such as:

- other creditors may have senior rights to the same collateral pledged to Mountain BizWorks, or
- the collateral may have declined in value due to changes in market conditions, obsolescence, wear and tear, or misuse.

Consequently, if a borrower defaults, insufficient collateral could result in a loss to the Funds and therefore a potential loss to some or all Investors.

Subordinate to Other Indebtedness

The Notes may be subordinate to other indebtedness of Mountain BizWorks including but not limited to agency loans (e.g., SBA, USDA) and bank loans (e.g., Bank of America, Capital Bank, etc.). In the event of loan defaults or even a liquidation of Mountain BizWorks, any senior creditors will have priority for repayment over holders of the Notes. See “Notes Payable” under the section entitled “Selected Financial Information” for additional detail.

Certain Funds Not Available for Redemptions

Mountain BizWorks serves as an intermediary lender for agencies including HUD, SBA and USDA. As a general rule, these funding sources are restricted for lending and are not available for Investor Note redemptions. The Investor Note program is reflected under the funding source named “MBC equity loan pool” (also referred to as “MBC equity and private lenders”). See “Selected Financial Information” for additional detail.

No Agency Approval

No federal or state agency has made any finding or determination as to the fairness for investment, or made any recommendation or endorsements, of the Notes.

Dependence upon Tax Exempt Status

Mountain BizWorks has received an IRS determination that it is a public charity exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). However, Mountain BizWorks could lose its tax exempt status:

- if there are changes in the treatment of charitable organizations under section 501(c)(3) of the Code;
- if the operations or structure of Mountain BizWorks deviate significantly from the description given by Mountain BizWorks to the IRS, or;
- if the IRS were to determine that Mountain BizWorks was operating an unrelated trade or business.

Loss of tax exempt status would make it difficult to obtain grants that are essential to Mountain BizWorks’ ability to provide a full range of services to borrowers. Reduction of borrower services potentially increases the risk of default on the Notes.

Dependence upon Grants

Mountain BizWorks relies in part on the receipt and use of grant funds and donations in order to provide a full range of services. Mountain BizWorks’ core operations, such as processing and servicing loans, are substantially financed by the interest earned on loans. However, services such as providing training classes and technical assistance and working with other organizations with similar interests may be funded by grants and donations. Although Mountain BizWorks will continue to seek to obtain grants and donations, there is no assurance that such funds will be available or sufficient to support all of Mountain BizWorks’ services. If Mountain BizWorks does not obtain sufficient grants or donations for support of these operations, Mountain BizWorks might be required to reduce operating expenses by reducing the range of services it provides to borrowers. If such decreased support occurred, reduction of borrower services could potentially increase the risk of default on the Notes.

Dependence upon Volunteers

Evaluation of loan applications requires the unpaid assistance of members of the loan review committee. In addition, Mountain BizWorks obtains other unpaid assistance from business, legal and finance professionals. There is no assurance that a sufficient number of qualified professionals will be able and

willing to provide such unpaid assistance in the future. If sufficient assistance were not available, Mountain BizWorks would be required to modify its operating procedures and reduce the services it provides to borrowers.

Dependence upon Technical Assistance

Because of the inexperience of many of Mountain BizWorks' borrowers, and the high-risk nature of their ventures, Mountain BizWorks often requires borrowers to obtain technical assistance. If such technical assistance becomes unavailable or unfeasible, the high-risk recipients of loans may not obtain the assistance that Mountain BizWorks considers necessary for them to be successful, thereby potentially increasing the risk of default on the Notes.

Dependence upon Regional Economy

Mountain BizWorks will make loans to enterprises located in western North Carolina, an area of North Carolina that is still recovering from the 2008 economic slowdown. Consequently, any further general downturn in the economy of western North Carolina may threaten the financial performance and viability of borrowers, thereby potentially increasing the risk of default on the Notes.

Conflicts of Interest

Conflicts of interest may arise in conducting the daily operations of Mountain BizWorks. To mitigate these conflicts, Mountain BizWorks has adopted into its bylaws certain procedures to follow when they arise. See "Management - Conflicts of Interest", page 17.

Legal Proceedings

Mountain BizWorks, to its knowledge, has no present, pending or threatened material legal proceedings nor any being contemplated by governmental authorities, administrative bodies, or other administrative persons to which Mountain BizWorks or its property is or may become a party.

A number of these Risk Factors contain forward-looking statements regarding Mountain BizWorks' business and financial results. Actual results may differ materially from those forward-looking statements.

MANAGEMENT

Structure

Mountain BizWorks is managed by its Board of Directors, with an Executive Director responsible for day-to-day operations. The Board is responsible for the overall policy and direction of the organization. The Board is also responsible for the selection and replacement of directors at the end of their terms. The Board has established an executive committee (composed of Board members), which reviews due diligence and makes recommendations to the Board, and a loan review committee (composed of Board members and non-Board members), which approves loans submitted for approval by the internal loan committee. The Board may form various other committees on an as-needed basis. Board members receive no compensation for their services on the Board or on any committees, but may be reimbursed for out-of-pocket expenses associated with the performance of their duties.

Mountain BizWorks' staff under the direction and oversight of the Executive Director is responsible for the administration of Mountain BizWorks' day-to-day operations. With respect to Mountain BizWorks lending, the staff is responsible for marketing to borrower referral sources, screening loan applications, performing due diligence, preparing loan applications for approval, monitoring borrower performance, providing technical assistance, collecting payments, and resolving loan collection difficulties. Mountain BizWorks' staff is also responsible for marketing to potential Investors, contributors and borrowers; performing public relations work; formulating grant proposals; providing direct services to borrowers and clients; and acting as a liaison between the Board and its committees.

Board of Directors

<u>Name</u>	<u>Affiliation</u>	<u>Term Expires</u>
Sophia Paulos, Chair	Economic Development Director, Graham County, NC	2024
Tim Herdklotz, Vice-Chair	President & Co-Owner, Booneshine Brewing	2024
Leah Mayberry, Treasurer	Director of Finance, Johnson Price Sprinkle PA	2024
Rebecca Crandall, Secretary	Attorney, McGuire, Wood & Bissette	2022
Duane Adams	Associate Director, A-B Tech Community College	2024
Zane Adams	Co-CEO, Buchi Kombucha / Fed Up Foods	2023
Adriana Chavela	Founder & Executive Director, Hola Carolina	2024
Tim Schaller	Owner, Wedge Brewing Co	2022
Paula Swepson	Executive Director, West Marion Community Forum Inc.	2024
Brandon Wallace	Market President, First National Bank	2024
Audrey Whetten Godfrey	Executive Director, Uptown Shelby Association	2024
Terry Young	Owner, Sweet Thangs Bakery	2023

Board of Directors Executive Committee

Sophia Paulos, Chair, is the Director of Economic Development for Graham County, one of Western North Carolina's most rural and western most counties. Sophia is an ardent supporter of rural business, and to further economic development in the rural west, she in partnership with other county economic developers created the MountainWest Partnership. This regional rural economic development organization has worked to grow equitable development in the region. Sophia's skillset of advocating for and understanding the needs of rural WNC business owners makes her a large asset for MBW while growing our rural lending.

Leah Mayberry, Treasurer, has been the Director of Finance at Johnson Price Sprinkle PA, for the past seven years. In this role she leads the Firm's financial operations, business analysis, financial and operational reporting. In her years of experience providing insight to analyze the financial performance of the organization with regard to long term operational strategies, budgets and forecasts. Leah has been on

Mountain BizWorks board since 2018, and is passionate about seeing small business thrive here in Western North Carolina. Mrs. Mayberry holds a BS in Accounting from Grove City College.

Rebecca Crandall, Secretary, is passionate about assisting entrepreneurs. In her day job as an intellectual property attorney, Rebecca focuses on helping entrepreneurs navigate legal issues respective to trademarks, patents, and copyrights. In addition to her role at Mountain BizWorks, Rebecca is also a prominent voice for entrepreneurship and women business owners on the boards of Western Carolina University's Center for Entrepreneurship, Venture Asheville, and the NC Association of Women Attorneys. Rebecca holds a B.A. in Computer Science from Converse College and her J.D. from the University of North Carolina.

Executive Director

Matthew Raker became the Executive Director as of January 1, 2020. He previously served as the organizations Director of Community Investments and Impacts at Mountain BizWorks starting in 2015. Matthew brings nearly two decades of experience in entrepreneurship, regional economic development, and community finance to his new role. He has spent the better part of his career working to create a vibrant economy and entrepreneurial ecosystem in Western North Carolina including serving at the former AdvantageWest Economic Development Group and having founded multiple small businesses.

Lending Department

Christopher Murrey, Chief Credit Officer, joined in 2016 as to add greater underwriting and credit management experience, and to lead Mountain BizWorks' growing lending practice. Christopher brings 20+ years of industry experience including substantial lending, underwriting, complex transactions and team building experience. Christopher is responsible for Mountain BizWorks' lending products and the implementation of consistent underwriting procedures to achieve financial health, client success and mission impact.

Kelly Foster, Asset Quality Manager, joined Mountain BizWorks in 2015. Prior to Mountain BizWorks, Ms. Foster held positions at SunTrust Bank, Telco Community Credit Union and American General Financial Services. As Small Business Lender she underwrites and processes small business loan requests from a wide range of businesses from startups to established businesses; works closely with staff in the field to meet loan and portfolio management metrics, and lending department objectives related to impact, portfolio quality, and strong team dynamic. Ms. Foster holds a B.S. in Financial Management & Finance and a B.A. in Monetary Economics & Finance from University of North Carolina Asheville.

Michael Lane, Director of Lending, moved into this role of leading the lending team in 2021 after two years of serving a small business lender. As the Director Lending, Michael provides effective leadership for the small business lending team, ensuring clear direction, support, and accountability to consistently meet lending and portfolio management objectives and to foster strong team alignment and engagement. Prior to Mountain BizWorks, Michael was a business banker with PNC Bank, a financial advisor with AIG, and also the founder and owner of a small music recording studio business. His blend of experience in small business lending and small business operations positions Mr. Lane for success in properly stewarding Mountain BizWorks loan capital to meet the needs of small businesses in Western North Carolina. Mr. Lane holds a BA in business administration from Louisiana State University.

Yaselin Gonzalez, Small Business Lender, joined the Mountain BizWorks lending team in 2017. Prior to her employment at Mountain BizWorks Mrs. Gonzalez served as the Branch Manager at Woodforest National Bank in Hendersonville, NC for four years. Mrs. Gonzales who herself is also a serial entrepreneur, utilizes her applied business knowledge, and bilingual skills to underwrite both micro and small business loans.

Elena Chu, Small Business lender, joined the Mountain BizWorks team in 2020. Prior to Mountain BizWorks, Ms.Chu served as a Loan Operations Specialist at Lucid Lending in Asheville, NC. Ms. Chu brings over 15 years of diverse experience in the finance and customer service industries to her role. The knowledge she holds in both Project Management and Financial Management provide a comprehensive understanding of potential loan recipients she serves.

Chris Grasinger, High Country Regional Manager, manages the new High Country regional office to expand access to our lending and training programs to an underserved 7 county sub-region. Prior to this, Chris served as a lead facilitator in our ScaleUp WNC intensive management training program for growth-oriented small businesses. Chris is a great fit to lead our new office as he formerly was executive director of a local business network in the High Country and is also a small business owner. Chris holds an MBA from Appalachian State University.

Internal Loan Committee

Mountain BizWorks' internal (staff) loan review committee meets regularly to review loan applications. This committee consists of the Executive Director, Chief Credit Officer, and the Small Business Lenders.

Loan Review Committee

This committee approves loans that were reviewed and recommended for approval by the staff loan committee. The Executive Director and Chief Credit Officer participate in meetings of the Loan Review Committee as non-voting members. Membership consists of a mix of Board members and local finance professionals.

Conflicts of Interest

In the conduct of Mountain BizWorks' daily operations, conflicts of interest may arise between the professional and personal interests of its directors and officers. To decrease the likelihood that such conflicts will arise and to handle such conflicts in Mountain BizWorks' best interests, the board has adopted several bylaws. These bylaws provide that no director or officer have a direct or indirect financial or employment interest in any loan made by Mountain BizWorks. Additionally, the bylaws require that no director or officer have a direct or indirect interest in any contract considered by Mountain BizWorks unless (a) that director or officer discloses any interest he or she may have in such a contract, (b) the contract is authorized by a majority of the directors present at a meeting at which the presence of the interested director is not necessary for authorization, and (c) the board determines that the transaction or agreement is for the benefit of and will further the charitable purposes of Mountain BizWorks. Management currently anticipates that such arrangements will only be made in situations where the members of the board are affiliated with certain sources of technical assistance.

No Criminal Proceedings

No director or officer of Mountain BizWorks has, during the past ten years, been convicted of any criminal proceeding (other than traffic violations or other minor misdemeanors), is the subject of any pending criminal proceedings, or was the subject of any order, judgement or decree of any court enjoining such individual from any activities associated with the offer or sale of securities.

Management Remuneration

	Salaries	Insurance	Pensions	Retirement	Other	Total
Board of Directors	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Executive Director & Lending Department	\$ 664,000	\$ 56,000	\$ 0	\$ 20,000	\$ 0	\$ 740,000

SELECTED FINANCIAL INFORMATION**Five-Year Mountain BizWorks Financial Summary**

Except where noted otherwise, all figures below are as reported in or derived from audited financial statements.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash, cash equivalents & readily marketable securities (combined)	11,177,667	8,382,511	3,628,701	3,575,579	3,384,824
Total loans receivable	11,580,088	10,622,876	11,161,949	10,722,893	7,537,607
Amount of unsecured loans receivable	-	-	-	-	-
Percent of unsecured loans receivable	0%	0%	0%	0%	0%
Loan delinquencies*					
Dollar amount	122,980	149,385	191,038	190,374	50,759
Percent of loans receivable	1.06%	1.41%	1.71%	1.78%	0.70%
Total assets	25,751,966	18,722,823	15,000,750	14,399,194	11,230,160
Total Notes payable	8,948,768	8,960,082	9,795,793	9,434,253	7,885,148
Investor Notes payable	1,525,082	1,387,331	1,137,625	1,048,101	1,040,124
Amount of Investor Notes redeemed during the fiscal year*	0	0	2,000	20,000	29,000
Other long-term debt	-	-	-	-	-
Net assets	11,681,911	7,149,020	4,804,957	4,367,941	3,103,513
Change in net assets	4,532,891	2,344,063	437,016	1,264,428	1,277,400

*This data is sourced from internal reports and is not included in the audited financials.

Summary of Investor Note Activity

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Note Sales	\$453,080.69	\$249,706	\$91,524
Note Redemptions	\$234,129	\$2,000	\$20,000
Defaults	0	0	0
Late Payments	0	0	0

Except where identified otherwise, the following sections Notes #5-9 are excerpted from the 2020 Audited Financial Statements (also provided in full in the Attachments section).

Note 4 - Funds Held for Lending

The Organization had cash available for lending in the following loan pools as of December 31, 2020 and 2021.

Funding Sources	2021	2020
USDA Intermediary Relending Program	\$ 920,425	\$ 559,665
USDA Rural Microentrepreneur Assistance Program	821,113	495,081
USDA SMDC	26,799	11,097
SBA Microloan Program	1,094,081	1,199,067
MBC Equity Loan Pool	3,449,812	1,767,199
Advantage Opportunity Program	153,312	132,135
Economic Development Administration	671,596	252,406
All in Jackson Fund	297,394	0
COVID-19 Loan Fund	997,983	1,404,161
Catalyst Loan Fund	100,828	125,000
FTA/CA Guidehouse	24,529	0
PPP loan repayment program	1,551,525	0
Total Cash Held for Lending and Cash Reserves	\$ 10,109,397	\$ 5,945,811

The Organization had cash reserved for loan loss in the following loan pools as of December 31, 2021 and 2020:

Funding Source	2021	2020
USDA - IRP	\$ 138,327	\$ 133,451
USDA - RMAP	49,631	54,431
SBA Microloan	559,173	669,883
Total cash held for loan loss reserves	\$ 849,130	\$ 857,765

MBC has made lines of credit available to some of its borrowers. Included in the above cash pools are undistributed lines of credit issued. At December 31, 2021 and 2020, undisbursed cash relating to unused lines of credit totaled, \$382,555 and \$55,304 respectively.

Additional Information on Funds Held for Lending (Not from audit)

- The loan pools presented here include cash available for lending as well as for repayment of any notes payable associated with that loan pool.
- The Investor Note program is reflected under "MBC equity loan pool." This is the funding source available for small business lending from Investor Note funds as well as for Investor Note redemptions. The other listed funding sources are restricted for lending and repayment of the notes associated with those funding sources and are not available for Investor Note redemptions. The current funds available for redemptions is \$3,449,812.

Note 5 - Loans Receivable

Information on Organization's loans receivable is shown below by funding source:

At December 31, 2021	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	\$ 1,667,155	\$ 217,121	\$ 1,450,034
USDA Rural Microentrepreneur Assist Program	473,012	82,760	390,262
USDA SMDC	36,342	5,451	30,891
SBA Microloan Program	2,708,957	348,769	2,360,188
Economic Development Administration	2,718,384	267,810	2,450,574
MBC Equity and Private Lenders	3,928,497	530,122	3,398,375
Advantage Opportunity Funds	47,741	7,967	39,774
	11,580,088	1,459,990	10,120,097
Less, current portion	2,220,965	280,014	1,940,951
Loans receivable, net of current portion	\$ 9,359,123	\$ 1,179,976	\$ 8,179,147

At December 31, 2020	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	\$ 1,835,985	\$ 250,802	\$ 1,585,183
USDA Rural Microentrepreneur Assist Program	817,305	137,167	680,138
USDA SMDC	47,685	7,153	40,532
SBA Microloan Program	3,056,238	497,444	2,558,794
Economic Development Administration	1,565,914	148,019	1,417,895
MBC Equity and Private Lenders	3,234,071	560,015	2,674,056
Advantage Opportunity Funds	65,678	16,949	48,729
	10,622,876	1,617,549	9,005,327
Less, current portion	2,029,670	309,058	1,720,612
Loans receivable, net of current portion	\$ 8,593,206	\$ 1,308,491	\$ 7,284,715

Changes in MBC's allowance for loan losses are summarized as follows:

At December 31	2021	2020
Balance- allowance for loan losses beginning of year	\$ 1,617,549	
Loan loss expense	(77,239)	(615,280)
Write-offs- current year	(135,930)	(286,068)
Recoveries	55,610	44,534
Balance allowance for loan losses, end of year	\$1,459,990	\$ 1,617,549

Additional Information on Loans Receivable (Not from audit)

- As of December 31, 2021, there were no loans receivable that represented 5% or greater of the total portfolio.
- Mountain BizWorks is a secured lender in that loans are typically secured in full or in part. The company may make an unsecured loan from time to time if collateral is unavailable and there is a strong potential mission impact associated with the loan. As of December 31, 2022, all loans receivable were secured in full or in part.
- As of December 31, 2021, Mountain BizWorks has \$9,359,123 loans receivable guaranteed by third parties. The company is an SBA 7(a) lender and loans through this program may be secured up to 85% by SBA. The Corporation is required to fund reserves of at least 3% of the guarantee on loans sold which approximates to \$280,773.69. Mountain BizWorks held \$849,131 in a loan loss account at First Bank at December 31, 2021, satisfying both the 5% and 3% reserve requirements.

Note 8 - Property and Equipment

A description of property and equipment is as follows:

At December 31	2021	2020
Buildings and improvements	\$ 1,154,529	\$ 1,154,529
Equipment and software	114,292	135,275
Vehicles	<u>17,060</u>	<u>17,060</u>
	1,285,881	1,306,864
Less, accumulated depreciation	<u>(570,739)</u>	<u>(563,066)</u>
Property and equipment	\$ 715,142	\$ 743,798

Depreciation expense for the years ended December 31, 2021 and 2020 were \$28,565 and \$28,655, respectively.

Note 9 - Equity Equivalent

In August 2018, MBC issued an equity equivalent ownership to Capital Bank, a division of First Tennessee Bank, and received the principal sum of \$400,000. Interest at 3% per annum is paid quarterly, beginning September 2018, with the entire principal due August 2023. The equity equivalent securities do not constitute a class of stock or represent any equity ownership in MBC. The general obligation is not secured by any of MBC's assets. The equity equivalent is fully subordinated to the right of repayment of all of MBC's other creditors. The investing institution does not have the right to accelerate payment unless MBC ceases its operation.

Note 10 - Notes Payable

Notes payable are described as follows:

At December 31	2021	2020
Note payable to USDA, under the IRP bearing interest at 1% per annum and has a 30 year term. The note dated May 2005, is secured by MBC's IRP revolving fund, including loans receivable derived from the note. For the first three years, interest only payments are required followed by 27 yearly payments of principal and interest of \$10,613.	\$ 137,952	\$ 147,094
Note payable to USDA, under the IRP bearing interest at 1% per annum and has a 30 year term. The note dated September 2007, is secured by MBC's IRP revolving fund, including loans receivable derived from the note. For the first three years, interest only payments are required followed by 27 yearly payments of principal and interest of \$21,225.	306,127	306,305
Note payable to USDA, under the IRP, bearing interest at 1% per annum and has a 30 year term. The note is dated October 2017, secured by MBC's IRP's revolving fund, including loans receivable derived from the note. For the first three years, interest only payments are required followed by 27 yearly equal payments of principal and interest beginning on October 5, 2021.	723,508	747,563
Note payable to USDA, under the IRP, bearing interest at 1% per annum and has a 25 year term. The note dated August 2015, is secured by MBC's IRP's revolving fund, including loans receivable derived from the note. For the first three years, interest only payments are required followed by 23 yearly payments of principal and interest of \$22,281	383,789	402,049
Note payable to USDA, under the Rural Microentrepreneur Assistance Program (RMAP), bearing interest at 2% per annum and has a 20 year term. The note dated December 2010, is secured by MBC's RMAP's revolving fund, including loans receivable derived from the note. For the first two years, interest only payments are required followed by 216 monthly principal and interest payments of \$2,841.	281,292	306,290
Note payable to USDA, under the Rural Microentrepreneur Assistance Program (RMAP), bearing interest at 1% per annum and has a 20 year term. The note date August 2016, is secured by MBC's RMAP's revolving loan fund, including loans receivable derived from the note. Interest only payments are required until August 2018, followed by 216 equal payments of principal and interest of \$2,571.	423,926	444,594

<p>Note payable to USDA, under the Rural Microentrepreneur Assistance Program (RMAP), bearing interest at 1% per annum and has a 20 year term. The note dated November 2018, is secured by MBC's RMAP's revolving fund, including loans receivable derived from the note. Total amount available for draw under the loan agreement is \$500,000. For the first two years, interest only payments are required followed by monthly principal and interest payments, calculated on a 20 year amortization, with remaining principal and interest due November 2038.</p>	240,901	252,907
<p>Note payable to U.S. Small Business Administration Interest at 0% for the first year, and has a 10 year term. The note dated April 2017 is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of \$12,042 with balance due at maturity. Interest rate of 0.75% based on size of microloans.</p>	750,599	888,371
<p>Note payable to U.S. Small Business Administration, interest at 0% per annum, which can be adjusted by future events, and has a 10 year term. The note dated February 2013, is secured by loans receivable derived from that note. For the first year, no payments are required followed by 108 equal monthly installments of \$3,125.</p>	43,748	81,246
<p>Note payable to U.S. Small Business Administration, interest at 0% per annum, which can be adjusted by future events, and has a 10 year term. The note dated October 2013, is secured by loans receivable derived from that note. For the first year, no payments are required followed by 108 equal monthly installments of \$9,670.</p>	207,668	323,708
<p>Note payable to U.S. Small Business Administration, interest at 1.625% per annum, which can be adjusted by future events, and has a 10 year term. The note dated August 2015, is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of \$11,796.</p>	514,135	653,968
<p>Note payable to U.S. Small Business Administration, with a 10 year term. The note is dated May, 2018, and is secured by loans receivable derived from the note. Total amount available for draw under the loan agreement is \$1,250,000. Interest rate of 1.375%, based on size of microloans extended by MBC. Monthly payments of \$12,389, including principal and interest are due beginning June 2019 through June 2028, when the balance of all unpaid principal and interest is due.</p>	906,517	1,040,491

Note payable to U.S. Small Business Administration, with a 10 year term. The note is dated June 27, 2019, and is secured by loans receivable derived from the note. Total amount available for draw under the loan agreement is \$1,250,000. Interest rate of 1.260%, based on size of microloans extended by MBC. Monthly payments of \$4,138, including principal and interest are due beginning July 2020 through July 2029, when the balance of all unpaid principal and interest is due.	353,696	398,595-
Various notes payable to individuals under MBC's Investment Note Program. These notes range from \$500 to \$110,000, bearing interest from 0% to 3%, and are due in one to seven years from the date of the note.	1,525,082	1,1387,331
Note payable to PNC Bank, bearing interest at 3% per annum. The note is dated June 2017, and is unsecured. Interest only payments are required monthly with a balloon principal payment due June 2022.	250,000	250,000
Note payable to Mary Reynolds Babcock Foundation, bearing interest at 2% per annum. The note is dated July 2017, and is unsecured. Interest only payments are required monthly with a balloon principal payment due July 2021.	200,000	250,000
Note payable to Appalachian Community Capital, bearing interest at 2% per annum. The note is dated November 2017, and is unsecured. Interest only payments are required monthly with a balloon principal payment due November 2022.	100,000	100,000
Note payable to Appalachian Community Capital, bearing interest at 3.35% per annum. The note is dated October 2018, and is unsecured. Interest only payments are required monthly with a balloon principal payment due October 2022.	250,000	250,000
Note payable to Wells Fargo Investment Holdings, LLC, dated May 23, 2018, bearing interest at 2%, with a 12 year term. Interest only is paid quarterly beginning June 2018 to March 2028, followed by 8 quarterly principal payments of \$50,000, plus interest. Any remaining unpaid principal and interest is due May, 2030.	400,000	400,000
Note payable to Woodforest National Bank, bearing interest at 3.25% per annum. The note is dated January 2019 and is unsecured. For the first two years, interest only payments are required followed by 9 quarterly payments of principal and interest of \$13,610, following a balloon payment due June 2023.	-	250,000

Note payable to Community Reinvestment Fund, Inc., dated July 29, 2019 bearing interest at 2.75%, with a 6 year term. Total amount available fo draw under the loan agreement is \$400,000.		
63 monthly payments of principal and interest of \$3,281 begin April 2020. Any remaining unpaid principal and interest is due July 2025.	<u>\$347,728</u>	<u>\$379,658</u>
	8,489,168	8,960,080
Less, current maturities	<u>(2,309,048)</u>	<u>(1,532,519)</u>
Notes payable, net of current maturities	\$ 6,180,120	\$ 7,427,561

Note 10 - Notes Payable (continued)

Scheduled principal repayments on notes payable for the next five years are as follows:

At December 31st:

2021	\$1,532,519
2022	1,772,639
2023	975,868
2024	1,181,563
2025	1,030,688
Thereafter	2,466,805
Total principal payments	\$ 8,960,082

Additional Information on Notes Payable (Not from audit)

- The Investor Notes are unsecured. In the event of loan defaults or even a liquidation of Mountain BizWorks, the above Notes Payable indicated as secured and/or guaranteed will have priority for repayment based on the noted secured assets and/or guarantees. The total amount of debt that may be senior or have a higher priority than the Investor Notes is \$14,009,295 (however, much of this is only senior on certain assets as indicated in the above table).
- Unsecured notes and, if applicable, any unsecured portion of secured notes listed above, will have equal priority for repayment as the Investor Notes.

Please see the Attached 2021 Audited Financial Statements for additional Mountain BizWorks financial information

INCOME TAX CONSEQUENCES

The following discussion provides a brief description of certain significant federal income tax principles applicable to Mountain BizWorks and the Notes. It is not intended to be a complete description of all tax consequences to Investors. This discussion does not address all of the U.S. federal income tax consequences that may be applicable to Investors who are subject to special treatment under U.S. federal income tax law including, for example: banks and other financial institution; insurance companies; tax-exempt Investors; S corporations; Investors who are properly classified as “partnerships” under the Internal Revenue Code of 1986, as amended (the “Code”); dealers in securities; non-U.S. persons; and Investors who hold their Notes as part of a hedge, straddle or conversion transaction.

Moreover, the tax consequences of an investment in the Notes will not be the same for all Investors. Prospective Investors are urged to consult their individual tax advisors regarding the purchase of the Notes. Only by an individualized and thorough analysis of a prospective Investor’s particular tax situation can an investment in the Notes be evaluated properly.

General

The purchase of a Note is considered by the IRS to be an investment, not a donation. Consequently, the amount paid for a Note is not a charitable contribution and does not entitle the Investor to a deduction under section 170 of the Code. Additionally, interest paid on a Note will be income to the Investor and generally will be subject to income tax.

Original Issue Discount

If an Investor elects to receive all accrued interest on a Note at maturity, there may be “original issue discount,” as defined by section 1273 of the Code. In general, the Code requires that a holder of an obligation with original issue discount take the discount into income in equal distributions over the term of the obligation.

Notes That Bear Interest at Below-Market Rates

Notes that bear interest at below-market rates may fall within the imputed interest provisions of the Code. Specifically, Code section 7872 imputes taxable income to below-market rate lenders in the amount of the difference between the amount of interest that would be paid at the federally determined “market” interest rates and the interest actually paid. This imputation of interest income will in most cases result in increased tax liability to the lender. However, the IRS has issued regulations that exempt certain loans bearing below-market interest rates from imputed interest. The regulations provide that gift loans to a charitable organization (described in Code section 170(c)) are exempt, but only if at no time during the taxable year do the aggregate outstanding amount of loans by the lender to the organization exceed \$250,000. In addition, certain loans made by charitable organizations, and loans with interest arrangements that have no significant effect on the federal tax liability of either the lender or the entity receiving the investment may also be exempted from the imputed interest rules.

Because Mountain BizWorks is a charitable organization as described in Section 170(c), a gift loan to it that carries a below-market interest rate will likely be exempted from imputed interest as long as the amount of the loans to Mountain BizWorks by the Investor do not exceed \$250,000. If the aggregate amount loaned by an Investor to Mountain BizWorks exceeds \$250,000, the loans carry below-market interest rates, and other exemptions are not applicable, the Investor will likely be treated under the imputed interest rules as periodically transferring an amount equal to the imputed interest as a gift to Mountain BizWorks, which will be treated as retransferring this amount to the Investor as imputed interest. The Investor will thus receive imputed interest income, but will probably be allowed charitable deductions (subject to the percentage limitations on charitable deductions in Code section 170) of the imputed interest as a gift to Mountain BizWorks. Because of the percentage limitations, the deductions may not fully offset any inclusion of imputed interest in income.

Backup Withholding

Under U.S. federal backup withholding tax rules, Mountain BizWorks may be required to withhold a tax on interest payments made to Investors. The withholding rate is currently 28%. Mountain BizWorks will not

withhold, and will not be required to withhold, such amount for interest paid to an Investor if such Investor provides his or her taxpayer identification number (generally a social security number in the case of an individual) to Mountain BizWorks and certifies that such number is correct on a properly executed Form W-9, and Mountain BizWorks has not otherwise been notified by the IRS that the Investor's taxpayer identification number is incorrect or that there is a "payee underreporting" or "payee certification failure" for such Investor.

The foregoing discussion of certain U.S. federal income tax considerations is for general information only and is not tax advice. Accordingly, each Investor is urged to consult his or her own tax advisor as to the specific tax consequences of purchasing and owning the Notes, including the application and effect of U.S. federal, state, local, and other tax laws and the possible effect of changes in such laws.

ATTACHMENTS

- Investor Agreement
- Promissory Note
- Renewal Form – an example
- Audited 2021 Financial Statements