



**OFFERING MEMORANDUM
FOR COMMUNITY NOTES SOLIDARITY NOTES
AND PHILANTHROPIC NOTES
OF
BOSTON IMPACT INITIATIVE FUND II LLC**

Boston Impact Initiative Fund II LLC is a wholly-owned subsidiary of Boston Impact Initiative Fund, a 501(c)(3) tax-exempt public charitable organization.

THE OFFERING OF COMMUNITY NOTES IS ONLY OPEN TO RESIDENTS OF MASSACHUSETTS, MAINE, NEW YORK, RHODE ISLAND, CONNECTICUT, AND VERMONT.

September 29, 2022

Introduction to Boston Impact Initiative

Boston Impact Initiative (“BII”) is a nonprofit impact investing fund working to build a future where entrepreneurs of color and their communities have the financial, social and political power to create a sustainable, inclusive and equitable economy for generations to come. We invest in the people, places, and enterprises in and beyond Massachusetts who share our vision of an equitable economy and need access to catalytic capital. In doing so, we’re helping communities of color build productive capacity, fuel entrepreneurial growth and wealth creation, share in decision-making, multiply impact, and together, help close the racial wealth divide.

BII’s inaugural fund (“BII Fund I”) was launched in 2017 and invested integrated capital — defined as financial, knowledge, social and political capital— in regenerative local enterprises in Eastern Massachusetts that are owned and controlled by entrepreneurs of color or that serve communities of color. As of July 31, 2022, BII Fund I has deployed over \$7.7 million in total, with \$6.9 million in debt and equity investments into 50 enterprises and \$860,000 awarded in grants. BII is also building the field of racial justice impact investing nationally through its education and training for fund managers, investors and philanthropists that advances fresh perspectives on trust-based investing, balancing risk and return, and democratizing ownership and decision-making.

BII is delighted to offer notes in Boston Impact Initiative Fund II (“BII Fund II”), a \$20 million community-centered, integrated capital fund that will double down on BII’s mission of building a sustainable, inclusive and equitable economy for communities of color. By 2045, communities of color (Black, Latino, Asian and Indigenous) will become the new majority of our country—our workforce, our electorate, our economy.¹ But each of those systems is still set up to work against those communities. BII is reimagining those systems so our economy can work for everyone.

To do this, BII Fund II will invest in social enterprises owned by entrepreneurs of color who are committed to charting new markets, democratizing ownership and decision-making in the workplace, growing climate resilience and providing systemic solutions that build power for communities of color. Entrepreneurs of color must have significant ownership of the enterprise, which BII Fund II defines as greater than 33% ownership by Black, Latino, Asian or Indigenous founders or owners at the time of BII Fund II’s first investment. Most organizations in BII Fund II’s pipeline will exceed this ownership threshold. BII Fund II will also invest in commercial and residential real estate projects that support community ownership and control of land to prevent displacement. BII Fund II will build on BII’s track record of innovation in integrated capital tools and designs by using a combination of investing with a focus on equity capital, lending and giving, structured exits, impact covenants, and integrated returns that rebalance the relationship between financial and impact returns to create a unique capital offering in our region. In addition to making investments in these social enterprises, BII Fund II will provide technical assistance, business coaching, connections, and educational programming to support its portfolio investments, strengthen the impact of these enterprises in their communities and improve the effectiveness of entrepreneurial services.

¹ Brookings, The [US will become ‘minority white’ in 2045](#), Census projects.

BII Fund II is offering the following types of notes:

1. Debt securities to non-accredited investors residing in Massachusetts, Maine, New York, Rhode Island, Connecticut and Vermont in amounts ranging from \$1,000 to \$25,000, with a five (5)-year term and a 5% interest rate per year, renewable for another five (5) years at a 7% interest rate per year (the “Community Notes”);

2. Debt securities to accredited investors in amounts ranging from \$10,000 to \$3,000,000, with a ten (10)-year term and a 3% annual interest rate for Closings from October 31, 2022 - December 31, 2023. BII Fund II reserves the right to extend closings to December 31, 2025, in which case the interest rate will decrease to 2.5% for Closings from January 1 - December 31, 2024, and to 2.0% for Closings from January 1 - December 31, 2025 (the “Solidarity Notes”); and

3. Debt securities to accredited investors in amounts ranging from \$10,000 to \$3,000,000, with a ten (10)-year term and a 1% annual interest rate (such debt securities, the “Philanthropic Notes” and, collectively with the Community Notes and the Solidarity Notes, the “Notes”).

For those investors who prefer to invest through a recoverable grant, BII Fund II can enter into a Recoverable Grant agreement on economic terms similar to a Philanthropic or Solidarity Note or such other terms to be agreed by the parties (the “Recoverable Grants”), except that the Recoverable Grants will be subordinated to the payment of all Notes. Under applicable tax rules, BII Fund II is accorded the same tax treatment as its sole member/parent, which is a Section 501(c)(3) public charity, and thus contributions to the LLC are deductible in the same manner as contributions to the sole member/parent.

BII Fund II currently anticipates offering \$1,000,000 in principal amount of the Community Notes, \$13,000,000 in principal amount of the Solidarity Notes and \$6,000,000 in principal amount of the Philanthropic Notes, for a total of \$20,000,000. These amounts are subject to change by BII Fund II in its sole discretion.

As described in greater detail in this offering memorandum, BII Fund II invests in social enterprises that address the growing wealth gap, and social and environmental challenges of our times. Why do we do this? Because we believe there won't be any change in the fundamental conditions that contribute to persistent poverty and injustice until and unless there are more opportunities for people of color to own and control their future. Together, the full portfolio of businesses and nonprofit organizations supported by our community investments will work to achieve these goals, which include job creation, racial equity, power-building and equalizing pathways toward prosperity for everyone.

Thank you for your consideration.

Sincerely,



Betty Francisco
CEO, Boston Impact Initiative

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Notices Regarding the Offering

This offering memorandum (this “Offering Memorandum”) regarding this offering of Notes (this “Offering”) contains forward-looking statements that involve risks and uncertainties. We use words such as “anticipates,” “believes,” “plans,” “expects,” “future,” “intends,” and similar expressions to identify such forward-looking statements. You should not place undue reliance on these forward-looking statements. BII Fund II’s actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including but not limited to the risks described under the heading “Risk Factors” and elsewhere in this Offering Memorandum.

Neither the United States Securities and Exchange Commission (the “SEC”) nor any state securities regulator has approved, disapproved, or endorsed these securities, nor determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

THE NOTES ARE INTENDED FOR INVESTORS WHOSE PRIMARY MOTIVATION IS CHARITABLE AND WHO WISH TO ALIGN THEIR INVESTMENTS WITH THE PROMOTION OF RACIAL JUSTICE, ECONOMIC OPPORTUNITY AND WEALTH CREATION FOR ENTREPRENEURS OF COLOR, AND BUILDING POWER FOR COMMUNITIES OF COLOR IN ECONOMICALLY DISADVANTAGED AREAS IN MASSACHUSETTS AND THE NORTHEAST. ALTHOUGH THE NOTES WILL BEAR INTEREST AND WILL BE REPAYABLE AT MATURITY, THE PROCEEDS OF THE NOTES WILL BE USED FOR CHARITABLE PURPOSES, AND THE RATES OF INTEREST PAYABLE ON THE NOTES MAY BE LESS THAN MARKET RATES FOR COMMERCIAL DEBT AND OTHER INVESTMENTS. INVESTORS WHOSE PRIMARY GOALS ARE MAXIMIZING INTEREST INCOME AND OTHER INVESTMENT RETURNS SHOULD SEEK PROFESSIONAL ADVICE BEFORE CONSIDERING AN INVESTMENT IN THE NOTES.

This Offering is being made on a continuous basis to individuals and institutions pursuant to the terms of an Investment Agreement that must be entered into by each prospective investor. This Offering Memorandum will be updated if there are any material events of which investors should be aware for the purposes of making an investment decision. BII Fund II has not engaged an underwriter or placement agent in connection with the Offering and will not pay any direct or indirect fees or sales commissions to any person in connection with the Offering. Therefore, substantially all of the proceeds of this offering will be available to support BII Fund II’s mission. BII Fund II reserves the right to accept or reject any application for an investment in BII Fund II and may request additional conditions to an investment or information from any prospective investor.

This Offering is exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to Section 3(a)(4) thereof, as an offering to charitable investors. In conducting the Offering, BII Fund II is also excluded from the requirement to register, and will not be required to comply with the governance and other regulatory provisions of an investment company, under Section 3(c)(10) of the Investment Company Act of 1940, as amended (the “Investment Company Act”). Investors in the Offering will not be afforded the protections of registration and regulation under these laws.

The Notes have not been registered with the securities departments of any states, in reliance on laws exempting from registration securities of certain religious, charitable and educational organizations. Additionally, no securities department of any state has passed upon the merits of the securities hereby offered or recommended or given approval to the securities or the accuracy of this Offering Memorandum.

The Community Notes may be sold only in Massachusetts, Maine, New York, Rhode Island, Connecticut and Vermont. BII Fund II will only accept Investment Agreements for the Community Notes from residents in those states. The Community Notes may not be sold in, and Investment Agreements will not be honored from residents of, any other states.

The Notes are not savings or deposit accounts or other obligations of a bank and are not insured by the Federal Deposit Insurance Corporation, any state bank insurance fund or any other governmental agency. The payment of principal and interest to an investor in the Notes is dependent upon BII Fund II's financial condition. Any prospective investor is entitled to review BII Fund II's financial statements, which will be furnished at any time during business hours upon reasonable request. The Notes are obligations of BII Fund II and are not obligations of, nor guaranteed by BII, BII Fund I nor any other person or organization.

Purchasing a Note is not a donation to BII Fund II, BII Fund I nor to BII and is not tax deductible. Interest paid on a Note (or other income or gain derived from the ownership of a Note) is taxable. You should not rely on this Offering Memorandum for investment, legal, accounting or tax advice. You should consult your own professional advisors before investing in any of the Notes.

INVESTING IN THE NOTES IS SUBJECT TO CERTAIN RISKS, AND YOU SHOULD NOT INVEST IN THE NOTES IF YOU CANNOT AFFORD TO LOSE THE PRINCIPAL AMOUNT OR IF YOU NEED LIQUIDITY (SEE "RISK FACTORS").

To invest in the Notes, please review the instructions in the "How to Invest in the Notes" section of this Offering Memorandum (see page 46), then complete and submit electronically the attached Investment Agreement for the particular Notes in which you wish to invest via BII's website at www.bostonimpact.com/fundoffering.

If your investment is accepted, BII Fund II will provide you with an electronic copy of your Investment Agreement and the appropriate Note, both signed on behalf of BII Fund II. If you do not hear from BII Fund II within seven (7) days of submitting in your Investment Agreement, please contact BII Fund II to make sure it was received. For more information, please contact BII at (617) 702-9132 or by email at info@bostonimpact.com.

No one has been authorized to give you any information or to make any representations in connection with this offering other than those contained in this Offering Memorandum. You should not rely on any information or representation that is inconsistent with this Offering Memorandum.

Summary of the Offering

About BII Fund II

Incorporated in May 2022, BII Fund II is a Delaware limited liability company that is wholly-owned by BII Fund I, a Delaware nonprofit corporation exempt from federal income tax under section 501(c)(3) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). Under applicable tax rules, BII Fund II is accorded the same tax treatment as its sole member/parent, which is a Section 501(c)(3) public charity, and thus contributions to the LLC are deductible in the same manner as contributions to the sole member/parent.

BII Fund II is a community-centered, integrated capital fund that will invest in the people, places, and enterprises that are building our collective future. By 2045², communities of color (Black, Latino, Asian, and Indigenous) will become the new majority of our country—our workforce, our electorate, our economy. But each of those systems is still set up to work against those communities. BII Fund II is reimagining those systems so our economy can work for everyone.

As an impact investment fund, BII Fund II takes an integrated capital approach to investing, using a mix of financial, knowledge, social and political capital to accelerate entrepreneurial growth and wealth creation, and build economic, social and political power for communities of color in and beyond Massachusetts. Integrated capital allows BII Fund II to combine investing, lending and other types of financial support, such as grants and credit enhancements, to offer the best capital instrument for the stage of each organization in which it invests. Recognizing the need for patient, non-extractive equity capital for small and medium sized social enterprises, BII Fund II will deploy a majority of its capital as equity and near equity instruments.

BII Fund II will invest in regenerative, social enterprises owned by entrepreneurs of color, and in community-controlled real estate in economically disadvantaged areas in Massachusetts, New England and Upstate New York. Ideal social enterprises are dedicated to creating a better future for low- and moderate-income communities and communities of color, but experience a lack of access to capital due to reluctance and unwillingness by traditional financial institutions to take risks on entrepreneurs with non-traditional backgrounds. In addition to making investments in these social enterprises, BII Fund II will provide technical assistance, business coaching, connections and educational programming to support its portfolio investments, strengthen the impact of these enterprises in their communities and improve the effectiveness of entrepreneurial services in and beyond Massachusetts.

About Boston Impact Initiative and BII Fund I

Boston Impact Initiative (“BII”) is a nonprofit impact investing fund working to build a future where entrepreneurs of color and their communities have the financial, social and political power to create a sustainable, inclusive and equitable economy for generations to come. To do this, we invest in the people, places, and enterprises in and beyond Massachusetts who share our vision of an equitable economy and need access to catalytic capital. In doing so, we’re helping communities of color build productive capacity, fuel entrepreneurial growth, share in decision-making, multiply impact, and together, help close the racial wealth divide.

² Brookings, The [US will become ‘minority white’ in 2045](#), Census projects.

BII’s inaugural fund (“BII Fund I”) launched in 2017 and invests integrated capital — defined as financial, knowledge, social and political capital— in regenerative local enterprises in Eastern Massachusetts that are owned and controlled by entrepreneurs of color or are serving communities of color. As of July 31, 2022, BII Fund I has deployed over \$7.7 million in total, with \$6.9 million in debt and equity investments into 50 enterprises and \$860,000 awarded in grants. BII Fund I is fully deployed as of July 31, 2022 and, as a result, it will not compete with BII Fund II for investment opportunities. BII is also building the field of racial justice impact investing nationally through our education and training for fund managers, investors and philanthropists that advances fresh perspectives on trust-based investing, balancing risk and return, and democratizing ownership and decision-making. In April 2020, BII launched its inaugural Integrated Capital Fund-Building Cohort to engage existing and prospective fund managers in structuring, raising and managing community-based funds dedicated to closing the racial wealth divide. That first Cohort included 33 participants representing 11 communities across the nation. BII continues to offer this curriculum to other emerging fund managers through BII’s Founder and external consultants. Through our investor and community outreach, speaking engagements and other events, BII teaches entrepreneurs, fund managers, private investors and philanthropists to re-imagine the way we deploy financial and social capital to catalyze asset-building opportunities among communities of color.

BII Supported Organizations

As a way for BII to ensure its work is informed by community, BII identified three supported organizations that were conduits for community voice and gave them control over the BII Board. BII is a supporting organization of the Rudolf Steiner Foundation, Inc., a New York nonprofit corporation doing business as RSF Social Finance (“RSF”), The Commonwealth Foundation, Inc., a Massachusetts nonprofit corporation, including its program The Center for Economic Democracy (“CED”), and Urban Revival, Inc., a Massachusetts nonprofit corporation doing business as City Life/Vida Urbana (“City Life,” and together with RSF and CED, the “Supported Organizations”). Each of the three Supported Organizations is also an organization exempt from federal income tax under section 501(c)(3) of the Code, and together they appoint a majority of the directors who serve on BII’s and BII Fund I’s Board of Directors (the “BII Board”) (see “Management, Staffing and Administration” on page 27 for more information). BII supports the Supported Organizations by making grants to the Supported Organizations and actively carrying out their exempt functions and purposes.

The exempt functions and purposes of RSF include creating new models of finance that move the economy toward greater equity and inclusion. RSF does this by providing social enterprises, including small businesses, community organizations and charitable organizations, with loans, equity, and grants so they can have a positive impact on their local community.³ BII Fund I and BII Fund II make impact investments in the same types of social enterprises as those supported by RSF, thereby carrying out RSF’s exempt purpose. RSF also hosts BII’s donor-advised fund for grant-making activities.

The exempt functions and purposes of CED include advancing visions and practices for a just and sustainable world after capitalism. CED pursues these purposes by providing research, technical assistance and education to grassroots groups to develop community-owned enterprises.⁴ BII Fund

³ RSF Mission and Values available at <https://rsfsocialfinance.org/vision/>

⁴ Center for Economic Democracy description of activities and vision available at <https://www.economicdemocracy.us/programs>

I and BII Fund II make impact investments in community-owned enterprises like those supported by the Center for Economic Democracy, thereby carrying out the CED's exempt purposes. BII and CED are also partners on the Boston Ujima Project and the Solidarity Economy Initiative.

The exempt function and purpose of City Life is to fight for racial, social and economic justice and gender equality by building working class power through direct action, coalition building, education and advocacy. The organization does this by promoting tenants' rights and preventing housing displacement.⁵ BII Fund II will partner with City Life to make impact investments in communities experiencing housing and business displacement, with a goal of strengthening such communities, including potentially investments that allow communities to own and control the real estate assets in those communities, thereby carrying out City Life's exempt purpose. BII also manages three investments for City Life.

About BII LLC

BII was established in close connection with Boston Impact Initiative, LLC ("BII LLC"), a Massachusetts limited liability company owned by Deborah Frieze and Michael Frieze, who are co-founders of BII. BII LLC was established as a social impact investment vehicle for investment in enterprises throughout Eastern Massachusetts to address the growing wealth gap and the ecological challenges of our times. BII LLC is managed by BII.

BII LLC has donated assets to BII having an approximate value of \$490,220 (such assets, the "Donated Assets"). The Donated Assets were originally investments made by BII LLC and which have been donated for the purpose of providing income-generating assets to BII Fund II. BII Fund II has no ability or obligation to meet any capital calls in connection with the Donated Assets and is not responsible for the discharge of any liabilities of BII LLC or any of its equity holders, including Deborah Frieze or Michael Frieze, in connection with the Donated Assets. BII Fund II will use the Donated Assets in conjunction with the institutional knowledge and network of its co-founders and employees (and the funds raised in this Offering) to further its social impact mission in Massachusetts and the Northeast.

The Notes

BII Fund II is offering the Notes in the targeted amounts below. The proceeds of the Offering will be used to support and sustain regenerative, social enterprises owned by entrepreneurs of color and community-controlled real estate in Massachusetts, New England and Upstate NY that meet the criteria outlined in the BII Fund II Investment Policy (the "Investment Policy").

- \$1,000,000 in Community Notes
- \$13,000,000 in Solidarity Notes
- \$6,000,000 in Philanthropic Notes

BII Fund II expects to offer and sell these targeted amounts, but the final amounts of the offerings of Notes are subject to change by BII Fund II in its sole discretion. Acceptance of offers to purchase any of the Notes is not conditioned upon the receipt of any minimum amount of total funding or any other event.

⁵ City Life/Vida Urbana mission, vision and description of activities available at https://www.clvu.org/mission_vision

Community Notes

The Community Notes are debt securities that have an initial five (5)-year term and a 5% interest rate compounding annually, payable on December 31, 2027 (the “1st Community Note Maturity Date”), provided that investors in Community Notes may elect to have the interest on their Community Note paid annually instead of compounding annually. The Community Notes may be renewed for a second (5)-year term at a 7% interest rate compounding annually, payable on December 31, 2032 (the “2nd Community Note Maturity Date”), provided that investors in Community Notes may elect to have the interest on their Community Note paid annually instead of compounding annually. The Community Notes are open to non-accredited investors residing in Massachusetts, Maine, New York, Rhode Island, Connecticut and Vermont with a minimum investment of \$1,000 up to a maximum investment of \$25,000. The Community Notes will be senior to the Solidarity Notes, the Philanthropic Notes and the Recoverable Grants.

Solidarity Notes

The Solidarity Notes are debt securities that have a ten (10)-year term and a 3% interest rate compounding annually for Closings from October 31, 2022 - December 31, 2023. BII Fund II reserves the right to extend the offering of Solidarity Notes after 2023, in which case the interest rate will decrease to 2.5% compounding annually for Closings from January 1 - December 31, 2024, and to 2.0% compounding annually for Closings from January 1 - December 31, 2025. All principal and interest outstanding on the Solidarity Notes will be payable on December 31, 2032 (the “Solidarity Note Maturity Date”). The minimum investment is \$10,000 and the maximum investment is \$3,000,000. The Solidarity Notes are open to accredited investors and institutions, including grant-making foundations, and others that meet the criteria in the Solidarity Investment Agreement. An investment in a Solidarity Note will be subordinate to the Community Notes and will be senior to the Philanthropic Notes and Recoverable Grants.

Philanthropic Notes

The Philanthropic Notes are debt securities that have a ten (10)-year term and a 1% interest rate compounding annually, payable on December 31, 2032 (the “Philanthropic Note Maturity Date”). The Philanthropic Notes are open to accredited investors and institutions, including grant-making foundations, and others that meet the criteria in the Philanthropic Investment Agreement, with a minimum investment of \$10,000 up to a maximum investment of \$3,000,000. An investment in a Philanthropic Note will be subordinate to both the Community Notes and the Solidarity Notes, but will be senior to the Recoverable Grants.

Recoverable Grants

Recoverable Grants are grants that can potentially return capital to a donor advised fund or other philanthropic entity if BII Fund II achieves its goals. Recoverable Grants may have economic terms similar to the Philanthropic or Solidarity Notes or such other terms as may be agreed by BII Fund II and the donor. Recoverable Grants are open to accredited investors and institutions, including grant-making foundations, and others that meet the criteria in the Philanthropic or Solidarity Investment Agreement, with a minimum investment of \$10,000 up to a maximum investment of \$3,000,000. Interest rates on Recoverable Grants may range from 0% - 3% as may be agreed by BII Fund II and the donor. An investment in a Recoverable Grant will be subordinated to the payment of all of the Notes.

Summary of the Offered Notes

Note Type	Interest Rate	Min/Max Investment	Position	Maturity Date	Target Tranche Size
Community Notes (for non-accredited investors)	5% (7% if renewed for additional 5 years)	\$1,000 - \$25,000	1 st position	12/31/2027 Renewal: 12/31/2032	\$1M (5%)
Solidarity Notes (for accredited investors)	3% (with 0.5% stepdowns based on closing date)	\$10,000 - \$3,000,000	2 nd position	12/31/2032	\$13M (65%)
Philanthropic Notes (for accredited investors)	1%	\$10,000 - \$3,000,000	3 rd position	12/31/2032	\$6M (30%)

See the full Description of the Notes of page 32 of this Offering Memorandum.

Closing Dates

We will issue the Notes in a series of closings, which occur as soon as reasonably practicable after BII Fund II has obtained commitments from investors. Closings will occur on October 31, November 30 and December 31, 2022. Afterwards, BII Fund II will shift to quarterly closings until a final close on December 31, 2023, provided that BII reserves the right to extend this Offering beyond December 31, 2023 and through December 31, 2025 at its sole discretion. We refer to the date on which a Closing occurs as the “Closing Date.”

Solidarity Notes Interest Rates

Solidarity Note interest rates are subject to step down based on the Closing Date:

- 3.0% for Closings from October 31, 2022 - December 31, 2023.

If BII Fund II elects to extend the offering of Solidarity Notes after 2023, the interest rate will decrease to:

- 2.5% for Closings from January 1 – December 31, 2024, and
- 2.0% for Closings from January 1 - December 31, 2025

Sources of Funds and Use of Proceeds

BII Fund II intends to receive over time up to \$20,000,000 of proceeds of this Offering. BII Fund II will use the proceeds of this Offering, together with the proceeds of philanthropic grants, to make investments and to fund its operations. Investments made by BII Fund II from the proceeds of this Offering will have flexible terms depending on the business, and may be in the form of loans (which may be senior debt, mezzanine debt, subordinated debt, convertible debt, first lien debt, second lien debt or unsecured debt), credit enhancements or equity securities. Loans are generally expected to have interest rates of 3% to 7% per annum, subject to adjustment by BII Fund II based on changing market conditions. Terms for loans will normally range from 1 -7

years, with exceptions approved by the Investment Committee, and may or may not be amortizing. Investments in equity securities will not have an interest rate, but will target a return of 1.5x - 3x on invested capital. Investments in equity securities will not have stated maturity, except where exits are structured at the onset of the investment. Returns on equity securities may occur through dividends or distributions and upon sale or redemption of such equity securities. The target investment mix for BII Fund II is outlined below, subject to adjustment by BII Fund II based on community needs and market conditions.

Investment Mix

	Small Business Equity	Small Business Debt	Real Estate Debt & Equity
Percent of Portfolio	50%	15%	35%
Investment Type	Preferred Stock Common Stock Convertible Notes SAFEs	Secured Unsecured Debt Lines of Credit Royalty and Receivable finance	Equity Debt Bridge
Target Number of Investments	25-30	10-15	7-10
Investment Size	\$100K - \$1M	\$100k - \$500K	\$500k - \$2M
Target Interest or Rate of Return	1.5 - 3x	5% - 7%	3% - 7% (Debt) 1.4 - 2x (Equity)

Financing Operations

Similar to BII Fund I, BII Fund II projects it will earn sufficient return on its investments to fully repay the Notes with interest and generate a profit. However, given the scale and mission of BII Fund II, profits from investing activity will not cover the full cost incurred by BII Fund I in operating BII Fund II. This is intentional – BII Fund II’s role in the impact investing community involves taking a concessionary return profile to catalyze high impact enterprises. To cover a portion of its expenses in operating BII Fund II, BII Fund I will collect a deployment fee (the “Deployment Fee”) of 1% of committed capital during the deployment phase of BII Fund II (years 1-5), and then the Deployment Fee scales down to 0.50% of committed capital thereafter, regardless of when the capital is called. The Deployment Fee will be collected from BII Fund II proceeds or available BII Fund II cash annually. BII Fund II will also reimburse BII Fund I annually for all direct, personnel, fringe benefits, office space and equipment, and other overhead and indirect costs incurred by BII Fund I in connection with the management services, as specified in the operating agreement between BII and BII Fund II dated May 22, 2022 (the “Operating Agreement”). In addition to the annual Deployment Fee, BII Fund II will raise and leverage philanthropic grant capital to cover excess annual operating costs.

Below is the expected operating budget during the active years of the Notes Offering:

BII Fund II Budget				
	2022	2023	2024	2025
REVENUE				
Interest Income	\$ 9,063	\$ 108,750	\$ 183,750	\$ 246,250
Investment Income	-	-	150,000	150,000
Grant Income	50,000	572,600	495,000	520,000
Deployment Fee	5,000	90,000	170,000	200,000
Donated Goods and Services*	907,320	257,574	283,021	308,494
TOTAL REVENUE	\$ 971,383	\$ 1,028,924	\$ 1,281,771	\$ 1,424,744
EXPENSES				
Interest Expense	\$ 12,500	\$ 225,000	\$ 425,000	\$ 500,000
Investment Expenses	2,589	31,071	52,500	70,357
Salaries & Fringe Benefits	236,291	388,039	409,579	432,390
Professional Fees	10,000	95,100	86,000	86,000
Facility & Equipment Expenses	11,000	27,052	20,857	21,743
Travel & Meetings	4,500	5,000	2,500	2,500
Donated Salaries and Services	407,320	257,574	283,021	308,494
TOTAL EXPENSES	\$ 684,200	\$ 1,028,836	\$ 1,279,457	\$ 1,421,484
PROFIT (LOSS)	\$ 287,183	\$ 88	\$ 2,314	\$ 3,260

*Includes donated assets valued at \$490,220 from BII LLC and legal expenses related to BII Fund II formation of the Offering

Risk Factors

Each prospective investor must be aware that an investment in the Notes is speculative and involves a high degree of risk, including the possible loss of the entire investment. Each prospective investor should carefully read and consider the following Risk Factors and all matters specified in the offering documents prior to making an investment decision regarding whether to invest in the Notes. We believe that the following information identifies the material risks and uncertainties that we face, but other risks and uncertainties may also significantly impact us or the Offering and the value of the Notes.

Risks Related to Our Industry

- **Certain Factors Beyond Our Control May Affect Our Future Success.** Any future success that BII Fund II might achieve will depend upon many factors, including factors beyond our control and/or that cannot be predicted at this time. These factors include but are not limited to changes in general economic conditions; changes in viable investment opportunities; the impact on borrowers or equity investment values from competition, market forces, changes in laws, pandemic, weather or other business-specific factors; or other factors that have not yet been identified. Any of these factors could have a material adverse effect upon our portfolio companies or real estate investments, or the value of the investments of BII Fund II, which could have a material adverse effect on the Notes.
- **Competition May Affect BII Fund II.** As awareness of social impact investing and racial equity focused investing, and ESG funds continues to grow in the US, available capital may outpace the number of viable investments. While there is currently limited competition in Massachusetts, New England, and Upstate New York for this type of fund, there is the possibility that new competitors will develop. BII Fund II may find itself competing with other investors or investment funds for investments, which could increase the risk and reduce the return of our investment portfolio, which could adversely impact our ability to pay interest on the Notes or make principal payments at maturity. In addition to competition for investments, we compete with other businesses, including certain of our Supported Organizations that engage in similar grant-making activities and provide advice and assistance related to impact investing similar to services that we offer. As awareness of social impact investing continues to grow, these competitive threats will likely expand in the future, making it more difficult for BII Fund II to attract investment opportunities and retain clients, which could have a material adverse effect on BII Fund II's revenue and financial condition.
- **An Economic Downturn or Volatility could have a Material Adverse Impact on our Business or Financial Condition and the Notes.** The United States and world economies have experienced significant economic uncertainty and volatility during recent years. A weakening of economic conditions could have a material adverse effect on our portfolio companies or the value of the investment of BII Fund II, reduce the availability of viable investment opportunities for BII Fund II, reduce demand for BII Fund II's advice and assistance relating to impact investing, or reduce interest in impact investing on the part of potential investors, among other things. Any of these factors could have a material adverse effect upon BII Fund II, its borrowers and the value of the Notes.

- **Public Health Emergencies.** BII Fund II and the companies in which it will invest each face risks related to the ongoing and unpredictable Covid-19 pandemic, which continues to impact worldwide economic activity generally. The pandemic has resulted, and in the future may result, in further widespread or localized health crises that adversely affect general commercial activity. The continued unpredictable ebb and flow of new Covid-19 infections, including new variants, may continue to adversely impact BII Fund II and the companies in which it will invest for the foreseeable future. Equally unpredictable are the responses of national and local governments and health authorities in affected regions to reduce community spread and protect employees, which may include mandatory shutdowns or limitations on all or certain types of business operations. In addition to Covid-19, the occurrence of additional public health emergencies, epidemics or pandemics, and the adverse impacts of any such emergencies on BII Fund II and the companies in which it invests, cannot be predicted.

Risks Related to Our Organization

- **BII Fund II Has Limited Operating History.** Though BII Fund II is managed by BII Fund I which has a five-year operating history, BII Fund II is a new entity that commenced operations in 2022 and has limited operating history. Any estimates of our performance, administration or investment returns may not meet expectations. There is no assurance that BII Fund II will generate significant revenues and/or that its operations will be profitable.
- **BII Fund II's Ability to Raise Capital is Limited.** Traditional for-profit financial institutions sell stock and retain earnings to build capital. The capital is available to cover overhead and to provide liquidity and reserves against losses. As a nonprofit organization, BII Fund II cannot issue stock, and does not have or expect to have substantial retained earnings.
- **BII Fund II Expects to Rely Upon Grant Funding to Support Its Operations.** BII Fund II will seek, and expects to rely upon, the Deployment Fee and philanthropic grants to support its operations. If BII Fund II does not receive philanthropic grants, it may have insufficient funds available to support its operations, which may materially and adversely affect BII Fund II and its ability to pay interest and principal on the Notes.
- **The Loss of BII Fund I's Tax-Exempt Status Could Threaten Our Continued Viability.** BII Fund I, the parent company of BII Fund II, has received an Internal Revenue Service determination that it is an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). BII Fund II has not obtained its own exemption from federal income tax and, as a result, is dependent on the tax-exempt status of BII Fund I. If BII Fund I's operations or structure deviate materially from the description they provided to the Internal Revenue Service, or if there are changes in Section 501(c)(3) of the Code, BII may lose its tax-exempt status. Loss of tax-exempt status could impact the securities law exemptions we rely upon and would impose significant additional expenses on us and might seriously threaten our continued viability.
- **We Are Dependent on Key Personnel.** Much of BII Fund II's success depends on the skills, experiences and performance of BII Fund II's management and staff. Control of BII Fund II and all of its operations rests within the BII Board, upon whose judgment and skills investors must rely. Our success will also depend on our ability to recruit, train and retain qualified personnel. The loss of and subsequent failure to adequately replace the services of any key personnel, or a failure to recruit, train, and retain key personnel in the future, may have a material adverse effect upon the administration of BII Fund II and the value of the Notes.

- **BII Fund II Has No Personnel of Its Own.** BII Fund II does not have any personnel of its own and is dependent on BII personnel to operate its business. As a result, our success and our ability to operate could be materially adversely affected by a loss or failure to retain BII personnel.
- **Lawsuits Could Adversely Impact BII Fund II.** In the future, BII Fund II may be a party to legal and regulatory proceedings and investigations, including matters involving governmental agencies, entities with whom we do business or employees or other proceedings and investigations arising in the ordinary course of business. Assessing and predicting the outcome of such matters, should they arise, involves substantial uncertainties. Any lawsuit or investigation against BII Fund II could delay or interfere with the profitability of BII Fund II by diverting both time and financial resources to defend against the suit.
- **We are Unable to Predict what Changes to Laws, Regulations and other Requirements Might be made in the Future or how Those Changes Could Affect Our Business or the Costs of Compliance.** BII Fund II has attempted to structure its operations to comply with applicable legal, regulatory and other requirements. But there can be no assurance that our operation will not be challenged or impacted by changes to various legal, regulatory or other requirements. Any changes to existing legal, regulatory or other requirements could require us to change or terminate portions of our business, limit the types of investments BII Fund II is able to make, adversely affect demand for our services or force us to expend significant capital to ensure BII Fund II remains in compliance with such changes.
- **BII Fund II Shares Employees with BII.** BII employees will spend a portion of their time on management and investing activities related to BII Fund II. Because BII Fund II's success is dependent on the skills, experiences and performance of BII staff, the division of employee time between BII Fund II and BII Fund I may have a material adverse effect upon the management of BII Fund II's investment portfolio. (See "Management, Staffing and Administration" beginning on page 27.)
- **BII Fund II is Pursuing CDFI Certification and there is no Guarantee it will obtain CDFI status.** Concurrently with this Offering, BII Fund II is pursuing certification as a community financial development institution (CDFI) to expand its operating capacity and new sources of capital for BII Fund II. Such certification requires staff time and attention and there is no guarantee that BII Fund II will secure certification nor grant capital for CDFIs.

Risks Related to Our Investments

- **BII Fund II's Investments Are Subject to the Risk of Nonpayment.** Loans and other investments made from BII Fund II are subject to non-payment, including: (i) the inability of borrowers to make interest and principal payments on loans; (ii) "lender- liability" claims by borrowers and third parties; (iii) environmental liabilities that may arise with respect to collateral securing a loan; and (iv) limitations on the ability of BII Fund II to directly enforce its rights with respect to loan participations. In analyzing each investment, BII Fund II compares the relative significance of the risks against the expected benefits of the loan. Successful claims by third parties arising from these and other risks may result in a loss to Noteholders.

- **We May Have Insufficient or No Collateral Coverage for Our Loans.** Although we may attempt to collateralize certain loans to borrowers, several factors may limit our ability to collect the full amount of such loans, even after exercising our rights to collateral. The realizable value of collateral for a particular loan may be less than the principal amount of that loan, particularly in light of fluctuating asset values. Certain borrowers may owe money to other creditors with rights senior to the same collateral pledged to us, including mechanics', materialmen's, real estate tax and other liens. In addition, not all of our loans will be collateralized.
- **There Are No Guarantees of Return.** No assurances can be given that an investor in the Notes will realize a substantial return on investment, or any return at all, or that such an investor will not lose a substantial portion or all of their investment. For this reason, each prospective investor should carefully read this Offering Memorandum and the relevant appendices attached hereto and should consult with an attorney, accountant and/or business advisor prior to making any investment decision.
- **Our Determination of Valid Benefits is Subjective.** There can be no assurance that the intended benefits of the particular projects we finance will be achieved. In addition, the measurement and valuation of these benefits is subjective. There can be no assurance that our determination of a successful project will correspond to the opinions of our investors.
- **BII Fund II's Investments May Have Higher Risk Profiles.** BII Fund II's underwriting criteria will include mission-related factors that extend beyond a traditional lender or investor's focus on credit or enterprise risk. Accordingly, BII Fund II may make investments that would be considered higher risk by for-profit commercial lenders or community investors. Any or all of these enterprises could default or fail, which could make it impossible for BII Fund II to meet its obligations under the Notes.
- **Our Investments May Be Concentrated.** While BII Fund II will aim to have a diversified portfolio and limits on the amount of any individual investment, BII Fund II's investment portfolio could become significantly concentrated in a small number of borrowers, industries or sectors. Any such concentration of risk may increase losses suffered by BII Fund II.
- **Our Investments May Not Generate Intended Positive Impact.** BII Fund II will make investment decisions based on meeting social and environmental impact criteria, alongside financial underwriting; however, there is no guarantee that the portfolio will yield the intended social and environmental impact outcomes. Additionally, positive impacts may not endure, and/or negative impacts may not be mitigated over time.
- **Warehoused Investments Have Not Been Independently Appraised.** The Warehoused Investments will be transferred to BII Fund II at cost. No independent analysis has been performed to determine whether the cost basis of these Warehoused Investments accurately reflects their true value.

Risks Related to the Notes

- **We May be Unable to Sell a Sufficient Number of Notes in this Offering.** The Notes offer a low rate of return compared to other investments of comparable risk. Because of this lower rate of return or other factors, we may not be successful in our ability to sell the Notes and, therefore, may be unable to carry out our objectives, which may exacerbate the other risks mentioned in this Offering Memorandum.
- **Tax Risks.** No representation or warranty of any kind can be made by BII Fund II, the officers, directors, affiliates, employees or agents of BII Fund II, or counsel or any other professional advisors to BII Fund II, with respect to any tax consequences of any investment in BII Fund II. EACH PROSPECTIVE INVESTOR SHOULD SEEK THE INVESTOR'S OWN TAX ADVICE CONCERNING THE TAX CONSEQUENCES OF AN INVESTMENT IN BII FUND II.
- **Earnings on the Notes Are Not Tax-Exempt.** Although BII Fund II is a wholly-owned subsidiary of BII Fund I, a nonprofit organization that has been granted status as a registered 501(c)(3) tax-exempt public charitable organization under the Code, earnings from an investment in BII Fund II are not tax-exempt. All of the interest earned on the Notes (and other income or gain derived from the ownership of the Notes, if any) will be taxable to U.S. investors that are subject to U.S. federal, state, and local income taxation. Moreover, if any of the Notes are treated for tax purposes as equity interests in BII Fund II, certain income and gain derived from the ownership of those Notes may be treated as “unrelated business taxable income” for U.S. tax-exempt investors or income or gain that is “effectively connected with the conduct of a trade or business within the United States” for non-U.S. investors. EACH PROSPECTIVE INVESTOR SHOULD SEEK THE INVESTOR'S OWN TAX ADVICE CONCERNING THE TAX CONSEQUENCES OF AN INVESTMENT IN BII FUND II, INCLUDING AS TO POTENTIAL U.S. FEDERAL, STATE, AND LOCAL INCOME TAX RETURN FILING OBLIGATIONS, DIRECT TAX PAYMENT OBLIGATIONS, AND THE POTENTIAL APPLICATION OF U.S. FEDERAL, STATE OR LOCAL WITHHOLDING TAXES.
- **This is a Speculative Investment.** Each prospective investor in the Notes must be willing and able to tolerate a total loss of his/her investment, as this is a speculative venture. While the Notes are expected to be interest-bearing as set forth herein, there is no prospect for capital appreciation in ownership of the Notes.
- **BII Fund II May Incur Additional Indebtedness.** The Notes will not limit the ability of BII Fund II to incur additional indebtedness, including but not limited to BII. Additional debt may be senior to the BII Fund II Notes.
- **Eastern Bank Line of Credit Has Senior Secured Position.** BII has a \$500,000 line of credit with Eastern Bank, which may be increased to \$1 million or more. This line of credit has a senior secured position on all of the assets of BII including the membership interest in BII Fund II and will be senior to the Notes.
- **Assets of BII Fund II Could Be Encumbered.** Priority liens on the assets of BII Fund II given to other creditors could lead to the liquidation of assets in the event of a default, with insufficient assets remaining to operate or to redeem the Notes.

- **The Notes Are Not Insured.** Investments in BII Fund II are not insured by the FDIC or any other governmental or private entity. The risks of an investment in the Notes may be greater than the risk that is implied by the relatively low interest rates on the Notes.
- **The Notes Are Unrated.** The Notes have not been submitted to any rating agency to obtain an opinion or rating of the risk of timely collection of principal and interest.
- **No Early Redemption and No Secondary Markets.** The Notes cannot be redeemed before their maturity date, and there is no known secondary market to sell or trade them before maturity. Each prospective investor should expect to hold their investment in the Notes until maturity.
- **No Other Person Takes Responsibility for BII Fund II or the Funds Raised in Conjunction with this Offering.** Neither BII nor BII Fund I or any of their respective directors, officers, affiliates, employees or agents accepts any legal responsibility for BII Fund II.
- **BII Fund II Has Limited Liquidity.** BII Fund II intends to invest a portion of the proceeds from the sale of the Notes into borrowing enterprises, but investments may also take the form of equity (including limited or general partnership interests). The outgoing loans will typically have maturities ranging from three to seven years. Such loans are not publicly traded, are illiquid and are subject to long-term financing commitments. The equity investments will not have a maturity, and will also not be publicly traded and illiquid. BII Fund II does not expect to be able to easily dispose of such investments and, in some cases, may be prohibited from doing so. Since the investments themselves are illiquid, the sources of repayment of the Notes are limited to regularly scheduled loan payments from borrowing enterprises, dividends and distributions (if any) from the equity investments and cash reserves. Accordingly, substantial losses or delinquencies in the loan portfolio, accompanied by depletion of BII Fund II's undeployed cash, may impede BII Fund II's ability to pay principal and interest on the Notes in a timely fashion.
- **Investments in Equity Securities May Be More Volatile.** Investments in equity securities are more volatile and carry more risks than some other forms of investments. The price of equity securities may rise or fall because of economic or political changes or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries selected for BII Fund II's portfolio or the securities market as a whole, such as changes in economic or political conditions. When the value of such securities goes down, BII Fund II's investment decreases in value.
- **We Are Relying on Exemptions from Securities Laws.** The Offering and BII Fund II will operate under various exemptions from otherwise applicable securities laws provisions that provide certain protections to investors in connection with the offering of securities, the governance and operation of investment funds, the advice of investment advisers and the ownership and trading of securities, as a charitable organization. Investors in the Notes will not enjoy these legal and regulatory protections that otherwise would apply. For example, the Offering will not be registered under the Securities Act and BII Fund II is not and will not be registered as an investment company under the Investment Company Act. BII Fund II relies on the exclusion from the definition of an investment company provided in Section 3(c)(10) of the Investment Company Act, which applies to companies organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory

purposes, the net earnings of which do not inure to the benefit of any private shareholder or individual. Accordingly, the provisions of the Investment Company Act (which, among other things, prohibit BII Fund II from engaging in certain transactions with its affiliates and regulate the relationship between advisors and investment companies) are not applicable.

- **Holders of Notes are Subject to Risk Associated with Bankruptcy or Insolvency of BII Fund II.** If BII Fund II seeks relief under bankruptcy or related laws, a bankruptcy court could attempt to consolidate BII Fund II’s assets into the bankruptcy estate, possibly resulting in delayed or reduced payments to Noteholders.

The Problem We’re Solving

Racial Wealth Gap in Massachusetts and New England

Our communities and environment are changing. By 2045, communities of color will become the new majority of our country—our workforce, our electorate, our economy. But each of those systems is still set up to work against those communities. Despite their growing economic and political clout, Black, Latino and Asian families in Massachusetts and the other Northeast states face widening disparities related to jobs, business and home ownership, education, environment, and health.⁶ Institutional racism and discriminatory policies such as redlining and segregation have been systematically denied communities of color the access and opportunity to build generational wealth.

Since the 1980s, the gap between the wealth of Black and White Americans, one of the starkest measures of inequality in the US, has been widening substantially. In 2015, the Federal Reserve of Boston published a report that noted the median net worth of white families in Boston was \$247,500, compared to \$8 for Black-families and \$3,020 for Latino families.⁷ The “triple pandemic” due to the combined effects of systemic racism, COVID-19 and the ensuing economic downturn, have only exacerbated this gap. Wealth inequality is growing in New England. Massachusetts, Rhode Island and Connecticut rank on the list of top 10 states with the highest racial wealth gaps,⁸ and all the New England states are in the top 10 of least affordable places in the country.⁹ 2020 Brookings Institute policy paper¹⁰ noted that the median net worth of a white family is eight times the median wealth of a Black family, and five times that of a Latino or Hispanic family. Closing existing gaps in wages, housing ownership, education, and business investment immediately, could add \$25 billion to the Massachusetts economy (the equivalent of adding up to 100,000 jobs) and \$1.5 trillion to the U.S. economy by 2028—or 4% to 6% of estimated GDP, according to a study by McKinsey.¹¹

⁶ MA [Analysis of Impediments to Fair Housing Choice](#) (2019)

⁷ Federal Reserve Bank of Boston, The [Color of Wealth in Boston](#) (2015)

⁸ WalletHub, States with the Biggest and Smallest Wealth Gaps by Race/Ethnicity (2021)

⁹How Much, [Median U.S. Home Prices and Housing Affordability by State](#) (2022)

¹⁰ Brookings, [Rethinking homeownership incentives to improve household financial security and shrink the racial wealth gap](#) (2020)

¹¹ McKinsey, [The economic impact of closing the racial wealth gap](#). Massachusetts Taxpayer’s Association, [Closing the Racial Divide in the U.S. and Massachusetts: A Baseline Analysis](#)

Growth of Entrepreneurs of Color and the Workforce

In the last 10 years, businesses owned by people of color grew 10 times faster than the overall growth rate for U.S. small businesses. Entrepreneurs of color operate more than eight million businesses, generate \$1.4 trillion in revenue, and employ more than 7 million people. Representation of people of color in the US labor force is also expected to grow by 20 percent in the next decade. In addition, employees are gaining increased ownership and decision-making power. Worker cooperatives have grown 35.7 percent since 2013. They employed 6,454 workers in 2018, producing about \$505 million in revenue. The Great Resignation, Silver Tsunami, and the impact of the COVID-19 pandemic have opened opportunities for transitions to worker ownership despite the adverse impact on small businesses.

Under this backdrop, BII Fund II recognizes the vital role that entrepreneurs of color play in our economic recovery from COVID-19. This creates an opportunity to fundamentally transform practices that further entrench inequality, and instead support solutions that address the systemic challenges of launching, sustaining and growing high impact social ventures.

Need for Integrated Capital

Funding a new business venture can be challenging under any circumstances, but women and people of color often face additional barriers, especially when they start from little to no asset base. On average, starting a new business costs between \$30,000 and \$40,000 (Kauffman). Community-based funds (CDFIs and nonprofit lenders) and micro-lenders such as Ascendus, LISC and Kiva have sought to provide early-stage debt capital. However, early ventures often need other types of capital such as equity, convertible debt and revenue-based financing to stabilize and grow. More than 50 percent of capital available by community lenders is debt, which limits the ability of small- and medium-sized businesses to build a runway for growth. Many early-stage enterprises do not have the cash flow to support regular debt payments and instead need patient, non-extractive equity capital to become sustainable.

According to the 2021 Color of the Capital Gap report, Black and Latino entrepreneurs in Massachusetts have an unmet capital demand of over half a billion dollars a year, 25 percent of which is for equity capital.¹² Venture capital accounts for 93 percent of early-stage equity investment in the US, yet 2.4 percent of venture capital is invested in Black and Latino founders. and only 0.4 percent went to Black-owned startups in Massachusetts in 2021.¹³ Most financing available to entrepreneurs who don't have the venture capital high growth trajectory is debt capital, which is often not available or undesirable by entrepreneurs of color. Less than two percent of community-based funds offer equity financing or integrated capital.

There are a growing number of venture capital and impact funds in Massachusetts and the U.S. focused on investing in minority-owned businesses, but most have high revenue, growth, and return expectations of traditional VCs. This mismatch in capital supply and demand has created a large unmet need for equity financing for social enterprises owned by entrepreneurs of color. Through BII Fund II, we seek to fill the growing demand for patient, non-extractive equity capital for high impact social ventures, and thereby transform the way we deploy financial and social capital to catalyze asset-building opportunities among communities of color.

¹² Boston Indicators, [The Color of the Capital Gap](#) (2021)

¹³ Boston Globe, [In Massachusetts, biased decisions leave Black startup founders with less capital](#) (2022)

BII Fund II's Mission

The mission of BII Fund II is to build a future where entrepreneurs of color and their communities have the financial, social and political power to create a sustainable, inclusive and equitable economy for generations to come. To do this, BII Fund II will invest in the people, places, and enterprises in Massachusetts, New England and Upstate New York who share our vision of an equitable economy and need access to catalytic capital. BII Fund II will invest in social enterprises owned by entrepreneurs of color who are committed to charting new markets, democratizing ownership and decision-making in the workplace, growing climate resilience and providing systemic solutions that build power for communities of color. Entrepreneurs of color must have significant ownership of the enterprise, which BII Fund II defines as greater than 33% ownership by Black, Latino, Asian or Indigenous founders or owners at the time of BII Fund II's first investment. Most businesses and nonprofit organizations in BII Fund II's pipeline will exceed this ownership threshold. The fund will also invest in commercial and residential real estate projects that support community ownership and control of land to prevent displacement. BII Fund II will build on BII's track record of innovation in integrated capital tools and designs by using structured exits, impact covenants, and integrated returns that rebalance the relationship between financial and impact returns, to create a unique capital offering in our region.

In addition to making investments in these social enterprises, BII Fund II will work with community partners to provide technical assistance, business coaching, connections, and educational programming that supports its portfolio investments, strengthens the impact of these enterprises in their communities and improves the effectiveness of entrepreneurial services in and beyond Massachusetts. BII Fund II investments will also provide new learnings that BII is committed to sharing to build the field of impact investing with a racial justice lens.

BII Fund II's Investment Process

BII Fund II will identify social enterprises, real estate projects and nonprofit organizations that are building financial, social and political power and need the type of integrated capital offered by BII Fund II. This includes loans (which may be senior debt, mezzanine debt, subordinated debt, convertible debt, royalty-based debt, first lien debt, second lien debt or unsecured debt), equity investments and/or guarantees and other credit enhancements, on entrepreneur-friendly terms. The funding of any investment may come directly from BII Fund II, from one or more of the Supported Organizations or from co-investors.

BII Fund II's investment process involves identifying areas in the Northeastern United States (to include: Massachusetts, New Hampshire, Vermont, Maine, Connecticut, Rhode Island, and upstate New York) that are economically disadvantaged, and social enterprises, real estate projects, community groups or charitable organizations within those areas that cannot obtain adequate conventional investment or funding sources on favorable terms. BII Fund II will identify specific opportunities for investments through various sources, including: capital providers (community banks, community development corporations, community development financial institutions, foundations, government agencies, microfinance institutions and other private lenders); technical assistance providers (government, non-profit and private providers); incubator and accelerator programs; chambers of commerce and business associations; grassroots, membership-based and neighborhood organizations; and personal networks.

Though BII Fund II is sector agnostic, we will prioritize the following types of investments:

Enterprises Owned by People of Color

- Addresses an unmet need, opportunity or issue affecting communities of color
- Builds climate resilience and expands clean energy products, services and solutions that help communities of color adapt to climate change
- Grows worker or community power and voice, including co-ops, worker-owned and unionized businesses

Community-Controlled Real Estate

- Increases diverse ownership and control over buildings and land, while preventing displacement – both commercial and residential
- Adds tranches of community ownership in real-estate

The BII Board will administer the assets of BII Fund II, with a majority of the BII Board appointed by the Supported Organizations. The BII Board has also appointed an investment committee (the “Investment Committee”), which will provide advisory recommendations to the BII Board relating to BII Fund II’s financial and investment activities. The Investment Committee is responsible for evaluating potential investments in light of the criteria described in the BII Investment Policy, soliciting final approval of the Board for all specific investments and regularly reporting to the BII Board on BII Fund II’s investments; however, the BII Board remains responsible for all final investment decisions.

Once BII Fund II has a potential lead on an investment, it will review preliminary due diligence to ascertain that the enterprise or project is financially viable and fits with BII Fund II’s impact criteria. Investment prospects that pass a preliminary review will then have an opportunity to pitch their business or project to BII Fund II’s Investment Committee. If the Investment Committee is interested, it will undertake a more rigorous due diligence process that will include reviewing the business’s characteristics in light of BII Fund II’s Investment Policy, which was developed to ensure that BII Fund II’s investments further its charitable purpose. The final terms of the investment must be approved by a majority of the Investment Committee in order for the investment to be recommended to the BII Board, which has the ultimate authority to approve all final investments.

Investment Criteria

BII Fund II will consider a number of factors in its investment decision-making process. These factors include, but are not limited to, applying both (i) negative screens to avoid investing in companies that have harmful impacts, and (ii) positive screens that take into account financial, social, ecological and governance criteria, as determined by the Investment Committee from time to time. The BII Board will make its final investment decisions based on the impact each potential investment is expected to have in meeting the criteria outlined in the BII Investment Policy. While no single enterprise or real estate project can address all of the challenges facing communities of color, and BII Fund II does not require enterprises to meet all of our criteria in order to be eligible for an investment, the following factors are considered favorably when assessing whether an enterprise or real estate project may be an appropriate candidate for support by BII Fund II:

<i>Economic Justice</i>	<i>Climate Resilience</i>	<i>Governance & Power</i>	<i>Enterprise Health</i>
<p>Ownership: The enterprise or real estate asset is at least 33% owned by people of color and/or distributes ownership through a coop structure or employee stock ownership plan. For follow on investment, people of color must own at least 25% (subject to exceptions by BII board).</p>	<p>Nature: The enterprise or real estate asset contributes to stewarding, restoring and/or regenerating the ecological environment and making the shift to clean energy.</p>	<p>Worker Participation: The enterprise practices democratic governance, such as participatory decision-making. Workers of color in the enterprise shape how the enterprise is governed.</p>	<p>Finance: The financial and business model of the enterprise or project is viable, and does not require outsized growth projections. The enterprise or real estate developer / owner seeks to develop a capital structure that prepares it to meet an uncertain economic future. There is an identifiable path to exit for equity investments.</p>
<p>Opportunity: The enterprise creates jobs for people of color and/or advances diverse talent, provides a living wage, offers employee benefits, training and professional development. The real estate asset aims at anti-displacement, so rentals are deeply affordable and commercial spaces are for local, small enterprises of color.</p>	<p>Resilience: The enterprise offers products or services that mitigate climate risks, fires, floods or other natural disasters, support sustainable food production, and prioritize climate resilience in communities of color. The real estate asset is built or modified to mitigate climate risks, fires, floods or other natural disasters.</p>	<p>Community Participation: The enterprise or real estate asset creates opportunities for community members to have a stake and/or a say in the governance of the assets.</p>	<p>Leadership: Leaders in the enterprise maintain trust with employees and demonstrate the capacity to learn and adapt. The real estate asset owners’, developers’ and property managers’ goals are aligned with subcontractors, community members and tenants. Team has the leadership capacity to execute on the vision of the enterprise or project.</p>
<p>Procurement: The enterprise or real estate asset seeks to purchase its products and services from enterprises owned by entrepreneurs of color and women.</p>	<p>Sustainability: The enterprise or real estate asset seeks to reduce its ecological footprint in its place. Measures such as sourcing and selling within the region, zero waste, and carbon neutral measures are being used.</p>	<p>Relationships: The enterprise or real estate asset builds and maintains meaningful relationships with the local communities of color, including customers, clients, suppliers, employees, enterprises partners and even competitors.</p>	<p>Organization: The organizational culture supports creativity, innovation and appropriate risk-taking.</p>

BII Fund II’s Ongoing Support for Portfolio Companies

In furtherance of its mission, BII Fund II will go beyond identifying qualifying investments by providing technical assistance, coaching, connections and education to its portfolio companies to strengthen the impact they can have in their communities. BII Fund II will begin each relationship with an impact assessment that will help the leaders of the business develop short- and long-term social and environmental impact goals for their business and will periodically measure the performance of the business at achieving its social and environmental impact goals throughout the

term of BII Fund II's investment. While social impact goals will vary from enterprise to enterprise, BII Fund II will encourage enterprises to adopt the following goals:

- *Reach and maintain living wage standards:* This goal will be based on a “Living Wage” calculation using the annual analysis conducted by the Department of Urban Planning at Massachusetts Institute of Technology, or similarly objective data as determined by the BII Board.
- *Create and maintain diversity (race and gender) on board, management and operational staff:* This goal demonstrates the enterprise's commitment to execute recruitment plans that prioritize underrepresented populations, including race, gender and sexual orientation.
- *Equitably pay within an enterprise:* This goal reflects the commitment by the enterprise to maintain a compensation ratio between lowest and highest paid workers that promotes fairness and financial stability for all team members.
- *Create community-based jobs:* This goal reflects the enterprise's commitment to attempt to hire employees from economically disadvantaged communities.
- *Move towards regeneration and sustainability:* This goal reflects the enterprise's commitment to taking concrete steps to reduce its carbon and water footprint.
- *Local sourcing:* This goal addresses criteria for encouraging the company to select local suppliers
- *Create and maintain employee stock option programs:* This goal reflects the enterprise's commitment to develop a path toward partial or complete ownership of the enterprise by its employees.
- *Grow worker and/or community voice in enterprise governance:* This goal reflects the enterprises commitment to incorporating the input of important stakeholders who do not always have a voice in governance matters.
- *Community-ownership and/or control of land:* This goal reflects the commitment of a real estate project to have an ownership structure that allows community members to own some or all of the assets and/or implement a governance structure that grants power and control of the assets to community members. Community members include residents that may live in or use the property.
- *Prevent displacement of people of color from their communities:* This goal demonstrates the commitment of a real estate project to provide meaningful opportunities for local residents to stay in the neighborhoods where they live and/or own businesses, including long-term affordability and opportunities to purchase at below market rates.

BII Fund II's relationship with social enterprises, including the process of developing and progressing toward fulfillment of these social and environmental impact goals, will educate and equip business owners to increase their companies' chances at economic success and sustainable community impact and engagement.

Impact Outcomes for BII Fund II

We believe that BII Fund II’s investments in social ventures and community-owned or controlled real estate will lead to:

- Increased wealth and asset building opportunities for communities of color;
- Growing social and political power for workers;
- Innovation in new sectors led by entrepreneurs of color;
- Climate resilience in communities of color and other vulnerable populations; and
- Growth of democratically-governed businesses, including union, worker-owned and cooperatively owned ventures

These outcomes will be measured using metrics that are aligned with IRIS+¹⁴ that we will collect through annual quantitative surveys and qualitative interviews. We believe that the outcomes listed above will help build a future where entrepreneurs of color and their communities have the financial, social and political power to create a sustainable, inclusive and equitable economy for generations to come.

BII Fund II’s Investment Portfolio

BII’s Investment Track Record

Since 2017, BII Fund I has demonstrated that it can assemble a portfolio of investments in profitable, mission-aligned enterprises working to close the racial wealth divide. As of July 31, 2022, BII Fund I has deployed over \$7.7 million in total, with \$6.9 million in debt and equity investments into 50 enterprises and \$860,000 awarded in grants, and is on course to pay back all of its Fund I investors. BII Fund I’s portfolio runs a spectrum of business types (for-profit, nonprofit, cooperatively owned), industries (sector agnostic), and stage of business (start-up to third generation, family-owned business). Using its integrated capital approach, BII Fund I extended a variety of capital types to enterprises with a goal of minimizing risk for both parties and earning BII Fund I sufficient return to repay investors.

BII Fund II Investments

In parallel with developing this Offering Memorandum, the BII staff, Investment Committee, and Board have already identified and advanced capital for several investments that meet BII Fund II’s investment thesis. These warehoused investments (the “**Warehoused Investments**”) will be transferred into BII Fund II at cost once sufficient funds have been raised from initial closings. Investments include:

- Care Academy - Care Academy is a Black-led company that educates professional caregivers through online coursework, enabling caregivers to improve quality of care, gain additional certifications and improve their earning power. A previous portfolio company of BII Fund I, in 2022, BII invested \$500,000 in Care Academy’s Series B raise that will enable the company to continue its growth and expansion into new verticals.
- ChopValue Boston - ChopValue Boston is an Asian-led enterprise that manufactures commercial and residential furnishings from upcycled chopsticks in a circular economy

¹⁴ [IRIS+](#) is the generally accepted system for measuring, managing, and optimizing impact.

model. In 2022, BII made a \$50,000 structured-equity investment in ChopValue Boston to support building out a local manufacturing facility and hiring a team.

- East Boston Neighborhood Trust – EBNT is a real estate project in East Boston, MA that will create a Mixed-Income Neighborhood Trust (MINT) to acquire and manage 114 units of affordable and workforce housing for persons with below median income at a time when housing stabilization is desperately needed in the City’s most at risk districts for displacement. In 2022, BII provided a term loan for \$500,000 in the project.
- TrillFit - TrillFit is a Black-led, boutique fitness brand enhancing wellness through its inclusive approach to building a gym community. In 2022, BII invested \$100,000 in equity in TrillFit as part of their Series Seed round to help them expand into new markets.
- Valley Home Insulation – Valley Home Insulation is a Latino-owned home performance contractor serving Lawrence, MA and the greater Merrimack Valley. Valley Home Insulation leverages cultural competency and community presence to provide these services to low- and moderate-income residents of this region. In 2022, BII invested \$185,000 of term debt to help facilitate their growth and refinance debt.

In addition to the Warehoused Investments described above, BII Fund II will receive the Donated Assets from BII LLC which have an approximate value of \$490,220. The Donated Assets will make up the grant reserve for BII Fund II. The Donated Assets include BII LLC’s investment positions in 88 Acres, WeSpire, and Renew Energy Partners SPV. BII Fund I will retain its own investment positions in 88 Acres and WeSpire.

Management, Staffing, and Administration

BII Fund II will be managed by BII’s management team and staff. Under the terms of the Operating Agreement, BII employees will provide management services to BII Fund II, including investment management and other portfolio support services, accounting, tax and auditing, legal, fundraising and marketing services, and record keeping. BII Fund II will reimburse BII annually for all direct, personnel, fringe benefits, office space and equipment, and other overhead and indirect costs incurred by BII in connection with the management services, as specified in the Operating Agreement. In addition, BII Fund II will collect a deployment fee of 1% of committed capital during the deployment phase of BII Fund (years 1-5), then drop to 0.50% of committed capital thereafter, regardless of when the capital is called. The deployment fee will be collected from BII Fund II proceeds or available BII Fund II cash annually.

In addition to the BII Board and management team, BII currently has five full-time employees. BII employees are motivated and incentivized to do great work through performance goals that provide for compensation increases based on both qualitative and quantitative factors, and use both time-based and performance-based metrics to evaluate achievement of individual and organizational goals.

BII also engages certain independent contractors responsible for technical assistance, marketing, information technology management and equipment maintenance, and other ordinary course operational services.

Directors and Officers of BII and BII Fund II

- ***Betty Francisco, CEO of BII and BII Fund II.*** Betty joined as CEO of BII in 2021. She is a business executive, impact investor and community leader with more than 24 years of experience. She is known as a powerful convener and changemaker. In 2022, Boston Magazine named Betty as one of the 100 Most Influential People in Boston and the Boston Business Journal named her as a 2020 Power 50 – Extraordinary Year Extraordinary People honoree. She is the co-founder of Amplify Latinx, a social venture that’s building Latino economic and political power in Massachusetts. Before joining BII, Betty was the General Counsel at Compass Working Capital where she oversaw its legal affairs, compliance, and risk management. She serves on the Boards of Directors of The Boston Foundation, Nellie Mae Education Foundation, Beth Israel Lahey Health, and Roxbury Community College. Betty obtained her JD and MBA from Northeastern University, and BA in History from Bard College.
- ***Deborah Frieze (Founder, President and Board Chair of BII and President of BII Fund II).*** Deborah Frieze is a professor, author, entrepreneur and activist. She teaches impact investing at Tufts University’s Department of Urban and Environmental Policy and Planning. In 2013, she founded the Boston Impact Initiative, an impact investing fund working to close the racial wealth divide and build a resilient and inclusive local economy in Massachusetts. Deborah is co-author (with Margaret Wheatley) of [*Walk Out Walk On*](#), an award-winning book that profiles pioneering leaders who walked out of organizations failing to contribute to the common good—and walked on to build resilient communities. She is also founder of the [*Old Oak Dojo*](#), an urban learning center in Boston, MA. Deborah has an MBA from Harvard Business School and a BA from Amherst College.
- ***Michael Frieze (Vice-President, Director and Co-Founder of BII).*** Michael Frieze is the founding Vice President of Boston Impact Initiative Fund and currently serves on the Board Investment Committee of the Gordon Brothers Group, setting the strategic vision for the firm, where he has served in executive positions for over 40 years. During his tenure, the firm expanded from a retail liquidator to a full-service provider of strategic business and capital solutions to healthy and distressed companies alike. Michael exemplifies Gordon Brothers’ commitment to community service, having served in top leadership positions on many community and corporate boards. He has served on the philanthropic boards at the Dana Farber, Boston Children’s Hospital; Combined Jewish Philanthropies; Brandeis University, College Bound; JOIN for Justice; Impact-Israel; Shalom Hartman Institute; American Technion Society, and Our Generation Speaks. Michael received his BA from Bowdoin College and his MBA from the MIT Sloan School of Management.
- ***Becky Regan (Treasurer and Director of BII).*** Becky Regan is the CEO of Capital Link, a non-profit organization established through the health center movement dedicated to working with hundreds of community health centers and Primary Care Associations to access capital through its CDFI and plan for sustainability and growth. Becky previously served as Chief Innovation Officer, EVP and President, Capital Markets at the Housing Partnership Network (HPN), a national network of the country’s leading mission-driven nonprofit CDFIs and affordable housing developers, where she led all aspects of capital raising from 2011-2020. Her prior experience includes senior leadership positions at large

financial institutions, including Bank of America. Becky's passion is social justice, having worked to keep people safely housed, low-income girls educated, and toward environmental sustainability and justice. She currently sits on the board of New Ecology, Inc., a mission-driven non-profit seeking to address global environmental and equity issues by making the built environment more efficient, healthy, durable, and resilient. Becky earned a BSBA in finance from Boston University and an MBA from Babson College.

- ***Nia Evans (Director of BII)***. Nia K. Evans is the Executive Director of the Boston Ujima Project. Her educational background is in the areas of labor relations, education leadership, and policy. Her advocacy includes a focus on eliminating barriers between analysts and people with lived experiences as well as increasing acknowledgement of the value of diverse types of expertise in policy. She is a co-creator, along with artist Tomashi Jackson, of Frames Debate Project, a multimedia policy debate project that explores the intersection between drug policy, mental health services and incarceration in the state of Massachusetts.
- ***Rose Felix Cratsley (Director of BII)***. Rose founded Ivy Child International, a non-profit that broadens access to mindfulness and healing education programs for children, youth, and communities in 2010. As an entirely BIPOC led organization, Ivy Child centers social justice and advancing equity, with a special focus on often overlooked populations. Rose is also the Trustee of the Felix Family Foundation, in honor of the life and legacy of Rose's father Professor Felix Mathew. The Foundation focuses on expanding pathways in education and racial justice, addressing inequities and creating opportunities for communities of color. Rose holds a BA *magna cum laude* from Boston University and pursued her graduate studies at Harvard University and University of Oxford with high honors.
- ***Lisa Owens (Director of BII)***. Lisa is the Executive Director at The Hyams Foundation, bringing more than 25 years of experience in building local grassroots organizations and national movements for social, racial, and economic justice. She previously served as the Executive Director of City Life/Vida Urbana, a prominent housing justice group that is nationally recognized for organizing communities against displacement and building collective power for systemic change. Prior to that, she was the Executive Director of mytown, a nationally recognized youth development organization. Lisa is a proud Bostonian who grew up in Roxbury. She attended Boston Public Schools and holds an MS degree in Organizational Leadership and Management from Springfield College.

BII Team

- ***Henry Noël Jr. (Investment Director)***. Henry Noël Jr. is focused on the intersection of impact investing, economic justice, and building resilient inner-city communities. Prior to BII, Henry Co-Founded Haiti Venture Impact Partners, an Impact Investment Management Firm that worked to discover, support, empower, and invest in Haitian Companies. Henry is a champion of rigorous investment analysis coupled with purposeful attention to measurable, social and environmental impact. He has over 20 years of experience evaluating investment opportunities, structuring securities, raising capital, and financing business growth. His background includes work with domestic and international

companies in both traditional and alternative investment classes through varying market conditions. Henry is an alumnus of the Impact Investing Program at Oxford University's Saïd Business School, holds an MBA from the Zarb School of Business at Hofstra University and a BA in Business Administration from Atlantic Union College.

- ***Aliana Pineiro (Impact Director)***. Aliana works with BII's portfolio companies to effectively measure and manage their impact. She is interested in how impact investing can evolve to become more just, equitable, and inclusive. Before joining BII, she worked as a researcher at the Global Impact Investing Network publishing practitioner-oriented research for impact investors around the world. Previously, she was an impact evaluator for organizations operating in Latin America, including RUNA, a social enterprise in the Ecuadorian Amazon. Originally from Boston, she began her career in asset management, spending several years at ClearBridge Investments in New York. She received an MA in International Affairs from The New School and a BA in International Relations from Boston University.
- ***Zack Young (Senior Impact Investment Associate)***. Zack Young brings both an understanding of alternative investments and mission-driven organizations to his work at BII, contributing to both BII's investing activities and its Cohort and Advisory programs. Zack began his career in Private Equity consulting for Investor Group Services before moving on to the social impact sector and earning an MBA from Brandeis's Heller School for Social Justice. Zack joined BII in the Fall of 2019 and has been with the organization through its deployment of Fund I and launch of the Fund Building Cohort program. During his time at BII, Zack expanded his proficiency with direct investment structures by obtaining his CAIA designation. Zack relishes the opportunity to work with inspiring entrepreneurs and fund managers in pursuit of a more equitable economy and gets excited by pushing the impact investing field further in the direction of impact.
- ***Kafilat Lawal (Financial Controller)***. Kafilat Lawal comes to BII with over a decade of experience in the nonprofit sector, bringing a background in finance and accounting, operations, grant management, budgeting and reporting, as well as audit and compliance. In her previous role, Kafilat was the Director of Accounting at Achievement Network (ANet) where she spearheaded the upgrade of accounting systems and streamlined finance processes for improved efficiency. Prior to that, Kafilat worked at BellXcel managing its daily accounting operations. While at BellXcel, Kafilat implemented new systems to automate expense management and ensure timely financial reporting. At BII, Kafilat is passionate about building strong finance and operations in support of the mission and work. Kafilat received a BA in Economics with a minor in Business Administration from Boston University.

Related Party Transactions

Pursuant to the terms of the Operating Agreement, BII employees will spend a portion of their time on management of BII Fund II. BII will also provide management services to BII Fund II. BII Fund II will reimburse BII annually for all direct, personnel, fringe benefits, office space and equipment, and other overhead and indirect costs incurred by BII in connection with the management services, as specified in the Operating Agreement. From time to time, BII may advance funds to BII Fund II via inter-company loans. In addition, BII Fund II will collect a deployment fee of 1% on committed capital during the deployment phase of BII Fund II (years 1-5), then drop to 0.50% of committed capital thereafter, regardless of when the capital is called.

The deployment fee will be collected from BII Fund II proceeds or available BII Fund II cash annually. In addition, BII will transfer the Warehoused Investments to BII Fund II at cost basis.

BII LLC will donate to BII Fund II the Donated Assets, which are valued at \$490,220, and which were originally investments made by BII LLC. These assets have been donated for the purpose of providing income-generating assets to BII Fund II and will form the grant reserve for BII Fund II. BII Fund II has no ability or obligation to meet capital calls in connection with the Donated Assets and is not responsible for the discharge of any liabilities of the BII LLC or any of its equity holders, including Deborah Frieze or Michael Frieze, in connection with the Donated Assets.

In recognition of the variety of circumstances that may give rise to a conflict of interest involving persons in positions of authority within BII and its affiliates, BII has adopted a conflict of interest policy to which BII's directors and officers are subject. This policy generally provides that in the event a financial interest that may constitute a conflict of interest arises, the individual having such financial interest will disclose all relevant circumstances, and recuse him or herself and not participate in either the deliberation or the decision on whether a conflict of interest exists. If a conflict of interest is found to exist, the BII Board shall exercise due diligence to determine whether BII Fund II can obtain a more advantageous transaction or arrangement with an alternative person or entity that would not give rise to a conflict of interest. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not resulting in a conflict of interest, the Board or Investment Committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in BII Fund II's best interest, for its own benefit, and whether it is fair and reasonable. In addition, neither BII nor BII Fund II, shall not knowingly pursue an arrangement or transaction that would constitute an excess benefit transaction within the meaning of Section 4958 of the Code.

Description of the Notes

Unless otherwise specified or the context otherwise requires, the following description applies to all types of Notes offered by this Offering Memorandum. This is not a complete description, and investors should refer to the forms of Notes set forth in the Appendices to this Offering Memorandum for more detail. Notes will be issued in substantially the same form as set forth in the Appendices, except for changes required by applicable securities laws.

Description of the Community Notes

- *Maturity:* Each Community Note will mature on December 31, 2027. Within 90 days before the initial maturity date, a Community Noteholder may choose to renew the Community Note for an additional five (5) years with a maturity date of December 31, 2032. Upon maturity, all principal and accrued interest from a Community Note will be paid to the Community Noteholder, unless noteholder elects to receive annual interest payments. The Maturity Date on the Community Notes may be extended for two 1-year extensions at the sole option of BII Fund II.
- *Interest:* Community Notes will accrue annually compounded interest at the rate of 5% per year until December 31, 2027, unless a noteholder elects to receive annual interest payments, in which case simple interest will be paid to such noteholder on an annual basis. If the Community Note is renewed by the Community Noteholder, it will accrue interest at 7% per year for the 5-year renewal term. Interest on the Community Notes

will either be payable annually or at maturity (in which event interest will compound annually), at the option of the noteholder.

Description of the Solidarity Notes

- *Maturity:* Each Solidarity Note will mature on December 31, 2032. Upon maturity, all principal and accrued interest from a Solidarity Note will be paid to the Solidarity Noteholder. The Maturity Date on the Solidarity Notes may be extended for two 1-year extensions at the sole option of BII Fund II.
- *Interest:* Solidarity Notes sold between October 31, 2022 - December 31, 2023 will accrue interest at the rate of 3% compounded annually net of Deployment Fees and payable at maturity. If BII Fund II elects to extend the offering of Solidarity Notes after 2023, the Solidarity Notes sold between (1) January 1 – December 31, 2024 will accrue interest at the rate of 2.5%, and (2) January 1 - December 31, 2025 will accrue interest at the rate of 2.0%, in each case, compounded annually net of Deployment Fees and payable at maturity.

Description of the Philanthropic Notes

- *Maturity:* Each Philanthropic Note will mature on December 31, 2032. Upon maturity, all principal and accrued interest from a Philanthropic Note will be paid to the Philanthropic Noteholder or Recoverable Grantmaker. The Maturity Date on the Philanthropic Notes may be extended for two 1-year extensions at the sole option of BII Fund II.
- *Interest:* Philanthropic Notes will accrue annually compounding interest at the rate of 1% per year payable at maturity.

No Voting or Conversion Rights

An investment in BII Fund II is a loan and is not an equity investment. It is not convertible into any other type of security and carries no voting rights. The BII Board holds all decision-making rights with respect to the management of BII Fund II and the investment activities of BII Fund II.

No Revocation

Once an investment agreement has been submitted to BII Fund II with payment and the investment has been accepted, it may not be revoked without the consent of BII Fund II.

Restrictions on Transferability

Except in the case of death or disability of a Noteholder, the Notes are non-transferable, because no market exists for them, and any transfer must be in compliance with applicable securities laws. Therefore, no attempted transfer will be valid unless approved by BII Fund II.

Early Redemption

While investors in the Notes have no right to early redemption of their investment, BII Fund II may make exceptions in extraordinary situations with respect to the Community Notes. A Community Note investor who wishes to request early redemption may submit a written request

to BII Fund II with a brief explanation of the circumstances supporting the request. BII Fund II will, in its sole discretion, determine whether to grant the request, in whole or in part, taking into consideration the circumstances described by the investor, the financial condition and anticipated needs of BII Fund II, potential losses in its investments, and whether early redemption would be fair to other investors in the Community Notes.

Amendments to the Notes

BII Fund II may amend or supplement the terms of the Notes without the consent of any holder of Notes to make any change that would provide additional rights or benefits to the holders of any or all classes of Notes or surrender any right or power conferred upon BII Fund II.

Acceleration

If a Bankruptcy Event has occurred, the unpaid principal balance of the Notes, together with accrued and unpaid interest thereon, shall immediately become due and payable without present, demand, protest or notice, notwithstanding any other expressed maturities thereof. As used herein, “Bankruptcy Event” means any of the following: (i) BII Fund II shall become unable, admit in writing its inability or fail generally to pay its debts as they become due, (ii) BII Fund II shall make a general assignment for the benefit of its creditors, (iii) the filing by BII Fund II of a petition of bankruptcy, insolvency, or similar petition, or (iv) the filing against BII Fund II of any such petition and the failure by BII Fund II to have obtained a dismissal of such petition within 30 days of such filing.

Subordination -- Priority of Payments

Upon the occurrence of a Bankruptcy Event, BII Fund II will apply the cash and the net cash proceeds received by it in connection with the liquidation of its assets and property in the following order (the “Payment Waterfall”):

1. first, to the payment of the obligations to the holders of the Community Notes on a pro rata basis among the holders of Community Notes;
2. second, to the payment of the obligations to the holders of the Solidarity Notes on a pro rata basis among the holders of the Solidarity Notes;
3. third, to the payment of the obligations to the holders of the Philanthropic Notes on a pro rata basis among the holders of the Philanthropic Notes;
4. fourth, to the payment of the obligations to the holders of the Recoverable Grants on a pro rata basis among the holders of Recoverable Grants; and
5. fifth, to BII Fund II.

The Payment Waterfall will be set forth in the Subordination Agreement, attached hereto as Appendix D, and which each holder of Notes will become a party to. If a distribution is made to holders of the Notes that, due to the subordination provisions, should not have been made to them, such holders of the Notes are required to hold it in trust for the other holders and pay it over to BII Fund II for distribution in accordance with the Payment Waterfall.

Recoverable Grants

For those investors who prefer to invest through a recoverable grant, BII Fund II can enter into a Recoverable Grant agreement on economic terms similar to a Philanthropic or Solidarity Note or such other terms to be agreed by the parties, except that Recoverable Grants will be subordinated to the payment of all Notes.

Deployment Fee

The BII Fund I will collect a deployment fee of 1% on committed capital during the deployment phase of BII Fund II (years 1-5), then drop to 0.50% of committed capital thereafter, regardless of when the capital is called. The deployment fee will be collected from BII Fund II proceeds or available BII Fund II cash annually. Investors will not be billed separately for the deployment fee and the fee will not impact the stated interest rate on the Notes.

Allocation of BII Fund II Surplus

After all Noteholders have been repaid in full and after the payment of all operating expenses, any profits in BII Fund II will be distributed to BII. BII may distribute such profits to local, charitable enterprises consistent with the exempt purposes of the BII's Supported Organizations using BII's existing donor advised fund at RSF Social Finance or another sponsoring organization selected by BII.

Discretionary Reserves

BII Fund II will maintain discretionary reserves in such amounts as determined by the BII Investment Committee. The Discretionary Reserves may be comprised of cash, cash equivalents, the Donated Assets and such other assets as determined by the BII Investment Committee in accordance with the Investment Policies.

Description of Other Indebtedness

- BII has a \$500,000 line of credit with Eastern Bank, which BII may seek to increase to \$1 million or more. The line of credit has a senior secured position on all of the assets of BII, including the membership interest in BII Fund II and will be senior to the Notes. Except for the Eastern line of credit and investments made by BII Fund I on behalf of BII Fund II, which amounts will be repaid by BII Fund II to BII Fund I by March 31, 2023, BII Fund II has no other indebtedness. BII and BII Fund II may, at any time, seek additional debt to support operations.

Plan of Distribution

Total Raise

BII Fund II has set an initial target amount of \$20,000,000 of Notes; however, this amount may be adjusted by BII Fund II at its sole discretion.

Capital Calls

Beginning on the date of this Offering Memorandum, BII Fund II will commence offering and selling Notes. Notes will be considered “Closed” when both BII Fund II and the investor have signed the Note, establishing a commitment to provide the promised capital to BII Fund II and when BII Fund II requests these funds. Committed capital will then be “Called” by BII Fund II at its sole discretion. Investments of \$100,000 or less, all Community Notes and all Notes that are Closed on or prior to July 31, 2023, will be called immediately upon any Closing. Investments in Solidarity Notes or Philanthropic Notes that are greater than \$100,000 and are Closed after July 31, 2023, may be collected on a capital call basis. BII Fund II may call capital in three tranches, with one-third (1/3) of each such investment eligible to be called each year upon 60 days’ prior notice from BII Fund II, provided that BII Fund II reserves the right to call committed capital immediately upon Closing at its sole discretion. BII Fund II will call capital on a pro rata basis from all outstanding commitments. For any Notes sold on a capital call basis, the interest on such Note will begin to accrue on the date that the funds are received by BII Fund II. Investors signing Notes subject to Capital Call will be obligated to provide funding upon sixty (60) day prior notice. Failure to provide committed capital will entitle BII Fund II to exercise legal remedies for default.

Closings

Initially, BII Fund II will close on the sale of Notes to Investors on a monthly basis, with a first closing on October 31st, and subsequent monthly closings through March 31, 2023. Following this initial period, BII Fund II will shift to quarterly closings (June 30, 2023, September 30, 2023, and December 31, 2023). If BII Fund II elects to extend Note sales into 2024 and 2025, quarterly closings will continue to apply. Community Notes, Solidarity Notes and Philanthropic Notes will all have the same final maturity date of December 31, 2032, regardless of the Closing Date. Funds promised under the Notes will only accrue interest from the date that BII Fund II calls the commitment (the “Call Date”) until the earlier of (a) the repayment of capital received by BII Fund II or (b) the maturity date of the note. Interest will only accrue on capital called by BII Fund II, not on committed capital.

Commissions

BII Fund II and BII Fund I employees, consultants and volunteers will conduct the offering on behalf of BII Fund II. They will not receive any special commissions for work performed related to the Offering, but may receive regular wages and incentive compensation as described above. BII Fund II will not employ any outside underwriters, recipients of finders’ fees, selling groups, broker-dealers, or any other agents in connection with the offering. BII Fund II will not offer any underwriting or selling discounts or commissions or finders’ fees of any kind in connection with the Offering.

Marketing of the Offering

The Offering will be marketed using BII Fund II’s existing marketing channels, including existing networks, websites, email lists, social media accounts and printed materials. This investment opportunity will be advertised at public events where BII Fund II programs and services are being presented. BII Fund II may also market the Offering in press releases to local newspapers and radio stations, and at public presentations and conferences to educate potential investors about the Offering. All communications will direct potential investors to this Offering Memorandum.

Certain Tax Aspects

The following is a summary of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Notes by U.S. Holders (as defined below) and Non-U.S. Holders (as defined below) acquiring the Notes pursuant to this offering. This summary assumes that the Notes are held as capital assets within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”), and that the holders purchase the Notes for cash upon their initial issuance at their original issue price. It is not a complete analysis of all the potential tax considerations relating to the purchase, ownership and disposition of the Notes. This summary is based on the provisions of the Code, permanent and temporary Treasury Regulations promulgated under the Code, and currently effective administrative rulings and judicial decisions. Any of these authorities may be changed, possibly with retroactive effect, resulting in U.S. federal income tax consequences different from those discussed below. We have not sought any ruling from the Internal Revenue Service (“IRS”) or any opinion of counsel with respect to the tax consequences described below, and there can be no assurance that the IRS will not take a position that is inconsistent with the tax consequences described below or that any such position taken by the IRS would not be sustained.

This summary does not address tax considerations arising under federal non-income tax laws (such as gift and estate tax laws), under the laws of any state, local, or non-U.S. jurisdiction, or under any applicable tax treaty. In addition, this summary is primarily directed to natural persons who are holders of Notes and does not address all tax considerations that may be applicable to a holder in light of that holder’s particular circumstances or that may be applicable to holders that are subject to special tax rules (including special tax rules applicable to holders that are certain types of entities or organizations or that have a special status for U.S. federal income tax purposes).

If an entity treated as a partnership for U.S. federal income tax purposes holds Notes, the tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. Partnerships considering an investment in Notes (and partners in such partnerships) should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes by such partnerships.

This summary of certain U.S. federal income tax considerations is for general information only and is not tax advice. Prospective investors in the Notes are urged to consult their tax advisors with respect to the application of the U.S. federal income tax laws (including the 3.8% Medicare contribution tax on unearned income) to their particular situations as well as any tax consequences arising under the U.S. federal estate, gift, alternative minimum tax, or other non-income tax laws, under the laws of any state, local, or non-U.S. taxing jurisdiction, or under any applicable tax treaty.

Potential Alternative Characterization of the Notes

The discussion that follows assumes that the Notes will be characterized as debt for U.S. federal, state, and local income tax purposes. However, there can be no assurance that the IRS or a state or local taxing authority will not contend that some or all of the Notes should instead be characterized as equity interests in BII Fund II for U.S. federal, state, or local income tax purposes. If some or all of the Notes were instead to be characterized as equity interests in BII Fund II, the tax consequences to Holders of the Notes may be materially different from those described herein. Under those circumstances, the BII Fund II would be treated as a partnership for income tax

purposes and a Holder of Notes treated as equity interests would be treated as a partner in such partnership. The Holder would be required to include in its own income that Holder's distributive share of the taxable income and loss of the partnership, the character of which taxable income or loss would generally be the same as the character of such taxable income or loss in the hands of BII Fund II. In any given taxable year, a Holder's tax liability associated with such distributive share of partnership taxable income may exceed the amount of cash payments on the Notes received by the Holder. A U.S. Holder that is a tax-exempt entity may derive "unrelated business taxable income" from an investment in Notes treated as equity interests in BII Fund II, and a Non-U.S. Holder may be treated as "engaged in the conduct of a trade or business within the United States" ("ETB") and may derive income and gain that is "effectively connected" with such trade or business. In general, a Non-U.S. Holder that is ETB would be required to file U.S. federal (and potentially state and local) income tax returns, and would be subject to withholding in respect of allocations of "effectively connected" income to that Non-U.S. Holder by BII Fund II. If the IRS were to successfully assert that some or all of the Notes should be treated as equity interests in BII Fund II, Holders may be required to amend their tax returns.

Prospective investors in Notes should consult with their own tax advisors regarding the potential alternative characterization of some or all of the Notes they propose to acquire. As noted above, the remainder of this discussion assumes that the Notes will be characterized as debt for U.S. federal, state, and local income tax purposes.

Consequences to U.S. Holders

The following is a summary of certain material U.S. federal income tax consequences to a U.S. Holder of the purchase, ownership and disposition of the Notes. "U.S. Holder" means a beneficial owner of a Note that acquires the Note in this offering and is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation) that is created or organized in or under the laws of the United States or any State thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (i) is subject to the primary supervision of a court within the United States and that has one or more United States persons with authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

Payments of interest

We expect and this discussion assumes that the issue price of certain of the Notes will equal the stated redemption price at maturity of the Notes and that certain of the Notes may be issued with an amount of original issue discount ("OID") that is less than a *de minimis* threshold amount specified by the Code. Under those circumstances, stated interest on the Notes will be taxable as ordinary income when received or accrued by U.S. Holders in accordance with their method of accounting for U.S. federal income tax purposes. Certain of the Notes (in particular, the Philanthropic Notes), however, may have a stated redemption price at maturity that exceeds their

issue price by an amount equal to or greater than the *de minimis* threshold amount specified by the Code. Under those circumstances, a U.S. Holder will be required to include such excess in income as original issue discount, which will accrue and be taxable as ordinary income in accordance with the constant yield method specified by the Code before the receipt of cash payments attributable to such excess.

A Holder may elect to include in gross income all interest that accrues on a Note using a constant yield method. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. In applying the constant yield method to a Note with respect to which this election has been made, the issue price of the Note will equal the electing Holder's adjusted basis in the Note immediately after its acquisition, the issue date of the Note will be the date of its acquisition by the electing Holder, and no payments on the Note will be treated as payments of qualified stated interest. This election, if made, may not be revoked without the consent of the IRS. Holders are encouraged to consult with their own tax advisors as to the effect of making this election in light of their individual circumstances.

Treatment of an investment in a Note; Imputed Interest on Notes with Below-Market Interest Rates

Investors will not receive a charitable tax deduction for investing in a Note.

If an individual investor makes or maintains aggregate investments of \$250,000 or more in BII Fund II, the Notes may fall within the provisions of Section 7872 of the Code, which in some circumstances may require BII Fund II to report imputed interest on Notes that is more than the actual interest earned. It is possible that the excess imputed portion may be treated as a deductible charitable contribution. It is also possible that, in light of the tax-exempt status of BII Fund I and the general charitable purpose of BII Fund I's and BII Fund II's impact investment program, the IRS could assert that a Holder of a Note with a below-market interest rate that is not subject to Section 7872 should, under general principles of tax law, be deemed to have earned interest at prevailing market rates for loans with similar economic characteristics to the Notes and then as having made a contribution to BII Fund II in an amount equal to the excess of the deemed earned interest amount and the actual amount of interest paid on the Note. Such a recharacterization could impact the amount and timing of income earned by a Holder of a Note, and could cause a Note to become subject to the OID rules described above. Investors should consult their own tax advisor regarding the tax implications of an investment in the Notes.

Sale or other taxable disposition of the Notes

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference between (x) the amount realized in cash and the fair market value of any property other than cash received by the U.S. Holder on such disposition (except to the extent such cash or property is attributable to accrued stated interest, which will be treated as ordinary interest income to the extent not previously included in income by such U.S. Holder), and (y) the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. Holder, increased by any OID and gain previously included by the Holder in income with respect to the Note and decreased by the amount of any interest payments (other than payments of qualified stated interest,

as determined under the OID rules) and principal payments on the Note received by the U.S. Holder.

Gain or loss recognized on the taxable disposition of a Note generally will be capital gain or loss, except for gain representing accrued interest not previously included in income. Any such capital gain or loss will be long-term capital gain or loss if the U.S. Holder held the Note for more than one year at the time of such disposition. Long-term capital gains recognized by a non-corporate U.S. Holders, including individuals, generally will be subject to tax at reduced rates. The deductibility of capital losses is subject to limitations.

Information reporting and backup withholding

In general, information reporting requirements will apply to a U.S. Holder with respect to certain payments of principal and interest on, and the proceeds of certain sales, exchanges, repurchases, redemptions or retirements of, Notes. Certain U.S. Holders are exempt from information reporting and backup withholding, including corporations and certain tax-exempt organizations. A U.S. Holder will be subject to backup withholding if such holder is not otherwise exempt and:

- the holder fails to furnish the holder's taxpayer identification number, which for an individual is ordinarily his or her social security number;
- the holder furnishes an incorrect taxpayer identification number;
- the applicable withholding agent is notified by the IRS that the holder previously failed to properly report payments of interest or dividends; or
- the holder fails to certify under penalties of perjury that the holder has furnished a correct taxpayer identification number and that the IRS has not notified the holder that the holder is subject to backup withholding.

The backup withholding rate is currently 24%. Backup withholding is not an additional tax. Any amounts withheld from a U.S. Holder under the backup withholding rules may be refunded to the U.S. Holder or credited against the U.S. Holder's federal income tax liability, if any, if the required information is furnished to the IRS in a timely manner. U.S. Holders should consult their tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption.

Consequences to Non-U.S. Holders

The following is a summary of certain U.S. federal income tax consequences to a Non-U.S. Holder of the purchase, ownership and disposition of the Notes. "Non-U.S. Holder" means a beneficial owner of a Note (other than an entity that is treated as a partnership or other pass-through entity for U.S. federal income tax purposes) that acquires the Note in this offering and is not a U.S. Holder.

Payments of interest

Subject to the discussions below concerning backup withholding and withholding under legislation commonly referred to as the Foreign Account Tax Compliance Act (“FATCA”), a Non-U.S. Holder that is not engaged in a trade or business in the United States to which interest on a Note is attributable generally will not be subject to U.S. federal income tax on a net income basis in respect of interest on a Note and will also be exempt from gross basis U.S. federal withholding tax on interest on a Note under the “portfolio interest exception”, provided that:

- the Non-U.S. Holder does not actually or constructively own (i) 10% or more of the total combined voting power of all classes of the voting stock of BII Fund I or (ii) 10% or more of the capital or profits interest in BII Fund II;
- the Non-U.S. Holder is not a controlled foreign corporation as determined under Section 864(d) of the Code that is treated as a “related person” with respect to BII Fund I or BII Fund II;
- the Non-U.S. Holder is not a bank whose receipt of interest on a Note is in respect of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and
- either (i) the Non-U.S. Holder provides its name and address and certifies, under penalties of perjury, that it is not a United States person (which certification may be made on an IRS Form W-8BEN, IRS Form W-8BEN-E, or other applicable IRS Form W-8), or (ii) a securities clearing organization, bank, or other financial institution that holds customers’ securities in the ordinary course of its business holds the Note on behalf of the Non-U.S. Holder and certifies, under penalties of perjury, that it has received an IRS Form W-8BEN, IRS Form W-8BEN-E, or other applicable IRS Form W-8 for the Non-U.S. Holder and otherwise complies with applicable requirements. If the Notes are held by or through certain foreign intermediaries or certain foreign partnerships, such foreign intermediaries or partnerships also must satisfy the certification requirements of applicable Treasury Regulations.

If the requirements described above are not satisfied with respect to Notes held by a Non-U.S. Holder, payments of interest on the Notes will be subject to a 30% U.S. federal withholding tax on the gross amount of the payment, unless the Non-U.S. Holder provides us or our paying agent with a properly executed (i) IRS Form W-8BEN, IRS Form W-8BEN-E, or other applicable IRS Form W-8, claiming an exemption from or reduction in withholding tax under an applicable tax treaty or (ii) IRS Form W-8ECI stating that interest paid on the Notes is not subject to withholding tax because it is effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States.

If the Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Note is effectively connected with the conduct of that trade or business, the Non-U.S. Holder will be required to pay U.S. federal income tax on that interest on a net income basis in the same manner as if it were a U.S. Holder, except as otherwise provided by an applicable income tax treaty. In addition, if the Non-U.S. Holder is a foreign corporation, any interest on the Notes received by the Non-U.S. Holder that is treated as effectively connected with the conduct of a trade or business in

the United States may be subject to an additional branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty).

Sale or other taxable disposition of the Notes

Subject to the discussions below concerning backup withholding and FATCA withholding, any gain recognized by a Non-U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a Note generally will not be subject to U.S. federal income or withholding tax unless:

- that gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (except as otherwise provided by an applicable income tax treaty); or
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met.

The amount of gain recognized by a Non-U.S. Holder will be determined without regard to any amount received by the Non-U.S. Holder that is attributable to accrued stated interest, which will be treated in the manner described under "Payments of interest" above.

Gain described in the first bullet point above that is recognized by a Non-U.S. Holder generally will be subject to U.S. federal income tax in the same manner as if it were recognized by a U.S. Holder, and, in addition, in the case of a corporate Non-U.S. Holder, an additional branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) may apply.

Gain described in the second bullet point above that is recognized by a Non-U.S. Holder will (unless an applicable income tax treaty otherwise provides) be subject to a flat 30% U.S. federal income tax, which may be offset by certain U.S. source capital losses.

Information reporting and backup withholding

A Non-U.S. Holder generally will not be subject to backup withholding (as described above under "Consequences to U.S. Holders — Information reporting and backup withholding") with respect to payments of interest on the Notes if the Non-U.S. Holder provides the requisite certification on IRS Form W-8BEN, IRS Form W-8BEN-E, or other applicable IRS Form W-8, or otherwise establishes an exemption from backup withholding and we do not have actual knowledge or reason to know that the Non-U.S. Holder is a United States person. We will generally be required to report payments of interest to the IRS and to the recipient Non-U.S. Holder, whether or not such interest is exempt from U.S. withholding tax. Copies of these information returns may also be made available under the provisions of a specific tax treaty or agreement to the tax authorities of the country in which the payee resides.

Payments to a Non-U.S. Holder of the gross proceeds from the sale, exchange, redemption, repurchase, retirement, or other disposition of a Note effected by or through a U.S. office of a broker generally will be subject to backup withholding and information reporting unless the Non-U.S. Holder certifies as to its non-U.S. status on IRS Form W-8BEN, IRS Form W-8BEN-E, or other applicable IRS Form W-8, or otherwise establishes an exemption from backup withholding. Generally, information reporting and backup withholding will not apply to a payment to a Non-

U.S. Holder of proceeds of the sale, exchange, redemption, repurchase, retirement, or other disposition of a Note where the disposition is effected outside the United States through a non-U.S. office of a non-U.S. broker and payment is not received by the Non-U.S. Holder in the United States.

However, information reporting, but not backup withholding, generally will apply to a payment to a Non-U.S. Holder of proceeds of the sale, exchange, redemption, repurchase, retirement, or other disposition of a Note where the disposition is effected outside the United States by or through an office of a broker that is:

- a United States person;
- a foreign person that derives 50% or more of its gross income for certain specified periods from the conduct of a trade or business in the United States;
- a controlled foreign corporation for U.S. federal income tax purposes; or
- a foreign partnership (i) more than 50% of the capital or profits interest of which is owned by United States persons or (ii) that is engaged in a U.S. trade or business,

unless that broker has documentary evidence in its files of the Non-U.S. Holder's non-U.S. status and certain other conditions are met or unless the Non-U.S. Holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld from a Non-U.S. Holder under the backup withholding rules may be refunded to the Non-U.S. Holder or credited against the Non-U.S. Holder's U.S. federal income tax liability, if any, if the required information is furnished to the IRS in a timely manner.

Additional withholding tax on payments made to foreign accounts

Withholding taxes may be imposed under FATCA on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on payments of interest on (including any accrued original issue discount) a Note paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States with respect to FATCA may be subject to different rules.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in the Notes.

Regulatory Matters

Various provisions of the federal securities laws provide exemptions and exceptions from many of the provisions of the federal and state securities laws. The Offering is exempt from registration under the Securities Act pursuant to Section 3(a)(4) thereof. BII Fund II is excluded from the requirement to register as an investment company under the Investment Company Act pursuant to Section 3(c)(10) thereof. Persons participating in the Offering on behalf of BII Fund II are exempt from the requirement to register as broker-dealer representatives under Section 3(e) thereof. In administering BII Fund II, the BII Fund I will not be considered an investment adviser for purposes of registration under the Investment Advisers Act of 1940, as amended, pursuant to Section 203(b)(4) thereof.

The Notes will be issued under an exemption from the requirements of the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”). As a result, BII Fund II will not be required to, and will not, engage a trustee to administer the Notes or provide protections to Noteholders mandated under the Trust Indenture Act. As a result, BII Fund II will deal directly with Noteholders and may enter into separate arrangements with them if the Noteholders agree to do so. The Noteholders will have no mechanism for acting collectively with respect to BII Fund II.

Under the terms of the Philanthropy Protection Act, the Offering is preempted from many state securities laws requiring the registration of securities, unless the state has passed a law opting out of that preemption. The states of Arkansas, Connecticut, Florida, Mississippi, Nebraska, Pennsylvania, Tennessee and Virginia have opted-out of this federal preemption. As a result, offers and sales of Notes in those states must be made in compliance with the registration requirements of those states’ laws.

How to Invest in the Notes

1. Review this Offering Memorandum, including all relevant attachments.
2. Log into <https://bit.ly/biifundii> to electronically complete the Investor Questionnaire and Agreement for the particular Note(s) in which you wish to invest and the Subordination Agreement. If the investor is an entity, the Investor Questionnaire and Agreement must be signed by an individual authorized to bind the investor.
3. Following completion of the investment documents through the Passthrough platform, BII will review the documents and email you notice of acceptance or nonacceptance. If your investment is accepted, BII will provide you with payment instructions through bill.com. You may make payments by wire, electronic funds transfer or check.
4. Upon completion of your investment documents and payment of the investment amount, BII Fund II will email you a copy of your completed documents. BII Fund II reserves the right to reject any prospective investment, in whole or in part, for any reason.
5. If you do not hear from BII Fund II within seven (7) business days after completing your investment documents, please contact BII Fund II at (617) 702-9132 or info@bostonimpact.com to make sure it was received.

APPENDIX A-1 – Form of Community Note

Form of Community Note

Principal Amount	\$
Interest Rate	Five percent (5%) through the Initial Maturity Date; Seven percent (7%) through the Renewal Maturity Date if Lender renews the Note
Closing Date	
Initial Maturity Date	December 31, 2027
Renewal Maturity Date (if Lender Renews)	December 31, 2032
Payment Election (select one)	<input type="checkbox"/> Simple Interest Payable Annually <input type="checkbox"/> Compounded Interest Payable at Maturity
Borrower	Boston Impact Initiative Fund II LLC
Lender	Name Street City, State and Zip

Promise to Pay: Subject to the terms set forth below, Boston Impact Initiative Fund II LLC, a Delaware limited liability company (the “Borrower”), promises to pay Lender named above in lawful money of the United States of America, the principal amount of the Note indicated above, together with interest at the fixed rate of five percent (5%) per annum on the unpaid principal balance from the Closing Date of this Note until the Initial Maturity Date. If Lender elects to renew this Note as provided below, interest will accrue at the fixed rate of seven percent (7%) per annum on the unpaid principal balance from the day following the Initial Maturity Date until the Renewal Maturity Date. Interest will be calculated on the basis of actual days elapsed and a 365/366-day year. Borrower will pay Lender at Lender’s address shown above or at such other place as Lender may designate in writing.

Interest Payments: Lender may select payment of Interest annually or on the Maturity Date. If the annual payment option is selected, the payment of simple interest will be due by January 31st of each year. If Lender selects payment at the Initial Maturity Date or the Renewal Maturity Date, the Borrower will repay all accrued interest, compounding annually, and principal in a lump sum on the Initial Maturity Date or, if Lender has elected to renew this Note as provided below, on the Renewal Maturity Date.

Renewal: The Lender may elect to renew this Note for an additional five-year term by delivering written notice to Borrower no later than ninety (90) days before Initial Maturity Date.

Maturity Dates: The initial maturity date for this Note shall be December 31, 2027 (the “Initial Maturity Date”). If Lender elects to renew this Note, the maturity date of this Note shall be extended to December 31, 2032 (the “Renewal Maturity Date”). Borrower may elect to extend the Renewal Maturity Date, for two 1-year extensions at Borrower’s sole option upon Borrower’s

delivery of written notice to Lender no later than 90 days prior to the then-current Maturity Date. If, however, a Bankruptcy Event (as defined below) has occurred, the unpaid principal balance of this Note, together with accrued and unpaid interest thereon, shall immediately become due and payable without present, demand, protest or notice. "Bankruptcy Event" means any of the following: (i) the Borrower shall become unable, admit in writing its inability or fail generally to pay its debts as they become due, (ii) the Borrower shall make a general assignment for the benefit of its creditors, (iii) the filing by the Borrower of a petition of bankruptcy, insolvency, or similar petition, or (iv) the filing against the Borrower of any such petition and the failure by the Borrower to have obtained a dismissal of such petition within 30 days of such filing.

Prepayment: Borrower may prepay any portion of the principal amount of this Note at any time, without penalty or premium, together with accrued and unpaid interest on the principal amount being prepaid. Lender may submit a written request for early repayment of any portion of the principal amount of this Note with a brief explanation of the circumstances supporting the request. Borrower shall, in its sole discretion, determine whether to grant the request, in whole or in part.

Amendments: This Note is one of a series of Notes being issued by the Borrower that are designated as "Community Notes." The Borrower may amend or supplement the terms of this Note without the Lender's consent to make any change that would provide additional rights or benefits to the Lender or surrender any right or power conferred upon the Borrower, provided, in either case, that substantially similar amendments or supplements are made to the terms of the other Community Notes outstanding at such time.

Governing Law: This Note has been drawn in and will be governed by the laws of the Commonwealth of Massachusetts without regard to its principles of conflicts of laws.

Commercial Loan: This is a commercial loan, and the proceeds of this loan will not be used for personal, family or household purposes, but instead will be used solely for business purposes. This transaction is not a consumer transaction subject to Massachusetts General Laws, Federal Reserve Board Regulations, or any other "consumer protection" statutes, regulations, or restrictions, without exception.

Incorporation of All Discussions: This Note supersedes all discussions and negotiations between the Borrower and the Lender concerning repayment of the indebtedness evidenced hereby.

Illegality: If any provision of this Note is held by a court of competent jurisdiction to be illegal or unenforceable, such provision will be deemed limited or excised from this Note to the least degree necessary to give effect to the intentions of the parties as expressed in this Note.

Successor Interests: The terms of this Note shall be binding upon the Borrower and upon the Borrower's successors and assigns and will inure to the benefit of Lender and its heirs, personal representatives, successors and assigns; provided, however, that the Lender may not transfer any of its interests, rights or obligations in this Note without the prior written consent of the Borrower, which consent may be withheld in its sole discretion.

BOSTON IMPACT INITIATIVE FUND II LLC

By: _____
Name:
Title:

APPENDIX A-2 – Form of Solidarity Note

Form of Solidarity Note

Principal Amount	\$
Interest Rate	Three percent (3%)
Closing Date	
Maturity Date	December 31, 2032
Borrower	Boston Impact Initiative Fund II LLC
Lender	Name Street City, State and Zip

Promise to Pay: Subject to the terms set forth below, Boston Impact Initiative Fund II LLC, a Delaware limited liability company (the “Borrower”), promises to pay Lender named above in lawful money of the United States of America, the principal amount of the Note indicated above, together with annually compounding interest at the fixed rate of three percent (3%) per annum on the unpaid principal balance from the Closing Date of this Note until the Maturity Date until paid in full. Interest will be calculated on the basis of actual days elapsed and a 365/366-day year. Borrower will pay Lender at Lender’s address shown above or at such other place as Lender may designate in writing.

Interest Payments: Interest will compound annually on each anniversary of the issuance of this Note.

Maturity Date: The unpaid principal balance of this Note, together with any accrued and unpaid interest thereon, will be due and payable on December 31, 2032 (the “Maturity Date”); provided, however, that the Maturity Date may be extended for two 1-year extensions at the sole option of Borrower upon Borrower’s delivery of written notice to Lender no later than 90 days prior to the then-current Maturity Date; provided further, however, if a Bankruptcy Event (as defined below) has occurred, the unpaid principal balance of this Note, together with accrued and unpaid interest thereon, shall immediately become due and payable without present, demand, protest or notice. “Bankruptcy Event” means any of the following: (i) the Borrower shall become unable, admit in writing its inability or fail generally to pay its debts as they become due, (ii) the Borrower shall make a general assignment for the benefit of its creditors, (iii) the filing by the Borrower of a petition of bankruptcy, insolvency, or similar petition, or (iv) the filing against the Borrower of any such petition and the failure by the Borrower to have obtained a dismissal of such petition within 30 days of such filing.

Prepayment: Borrower may prepay any portion of the principal amount of this Note at any time, without penalty or premium, together with accrued and unpaid interest on the principal amount

being prepaid. Lender may submit a written request for early repayment of any portion of the principal amount of this Note with a brief explanation of the circumstances supporting the request. Borrower shall, in its sole discretion, determine whether to grant the request, in whole or in part.

Amendments: This Note is one of a series of Notes being issued by the Borrower that are designated as “Solidarity Notes.” The Borrower may amend or supplement the terms of this Note without the Lender’s consent to make any change that would provide additional rights or benefits to the Lender or surrender any right or power conferred upon the Borrower, provided, in either case, that substantially similar amendments or supplements are made to the terms of the other Solidarity Notes outstanding at such time.

Governing Law: This Note has been drawn in and will be governed by the laws of the Commonwealth of Massachusetts without regard to its principles of conflicts of laws.

Commercial Loan: This is a commercial loan, and the proceeds of this loan will not be used for personal, family or household purposes, but instead will be used solely for business purposes. This transaction is not a consumer transaction subject to Massachusetts General Laws, Federal Reserve Board Regulations, or any other “consumer protection” statutes, regulations, or restrictions, without exception.

Incorporation of All Discussions: This Note supersedes all discussions and negotiations between the Borrower and the Lender concerning repayment of the indebtedness evidenced hereby.

Illegality: If any provision of this Note is held by a court of competent jurisdiction to be illegal or unenforceable, such provision will be deemed limited or excised from this Note to the least degree necessary to give effect to the intentions of the parties as expressed in this Note.

Successor Interests: The terms of this Note shall be binding upon the Borrower and upon the Borrower’s successors and assigns and will inure to the benefit of Lender and its heirs, personal representatives, successors and assigns; provided, however, that the Lender may not transfer any of its interests, rights or obligations in this Note without the prior written consent of the Borrower, which consent may be withheld in its sole discretion.

BOSTON IMPACT INITIATIVE FUND II LLC

By: _____
Name:
Title:

APPENDIX A-3 – Form of Philanthropic Note

Form of Philanthropic Note

Principal Amount	\$
Interest Rate	One percent (1%)
Closing Date	
Maturity Date	December 31, 2032
Borrower	Boston Impact Initiative Fund II LLC
Lender	Name Street City, State and Zip

Promise to Pay: Subject to the terms set forth below, Boston Impact Initiative Fund II LLC, a Delaware limited liability company (the “Borrower”), promises to pay Lender named above in lawful money of the United States of America, the principal amount of the Note indicated above, together with annually compounding interest at the fixed rate of one percent (1%) per annum on the unpaid principal balance from the Closing Date of this Note until the Maturity Date until paid in full. Interest will be calculated on the basis of actual days elapsed and a 365/366-day year. Borrower will pay Lender at Lender’s address shown above or at such other place as Lender may designate in writing.

Interest Payments: Interest will compound annually on each anniversary of the issuance of this Note.

Maturity Date: The unpaid principal balance of this Note, together with any accrued and unpaid interest thereon, will be due and payable on December 31, 2032 (the “Maturity Date”); provided, however, that the Maturity Date may be extended for two 1-year extensions at the sole option of Borrower upon Borrower’s delivery of written notice to Lender no later than 90 days prior to the then-current Maturity Date; provided further, however, if a Bankruptcy Event (as defined below) has occurred, the unpaid principal balance of this Note, together with accrued and unpaid interest thereon, shall immediately become due and payable without present, demand, protest or notice. “Bankruptcy Event” means any of the following: (i) the Borrower shall become unable, admit in writing its inability or fail generally to pay its debts as they become due, (ii) the Borrower shall make a general assignment for the benefit of its creditors, (iii) the filing by the Borrower of a petition of bankruptcy, insolvency, or similar petition, or (iv) the filing against the Borrower of any such petition and the failure by the Borrower to have obtained a dismissal of such petition within 30 days of such filing.

Prepayment: Borrower may prepay any portion of the principal amount of this Note at any time, without penalty or premium, together with accrued and unpaid interest on the principal amount being prepaid. Lender may submit a written request for early repayment of any portion of the principal amount of this Note with a brief explanation of the circumstances supporting the request. Borrower shall, in its sole discretion, determine whether to grant the request, in whole or in part.

Amendments: This Note is one of a series of Notes being issued by the Borrower that are designated as “Philanthropic Notes”. The Borrower may amend or supplement the terms of this Note without the Lender’s consent to make any change that would provide additional rights or benefits to the Lender or surrender any right or power conferred upon the Borrower, provided, in either case, that substantially similar amendments or supplements are made to the terms of the other Philanthropic Notes outstanding at such time.

Governing Law: This Note has been drawn in and will be governed by the laws of the Commonwealth of Massachusetts without regard to its principles of conflicts of laws.

Commercial Loan: This is a commercial loan, and the proceeds of this loan will not be used for personal, family or household purposes, but instead will be used solely for business purposes. This transaction is not a consumer transaction subject to Massachusetts General Laws, Federal Reserve Board Regulations, or any other “consumer protection” statutes, regulations, or restrictions, without exception.

Incorporation of All Discussions: This Note supersedes all discussions and negotiations between the Borrower and the Lender concerning repayment of the indebtedness evidenced hereby.

Illegality: If any provision of this Note is held by a court of competent jurisdiction to be illegal or unenforceable, such provision will be deemed limited or excised from this Note to the least degree necessary to give effect to the intentions of the parties as expressed in this Note.

Successor Interests: The terms of this Note shall be binding upon the Borrower and upon the Borrower’s successors and assigns and will inure to the benefit of Lender and its heirs, personal representatives, successors and assigns; provided, however, that the Lender may not transfer any of its interests, rights or obligations in this Note without the prior written consent of the Borrower, which consent may be withheld in its sole discretion.

BOSTON IMPACT INITIATIVE FUND II LLC

By: _____

Name:

Title:

APPENDIX B – Form of Investor Questionnaire and Agreement



BOSTON IMPACT INITIATIVE FUND II LLC

Investor Questionnaire and Agreement

Please Read Carefully

Thank you for your interest in the Boston Impact Initiative Fund II LLC (“BII Fund II”) Note Offering (the “Offering”).

The Community Notes in this Offering are available only to non-accredited investors who are residents of Massachusetts, Maine, New York, Rhode Island, Connecticut, and Vermont.

To subscribe for this investment, you must complete the following documents electronically via our Passthrough subscription portal:

- Your **responses to this Investor Questionnaire and Agreement**, including any supporting documents requested by BII Fund II.
- Your **signature page** to the Joinder to the Subordination Agreement.
- Your **completed Form W-9** (Request for Taxpayer Identification Number and Certification).

DOCUMENTS

Below are links to the documents you will be asked to complete and sign. **Prospective Investors Should Review These Carefully:**

1. **Offering Memorandum**
2. **Investor Questionnaire and Agreement**
3. **Subordination Agreement**

Once you complete the investment documents through the Passthrough platform, BII Fund II will review the documents and email you notice of acceptance or nonacceptance. BII Fund II reserves the right to reject any prospective investment, in whole or in part, for any reason. If your investment is accepted, BII Fund II will provide you with payment instructions via email.

Upon completion of your investment documents and payment of the investment amount, BII Fund II will email you a copy of your completed documents and you will be issued the Note you have purchased.

If you do not hear from BII Fund II within seven (7) business days after completing your investment documents, please contact BII Fund II at (617) 702-9132 or info@bostonimpact.com to make sure it was received.

INVESTOR QUESTIONNAIRE AND AGREEMENT

A. Select Note Type for Proposed Investment (see *Offering Memorandum for Note descriptions*):

- Community Note (available to “Non-Accredited Investors” only)
- Solidarity Note (complete the “Accredited Investor Status” in Section D below)
- Philanthropic Note (complete the “Accredited Investor Status” in Section D below)

B. Investment Amount

Please indicate the amount you wish to invest for your selected Note type. Non-Accredited Investors may only invest in the Community Note. Accredited Investors may invest in both the Solidarity and/or Philanthropic Note.

- | | | |
|---|--|----------|
| <input type="checkbox"/> Community Note | (Minimum \$1,000 / Maximum \$25,000) | \$ _____ |
| <input type="checkbox"/> Solidarity Note | (Minimum \$10,000 / Maximum \$3,000,000) | \$ _____ |
| <input type="checkbox"/> Philanthropic Note | (Minimum \$10,000 / Maximum \$3,000,000) | \$ _____ |

C. Interest Payment Election

For Community Notes Only: Please select whether you want interest on your Note to be paid by BII Fund II annually or at the maturity date of the Note (please select one option):

- Annual Interest Payment: BII Fund II will make annual payments of simple interest on the Note at the rate of 5% per year from the Closing Date to the Initial Maturity Date (12/31/2027) and then at 7% per year if the Note is renewed for an additional five-year term (12/31/2032).
- Interest Payment at Maturity: Interest will compound annually at the rate of 5% per year from the Closing Date to the Initial Maturity Date (12/31/2027) and all accrued interest will be payable along with principal at the Initial Maturity Date. If the Community Note is renewed for an additional five-year term, Interest will compound annually at the rate of 7% per year during the additional five-year term of the Note and all accrued interest will be payable with principal at the Renewal Maturity Date (12/31/2032).

D. Accredited Investor Status

To be qualified to invest in a Solidarity Note or Philanthropic Note, you must be an “accredited investor” (as that term is defined in Rule 501(a) of Regulation D promulgated under Section 4(a)(2) of the U.S. Securities Act). This means that you must fall within one or more of the categories set out below. If you do not meet any of the “accredited investor” definitions below, you will be deemed a “Non-Accredited” Investor qualified to invest in the Community Note only. Please check a box below to indicate that you satisfy the requirements of such category. By signing this Investor Questionnaire, you certify that you are (check the applicable line):

(a) For an **Individual Investor** (including each person in a joint tenancy or tenancy in common, if applicable):

An individual with annual income in excess of \$200,000 in each of the two most recent calendar years, and a reasonable expectation of the same income level or more in the current year; or

An individual with a spouse or spousal equivalent with joint annual income in excess of \$300,000 in each of the two most recent calendar years, and reasonable expectation of the same income level or more in the current year;

An individual a net worth or joint net worth with a spouse or spousal equivalent in excess of \$1,000,000, not including the value of his or her primary residence;

Instruction: For purposes of calculating your net worth:

1. Your primary residence must not be included as an asset.
2. Indebtedness secured by your primary residence, up to the estimated fair market value of your primary residence at the time of this investment, should not be included as a liability (except that if the amount of such indebtedness outstanding at the time of calculation exceeds the amount outstanding 60 days before that time, other than as a result of the acquisition of the primary residence, the amount of the excess must be included as a liability).
3. Indebtedness that is secured by your primary residence in excess of the estimated fair market value of the residence at the time of this investment must be included as a liability.
4. For the purposes of calculating joint net worth, joint net worth can be the aggregate net worth of the investor and spouse or spousal equivalent; assets need not be held jointly to be included in the calculation. Reliance on the joint net worth standard does not require that the securities be purchased jointly.

A director or executive officer of BII Fund II;

An individual holding in good standing one or more professional certifications or designations or credentials from an accredited educational institution that the SEC has designated as qualifying an individual for accredited investor status:

Current Approved Certifications are (check all that apply):

_____ General Securities Representative license (Series 7)

_____ Private Securities Offerings Representative license (Series 82)

_____ Investment Adviser Representative license (Series 65); or

A knowledgeable employee, as defined in rule 3c-5(a)(4) under the Investment Company Act, of the issuer of securities where that issuer is a 3(c)(1) or 3(c)(7) private fund.

Individual does not fall into any of the categories above, and is therefore considered an unaccredited investor eligible to purchase the Community Notes.

(b) For an *Entity Investor*:

A bank, savings and loan association, insurance company, registered investment company, business development company, or small business investment company or rural business investment company;

An SEC-registered broker-dealer, SEC- or state-registered investment adviser, or exempt reporting adviser;

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

An employee benefit plan (within the meaning of the Employee Retirement Income Security Act) if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of \$5,000,000;

A tax-exempt charitable organization, corporation, limited liability corporation, or partnership with assets in excess of \$5,000,000;

An enterprise in which all the equity owners are accredited investors;

A trust with assets exceeding \$5,000,000, not formed only to acquire the securities offered, and whose purchases are directed by a person who meets the legal standard of having sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the prospective investment;

An entity of a type not otherwise qualifying as accredited that own investments in excess of \$5,000,000; or

A *family office* and its *family clients* (each as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940) if the family office has assets under management in excess of \$5,000,000 and whose prospective investments are directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment.

The entity does not fall into any of the categories above, and is therefore considered an unaccredited investor eligible to purchase the Community Notes.

E. Investor Name, Type, Contact Information and Bank Account Information

1. Is the Investor a U.S. Person or Entity? Yes No (*Offering is open only to US persons, residents and entities*)

2. **Are you an advisor or representative completing this Questionnaire on behalf of the Investor?** Yes No. If yes, please provide the full legal name and email of the person who will sign the investment agreements. Investors will be required to sign the investment documents electronically via DocuSign.

Name: _____
Email: _____

3. **Full Legal Name and Contact Information of Investor** (*if more than one individual, include both names*) (such person named in this Section E.3 is referred to in this Investor Questionnaire as “Investor” or “you”)

Name: _____
Company: _____ Title: _____
Street Address: _____
City: _____ State: _____ Zip Code: _____
Phone Number: _____
Email Address: _____

4. **Type of Investor(s)** (*check the appropriate box*)

You are an “**Individual Investor**” if you are the following:

- (a) Individual
- (b) Joint Tenants (with Rights of Survivorship)
- (c) Tenants in Common
- (d) Individual Retirement Plan

You are an “**Entity Investor**” if you are the following:

- (e) Trust
- (f) General Partnership
- (g) Limited Partnership
- (h) Corporation
- (i) Limited Liability Company
- (j) Donor Advised Fund
- (k) Other (*specify*): _____

For **Entity Purchasers** only:

Your date of organization or incorporation: _____

Your state of organization or incorporation: _____

Your state of domicile: _____

Your principal business and activities: _____

5. **Investor Tax Identification Number** (SSN or EIN) _____

6. **Investor Contact Information**

Primary Contact

Is the Investor listed in Section E.2 above the primary contact? If no, provide additional contacts below.

First Name: _____ Last Name: _____

Company: _____ Title: _____

Street Address: _____

City: _____ State: _____ Zip Code: _____

Phone Number: _____

Email Address: _____

This primary contact should receive (*check all that apply*):

- | | |
|--|--|
| <input type="checkbox"/> Note Payment Notices and Instructions | <input type="checkbox"/> Annual investor statements |
| <input type="checkbox"/> 1099-INTs and other tax information | <input type="checkbox"/> Investment documents |
| <input type="checkbox"/> Investor updates and newsletters | <input type="checkbox"/> Periodic financial statements |

Secondary Contact

First Name: _____ Last Name: _____

Company: _____ Title: _____

Street Address: _____

City: _____ State: _____ Zip Code: _____

Phone Number: _____

Email Address: _____

This secondary contact should receive (*check all that apply*):

- | | |
|--|--|
| <input type="checkbox"/> Note Payment Notices and Instructions | <input type="checkbox"/> Annual investor statements |
| <input type="checkbox"/> 1099-INTs and other tax information | <input type="checkbox"/> Investment documents |
| <input type="checkbox"/> Investor updates and newsletters | <input type="checkbox"/> Periodic financial statements |
- Check here if any other contacts should also receive documents and include the additional information in the box provided.* _____

If the Investor and Primary/Secondary contacts are different, please confirm if BII may communicate directly with the Investor: Yes No

7. Investor Banking Information

If your subscription is approved by BII Fund II, you will be sent payment instructions via bill.com which will allow you to pay by bank check, electronic funds transfer or wire transfer.

Select payment method for your investment: Check Electronic Funds Transfer Wire

Please provide the bank information from which Investor’s payment is being made:

Bank Name: _____

Address of Bank: _____

Bank ABA (Routing) Number: _____

Account Number: _____

Account Name: _____

Reference or FBO: _____

Contact Name: _____ Phone: _____ Email: _____

8. Additional Questions – for Entity Investors Only

(a) Was the Investor formed, organized, reorganized, capitalized or recapitalized for the purpose of acquiring the Interests? Yes No

(b) Is the Investor acting as a trustee, custodian or Nominee for a beneficial owner? Yes No

If Yes, please list the underlying beneficial owner(s) and provide additional details: _____

9. Investor Demographic Information (optional):

(This demographic information will be maintained confidential and used to evaluate the impact metrics of our Offering)

(a) What is the gender of the Investor?

Male

Female

Non-binary

Other _____

Prefer not to answer

(b) What race/ethnicity does the Investor identify with? (Select all that apply):

White or Caucasian

Black or African American

Hispanic or Latino

East Asian

South East Asian

Native American or American Indian

Native Hawaiian or Other Pacific Islander

Alaska Native

Mixed Race

- Other _____
- Prefer not to answer

(c) What is the Investor's age?

- 18-24 years
- 25-34 years
- 35-44 years
- 45- 55 years
- 56- 70 years
- 70 and above
- Prefer not to answer

10. Consent to Electronic Communications

Investor consents to electronic delivery of all BII Fund II communications, including investor statements, tax forms, financial information, and annual impact reports, which will be sent to Investor's email address or posted to BII Fund II's secure website.

F. Investor Certifications

Before you sign this Investor Questionnaire, you must have read and understood the Offering Memorandum for BII Fund II. There are significant risks that you must understand before you invest. These risks are discussed in the Offering Memorandum under the heading "Risk Factors." Representatives of BII Fund II will be glad to answer any questions you have or to provide information that you need in order to make an informed investment decision. Please call (617) 702-9132 or email info@bostonimpact.com.

By signing this Investor Questionnaire and Agreement, you or your representative certify under penalty of perjury as follows:

For Community Note Investors

- Investor has read and understood the Offering Memorandum for BII Fund II;
- Investor's information provided in this Questionnaire is true and correct;
- Investor is a U.S. person, resident or entity;
- Investor's total investment in BII Fund II does not exceed 10% of Investor's liquid net worth (excluding Investor's home, home furnishings, and automobiles);
- Investor represents, warrants and agrees that the subscribed Note(s) is being acquired solely for Investor's own account, for investment purposes only, and not with a view to the distribution or sale. Investor has no agreement or other arrangement with any person to sell, transfer or pledge any part of the subscribed Note;
- Investor is not subject to backup withholding because: (a) Investor is exempt from backup withholding, or (b) Investor has not been notified by the Internal Revenue Service (IRS) that Investor is subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified Investor that Investor is no longer subject to backup withholding;

- Investor is a resident of Massachusetts, Maine, New York, Rhode Island, Connecticut, and Vermont; and
- Investor is not an accredited investor and none of the following is true with respect to Investor: (a) an individual with net worth of at least \$1,000,000 (excluding primary residence), (b) an individual with income over \$200,000 in the past two calendar years, and expectation of the same this year, (c) a married couple with joint income over \$300,000 in the past two calendar years, and expectation of the same this year, (d) an entity in which all equity owners are accredited, and (e) a 501(c)(3) organization with assets over \$5,000,000.

For Solidarity and Philanthropic Note Investors

- Investor has read and understood the Offering Memorandum for BII Fund II;
- Investor’s information provided in this Questionnaire is true and correct;
- Investor is a U.S. person, resident or entity;
- Investor represents, warrants and agrees that the subscribed Note(s) is being acquired solely for Investor’s own account, for investment purposes only, and not with a view to the distribution or sale. Investor has no agreement or other arrangement with any person to sell, transfer or pledge any part of the subscribed Note; and
- Investor is not subject to backup withholding because: (a) Investor is exempt from backup withholding, or (b) Investor has not been notified by the Internal Revenue Service (IRS) that Investor is subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified Investor that Investor is no longer subject to backup withholding.

Signature of Investor: _____

Name of Investor: _____

Title (if signing for an organization): _____

Date: _____

APPENDIX C-1 – Form of Subordination Agreement

FORM OF SUBORDINATION AGREEMENT

This SUBORDINATION AGREEMENT, dated as of October 31, 2022 (this “*Agreement*”) is by and among Boston Impact Initiative Fund II LLC, a Delaware limited liability company (the “*Borrower*”) and each Lender (as such term is defined in the Notes described below) from time to time party hereto (the “*Creditors*”).

The parties hereto agree as follows:

SECTION 1 BACKGROUND.

This Agreement is made in the context of the following agreed state of facts:

- (a) Borrower intends to issue promissory notes that will be designated as “Community Notes”, “Solidarity Notes” or “Philanthropic Notes” (collectively, the “*Notes*”).
- (b) All obligations of the Borrower in respect of the Notes designated as “Community Notes”, whether such obligations now exist or arise hereafter, including principal, interest and expenses of collection, and including any obligations on account of any extension, renewal or restructuring of the “Community Notes” are hereafter collectively referred to as the “*Community Obligations*” and the holders thereof are hereafter collectively referred to as the “*Community Creditors*”.
- (c) All obligations of the Borrower in respect of the Notes designated as “Solidarity Notes”, whether such obligations now exist or arise hereafter, including principal, interest and expenses of collection, and including any obligations on account of any extension, renewal or restructuring of the “Solidarity Notes” are hereafter collectively referred to as the “*Solidarity Obligations*” and the holders thereof are hereafter collectively referred to as the “*Solidarity Creditors*”.
- (d) All obligations of the Borrower in respect of the Notes designated as “Philanthropic Notes”, whether such obligations now exist or arise hereafter, including principal, interest and expenses of collection, and including any obligations on account of any extension, renewal or restructuring of the “Philanthropic Notes” are hereafter collectively referred to as the “*Philanthropic Obligations*” and the holders thereof are hereafter collectively referred to as the “*Philanthropic Creditors*”.
- (e) As used in this Agreement, the term “*Bankruptcy Event*” “means any of the following:
 - (i) the Borrower shall become unable, admit in writing its inability or fail generally to pay its debts as they become due, (ii) the Borrower shall make a general assignment for the benefit of its creditors, (iii) the filing by the Borrower of a petition of bankruptcy, insolvency, or similar petition, or (iv) the filing against the Borrower of any such petition and the failure by the Borrower to have obtained a dismissal of such petition within 30 days of such filing.

SECTION 2. SUBORDINATION.

(a) The Solidarity Obligations and the Philanthropic Obligations are and shall hereafter be subordinate and inferior in right of payment to all of the Community Obligations as provided herein. Notwithstanding any provision to the contrary contained in the Notes or any other agreement between Borrower and the Creditors, from and after the occurrence of a Bankruptcy Event, the Borrower shall not make or be required to make, nor shall any Creditor receive or retain, any payment on account of the principal of or interest on the Solidarity Obligations and/or the Philanthropic Obligations until the Community Obligations have been paid in full in cash.

(b) The Philanthropic Obligations are and shall hereafter be subordinate and inferior in right of payment to all of the Solidarity Obligations as provided herein. Notwithstanding any provision to the contrary contained in the Notes or any other agreement between Borrower and the Creditors, from and after the occurrence of a Bankruptcy Event, the Borrower shall not make or be required to make, nor shall any Creditor receive or retain, any payment on account of the Philanthropic Obligations until the Solidarity Obligations have been paid in full in cash.

(c) Notwithstanding anything to the contrary in Section 2(a) or Section 2(b) above, the Borrower may pay, and the Creditors may receive and retain, payments in respect of the Solidarity Obligations and/or the Philanthropic Obligations so long as no Bankruptcy Event exists at the time of such payment or would occur after giving effect thereto.

SECTION 3. IMPROPER PAYMENT.

Any amount paid to any Creditor in violation of any provision of this Agreement shall be received in trust by such Creditor for the benefit of the other Creditors and shall, with or without demand, be immediately delivered by such Creditor to the Borrower in the same form in which received, with the addition only of such endorsements or assignments as may be necessary to perfect the title of the Borrower to such payment. Such amounts delivered to the Borrower shall be applied by the Borrower to the obligations in the order specified in the Payment Waterfall (as defined below). Upon the request of the Borrower, such Creditor will execute such documents and perform all such other acts as may reasonably be required to rescind premature performance of such obligation and to reestablish, to the maximum extent practical, the status quo prior to such premature performance.

SECTION 4. DISTRIBUTIONS IN LIQUIDATION.

Upon the occurrence of a Bankruptcy Event, the Borrower shall apply its cash and the net cash proceeds received in connection with the liquidation of its assets and property in the following order (the "*Payment Waterfall*"):

(a) first, to the payment of the Community Obligations on a pro rata basis among the Community Creditors;

(b) second, to the payment of the Solidarity Obligations on a pro rata basis among the Solidarity Creditors;

(c) third, to the payment of the Philanthropic Obligations on a pro rata basis among the Philanthropic Creditors; and

(d) fourth, to the Borrower.

Following the occurrence of a Bankruptcy Event, the Creditors shall not be entitled to any payment or distribution from the assets of the Borrower on account of any Philanthropic Obligation until all Community Obligations and Solidarity Obligations have been satisfied in full in cash and the Solidarity Creditors shall not be entitled to any payment or distribution from the assets of the Borrower on account of any Solidarity Obligation until all Community Obligations have been satisfied in full in cash. If any Creditor shall receive any money, securities or other property distributed after the occurrence of such Bankruptcy Event from the assets of Borrower on account of Solidarity Obligations or Philanthropic Obligations in violation of the Payment Waterfall, such Creditor shall hold such money, securities or other property in trust for the benefit of the holders of the other Creditors and shall deliver any such property to the Borrower in the same form as received, adding only such endorsements or assignments as may be necessary to perfect the title of the Borrower to such property, for application to the satisfaction of the obligations in the order of the Payment Waterfall.

SECTION 6. SUBORDINATION ABSOLUTE.

The subordination of the Solidarity Obligations and the Philanthropic Obligations to the Community Obligations effected by this Agreement and the subordination of the Philanthropic Obligations to the Solidarity Obligations effected by this Agreement shall, in each case, be absolute and Borrower may from time to time, without the consent of or notice to the Creditors and without affecting the subordination of the Solidarity Obligations and the Philanthropic Obligations to the Community Obligations and the subordination of the Philanthropic Obligations to the Solidarity Obligations: (i) obtain or release a security interest in any property to secure any of the Community Obligations and/or Solidarity Obligations (or any part thereof); or (ii) extend or renew any of the Community Obligations and/or the Solidarity Obligations (or any part thereof) for any period beyond their original due dates. The Borrower may, at any time, issue more Community Notes or Solidarity Notes, which upon issuance shall be entitled to the seniority and the benefits of the Payment Waterfall as provided herein.

SECTION 7. SUCCESSORS AND ASSIGNS.

This Agreement shall be binding upon the Borrower and each Creditor (including any assignee or successor in interest to such Creditor's Note).

SECTION 9 SEVERABILITY.

If any provision of this Agreement is determined to be illegal or unenforceable, such provision shall be deemed to be severable from the balance of the provisions of this Agreement and the remaining provisions shall be enforceable in accordance with their terms.

SECTION 10. GOVERNING LAW.

This Agreement is made under and will be governed in all cases by the laws of the Commonwealth of Massachusetts without regard to its principles of conflicts of laws.

[SIGNATURE PAGES ON FOLLOWING PAGES]

This Agreement is dated as of the date and year first above written.

BOSTON IMPACT INITIATIVE FUND II LLC

By: _____

Name:

Title:

APPENDIX C-2 – Form of Joinder to Subordination Agreement

JOINDER TO SUBORDINATION AGREEMENT

The Lender named below becomes a party to that certain Subordination Agreement dated as of October 31, 2022, by and among Boston Impact Initiative Fund II LLC (the “Borrower”) and the Lenders from time to time party thereto with the same force and effect as if originally named therein as a Lender party thereto (as amended, supplemented or otherwise modified from time to time, the “Subordination Agreement”). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Subordination Agreement. The Lender agrees to all the terms and provisions of the Subordination Agreement applicable to it as a Lender party thereto.

Name of Lender: _____

If signing for an organization:

Name of Authorized Signer:

Title of Authorized Signer

Signature: _____

Date: _____