

OFFERING CIRCULAR

DATED November 15, 2016

**THE KEYSTONE CONFERENCE OF THE
FREE METHODIST CHURCH OF NORTH AMERICA**

**202 Wilson Avenue
Oil City, Pennsylvania
(814) 676-6611**

\$2,500,000

UNSECURED DEBT INSTRUMENTS

<u>Type of Security</u> ¹	<u>Term</u>	<u>Offering Price</u>	<u>Minimum Initial Investment</u>
Demand Note	Demand w/30 days prior notice ²	100% of Principal Amount	\$500
One Year Term Note	1 year	100% of Principal Amount	\$1,000
Two Year Term Note	2 years	100% of Principal Amount	\$1,000
Five Year Term Note	5 years	100% of Principal Amount	\$1,000

1. The interest rate sheet enclosed with this Offering Circular indicates the available interest rates on the different types of debt securities as of the date we sent you this Offering Circular. Term Notes earn a fixed rate of interest for the duration of their term. Demand Notes earn interest at a variable rate. The interest rate shown on the enclosed rate sheet for Demand Notes is the initial interest rate available as of the date of this Offering Circular. Please call us to obtain current interest rates. See also “Description of Debt Securities” on page 13.

2. Demand Notes may be redeemed upon 30 days’ prior written notice, subject to a limitation of \$10,000 in any one month.

We—The Keystone Conference of the Free Methodist Church of North America (“**Keystone Conference**”)—are one of the United States Conferences of the Free Methodist Church of North America (“**Free Methodist Church**”). We are offering up to \$2,500,000 in unsecured debt securities to investors who are members of, contributors to, or participants in, the Free Methodist Church, the Keystone Conference, or in any program, activity or organization which constitutes a part of the Free Methodist Church, the Keystone Conference, or in other organizations that have a programmatic relationship with the Free Methodist Church or the Keystone Conference. We use the money raised from the sale of these debt securities to support the mission of our Loan Fund (defined below), which is to finance the establishment, development, acquisition, construction and/or repair and improvement of churches and church-related projects within the Northeast Region of the Free Methodist Church, including parsonages and residences for pastors and ministers within that region, and to support and satisfy our general operations and obligations. See “Use of Proceeds” on page 7.

Our Demand Notes are payable on demand with 30 days’ notice. Our Term Notes earn a fixed rate of interest for their duration and will be automatically reinvested at a new rate of interest upon maturity, unless you elect to redeem them at that time. See “Description of Debt Securities” on page 13.

We do not use underwriters or outside selling agents to sell our debt securities, and we will not pay any commissions for the sale of the debt securities. We receive all the proceeds from the sale of the debt securities, less offering expenses estimated not to exceed \$50,000, leaving net proceeds from this offering of up to \$2,450,000. No minimum offering is required, and we will use the proceeds as received. See “Use of Proceeds” on page 7.

THIS OFFERING IS SUBJECT TO THE STATE SPECIFIC INFORMATION BEGINNING ON PAGE iii AND CERTAIN RISK FACTORS BEGINNING ON PAGE 2.

THESE DEBT SECURITIES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD BY THE KEYSTONE CONFERENCE. THIS OFFERING CIRCULAR HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN THE STATES OR JURISDICTIONS THAT REQUIRE IT FOR REGISTRATION OR EXEMPTION.

THESE DEBT SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933 AND SECTION 3(C)(10) OF THE FEDERAL INVESTMENT COMPANY ACT OF 1940. A REGISTRATION STATEMENT RELATING TO THESE DEBT SECURITIES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

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

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

THE DEBT SECURITIES 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 DEBT SECURITIES IS DEPENDENT UPON THE KEYSTONE CONFERENCE'S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW THE KEYSTONE CONFERENCE'S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE DEBT SECURITIES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, THE FREE METHODIST CHURCH OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE FREE METHODIST CHURCH OTHER THAN THE KEYSTONE CONFERENCE.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN MADE BY THE KEYSTONE CONFERENCE.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF DEBT SECURITIES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO, RISK TOLERANCE, AND PERSONAL FINANCIAL NEEDS. YOU SHOULD MAKE AN INDEPENDENT DECISION ABOUT WHETHER PURCHASING DEBT SECURITIES WILL AID YOU IN ACCOMPLISHING YOUR INVESTMENT OBJECTIVES AND WHETHER THE DEBT SECURITIES FIT WITHIN YOUR FINANCIAL RISK TOLERANCE.

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY STATE IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALES MADE UNDER THIS OFFERING CIRCULAR SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF KEYSTONE SINCE THE DATE OF THIS OFFERING CIRCULAR.

THE INFORMATION IN THIS OFFERING CIRCULAR IS NOT INTENDED TO BE LEGAL, INVESTMENT OR PROFESSIONAL TAX ADVICE. EACH INVESTOR'S UNIQUE CIRCUMSTANCES—FINANCIAL AND OTHERWISE—ARE IMPORTANT FACTORS IN DETERMINING THE CONSEQUENCES OF AN INVESTMENT. FOR INFORMATION ABOUT THE LEGAL, INVESTMENT OR TAX CONSEQUENCES OF INVESTING IN DEBT SECURITIES, YOU SHOULD CONSULT YOUR OWN ATTORNEY, ACCOUNTANT OR INVESTMENT ADVISOR.

STATE SPECIFIC INFORMATION

Florida

The debt securities being offered have not been registered with the Florida Division of Securities and Investor Protection. Offers and sales of the debt securities in Florida may only be made by persons registered with the Florida Division of Securities and Investor Protection.

Pennsylvania

If you are a resident of the State of Pennsylvania when you purchase a debt security from us, you have the right to withdraw from the purchase as provided by Section 207(m) of the Pennsylvania Securities Act of 1972. If you accept an offer to purchase the debt securities described in this Offering Circular you may elect, within two business days after the first time you receive this Offering Circular, to withdraw from your purchase or purchase agreement and receive a full refund of all monies paid by you. Your withdrawal will be without any further liability to any person. To accomplish this withdrawal, you need only send a letter or telegram to us indicating your intention to withdraw. The letter or telegram should be sent and postmarked prior to the end of the second business day noted above. If you are sending a letter, it is prudent to send it by certified mail, return receipt requested, to ensure that it is received and also to evidence the time when it was mailed. Should you make the request orally, you should ask for written confirmation that your request has been received.

A registration statement with respect to the securities offered by this Offering Circular has been filed in the offices of the Pennsylvania Department of Banking and Securities, 17 North Second Street, Suite 1300, Harrisburg, Pennsylvania 17101. The registration statement includes certain exhibits only summarized or alluded to in this Offering Circular. The registration statement and those additional documents are available for inspection at the Department office during regular business hours (8:30 a.m. to 5:00 p.m. Monday through Friday). The Department's telephone number is 717-787-8061.

It is the position of the Pennsylvania Department of Banking and Securities that indemnification in connection with violations of securities laws is against public policy and void.

South Carolina

Demand Notes are not available for sale in the State of South Carolina.

If you were a resident of the state of South Carolina when you purchased a debt security, you may declare an "event of default" on your debt security only if one of the following occurs:

- We do not pay overdue principal and interest on the debt security within thirty days after we receive written notice from you that we failed to pay the principal or interest when due; or
- A South Carolina resident who owns a debt security of the "same issue" as your debt security (i.e., the same type, term and offering) has rightfully declared an event of default as to his or her debt security.

To declare an event of default, you must submit a written declaration to us. The rightful declaration of an event of default as to any one debt security of an issue constitutes an event of default on the entire issue in South Carolina. Upon a rightful declaration of an event of default on a debt security:

- The principal and interest on your debt security becomes immediately due and payable;
- If you request in writing, we will send you a list of names and addresses of all investors in the state of South Carolina who own a debt security of the same issue as your debt security; and
- The owners of 25% or more of the total principal amount of debt securities of the same issue outstanding in the state of South Carolina can declare the entire issue in the state of South Carolina due and payable.

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SUMMARY

This summary contains certain basic information about us and this offering. It does not contain all the information that is important to you. **BEFORE INVESTING, YOU SHOULD READ THE ENTIRE OFFERING CIRCULAR, INCLUDING THE APPENDICES, CAREFULLY.**

Purpose of Offering; Use of Proceeds

The purpose of the offering is to raise money to support the mission of our Loan Fund, which is to finance the establishment, development, acquisition, construction and/or repair and improvement of churches and church-related projects within the Northeast Region of the Free Methodist Church, including parsonages and residences for pastors and ministers within that region, and to support and satisfy our general operations and obligations. See “Use of Proceeds” on page 7 and “Lending Activities” on page 10. We conduct the financing activities described above through the Loan Fund, which is an internal fund that we manage and account for separately from our other, operating funds (“**Loan Fund**”). The Loan Fund is not a separate trust or legal entity.

Debt Security Program

The purchase price of the debt securities is 100% of their face value. The minimum initial investment in the debt securities is \$500 for Demand Notes and \$1,000 for Term Notes. The debt securities are our unsecured general debt obligations. The Demand Notes pay interest at a variable interest rate, which is subject to change from time to time upon thirty (30) days’ prior written notice. At your election at the time of purchase, interest is either paid to you or credited to the principal balance of your debt security. Interest is paid or credited semi-annually. If you request redemption of all or part of your debt security, payment will be made within thirty (30) days of your request. Term notes pay interest at a fixed rate for the duration of their term, and cannot be redeemed prior to their maturity. The interest rate sheet enclosed with this Offering Circular indicates the available interest rates on the different types of debt securities as of the date we sent you this Offering Circular. The interest rate shown on the enclosed rate sheet for Demand Notes is the initial interest rate available as of the date of this Offering Circular. Please call us to obtain current interest rates. See “Description of Debt Securities” on page 13.

Investment in a debt security does not entitle you to any rights in the Keystone Conference or to share in any profits. Your only rights as an investor in a debt security are the payment of interest on your investment and the return of your principal upon redemption of the debt security. You must rely on our financial condition for repayment of principal and interest on the debt securities. We reserve the right to redeem any debt security at any time by refunding its principal balance plus any accrued but unpaid interest to the date of redemption. See “Description of Debt Securities” on page 13.

Summary Financial Information

A summary of select financial information as of and for the fiscal year ending December 31, 2015, is set forth below. This information is derived from and should be read in conjunction with our audited financial statements for the fiscal years ending December 31, 2015 and 2014, attached to this Offering Circular as Appendix A (collectively, “**December 31, 2015, Financial Statements**”), and the audited financial statements for the fiscal year ending December 31, 2013, also attached to this Offering Circular as Appendix A (collectively referred to in this Offering Circular together with the December 31, 2015, Financial Statements as the “**Financial Statements**”). See also “Selected Financial Data” on page 12.

	<u>December 31,</u> <u>2015</u>
Cash and cash equivalents	107,892
Investments	227,228
Loans receivable, net*	2,132,818
Total assets	3,167,290
Debt securities	2,839,234
Net assets	326,805
Change in net assets	(136,197)
Sales of debt securities	1,092,004
Interest added to debt securities	64,179
Redemptions of debt securities	(1,427,456)

* None of these loans were unsecured or delinquent (greater than 90 days past due).

PLEASE CAREFULLY READ THE RISK FACTORS BEGINNING ON THE NEXT PAGE.

- Not FDIC or SIPC Insured
- Not a Bank Deposit
- No Guarantee by Free Methodist Church

RISK FACTORS

Your purchase of our debt securities involves risks. Please carefully consider the following risk factors before deciding to purchase a debt security.

1. **Recent losses.** Our net assets decreased by \$136,197 in the twelve-month period ended December 31, 2015; decreased by \$29,369 in the twelve-month period ended December 31, 2014; increased by \$28,031 and \$40,484 in the twelve-month periods ended December 31, 2013 and December 31, 2012, respectively; decreased by \$207,827 in the six-month period ended December 31, 2011; decreased by \$15,093 and \$251,566, in the twelve-month periods ended June 30, 2011 and 2010, respectively. These figures include nonrecurring property reversions of \$36,030, \$103,500, \$149,500, \$168,250, and \$360,000 in the twelve-month periods ended December 31, 2015, 2014, 2013, 2012, and June 30, 2011, respectively. Without these property reversions, our change in net assets would have been negatively affected. There were no property reversions during the six-month period ended December 31, 2011. See “Financing and Operational Activities” on page 8, “Selected Financial Data” on page 12, and Financial Statements. In light of 2015 losses, the Keystone Conference elected new leadership for the Conference Board of Administration and for the Loan Fund. See “Management” on page 15. We recognize that continued losses over multiple years adversely affects our ability to repay debt securities. Therefore we are working with the Conference Board of Administration and Finance Team to bring current expenses in line with revenues in order to achieve profitability. One example of this is the remuneration schedule. See “Remuneration” on page 16. Reductions in remuneration for Loan Fund management began in July, 2016, and will be fully in place for the 2017 fiscal year.
2. **Proceeds may be used for non-Loan Fund purposes.** We may use proceeds from the offering to fund our operating expenses, and we have done so in the past. Further, we hold some of the assets of the Loan Fund for our other Conference committees, commissions or Conference officers. Conference funds invested in the Loan Fund by Conference committees, commissions or officers from designated activities, or for specified purposes, may be removed from the Loan Fund for use by the particular committee, commission or officer. See “Financing and Operational Activities” on page 8, “History and Operations – Intra-Conference Transactions” on page 7, and “Selected Financial Data” on page 12.
3. **Variable rate of interest on Demand Notes.** The rate of interest to be paid on Demand Notes is subject to change from time to time in our discretion upon thirty (30) days’ prior written notice. See “Description of Debt Securities” on page 13.
4. **Debt securities unsecured.** The debt securities are our unsecured general debt obligations. None of our assets have been or will be pledged as security for repayment of the debt securities. The debt securities will be of equal rank with all our other previously outstanding and future unsecured debt obligations and liabilities. Investors are dependent solely on our financial condition for repayment of the debt securities. As of December 31, 2015, we had \$2,839,234 in outstanding debt securities, all of which could be redeemed by us with 30 days prior notice.
5. **Debt securities may be subordinated to senior secured indebtedness.** From time to time, we may pledge assets to secure loans we obtain from banks or other lenders. Secured lenders that we may have in the future will have the right to be paid before you from our assets that are pledged to them. It is our policy, however, to limit the amount of senior secured indebtedness to no more than 10% of our tangible assets on the date of the pledge. As of the date of this Offering Circular, we had a secured revolving line of credit with a bank under which we may borrow up to \$50,000. As of December 31, 2015, we had no outstanding balance on this loan. See also “Financing and Operational Activities” on page 8.
6. **Debt securities not SIPC or FDIC insured; no Free Methodist Church guarantee.** We are not a bank. Our debt securities are not bank instruments, and they are not protected by SIPC or FDIC insurance. Further, our debt securities are not guaranteed by the Free Methodist Church or any other organization.
7. **No sinking fund, escrow, or trust indenture.** No sinking fund, escrow, or trust indenture will be established in connection with the debt securities, and the absence of these investor protections may adversely affect our ability to repay the debt securities. We have not set aside funds for the repayment of debt securities. See “Description of Debt Securities” on page 13.
8. **Loan Fund assets not segregated.** The assets of the Loan Fund are not segregated from our other assets and would be available, if necessary, to meet our non-Loan Fund obligations. If anyone successfully made a claim against us for any reason, payments required to be made by us as a result of the claim could reduce or even eliminate assets available to pay investors. See “Description of Debt Securities” on page 13.
9. **Our investments may decrease in value.** We invest available funds that are not used for loans in investments that are subject to fluctuation in market value. A decrease in market value of these investments would reduce the assets available to repay investors.

In addition, our deposits and investments may exceed FDIC and SIPC account limits and may not, therefore, be protected by those insurance programs. See “Investing Activities” on page 12.

10. **We may be subject to negative interest spread.** There may be periods of time when we are unable to obtain an average return on our investments and loans that is greater than our average interest payment obligations on the debt securities. In addition, our loans receivable have terms to maturity while our debt securities are either payable within 30 days of demand or within a term to maturity that is shorter than our loan maturities. As a result, the average interest rate we pay on debt securities could increase more quickly than the average interest rate we receive on loans. This could result in an adverse impact on our financial operations, and correspondingly on our ability to repay the debt securities. See “Financing and Operational Activities” on page 8.
11. **Variable rate of interest on loans.** We may change interest rates payable on outstanding loans from time to time, which could reduce interest income.
12. **Number of Keystone Conference churches decreasing.** As of December 31, 2015, there were 38 local congregations within the Keystone Conference with total congregants of approximately 2,417 persons. The number of Keystone Conference churches has decreased by 11.5% over the last five years, while the total number of congregants has increased by 13% over the same time period. We rely on a 4.8% assessment on the income of all Keystone Conference churches as a significant source of income. Accordingly, a declining number of churches may reduce our income, though that has not been the result of the church closings described above. See “History and Operations – Church Membership” on page 7.
13. **Limitation on redemption.** We reserve the right to require at least thirty (30) days’ prior written notice prior to the redemption of Demand Notes. We also reserve the right to limit aggregate redemptions by a Demand Note investor during any monthly period to \$10,000. See “Description of Debt Securities” on page 13.
14. **Redemption requests could exceed available funds.** At December 31, 2015, we had \$335,102 in liquid investments and \$2,839,234 of outstanding debt securities. As a result, our liquid assets constituted approximately 12% of our outstanding debt securities as of that date. For the fiscal year ending December 31, 2015, we had redemptions of debt securities of \$1,427,456 and sales of debt securities of \$1,092,004. See “Financing and Operational Activities” on page 8.
15. **Specialty lending risks; insufficient collateral; unsecured loans.** Although loans to churches, church-related entities and pastors will usually be secured by mortgages, this may not always be the case and there is no assurance that, in the event of default by a borrower, the foreclosure value of the mortgaged property will be adequate to fully cover the indebtedness, especially in light of the limited market for buildings constructed for church use. In addition, the value of property securing our loans could be less than we believe and could be less than the amount of the loan. We do not always require current appraisals. If a default occurs, there may be substantial periods during which we would not receive payments of interest on the outstanding loan. This could adversely affect our ability to pay interest on debt securities and/or to honor redemption requests. See “Lending Activities” on page 10.
16. **Construction lending risks.** Generally, our borrowers use our loans to construct new facilities or to improve existing facilities. If any of the following risks, among others, related to construction occur, they could hinder a borrower’s ability to repay its loan by increasing construction costs or delaying or preventing completion of the project: (i) the contractor may not post a completion bond; (ii) completion may be delayed due to, among other things, shortages of materials, strikes, acts of nature, delays in obtaining necessary building permits or architectural certificates, environmental regulations or fuel or energy shortages; (iii) we may send out some construction payments without first obtaining architectural certification or lien waivers, relying instead on the borrower’s representations; or (iv) the borrower and its contractor may not sign a fixed-price construction contract. See “Lending Activities” on page 10.
17. **Potential environmental liability.** We do not typically conduct an environmental audit before approving a loan. If environmental pollution or other contamination is found on or near property securing a loan, we could, in some cases, face environmental liability or our security for the loan could be impaired.
18. **Borrowing churches have limited resources with which to repay loans.** Because our borrowers are churches, church-related entities and pastors or ministers within the Keystone Conference, we may at times accommodate late payments. Further, the ability of a church or church-related entity to repay principal and interest on a loan when due depends upon charitable contributions received from its members and others. Both the number of members of a church and the amount of voluntary contributions it receives may fluctuate. Generally, churches within the Keystone Conference are small and have very few financial resources. A decline in contributions to a church or church-related entity may adversely affect the ability of the borrower to repay us, which would adversely impact our ability to repay the debt securities. See “History and Operations – Church Membership” on page 7.

19. **We cannot be compared to a commercial lender.** We cannot be compared to a commercial lender. We may make loans to borrowers that are often unable to secure financing from commercial sources. For instance, we occasionally make loans to new or start-up churches. Because of their small size and youth, these churches may not meet commercial lending standards. In view of our relationship with our borrowers, our loan policies and loan underwriting requirements may be less stringent than a commercial lender. In addition, because of our relationship with our borrowers we may accommodate partial, deferred or late payments in certain circumstances, and may accept property reversions in lieu of foreclosure. See “Lending Activities” on page 10, “Financing and Operational Activities” on page 8, and Note 8 of the December 31, 2015, Financial Statements.
20. **Loan Fund not professionally managed.** The Loan Fund is managed by members of the Conference Finance Team who are not trained professionally in fund management. See “Management – Conference Board of Administration” on page 15.
21. **Debt securities may not be sold or transferred.** There is no public market for the debt securities and no expectation that one will develop. Debt securities may not be transferred or assigned without our consent. See “Description of Debt Securities” on page 13.
22. **Interest paid on the debt securities is taxable.** Interest paid or payable on the debt securities will normally be taxable as ordinary income to the holder regardless of whether interest is paid or allowed to accumulate, unless the holder is a tax-exempt organization. You cannot claim a charitable tax deduction for the purchase of a debt security. See “Tax Aspects” on page 14.
23. **Geographic concentration.** As of December 31, 2015, almost all of our loans and the majority of our outstanding debt securities were to borrowers and investors located in the geographical area encompassed by the Keystone Conference. Adverse economic conditions in this area could reduce the amount of charitable contributions borrowers receive from their members. This, in turn, could adversely affect the ability of these borrowers to repay their loans. Similarly, adverse economic conditions could increase redemptions, which would negatively impact our liquidity and our ability to repay debt securities. In addition, if real estate values were to decline in this area, it could adversely affect the value of the properties serving as collateral for our loans. We also make loans to churches in the Genesis Conference and the Pittsburgh Conference of the Free Methodist Church.
24. **Potential changes in state and federal securities laws.** If state and/or federal securities laws are changed to impose significant new or additional requirements on us, our ability to sell our debt securities could be limited or eliminated, your ability to buy our debt securities or make additional investments in them could be limited or eliminated, and, consequently, our ability to repay our debt securities could be adversely affected. Further, while we strive to comply with all applicable laws, if we find that we have not done so in all cases, it is possible that we may be subject to future regulatory actions, which could include fines, orders or the institution of repurchase offers.
25. **Right to change policies.** At various points in this Offering Circular, we describe our policies, such as our loan policies described on page 11, and our investment policies described on page 12. These descriptions are intended to help you understand our current operations. We reserve the right to change our policies and procedures generally, including our loan and investment policies.
26. **Management of the Keystone Conference.** Control of the Keystone Conference is exercised by our Conference Board of Administration. You will not have voting rights or other rights to participate in the management of the Keystone Conference.
27. **We may sell additional debt securities in this and other offerings.** We expect to sell additional debt securities in other offerings. The total amount of \$2,500,000 to be sold in this offering is not a limitation on the amount of debt securities we may sell in other offerings we may conduct at any time. We have sold our debt securities in other offerings in prior years and anticipate that we will continue to sell additional debt securities as part of this continuous offering process.
28. **Other activities.** We are one of many conferences of the Free Methodist Church and are responsible for all of the business and denominational operations of our region in addition to operating the Loan Fund. Our non-Loan Fund activities include various ministries, administrative services, and human resource services for churches within our region. See “History and Operations” on page 6. These other activities have associated risks that could result in claims against us, which could in turn harm our financial condition and our ability to repay our debt securities. We do carry liability insurance, director and officer insurance and property/casualty insurance for Keystone Conference operations which cover all conference officers, employees and volunteers, but there can be no assurance that these insurance policies will continue or be sufficient in amount or scope to cover all potential liabilities.
29. **Our right to redeem.** We reserve the right to redeem unsecured debt securities upon 30 days’ prior written notice. See “Description of Securities – Redemption and Transfer” on page 14.
30. **No right to early redemption.** We are under no obligation to redeem Term Notes prior to their maturity. Accordingly, you will be unable to access the funds you invest in a Term Notes until it matures.

31. **Automatic renewal of Term Notes.** Term Notes will be automatically renewed at maturity for a term equal to the original term unless you notify us in writing before the maturity date of the Term Note that you wish to redeem all or part of it at maturity. See “Description of Securities – Redemption and Transfer” on page 14.
32. **Possible inability to reinvest.** You may not be able to reinvest the proceeds of your Term Note upon maturity. While we intend to maintain all required securities registrations and exemptions, we are not now registered or exempt in all states and our Term Notes may not continue to be registered or exempt in the states where we currently sell Term Notes. Accordingly, you may not be able to reinvest the proceeds of your Term Note if you live in a state where our Term Notes are not registered or exempt at the time of the attempted reinvestment.
33. **Ability to foreclose on collateral may be limited.** Our remedies as a creditor upon default by any of our borrowers are subject to limitations and borrower protections imposed under various laws, regulations and legal principles that provide protections to borrowers. Our legal and contractual remedies, including those specified in our commitment letters, promissory notes and mortgages typically require judicial actions, which are often subject to discretion and delay. Under existing law (including, without limitation, the Federal Bankruptcy Code), the remedies specified by our commitment letters, promissory notes and mortgages may not be readily available or may be limited. A court may refuse to order the specific performance of the covenants contained in the commitment letters, promissory notes and mortgages. In addition, the laws of a particular jurisdiction may change or make it impractical or impossible to enforce specific covenants in the loan agreements.
34. **Collateral may be impaired.** The various security interests established under our commitment letters, mortgages and deeds of trust may be subject to other claims and interests. Examples of these claims and interests are statutory liens; rights arising in favor of the United States, or any agency thereof; constructive trusts or equitable liens otherwise imposed or conferred by any state or federal court or court of competent jurisdiction in any foreign country, including the exercise of its equitable jurisdiction; and federal bankruptcy laws or bankruptcy laws of another jurisdiction affecting amounts earned by the borrower after institution of bankruptcy proceedings by or against the borrower.
35. **Unsecured loans.** While Loan Fund loans are typically secured by mortgages or deeds of trust on real property or by other collateral, we do occasionally make unsecured loans. As of December 31, 2015, we had no outstanding unsecured loans.
36. **Consumer Lending Laws.** We may or may not comply with consumer lending laws. As part of our loan program, we offer loans to pastors and ministers for the purchase or construction of parsonages or primary residences. Loans to individuals such as these may be subject to consumer lending laws if we are considered to be engaged in the business of making consumer loans or if our volume reaches certain thresholds in a particular 12-month period. In some states, we may need to be licensed under consumer lending laws in order to charge interest above certain minimal rates. Consumer lending laws include the federal laws, such as the Equal Credit Opportunity Act, Truth in Lending Act, Fair Credit Reporting Act, Real Estate Settlement Procedures Act, Federal Trade Commission Act, Fair Debt Collection Practices Act, and Title V of the Gramm Leach Bliley Act, and state laws such as usury laws, unfair and deceptive trade practices acts, laws governing privacy of financial transactions, and laws requiring the licensing of consumer lenders (collectively, “**Consumer Lending Laws**”). We may not comply with all of the requirements of these Consumer Lending Laws, and may be exposed to various penalties if our volume of consumer loans reaches applicable thresholds for regulation in a particular year. Penalties could include, for example a fine or civil penalty, punitive damages, the inability to enforce loan agreements or certain provisions of loan agreements including provisions calling for the payment of interest, and criminal liability. In addition, if state or federal laws, rules, or requirements regarding consumer or commercial lending change, it may become more difficult or costly for us to continue our loan program. To the extent that we rely upon income from lending to repay our debt securities, a change in our ability to make loans or a change in the cost of compliance with lending laws could inhibit our ability to repay all investors according to the terms of their debt securities.
37. **Loan concentration.** As of December 31, 2015, the Loan Fund had loans with principal balances outstanding of \$486,302; \$435,309; \$193,605; \$183,983; and \$168,563 representing 24%, 22%, 9.6%, 9.1%, and 8.4% of the Loan Fund’s total loans outstanding as of that date. See “Lending Activities – Outstanding Loans” on page 10.

This Offering Circular contains forward-looking statements about our plans, strategies, objectives, goals, and expectations. These forward-looking statements are identifiable by words or phrases indicating that we “expect,” “anticipate,” “project,” “plan,” “believe,” or “intend” that a particular event may or will occur in the future or similarly stated expectations. These forward-looking statements are subject to many factors, including the above risk factors and the other information contained in this Offering Circular that could cause actual results to differ materially from the stated expectations. We undertake no obligation to update or revise any forward-looking statements to reflect developments or information obtained after the date of this Offering Circular.

HISTORY AND OPERATIONS

About the Keystone Conference

We are one of the United States Conferences of the Free Methodist Church. The Free Methodist Church is a Christian Biblio-centric church which emphasizes the necessity of a conversion experience as a result of exercising faith in the sacrificial death of Jesus Christ and then a life lived under the direction of God's Holy Spirit. The Free Methodist Church was organized in 1860 in Pekin, New York, by a group of ministers who had formerly been members of the Methodist Episcopal Church. The headquarters of the Free Methodist Church is located in Indianapolis, Indiana.

We were formed in 1892 by incorporation in the Commonwealth of Pennsylvania under the name "The Pittsburgh Conference of the Free Methodist Church of North America." The name was changed in 1900 to "The Oil City Conference of the Free Methodist Church of North America." In 1992, the present name was formally adopted. We are a non-profit corporation and a 501(c)(3) tax exempt organization. Our current address is 202 Wilson Avenue, Oil City, PA 16301, and our telephone number is 814-676-6611.

The Keystone Conference includes the following geographic area: All of northwestern Pennsylvania west of a line described as the western and southern boundaries of Tioga County, the eastern and southeastern boundaries of Lycoming County to the West Branch of the Susquehanna River. The southern boundary, beginning at the intersection of the Pennsylvania Turnpike and the Susquehanna River, runs west along the Turnpike, including Carlisle, to the Fulton County line, thence along the northern boundaries of Fulton, Bedford, Cambria, Indiana and Armstrong Counties, directly west across Butler County to the Lawrence County line, thence south to the northern boundary of Beaver County and west to the Ohio line. The western boundary is the Ohio state line north of Beaver County, with the exception of the area around the cities of Conneaut, North Kingsville and Ashtabula, Ohio.

Conference Administration

The Keystone Conference meets in an Annual Conference at least once a year. For purposes of this Annual Conference, Annual Conference membership is composed of all traveling and retired ministers in full membership and lay delegates elected by the local churches or pastoral charges. The Annual Conference elects a standing administrative committee ("**Conference Board of Administration**") of not less than eight, nor more than 12 members to act as the executive committee of the Conference in the interim between the sittings of the Annual Conference. The Conference Board of Administration is composed of 9 persons as of the date of this Offering Circular. The Board of Administration has appointed a Conference Finance Team composed of a subset of members of the Board of Administration and the Director of the Loan Fund. The Conference Finance Team is charged with operation of the Loan Fund. Between Annual Conferences, the Conference Board of Administration may exercise the authority of the Annual Conference with respect to the Loan Fund, including the authority to amend the bylaws and to elect, appoint or remove members of the Conference Finance Team. Except as otherwise provided by an Annual Conference, the discipline of the Free Methodist Church or applicable law, the secular affairs of the Keystone Conference, are the responsibility of the Conference Board of Administration. The Conference Board of Administration has, in turn, delegated the management and supervision of the Loan Fund to the Conference Finance Team, including the related powers to establish loan policies, make loans, make investments of Loan Fund assets, and to determine terms of the debt securities to be offered and sold. The authority of the Conference Board of Administration is subject to the direction of Annual Conferences and the Book of Discipline (which is the ecclesiastical and organizational manual of the Free Methodist Church). The Conference Board of Administration established the Conference Administrator position in 2002. See "Management" on page 15.

Financing and the Role of the Loan Fund

Reverend Steven Macaluso currently serves as Conference Superintendent for the Keystone Conference. As of the date of this Offering Circular, Rev. David K. Michel is the Conference and Loan Fund Treasurer and Rev. T. Christopher Hill is the Director of the Loan Fund.

Churches within the Keystone Conference contributed 8.5% of their revenues during the fiscal years ending December 31, 2015, and 7.5% during fiscal years ending 2014, and 2013, to the Keystone Conference, with 2.5% of that amount allocated to the Keystone Conference to support various programs. The aggregate amount of these contributions from churches allocated to Keystone Conference programs was \$67,562, \$64,537, and \$63,917, for the fiscal years ending December 31, 2015, 2014, and 2013, respectively. See Financial Statements. Churches within the Keystone Conference will contribute 8.5% of their revenues during the fiscal years ending December 31, 2016.

The Loan Fund was initiated by the Keystone Conference Annual Conference held in 1964 and has gradually grown over the years to its present level of operations. The Loan Fund is financed primarily by the sale of our unsecured debt securities, including the \$2,500,000 of unsecured debt securities offered by this Offering Circular.

In addition to our Loan Fund activities, we also provide Conference-wide camping, children, youth and adult ministries. We also oversee the administrative and legal matters of the churches in the Conference. Additionally, we provide leadership screening, selection and development resources for our churches and pastors.

Church Membership

As of December 31, 2015, we had 38 local congregations or pastoral charges. The aggregate congregation size of all of local congregations for each of the past five calendar years is as follows:

Year	Number of Congregants (as of December 31)	% Increase (Decrease) Over Prior Year	Number of Local Congregations (as of December 31)	% Increase (Decrease) Over Prior Year
2011	2,140	7%	43	0%
2012	2,210	3%	41	(5%)
2013	2,328	5%	40	(2%)
2014	2,457	6%	39	(3%)
2015	2,417	(2%)	38	(3%)

Intra-Conference Transactions

When a Conference-owned project, such as a new office building, is financed from the Loan Fund, the funds necessary to finance the project are transferred to the general operating funds of the Conference and no repayment to the Loan Fund is anticipated or required. We have not, however, undertaken such a project in recent years, nor is one contemplated as of the date of this Offering Circular. Similarly, if there is a property reversion from a borrower, or if the Conference accepts property in satisfaction of all or a portion of a loan receivable, those amounts would offset one another on our balance sheet. See Note 8 of the December 31, 2015, Financial Statements. Further, from time to time Conference funds invested in the Loan Fund by Conference committees, commissions or Conference officers from designated activities or for specified purposes may be removed from the Loan Fund for use for authorized purposes by the particular committee, commission or officers, or by the Conference Board of Administration.

Erie New Vision Church

Effective January 1, 2013, the activity of Erie New Vision Church was consolidated into our Financial Statements. The consolidation occurred as a result of re-launching the previously reverted church, which is now under our control. A re-launch consists of a phased process at the end of which the new church will obtain full society status within the Keystone Conference, if successful. During the re-launch period, we are responsible to provide assistance and support in the form of consultation, personnel, materials and/or finances, and we hold title to the physical property of the church during the re-launch period. The property will be granted to the church after the re-launch period ends. All significant intercompany balances and transactions between the Keystone Conference and the church for 2013, 2014 and 2015 have been eliminated from our Financial Statements in consolidation.

USE OF PROCEEDS

The proceeds from the sale of the debt securities will be used primarily to support the mission of our Loan Fund, which is to make loans for the establishment, development, acquisition, construction and/or repair and improvement of churches and church-related projects within the Northeast Region of the Free Methodist Church, including parsonages and residences for pastors and ministers within that region, and to support and satisfy our general operations and obligations, including the expenses of this offering and occasional grants. See also “History and Operations” on page 6 and “Financing and Operational Activities” on page 8.

In the normal course of our operations, we continuously make loan commitments for specific projects based upon the availability of funds and in accordance with our loan policies. We may use the proceeds of this offering to fund all or a portion of our loan commitments, and we may have made loan commitments in contemplation of this offering. As of the date of this Offering Circular, the Loan Fund has outstanding loan commitments of up to \$150,000, as needed. Keystone Conference Loan Fund is a secondary funding source for this loan and will only fund the remaining balance of the \$150,000 after deducting the primary funding source commitment.

We may also use a portion of the proceeds of this offering or additional offerings of debt securities to meet interest and principal payments on the debt securities. This could be necessary if, for instance, revenues from our loans receivable are less than we anticipate, if repayment demands on maturing debt securities exceed our historical experience, or if other available funds are insufficient to satisfy these obligations. There can be no assurance that this offering or additional offerings will be successful.

We do not use underwriters or outside selling agents to sell our debt securities, and we will not pay any commissions for the sale of the debt securities. We will conduct the offering of the debt securities solely through our directors, officers and employees who are

authorized to engage in such activities in the applicable jurisdiction. We receive all the proceeds from the sale of the debt securities, less offering expenses estimated not to exceed \$50,000, leaving net proceeds from this offering of up to \$2,450,000. No minimum offering is required, and we will use the proceeds as received.

FINANCING AND OPERATIONAL ACTIVITIES

Fiscal Year Ending December 31, 2015

For the fiscal year ending December 31, 2015, we received contributions and WAVE fair share income of \$128,551, earned interest income of \$122,788, had event income of \$23,736, and had other income of \$10,160. See Note 1 of Financial Statements for an explanation of WAVE fair share income. For this same period, we had total expenses of \$405,665, unrealized and realized losses on investments of \$15,654, and a net gain for property reversions and church planting and revitalization expense of \$17,038, resulting in a negative change in net assets of \$136,197. See Financial Statements.

As of December 31, 2015, we had outstanding debt securities in the aggregate principal amount of \$2,839,234, and there were 158 investors, 100 of whom were individuals with aggregate investments of \$1,251,024 and the balance were churches or church-related entities with aggregate investments of \$1,588,210 (including Conference funds of \$72,818 which are eliminated from the total outstanding in our Financial Statements). In the fiscal year ending December 31, 2015, we sold \$1,092,004 of debt securities and redeemed \$1,427,456 of debt securities. As of December 31, 2015, our outstanding debt securities were categorized as follows:

<u>Type of Debt Security</u>	<u>Aggregate Principal Amount</u>
Demand	\$1,698,306
One Year Term Notes	138,573
Two Year Term Notes	720,330
Five Year Term Notes	282,025
Total	<u>\$2,839,234</u>

Our assets, which totaled \$3,167,290 as of December 31, 2015, are comprised primarily of cash and cash equivalents, investments, loans receivable, building and equipment, and property held for sale. We had an excess of assets over liabilities (or a net asset balance) of \$326,805 as of December 31, 2015. Of this amount, \$72,818 represented funds designated for specific Conference uses other than the Loan Fund. See “History and Operations” on page 6 for a description of our Loan Fund activities. See “Lending Activities” on page 10 for a description of our outstanding loans receivable.

Property held for sale and other real property consisted of property that had reverted to the Conference when local congregations closed and property was transferred to the Conference in satisfaction of an outstanding loan. All property is reported at fair value as determined by an independent market analysis. The property is titled to the Conference in trust and was recorded on the Conference’s books as reversion income when the property was received. As of December 31, 2015, property held for sale was comprised of the, the Elkland Free Methodist Church valued at \$104,500, the Mercer Free Methodist Church valued at \$45,000, the Mercer Parsonage valued at \$45,000, and the Cyclone Free Methodist Church valued at \$36,030.

During the fiscal year ending December 31, 2015, we sold one church property that had reverted to us. There was a loss of \$17,151 recognized on the sale. See Note 8 of the December 31, 2015, Financial Statements.

We have a secured revolving line of credit with M&T Bank under which we may borrow up to \$50,000 at a variable interest rate equal to the bank’s current prime interest rate plus 1%. As of December 31, 2015, we had no outstanding balance on this loan.

Fiscal Year Ending December 31, 2014

For the fiscal year ending December 31, 2014, we received contributions and WAVE fair share income of \$138,326, earned interest income of \$142,294, had event income of \$32,581, and had other income of \$11,157. See Note 1 of Financial Statements for an explanation of WAVE fair share income. For this same period, we had total expenses of \$438,633, unrealized and realized losses on investments of \$13,329, and a net gain for property reversions and church planting and revitalization expense of \$98,235, resulting in a negative change in net assets of \$29,369. See Financial Statements.

As of December 31, 2014, we had outstanding debt securities in the aggregate principal amount of \$3,110,507, and there were 97 investors, 69 of whom were individuals with aggregate investments of \$1,391,735 and the balance were churches or church-related

entities with aggregate investments of \$1,803,916 (including Conference funds of \$85,144 which are eliminated from the total outstanding in our Financial Statements). In the fiscal year ending December 31, 2014, we sold \$721,895 of debt securities and redeemed \$473,068 of debt securities. As of December 31, 2014, our outstanding debt securities were categorized as follows:

<u>Type of Debt Security</u>	<u>Aggregate Principal Amount</u>
Demand	\$1,947,020
One Year Term Notes	63,202
Two Year Term Notes	716,441
Five Year Term Notes	383,844
Total	<u>\$3,110,507</u>

Our assets, which totaled \$3,583,179 as of December 31, 2014, are comprised primarily of cash and cash equivalents, investments, loans receivable, building and equipment, and property held for sale. We had an excess of assets over liabilities (or a net asset balance) of \$463,002 as of December 31, 2014. Of this amount, \$85,438 represented funds designated for specific Conference uses other than the Loan Fund. See “History and Operations” on page 6 for a description of our Loan Fund activities. See “Lending Activities” on page 10 for a description of our outstanding loans receivable.

Property held for sale and other real property consisted of property that had reverted to the Conference when local congregations closed and property was transferred to the Conference in satisfaction of an outstanding loan. All property is reported at fair value as determined by an independent market analysis. The property is titled to the Conference in trust and was recorded on the Conference’s books as reversion income when the property was received. As of December 31, 2014, property held for sale was comprised of the Eldred Lighthouse Community Free Methodist Church valued at \$58,500, the Elkland Free Methodist Church valued at \$104,500, the Mercer Free Methodist Church valued at \$45,000, and the Mercer Parsonage valued at \$45,000.

During the fiscal year ending December 31, 2014, we sold one church property that had reverted to us. There was a loss of \$5,000 recognized on the sale. See Note 8 of the December 31, 2014, Financial Statements.

We have a secured revolving line of credit with M&T Bank under which we may borrow up to \$50,000 at a variable interest rate equal to the bank’s current prime interest rate plus 1%. As of December 31, 2014, we had no outstanding balance on this loan.

Fiscal Year Ending December 31, 2013

For the fiscal year ending December 31, 2013, we received contributions and WAVE fair share income of \$171,634, earned interest income of \$130,990, had event income of \$50,558, had other income of \$13,153, and had unrealized and realized gains on investments of \$114,189. See Note 1 of Financial Statements for an explanation of WAVE fair share income. For this same period, we had total expenses of \$593,443, which included a property impairment loss of \$51,000; and a net gain for property reversions and church planting and revitalization expense of \$140,950, resulting in a positive change in net assets of \$28,031. We did not use any undesignated funds from the Loan Fund for our operating expenses. See Financial Statements.

As of December 31, 2013, we had outstanding debt securities in the aggregate principal amount of \$2,800,677, and there were 100 investors, 68 of whom were individuals with aggregate investments of \$1,418,557 and the balance were churches or church-related entities with aggregate investments of \$1,570,404 (including Conference funds of \$188,284 which are eliminated from the total outstanding in our Financial Statements). In the fiscal year ending December 31, 2013, we sold \$999,039 of debt securities and redeemed \$1,552,020 of debt securities. As of December 31, 2013, our outstanding debt securities were categorized as follows:

<u>Type of Debt Security</u>	<u>Aggregate Principal Amount</u>
Demand	\$ 1,725,906
One Year Term Notes	85,442
Two Year Term Notes	626,143
Five Year Term Notes	363,186
Total	<u>\$ 2,800,677</u>

Our assets, which totaled \$3,296,121 as of December 31, 2013, are comprised primarily of cash and cash equivalents, investments, and loans receivable. We had an excess of assets over liabilities (or a net asset balance) of \$492,371 as of December 31, 2013. Of this amount, \$188,501 represented funds designated for specific Conference uses other than the Loan Fund. See “History and Operations”

on page 6 for a description of our Loan Fund activities. See “Lending Activities” on page 10 for a description of our outstanding loans receivable.

Property held for sale and other real property consisted of property that had reverted to the Conference when local congregations closed and property was transferred to the Conference in satisfaction of an outstanding loan. All property is reported at fair value as determined by an independent market analysis. The property is titled to the Conference in trust and was recorded on the Conference’s books as reversion income when the property was received. As of December 31, 2013, property held for sale was comprised of the Elkland Free Methodist Church valued at \$104,500, the Mercer Free Methodist Church valued at \$45,000, and the Peterson property valued at \$5,000. During the year ending December 31, 2013, the Conference recorded a property impairment loss of \$51,000 to reflect the decline in the fair value of the Peterson property due to undisclosed property conditions discovered in the inspection process leading up to the sale of the property. On January 29, 2014, the Peterson property was sold which resulted in a loss of \$5,000 on the sale of the property.

During the fiscal year ending December 31, 2013, we sold one church property that had reverted to us. There was a loss of \$11,616 recognized on the sale. See Note 8 of the December 31, 2013, Financial Statements.

We have a secured revolving line of credit with a bank under which we may borrow up to \$50,000 at a variable interest rate equal to the bank’s current prime interest rate plus 1%. As of December 31, 2013, we had no outstanding balance on this loan.

LENDING ACTIVITIES

Outstanding Loans

The Loan Fund made \$104,724 in new loans to churches during the fiscal year ending December 31, 2015. The Challenge Loan Fund made no new loans during the fiscal year ending December 31, 2015. The Loan Fund and the Challenge Loan Fund made \$116,000 and \$356,901 in new loans to churches during the fiscal years ending December 31, 2014 and 2013, respectively. Outstanding loans receivable from loans to churches and ministers totaled \$2,146,818, \$2,141,868, and \$2,114,752, as of those same dates, respectively. See Financial Statements.

A description of our outstanding loans to churches and ministers within the Keystone Conference as of December 31, 2015, is as follows:

	<u>Loans to Churches</u>			<u>Loans to Ministers</u>	
	Number of Loans	Principal Amount		Number of Loans	Principal Amount
\$0-\$25,000	5	\$ 42,089	\$0-\$25,000	0	\$ 0
\$25,001-\$50,000	2	87,217	\$25,001-\$50,000	1	48,000
\$50,001-\$75,000	1	67,109	\$50,001-\$75,000	1	54,397
\$75,001+	8	1,851,172	\$75,001+	1	159,793
Total	16	\$ 2,047,587	Total	3	\$ 262,190

Of the above loans to churches, one loan had a principal balance of \$486,302 and another had a principal balance of \$435,309, each as of December 31, 2015. Those loan balances constituted 22.5% and 20.3%, respectively, of our total loans outstanding as of that date. All loans outstanding as of December 31, 2015, had a variable interest rate, which ranged from 5.0% to 6.0% as of that date.

In addition to the Loan Fund, we also administer a fund called the Challenge Fund. The Challenge Fund was established principally as a means of providing low cost financing (and very occasional grants) to churches with smaller projects that don't necessarily qualify for loans through the Loan Fund. Loans or grants from the Challenge Fund are scrutinized with the same process we use for loans made from the Loan Fund, but since this fund is not funded by investments from our note holders (but rather by net proceeds from the sale of our churches), we are slightly more lenient on terms and qualifications. Typically, a Challenge Fund loan is for a rate of 3.5%, for amounts not to exceed \$100,000 and for terms not to exceed 15 years. The outstanding principal balances for Challenge Fund loans were \$131,550, \$144,085, and \$34,208 as of December 31, 2015, 2014, and 2013, respectively.

The outstanding principal balances of our loans (net of allowance for doubtful accounts) as of December 31, 2015, that are maturing in the next five years ending December 31, are as follows:

Maturing During Year Ending December 31,	Current Balance
2016	\$ 125,699
2017	102,847
2018	106,563
2019	110,170
2020	144,808
Thereafter	1,542,731
Total:	\$ <u>2,132,818</u>

In addition to outstanding loans, we also continuously make loan commitments for specific projects based upon the availability of funds and in accordance with our loan policies. As of the date of this Offering Circular, the Loan Fund has no outstanding loan commitments.

Loan Delinquencies

As of December 31, 2015, 2014, and 2013, we did not have any loans outstanding that were delinquent more than 90 days in the payment of principle or interest. As of those same dates, we had an allowance for doubtful accounts of \$14,000.

Loan Policies and Procedures

Until early 1993, our loan activity was conducted with little formal documentation. Since then we have taken steps to improve the documentation of our outstanding loans. Our current policy is to obtain promissory notes and mortgages with respect to new loans.

Procedures and policies for loans from the Loan Fund are set by the Conference Finance Team, subject to the direction of the Conference Board of Administration and Annual Conference. The Conference Finance Team is authorized to make loans from the Loan Fund to finance the establishment, development, acquisition, construction and/or repair and improvement of Keystone Conference property, churches and church-related projects within the Northeast Region of the Free Methodist Church, and parsonages and residences for pastors and other ministers within that region. Upon determining that construction or acquisition of a facility is necessary or desirable and would further the purposes for which the Loan Fund exists, a church, church organization or pastor or minister may apply for a loan from the Loan Fund.

Under current loan application procedures, an application for a loan must be submitted to the Loan Fund Director on an approved application form. A list of information required with respect to the application is provided with the application. In the case of churches, this information may include, without limitation, a description of the project, a copy of society minutes authorizing the project, financial statements for the previous three years, a record of consistent contributions to the Keystone Conference for the preceding two years, monthly treasurers' reports for the most recent two months, details of the proposed plan to repay the loan, the estimated cost of the project, a copy of a completed form from the Free Methodist Church entitled "Permission to Mortgage," evidence of cash in hand (or equity) in the amount of at least twenty-five percent (25%) of the anticipated cost of the proposed project, a professional appraisal of the property to be mortgaged, proof of incorporation of the society seeking to borrow, a copy of the deed for the property to be mortgaged, and a loan application signed by the trustees and the secretary of the official board of the borrower. Pastors and other ministers are requested to complete a financial statement giving evidence of adequate financial resources to repay the loan. Loans to pastors and other ministers may not exceed 80% of property value. The Conference Board of Administration, Conference Finance Team, or the Conference's officers may, in their discretion, waive or add to these requirements for all loans or any particular loan at any time.

If the Conference Finance Team approves a new loan application to the Loan Fund and all conditions of the approval are satisfied, loan funds will normally be disbursed only upon receipt of a duly executed note and a first mortgage on the property securing the note or, in the case of mobile homes, a security interest in the mobile home, although the Conference Finance Team has authority to vary loan policies in its discretion. The Conference Finance Team also typically requires an assignment of insurance proceeds related to the mortgaged property in case of loss.

All churches or others who receive loans from the Loan Fund are required to meet their monthly obligations under their respective plans of repayment. If at any time a church, church organization, pastor or minister should fail to meet their obligations, the Director of the Loan Fund is required to determine the reasons for the failure. The Conference Finance Team would then determine the appropriate actions to take, which could include requesting a guaranty of repayment from other entities or individuals, renegotiation of

the terms of the loan, waiver of the default, or in an extreme case, foreclosure. In a situation like this, the Conference Finance Team or Conference Board of Administration may also work with the trustees of the church involved to arrange for the sale of the involved church property.

INVESTING ACTIVITIES

The Conference Finance Team is responsible for investment decisions concerning the available funds of the Loan Fund. Available funds not needed for loans or other expenses may be invested either directly or through mutual funds in cash and cash equivalents, certificates of deposit and other bank obligations, money market funds, fixed income investments, equity securities and other investments deemed suitable. The fair value of our outstanding investments as of December 31, 2015, consisted of the following:

		Fair Value	Percent of Total
Cash and cash equivalents	\$	107,892	34%
Mutual funds		179,241	56%
Corporate bonds		29,991	9%
Common stock		0	0%
Money market funds		3,967	1%
Total:	\$	321,091	100%

We experienced aggregate realized and unrealized losses on our investments of \$15,654 for the fiscal year ending December 31, 2015, realized and unrealized losses on our investments of \$13,329 for the fiscal year ending December 31, 2014, and realized and unrealized gains on our investments of \$114,189 for the fiscal year ending December 31, 2013.

While none of the Conference Finance Team members have any professional experience or training in fund or investment management, the Conference Treasurer, David K. Michel, holds a Bachelor of Science Degree in Business Administration with a concentration in finance. For more information on Conference Finance Team members, see "Management" on page 15.

Liquidity Reserves

The Loan Fund is currently required by its policies to maintain cash or cash equivalents and marketable securities of at least 8% of our liabilities to "investors." The term "investors" means (i) individuals who invest funds in our debt securities on their own behalf or in a fiduciary capacity for other individuals, and (ii) local churches or congregations or other church-related entities that invest funds in our debt securities. The term "investors" does not refer to our internal committees or commissions for which we may hold funds, although the Conference Board of Administration and/or the Annual Conference may determine in its discretion that any or all funds held by us for committees or commissions may be credited with "interest" for budgetary purposes. The purpose of this policy is to maintain the liquidity of the Loan Fund in the event of investor redemptions. We have in the past maintained liquid assets at a level substantially higher than 15%. As of December 31, 2015, we had \$335,120 of liquid assets, constituting approximately 11.8% of our outstanding debt securities of \$2,839,234 as of that same date. We anticipate making more loans in the future, and our liquid assets would be correspondingly reduced.

SELECTED FINANCIAL DATA

The following summary financial information as of and for the periods indicated has been derived from, and should be read in conjunction with, our Financial Statements:

	12 months ended December 31, 2015	12 months ended December 31, 2014	12 months ended December 31, 2013	12 months ended December 31, 2012	6 months ended December 31, 2011	12 months ended June 30, 2011
Cash and cash equivalents	\$107,892	\$474,140	\$298,322	\$145,507	\$626,783	\$780,800
Investments	\$227,228	\$246,756	\$235,053	\$1,042,924	\$1,561,110	\$1,648,904
Loans receivable, net	\$2,132,818	\$2,127,868	\$2,100,752	\$1,947,851	\$1,603,222	\$1,584,411
Total assets	\$3,167,290	\$3,583,179	\$3,296,121	\$3,779,758	\$4,379,718	\$4,631,322
Debt securities	\$2,839,234	\$3,110,507	\$2,800,677	\$3,286,486	\$3,922,142	\$3,975,589
Total net assets	\$326,805	\$463,002	\$492,371	\$464,340	\$423,856	\$631,683
Change in net assets	\$(136,197)	(\$29,369)	\$28,031	\$40,484	(\$207,827)	(\$15,093)
Sales of debt securities	\$1,092,004	\$721,895	\$999,039	\$245,191	\$1,427,992	\$1,643,992
Redemptions of debt securities	\$1,427,456	(\$473,068)	(\$1,552,020)	(\$972,906)	(\$1,546,456)	(\$2,089,770)

<u>Period</u>	<u>Unsecured Loans</u>	<u>Percent of Total Loans</u>	<u>Delinquent Loans</u>	<u>Percent of Total Loans</u>
12 months ended June 30, 2011	\$ 0	0%	\$287,522	18%
6 months ended December 31, 2011	\$ 0	0%	61,880	3.9%
12 months ended December 31, 2012	\$ 0	0%	\$0	0%
12 months ended December 31, 2013	\$ 0	0%	\$0	0%
12 months ended December 31, 2014	\$ 0	0%	\$0	0%
12 months ended December 31, 2015	\$ 0	0%	\$0	0%

DESCRIPTION OF DEBT SECURITIES

General Terms

The debt securities offered by this Offering Circular are in the aggregate principal amount of \$2,500,000, and the purchase price of these securities is 100% of their face value. We use a book entry system to record ownership of all our debt securities. Therefore, while we will send you an acknowledgement of your investment, we will not send you a document representing your Note. The debt securities are offered for cash and we offer no financing terms. The debt securities are our unsecured obligations. See also "Risk Factors" on page 2.

Demand Notes

The minimum initial investment in a Demand Note is \$500, although we may waive the minimum initial investment amount. Additional investments must be in an amount of at least \$50, with a minimum principal balance of \$50 necessary to earn interest. In addition, the maximum amount which any investor may invest in the Demand Notes is as follows:

<u>Type of Investor</u>	<u>Maximum Amount of Investment</u>
Individual Investor (including a joint account of husband and wife)	\$400,000
Organization (e.g. a church)	\$1,200,000

The interest rate on the Demand Notes offered is variable. The initial rate of interest paid on Demand Notes as of the date we sent you this Offering Circular is shown on the enclosed interest rate sheet. Please call us to obtain current interest rates. Current interest rates can be obtained by contacting the Loan Fund Treasurer at (585) 794-0354. You may elect when purchasing a Demand Note to have interest paid to you or credited to the principal balance of your Demand Note. Interest is paid or credited semi-annually, on the basis of a 365-day year, on the last day of June and December of each year, or the earlier date of redemption of a Demand Note, provided however, that if you elect to have the interest from your Demand Note paid (as opposed to credited/reinvested), then you may alternatively elect to have interest paid quarterly on the last day of March, June, September and December of each year, or the earlier date of redemption of your Demand Note. Debt securities earn interest from the day of investment until the day of redemption. We reserve the right to adjust (increase or decrease) the interest rate on outstanding Demand Notes at any time and from time to time upon thirty (30) days' prior written notice to you. The interest rate may be set at any level in the discretion of the Conference Board of Administration and/or Conference Finance Team. The Conference Board of Administration and/or Conference Finance Team also has discretion to establish different interest rates based on the amount invested. Decreases in interest rates are effective only if you are sent written notice of the decrease not less than thirty (30) days prior to the effective date of the rate adjustment.

Term Notes

Our Term Notes have one, two and five-year terms and may not be redeemed without our consent before they mature. Term Notes pay a fixed rate of interest for the duration of their term. The minimum initial investment in a Term Note is \$1,000, although we may waive the minimum initial investment amount. In addition, the maximum amount which any investor may invest in the Term Notes is as follows:

<u>Type of Investor</u>	<u>Maximum Amount of Investment</u>
Individual Investor (including a joint account of husband and wife)	\$400,000
Organization (e.g. a church)	\$900,000

The rate of interest offered on Term Notes as of the date we sent you this Offering Circular is shown on the enclosed interest rate sheet. Please call us to obtain current interest rates. Current interest rates can be obtained by contacting the Loan Fund Office at (814) 676-6611. Debt securities earn interest from the day of investment until the day of redemption. We reserve the right to adjust

(increase or decrease) the interest rate offered on new Term Notes at any time and from time to time. The interest rate may be set at any level in the sole discretion of the Conference Board of Administration and/or the Conference Finance Team. The Conference Board of Administration and/or the Conference Finance Team also has discretion to establish different interest rates based on the amount invested.

At the end of your Term Note's term, you may redeem either all or a part of the then outstanding balance and accrued interest on the Note. We will send you a notice at least 30 days before your Term Note matures. Unless you have already received one, we will also send you a current Offering Circular.

To redeem your Term Note when it matures, you must notify us in writing before the maturity date that you wish to do so. If you want to redeem less than the entire outstanding balance, your notice should also include the amount you wish to redeem. Any unredeemed portion of your Term Note will be renewed for another term equal to the term just completed, as long as it still meets minimum balance requirements. If the unredeemed portion is less than the then current minimum investment amount, we may return the entire outstanding balance of the Term Note to you.

If you do not notify us as described above, the entire outstanding balance and accrued interest of your Term Note will renew for another term. There is no limit on the number of times a Term Note can renew in this manner.

Generally, you may not redeem a Term Note prior to maturity. If we allow you to do so, we reserve the right to charge you an early redemption penalty. Our current penalty as of the date of this Offering Circular is the forfeiture of six months of accrued interest. We may retain both accrued interest and outstanding principal to pay this penalty. We reserve the right to change the amount of the early redemption penalty applicable to outstanding Certificates at any time.

Redemption and Transfer

You have no right to redeem a Term Note until its maturity, although we may waive this limitation in our sole discretion. If we permit an early redemption, we may assess penalties as described above.

We reserve the right to require at least thirty (30) days' prior written notice of a demand for the redemption of a Demand Note. We also reserve the right to limit aggregate withdrawals from Demand Notes by an investor during any 30-day period to \$10,000. Although we have in the past typically waived compliance with these limitations, we reserve the right to enforce them at any time.

Debt securities may not be transferred without the written consent of the Conference Board of Administration and/or Conference Finance Team, except at the time of a participant's death, and then only to the persons legally entitled to the debt security.

We reserve the right to redeem any of the debt securities upon 30 days' prior written notice to you. If we exercise this redemption right, we will pay you the entire outstanding principal amount of your debt security plus accrued interest to the date of redemption.

PLAN OF DISTRIBUTION

The primary means of solicitation for the sale of the debt securities will be through promotional materials distributed to member congregations of the Keystone Conference and other eligible participants, and/or through direct mailings to existing investors. Only the Loan Fund Director and the Loan Fund Treasurer are authorized to sell the debt securities on our behalf. We do not use underwriters or outside selling agents to sell our debt securities, and we will not pay any commissions for the sale of the debt securities. The debt securities will be sold only in states where they are registered or exempt from registration.

We reserve the right to reject any Purchase Application submitted and any additional investment in an existing debt security for any reason. No sale of the debt securities shall be deemed made until a copy of the Purchase Application and Agreement included as Appendix B to this Offering Circular has been executed by the Conference and returned to you. No other document or instrument will be issued evidencing the securities.

TAX ASPECTS

By purchasing a debt security, you may be subject to certain income tax provisions of the Internal Revenue Code. Although we are a 501(c)(3) organization, you will not be entitled to a charitable deduction for your investment. Any interest on your debt security will be taxed as ordinary income in the year it accrues or is paid to you. You will not be taxed on the return of any principal amount of your debt security or on the payment of interest that was previously taxed.

In addition, if you (or your spouse together) have invested or loaned more than \$250,000 in the aggregate with or to organizations affiliated with the Free Methodist Church, you may be deemed to receive additional taxable interest under Section 7872 of the Internal

Revenue Code if the interest paid or accrued is below the applicable federal rate. In that situation, the Internal Revenue Service may impute income up to that applicable federal rate. If you believe this applies to you, then you should consult your tax advisor.

We will provide you with a Federal Income Tax Form 1099-INT or the comparable form by January 31 of each year indicating the interest earned on your debt security(ies) during the previous year.

This tax information is based on the Internal Revenue Code, the regulations promulgated under the Code, and administrative interpretations and court decisions existing as of the date of this Offering Circular. These authorities could be changed either prospectively or retroactively by future legislation, regulations, administrative interpretations, or court decisions. Accordingly, this Offering Circular may not accurately reflect the tax consequences of an investment in our debt securities after the date of this Offering Circular.

In addition, this Offering Circular does not address every aspect of tax law that may be significant to your particular circumstances. For instance, it does not address special rules that may apply if you are a financial institution or tax-exempt organization, or if you are not a citizen or resident of the United States. It also does not address debt securities purchased through an IRA, SEP, 403(b) plan or other retirement plan. Nor does it address any aspect of state or local tax law that may apply to you.

This discussion of federal income tax consequences was written to support the promotion or marketing of the debt securities and is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax penalties. Each prospective investor is advised to consult the investor’s own tax counsel or advisor as to the federal state, local, or foreign income or other tax consequences of an investment in the debt securities.

LITIGATION AND OTHER MATERIAL TRANSACTIONS

There are no pending or threatened material legal proceedings known to be contemplated by governmental authorities, administrative bodies or other persons, to which we are a party or to which any of our property is or may be subject.

MANAGEMENT

Conference Board of Administration

Subject to the Annual Conference and the Book of Discipline of the Free Methodist Church, the management and supervision of the Loan Fund is the responsibility of the Conference Board of Administration and the Conference Finance Team. The Conference Board of Administration is comprised of not less than eight or more than twelve members, four serving by virtue of another Keystone Conference office (the Superintendent, the Conference Administrator, Conference Treasurer, and Loan Fund Treasurer) and the remaining members are elected by the Annual Conference for a three year term or such other term as may be specified. Conference Board of Administration members may be elected by the Conference Board of Administration between meetings of the Annual Conference to serve until the next Annual Conference. The Conference Board of Administration, in turn, appoints from its members a Conference Finance Team which is responsible for the general operation of the Loan Fund.

The members of the Conference Board of Administration and Conference Finance Team as of the date of this Offering Circular and their positions held and principal occupations during at least the last five years are as follows:

<u>Name and Address</u>	<u>Age</u>	<u>Member Since</u>	<u>Term Expires</u>	<u>Member of Conference Finance Team</u>	<u>Principal Occupation(s) Last Five Years</u>
Rev. Cynthia E. Hill Oil City, PA	58	2004	2017	No	Associate Pastor, Free Methodist Church of Oil City from 1988, to present; Contract Chaplain, Polk Center from 1989, to present; Independent Demonstrator for Stampin’ Up from 2002-2014.
Rev. Steven Macaluso State College, PA	58	2016	2019	Yes	Regional Vice President with the Free Methodist Foundation from March 2011 to present; Keystone Conference Superintendent from July, 2016 to present.

<u>Name and Address</u>	<u>Age</u>	<u>Member Since</u>	<u>Term Expires</u>	<u>Member of Conference Finance Team</u>	<u>Principal Occupation(s) Last Five Years</u>
Rev. David K. Michel State College, PA	54	2011	2017	Yes	Pastor, Stepping Stones Free Methodist Church from August, 2001, to present; Administrator, Grace Prep High School from September, 2014 to present.
Rev. Michael L. McAvoy Bradford, PA	43	2013	2017	No	Pastor, Open Arms Free Methodist Church from September, 2003, to present.
Gail D. Miller Julian, PA	64	2011	2017	Yes	Purchasing Assistant for Pennsylvania State University from November 1984 to April, 2011 (Retired)
Katina Phillips Bradford, PA	49	2015	2017	No	Managing Member of Bradford Notary from September, 2004, to present; Secretary/Treasurer of Phillips Auto Depot, Inc. from May, 1998, to present; Owner/Manager of Bradford Catalog Sales from February, 2000, to January, 2010.
Rev. Charles G. Stutzman Williamsport, PA	69	2005	2018	Yes	Administrative/connect Pastor at Light and Life Chapel from January, 2013, to present; volunteer at Light and Life Chapel from July, 2009, to December, 2012; Administrative Director, Prehospital Services / Emergency Preparedness, The Williamsport Hospital from December, 2002, to June, 2009.
Rev. Frank Walford Franklin Pa	48	2010	2017	No	Pastor, Franklin Free Methodist Church from 2007, to present; Pastor, Van Free Methodist Church from July, 2004, to May, 2007.
Craig I. Watson Genesee, PA	68	2010	2017	No	Owner, C&W Auto Service LLC from 1991 to present.

The Keystone Conference Loan Fund Director, Rev. T. Christopher Hill, serves on the Conference Finance Team but is not a member of the Conference Board of Administration.

Rev. T. Christopher Hill Oil City, PA	58	Lead Pastor, Free Methodist Church of Oil City from 1988, to present; Director of the Keystone Conference Loan Fund from June, 2016 to present.
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Remuneration

Randy Freeman, Conference Director of Administrative Services, who was also the Loan Fund Director until June, 2016, received no compensation for serving in that role in the fiscal year ending December 31, 2015, and received compensation of \$9,352 for the first six months of 2016. T. Christopher Hill began serving as Loan Fund Director in June, 2016, and is scheduled to receive compensation through December 31, 2016, of \$1,200 for serving in that role. The Keystone Conference Loan Fund Bookkeeper for the first six months of 2016 was Lisa Onink. She received compensation of \$9,193 and benefits of \$5,396 for serving in that role during that period of time. Beginning June, 2016, Jeri Brown began to serve as Keystone Conference Loan Fund Bookkeeper and is scheduled to receive compensation of \$7,350 and no benefits in the fiscal year ending December 31, 2016, for her services. The Keystone Conference Loan Fund Treasurer beginning July 1, 2016, is David K. Michel, who is scheduled to receive compensation of \$ \$450 for serving in that role in the year ending December 31, 2016.

Board Relationships

Some of our directors and officers may serve on boards of their local churches and other Conference organizations to which we make loans, sell debt securities, or provide services, and some directors and officers may receive loans or own debt securities for their own

benefit, either directly or indirectly. All such loans, debt securities and services are provided on the same terms as those available to other borrowers, investors and Conference participants generally. As of December 31, 2015, we had one mortgage loan outstanding directly with directors or officers in the principal amount of approximately \$154,793.

Employees

The Keystone Conference currently has no paid employees other than the Loan Fund Director, Loan Fund Bookkeeper, the Conference Loan Fund Treasurer, Chair of the Board of Administration, the Conference Financial Secretary, and the Conference Bookkeeper. The Conference Superintendent is paid by a combined administrative office serving eight conferences, including the Keystone Conference. See "History and Operations" on page 6.

FINANCIAL STATEMENTS

Our Financial Statements consist of an independent auditor's report, statements of financial position, statements of activities and changes in net assets, statements of cash flows, and notes to financial statements, for the fiscal years ending December 31, 2015, 2014, and 2013. The Financial Statements have been audited by Freed Maxick, CPAs, PC, independent certified public accountants.

INVESTOR REPORTS AND CONTACT INFORMATION

It is our policy to distribute a copy of our financial statements to current investors within 120 days after the close of our year-end and upon request.

For obtaining loan applications, copies of this Offering Circular, or to send completed Purchase Applications and Agreements with your initial investment, please use the following addresses:

The Keystone Conference Loan Fund
Attn: Jeri Brown
202 Wilson Ave.
Oil City, PA 16301
Telephone number: 814-676-6611

For making payments on loans and all other purposes:

The Keystone Conference Loan Fund
Attn: Jean Cochran
202 Wilson Ave.
Oil City, PA 16301
Telephone number: 585-343-4011

Conference Bookkeeper:

Christine Nebroski
258 Old Farm Ln.
Bellefonte, PA 163823
Telephone number: 814-441-0584

APPENDIX A
FINANCIAL STATEMENTS

APPENDIX B
PURCHASE APPLICATION AND AGREEMENT