Dan Schwartz
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

NOTICE OF PUBLIC MEETING
THE NEVADA CAPITAL INVESTMENT CORPORATION BOARD OF DIRECTORS

Thursday, May 4, 2017 at 1:30 p.m.

Locations:
Via videoconference at the following locations:

Old Assembly Chambers
Capitol Building, Second Floor
101 N. Carson Street
Carson City, NV 89701

Grant Sawyer State Office Building
555 E. Washington Avenue, Suite 5100
Las Vegas, NV 89101

Meeting via teleconference available at the: 877.873.8017 Access Code: 5707654#

All items listed on this agenda are for discussion and possible action by the Board of Directors of the Nevada Capital Investment Corporation (NCIC) unless otherwise noted. Action may consist of any of the following: approve, deny, condition, hold, or table.

NOTE: Public Comment may not be limited based on viewpoint

AGENDA

1) Call to Order (Chair Schwartz)

2) Roll Call (Budd Milazzo)

3) Public comment. Comments from the public are invited at this time prior to the commencement of possible action items. The Board reserves the right to limit the amount of time that will be allowed for each individual to speak. The Board is precluded from acting on items raised during Public Comment that are not on the agenda.

4) **For possible action:** Approval of November 17, 2016 meeting minutes (Budd Milazzo)

5) **For possible action:** Board review and discuss an investment in an operating agreement with Accion, LLC. to assist the Permanent School Fund in increasing its yield while supporting micro-lending in Nevada. (Greg Henderson, Accion)

6) **For possible action:** Presentation of Silver State Opportunities Fund (SSOF) report ending December 31, 2016. (Miguel Luina – Hamilton Lane)

7) Public comment. Comments from the public are invited at this time prior to the commencement of possible action items. The Board reserves the right to limit the amount of time that will be allowed for each individual to speak. The Board is precluded from acting on items raised during Public Comment that are not on the agenda.

8) Close of Meeting by Chair

Please contact Budd Milazzo at (775) 684-5666 or via email at bmilazzo@nevadatreasurer.gov for call-in information.

Budd Milazzo, Senior Deputy Treasurer may be contacted at 775-684-5666 or bmilazzo@nevadatreasurer.gov to obtain copies of supporting materials, which are available to the public at 101 N. Carson Street, Suite 4 Carson City, NV 89701

Action may not be taken on matters considered during public comment until specifically included on a future agenda as an action item.

Items on the agenda may be taken out of the order at the discretion of the Board. Denoted times for agenda items are predictions only; actual times may vary.

Items may be combined for consideration by the public body.

Items may be pulled or removed from the agenda at any time.

Public comment is limited to 5 minutes per person.
Action may be taken only on those items denoted "for possible action."

Notice of this meeting was posted at the following locations in Carson City, Nevada:
State Capitol Building, 1st & 2nd Floors, 101 North Carson Street
Nevada Legislative Building, 401 South Carson Street
Nevada State Library, 100 Stewart Street
Blasdel Building, 209 East Musser Street

Notice of this meeting was faxed for posting to the following location:
Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada
Fax for Capitol Police - (702) 486-2012

Notice of this meeting was posted on the following website:
www.nevadatreasurer.gov
https://notice.nv.gov/

We are pleased to make reasonable accommodations for members of the public who are disabled and would like to attend the meeting. If special arrangements for the meeting are required, please notify Tara Hagan with the Office of the State Treasurer, 101 North Carson Street, Carson City, Nevada 89701, call (775) 684-5753, or fax your request to (775) 684-5781 as soon as possible.

NEVADA CAPITAL INVESTMENT CORPORATION

MINUTES OF BOARD OF DIRECTORS MEETING
Thursday, November 17, 2016

Chair Dan Schwartz called the meeting of the Board of Directors of the Nevada Capital Investment Corporation (NCIC) to order at 10:03 a.m., on Thursday, November 17, 2016. The meeting was held via teleconference.

<u>Board Members</u>

Chair Dan Schwartz
Vice Chair Anand Nair
Richard Bartholet
Wayne Tew
Ash Mirchandani

<u>Staff</u>

Grant Hewitt,	Chief of Staff
Tara Hagan,	Chief Deputy Treasurer
Budd Milazzo,	Sr. Deputy Treasurer
Kim Arnett,	Deputy Treasurer - Investments
Shane Chesney,	Deputy Attorney General

AGENDA

1) <u>Call to order (Chair Schwartz)</u>
The meeting was called to order at 10:03 a.m.

2) <u>Roll Call (Budd Milazzo)</u>
All members were present representing a quorum. Staff indicated the meeting was properly noticed and that the agendas were posted in accordance with the Nevada Open Meeting Law.

<u>3) Public Comment</u>
There was no public comment in Carson City or Las Vegas.

<u>4) For Possible Action</u>: Approval of the October 20, 2016 meeting minutes.
Mr. Tew motioned to approve the meeting minutes. Mr. Nair seconded the motion. Motion passed unanimously.

<u>5) For Possible Action</u>: Presentation of Silver State Opportunities Fund (SSOF) annual report ending June 30, 2016 (Miguel Luina – Hamilton Lane)

The Representative noted in terms of capital deployment they are fully invested and committed with approximately $7.0 million remaining in reserves for follow-on investments and fees. He noted that the performance of the fund is on track and 5 of the 7 fund investments are out of the j-curve (initial underperformance of all primvate equity funds caused by impact of fess and expenses). .The Representative noted that several of the fund managers have begun to make distributions and he expects to see them sell additional positions and provide more liquidity back to the program. He noted that the Providence Corporate Development Holding Company (Providence), as stated in the last meeting, is in an unsustainable position from a capital structure perspective and that as of June 30, 2016, the investment was marked down to $0.32 on a $1.00. He explained the most recent update is that Providence has been holding ongoing negotiations with the lenders and has not been able to come to an agreement in terms of t restrucuting the outstanding loans. He noted that it appears that the lender may not agree to any loan modification and that the likely outcome will the program may not be able to recover much value from the investment. He stated that the Board should expect to see in the September 30,2016 report an investment which is marked-down to zero rather than the $0.32 which is reflected in the annual report. He stated that it is important to keep in mind that we see write offs early within a fund's life relative to the positive performance within the portfolio and it's not abnormal to see this with other similar funds they manage. He stated that the overall portfolio is healthy and that the firm doesn't have any changes to our overall return expectations for the fund.

<u>Chair Schwartz</u> questioned the amount of the write down for Miller Heiman. The Representative noted that the cost basis was $3.5 million.

Ms. Hagan noted that when you look at SSOF financial statements, they include the 1% that Hamilton Lane invests and stated for the Board that the NCIC investment was $3,765,124. She stated that we received a combination of principal and interest over the last couple of years in the amount of $369,189 making the net loss of the investment for NCIC $3.3million.

<u>Richard Bartholet</u> questioned the financial statements on page 9 that appears to show the fair value as $1.14 million and noted that the on the fair value in the financial statements appears to include the written off. The Representative noted that was correct and stated it was the remaining fair value as of June 30, 2016 and as of September 30, 2016, we can expect it to be written down to zero.

Ms. Hagan questioned that the representative previously stated that it was $0.32 on a $1.00 and wanted to know why the number is zero now. The Representative explained that as of June 30th it was valued at $0.32; however, because of what has transpired since the June 30, 2016 it has trended in a negative direction; therefore the investment is expected to be written down to $0.00 in the September 30 2016 financials

Ms. Hagan stated that Hamilton Lane has left $3 million for any kind of expenses related to the fund and explained that the statement shows $42.9 million as of June 30 and questioned the difference. The Representative explained that the $3 million is net of fees which are included within the NCIC commitment.

The Representative gave an update on the ancillary performance of the portfolio stating that they have 25 companies who receive funding through SSOF and their partners; they have invested $530 million in Nevada companies which have supported over $2 billion of total investments within those companies. In terms of progress on the ecosystem, he noted that 5 private equity offices have been opened, within the state of Nevada, and we now have 7 managers actively looking for opportunities within the state. He noted that they are supporting 1,660 employees which have grown 15% from their initial investment and the salaries are higher salaries than average and they are exceeding state and national benchmarks.

Vice Chair Nair motioned to accept the SSOF annual report for period ending June 30, 2016. Richard Bartholet seconded the motion. Motion passed unanimously.

6) For possible action: Presentation of SSOF's FY 2016 Financial Statements (Hamilton Lane Representative)

Samantha Leandry with Hamilton Lane noted that she oversaw the June 30, 2016 audit engagement for the SSOF. She stated that the firm does engage an outside third party administrator who is responsible for maintaining the official books and records of the Fund. She noted that on an annual basis they engage Ernst and Young, which is an accounting firm, to perform an annual audit of the financial statements. This firm reviews all cash positions, looks at all investment income and expense information and pays attention to high risk areas such as investment valuations, carried interest accrual and the management fees.. Ms. Leandry also reviewed the valuation approach regarding the underling fund investments and co-investments in the Fund. She stated that they engage a third party outside evaluation firm to value all of the underlying holdings.

No discussion on this item

Vice Chair Nair motioned to accept the SSOF's FY 2016 Financial Statements presented by Hamilton Lane. Wayne Tew seconded the motion. Motion passed unanimously.

7) For possible action: Presentation of the NCIC FY 2016 Financial Statements (Dan Carter, Eide Bailly)

The Representative pointed out, in regards to the independent auditors report, they were happy to present that the firm is issuing an unmodified opinion on the financial statements of NCIC which is the highest level of assurance they can provide. He reviewed the various changes from this year to last year and noted issues impacting NCIC. He stated that the notes to the financial statement are very consistent to the prior year with only one substantial change being the implementation of GASB 72.The Representative explained that GASB 72 requires NCIC to report the fair value of the investment in the new hierarchy of level one, level two or level three inputs and because of the type of investment the SSOF represents to NCIC, it is a level three input.

In regards to the internal controls , the Representative stated that they identified one issue, similar to last year, which was the fact that NCIC hires their firm to prepare the financial statements, they deem that to be a weakness with internal control, primarily around the timeliness of financial statement preparation. No discussion on this item.

Ash Mirchandani motioned to accept the NCIC FY 2016 Financial Statements presented by Eide Bailly. Vice Chair Nair seconded the motion. Motion passed unanimously.

8) For possible action: Review and approve the 2017 NCIC Board of Directors meeting dates.

Ms. Hagan asked for approval of the 2017 NCIC Board of Directors meeting dates and stated that staff is recommending to move the meetings to teleconference meetings three out of the four dates and the Board will meet one time during the year in-person

Vice Chair Nair motioned to accept the 2017 NCIC Board of Directors meeting dates . Richard Bartholet seconded the motion. Motion passed unanimously.

<u>9) Public Comment</u>

Treasurer Schwartz asked Ms. Hagan to provide an update to the Board regarding the Nevada Administrative Code (NAC) regulation changes which staff submitted to the Legislative Counsel Bureau (LCB).

Ms. Hagan explained that when the Board met in the spring or summer the Board approved a NAC regulation change which expanded the investments option available for idle capital. We conducted workshops and other requirements surrounding theregulation change and it's currently with LCB. Ms. Hagan stated that she believes the Legislative Commission will have another meeting in December and these regulations will be considered.She stated that we will continue to keep the Board updated on the status of the regulation change.

There was no public comment in Carson City or on the telephone.

The meeting was closed at 10:31 a.m.

Attest:

____
Budd Milazzo, Secretary to the Board

Dan Schwartz
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

MEMO

TO: NCIC Board Members

FROM: Tara R. Hagan, Chief Deputy Treasurer

SUBJECT: **For possible action:** Board review and discuss an investment in an operating agreement with Accion, LLC. to assist the Permanent School Fund in increasing its yield while supporting micro-lending in Nevada. (Greg Henderson, Accion)

DATE: April 28, 2017

Treasurer Schwartz has requested representatives from Accion present to the Board at the May 4, 2017 meeting. As the largest and only nationwide nonprofit micro- and small business lending network in the United States, Accion connects small business owners with the financing and support it takes to create or grow healthy businesses.

At Accion, business owners find a one-on-one lending approach that considers character and other business strengths in addition to credit history. Business owners looking to start or grow receive accessible loans that are both fairly priced and flexible. Accion currently offer loans to Nevadans starting from $300 and lend up to $1,000,000. Business owners can take their goals to the next level with individualized counseling, in-general business strategy to credit repair and cash flow management.

Please find attached a sample Operating Agreement which NCIC would enter into with Accion LLC. NCIC will provide Accion LLC with $1,000,000 in capital which will be used exclusively in Nevada for small business loans. Exhibit A of the attached Operating Agreement notes that Accion LLC will lend monies to Accion, Inc. (non-profit) for loans to small businesses in Nevada. The term of the agreement is 10-years. Please also find enclosed a presentation to help illustrate the structure of the agreement and relevant financial statements.

Greg Henderson and Eric McDermott will be in attendance to present this information to the Board.

CARSON CITY OFFICE
101 N. Carson Street, Suite 4
Carson City, Nevada 89701-4786
(775) 684-5600 Telephone
(775) 684-5623 Fax

STATE TREASURER PROGRAMS
Governor Guinn Millennium Scholarship Program
Nevada Prepaid Tuition Program
Unclaimed Property
College Savings Plans of Nevada
Nevada College Kick Start Program

LAS VEGAS OFFICE
555 E. Washington Avenue, Suite 4600
Las Vegas, Nevada 89101-1074
(702) 486-2025 Telephone
(702) 486-3246 Fax

Website: NevadaTreasurer.gov E-mail: StateTreasurer@NevadaTreasurer.gov

SAMPLE

OPERATING AGREEMENT
OF
ACCION 2017G, LLC

A New Mexico Limited Liability Company

Members:

***Accion, Inc.* and**

____

OPERATING AGREEMENT
OF
ACCION 2017G, LLC,
A New Mexico Limited Liability Company

This Operating Agreement ("**Agreement**") of ACCION 2017G, LLC, a New Mexico limited liability company (the "**Company**"), is entered into by and among the Company and the persons executing this Agreement as Members (hereinafter defined) and shall be effective as of _____________, 2017, the date on which the Articles of Organization of the Company were filed with _______________________.

ARTICLE I
DEFINITIONS

The following terms used in this Operating Agreement shall have the following meanings (unless otherwise expressly provided herein):

Section 1.1 "Act" shall mean the New Mexico Limited Liability Company Act as amended from time to time.

Section 1.2 "Articles of Organization" shall mean the Articles of Organization of the Company, as the same may be amended from time to time.

Section 1.3 "Assets" shall mean all of the tangible and intangible property of the Company.

Section 1.4 "Capital Account" shall mean the capital account to be established and maintained for each Member in the manner set forth in Article VI.

Section 1.5 "Capital Contributions" shall mean the amount of cash and other property contributed to the equity capital of the Company by the Members pursuant to Article V.

Section 1.6 "Code" shall mean the Internal Revenue Code of 1986, as amended, or corresponding provisions of subsequent superseding federal internal revenue laws.

Section 1.7 "Company" shall have the meaning set forth above.

Section 1.8 "Deficit Capital Account" shall mean with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the taxable year, or the date on which termination and dissolution of the Company shall occur.

Section 1.9 "Distributions" shall mean cash or property distributed to Members on account of their equity interest in the Company (which does not include guaranteed payments or other payments to Members for services or as repayments of loans).

Section 1.10 "Economic Interest" shall mean a Member's right to (a) share in the Net Income, Gain and Net Loss of the Company and (b) receive Distributions (including any return of capital), but shall not include any right to participate in the management or control of the Company, including, the right to vote on, consent to or otherwise participate in any decision of the Members.

Section 1.11 "Fiscal Year" shall mean the Company's accounting year, as determined pursuant to Section 14.1.

Section 1.12 "Gain" shall mean income or gain of the Company for federal income tax purposes resulting from a capital transaction.

Section 1.13 "Geographic Area" shall mean the state of Nevada.

Section 1.14 "Member" shall mean each person who signs this Operating Agreement as a Member and each person who may hereafter become a Member.

Section 1.15 "Membership Interest" shall mean a Member's interest in the Company, including such Member's Economic Interest and all other rights of the Member under this Agreement and the Act.

Section 1.16 "Net Income or Net Loss" For each Fiscal Year or other period, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with Internal Revenue Code §703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code §703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Income or Net Loss pursuant to this definition shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in Code §705(a)(2)(B) or treated as Internal Revenue Code §705(a)(2)(B) expenditures pursuant to Treasury Reg. §1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income or Net Loss pursuant to this definition, shall be subtracted from such taxable income or loss;

(c) Gain shall not be taken into account.

Section 1.17 "Operating Agreement" shall mean this Agreement, as amended from time to time.

Section 1.18 "Percentage Interest" shall mean each Member's percentage interest in the Net Income, Gain, Net Loss and Distributions as set forth in Section 7.6 below.

Section 1.19 "Person" shall mean any individual or entity, and the heirs, executors, administrators, legal representatives, successors, and assigns of such "Person" where the context so permits.

Section 1.20 "Prime Rate" shall mean the Wall Street Journal Prime Rate as set forth in the Money Rates Section of the Wall Street Journal to be calculated on the basis of a three hundred and sixty-five (365) day year (i.e., interest for each day shall be calculated at the annual interest rate divided by 365).

Section 1.21 "Reserves" shall mean funds set aside by the Managing Member for working capital and to pay taxes, insurance, debt service or other costs or expenses incident to the ownership or operation of the Company's business.

Section 1.22 "Treasury Regulations" shall include proposed, temporary and final regulations promulgated under the Code in effect as of the date of filing the Articles of Organization and the corresponding sections of any regulations subsequently issued that amend or supersede such regulations.

Section 1.23 "Term" shall mean the period expiring on the date the Company is to dissolve and wind up its affairs, as stated in Section 2.5 hereof and the Articles of Organization.

Section 1.24. "Voting Interest" shall mean the relative voting power of each of the Members. Voting Interest shall be allocated forty-nine percent (49%) to the Members other than the Managing Member, who shall vote in the proportions of their Percentage Interests, and fifty-one percent (51%) to the Managing Member.

ARTICLE II
FORMATION OF COMPANY

Section 2.1 Name. The name of the Company is Accion 2017G, LLC.

Section 2.2 Formation. The Articles of Organization of the Company were filed with the New Mexico Public Regulation Commission on ____________, 2017.

Section 2.3 Principal Place of Business. The principal place of business of the Company is 2000 Zearing Ave, NW, Albuquerque, New Mexico 87104. The Company may change its principal place of business to such other place as the Managing Member may from time to time deem advisable.

Section 2.4 Registered Office and Registered Agent. The Company's initial registered office as stated in its Articles of Organization is 2000 Zearing Ave, NW, Albuquerque, New Mexico 87104 and its registered agent is Anne Haines Yatskowitz. Its registered office and registered agent may be changed from time to time in accordance with the provisions of the Act.

Section 2.5 Term. The Company shall dissolve and wind up its affairs in accordance with the Act and this agreement on or as of December 31, 2027 unless the Term shall be extended by amendment to this Agreement and the Articles of Organization, or unless the Company shall be sooner dissolved and its affairs wound up in accordance with the Act or this Agreement.

ARTICLE III
BUSINESS OF THE COMPANY

The business of the Company shall be to further the mission of Accion, Inc., a New Mexico non-profit corporation, by the formation of capital to be deployed by Accion, Inc. and by engaging in other activities in support of the mission, including investment activities related to economic development in low and moderate income areas or targeted redevelopment areas and other investments all within the Geographic Area.

ARTICLE IV
MEMBERS

The names and addresses of the Initial Members of the Company are as follows:

Accion, Inc.	2000 Zearing Ave, NW Albuquerque, NM 87104
________________ _____	__________________ __________________ Attention: ___________

Persons may be admitted as Additional Members pursuant to Section 9.5 and Section 11.2.

ARTICLE V
CONTRIBUTIONS TO THE COMPANY

Section 5.1 Capital Contributions. All Capital Contributions to the Company shall be in cash, check or other property (acceptable to the Company). The Capital Contributions of the Members shall be as set forth in this Article V.

Section 5.2 Capital Contributions. Each Member's initial capital contribution is as follows ("**Initial Capital Contribution**"):

Member	Contribution
Accion, Inc.	$ 1,000
__________________ _____	$ 1,000,000

Each Member's Initial Capital Contribution and subsequent Capital Contribution, if any, shall be credited to its capital account established and maintained in accordance with Article VI below.

Section 5.3 Additional Capital Contributions. No Member shall have any obligation to make any capital contribution in addition to its Initial Capital Contribution. The Managing Member may accept additional capital contributions, in its discretion.

Section 5.4 Third Parties. None of the terms, covenants, obligations or rights contained in this Article V (or any other provision of this Agreement) is or shall be deemed to be for the benefit of any person or entity other than the Members and the Company, and no such third person shall under any circumstances have any right to compel any actions by the Members.

ARTICLE VI
CAPITAL ACCOUNTS

Section 6.1 Capital Accounts; Maintenance. The Company shall maintain a Capital Account for each Member according to the rules set forth in Treasury Regulation §1.704-1(b)(2)(iv). Each Member’s Capital Account shall be increased by (1) the amount of money contributed by it to the Company; (2) the fair market value of property contributed by it to the Company (net of liabilities secured by such property that the Company is considered to assume or take subject to); (3) the amount of any Company liability assumed by it; and (4) allocations to such Member of Net Income and Gain. Each Member’s Capital Account shall be decreased by (1) the amount of money distributed to it by the Company; (2) the fair market value of property distributed to it by the Company (net of liabilities secured by such property that such Member is considered to assume or take subject to); (3) the amount of its liabilities assumed by the Company, and (4) allocations to it of Company Net Loss. The fair market value of property contributed to or distributed from the Company and the amount of liabilities related to such property shall be such values and amounts as the Members shall determine.

Section 6.2 Deficit Capital Account. No Member shall have any liability to restore all or any portion of a Deficit Capital Account.

ARTICLE VII
ALLOCATIONS OF NET INCOME, GAIN AND NET LOSS

Section 7.1 General. The Company’s Net Income, Gain and Net Loss shall be allocated to the Members in accordance with this Article VII.

Section 7.2 Allocations of Net Income and Gain. Except as provided in Sections 7.4 and 7.5 below, the Company’s Net Income and Gain for any taxable year shall be allocated to the Members and credited to their Capital Accounts in accordance with their Percentage Interests.

Section 7.3 Allocation of Net Loss. The Company's Net Loss for any taxable year shall be allocated to the Members and charged to their Capital Accounts in accordance with their Percentage Interests.

Section 7.4 Section 704(c) Gain. Notwithstanding any other provision of this Article VII, any Gain that would qualify as Section 704(c) gain pursuant to Code Section 704(c) shall be allocated to that Member required to report such gain in accordance with such section.

Section 7.5 Qualified Income Offset. In the event a Member unexpectedly receives any adjustments, allocations, or distributions described in regulations promulgated under Code Section 704 which causes or increases a deficit in such Member's Capital Account in excess of such Member's share of the Company's minimum gain (as defined in the Treasury Regulations), such Member shall be specially allocated items of Net Income or Gain in an amount and manner sufficient to eliminate the excess deficit balance in his Capital Account created by such adjustments, allocations or distributions as quickly as possible. Any special allocation of items of Net Income or Gain pursuant to this Section 7.5 shall be taken into account in computing subsequent allocations of Net Income and Gain pursuant to Section 7.2 so that the net amount of any items so allocated, and any Net Income, Net Loss and all other items allocated to each Member shall, to the extent possible, be equal to the net amount that would have been allocated to each such Member pursuant to this Article VII if such unexpected adjustments, allocations, or distributions had not occurred. The Members intend that this Section 7.5 will constitute and operate as a "qualified income offset" under Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and any such construction of this Section shall be consistent with such intent.

Section 7.6. Percentage Interests. Each Member's share of the Net Income, Gain, Net Loss and Distributions of the Company shall be the percentage such Member's Capital Account represents as a percentage of the aggregate Capital Accounts of all Members ("**Percentage Interest**").

ARTICLE VIII
DISTRIBUTIONS

Section 8.1 Distributions; Generally. The Managing Member may make Distributions of Company funds or other Assets to the Members if such funds or other Assets are not needed, nor reasonably expected to be needed, for Company purposes. Distributions to the Members shall be made in accordance with their Percentage Interests. Upon dissolution and winding up of the Company, liquidating Distributions shall be made in accordance with the positive Capital Account balances of the Members, determined after taking into account all Capital Account adjustments for the Company's taxable year during which the distribution occurs.

Section 8.2 Limitation Upon Distributions. No Distribution shall be declared and paid if or to the extent that (a) after giving effect to such Distribution, the fair market value of the Assets of the Company does not equal or exceed the sum of the liabilities of the Company (other than liabilities to Members on account of their Capital Contributions), (b) such Distribution otherwise will be contrary to the Act, the provisions of the Code, Treasury Regulations, or the rules or regulations of any other regulatory agency with jurisdiction over the Company, or (c) such Distribution would constitute a default under any loan or other covenant with a Company lender or bonding company, or otherwise.

ARTICLE IX
RIGHTS AND DUTIES OF MEMBERS

Section 9.1 Management Rights. All Members who have not dissociated shall be entitled to vote on any matter submitted to a vote of the Members. Members shall vote in proportion to their Voting Interests. Notwithstanding the foregoing, it shall require the prior written consent of all Members in order to:

A. Amend the Articles of Organization or this Agreement, including any such amendment to dissolve the Company prior to the Term, as stated in Section 2.5 above, or to extend the Term of the Company; or

B. Take any action which would result in a substantial change in the business of the Company as described in Article III above; or

C. Authorize the sale or other disposition of a material part of the Assets of the Company, or the merger, reorganization or consolidation of the Company.

D. Lend any funds comprising the Capital Contributions of the Company to any Person other than Accion, Inc.

Section 9.2 Liability of Members. No Member shall be liable as such for any Company liabilities. The failure of the Company to observe any formalities or requirements relating to the existence of its powers or management of its business or affairs under this Agreement or the Act shall not be grounds for imposing personal liability on any of the Members and/or the Managing Member for any Company liability.

Section 9.3 Managing Member. Decisions concerning the ordinary course of the business affairs of the Company shall be made by the Managing Member. *Accion, Inc.* shall be the Managing Member. The Managing Member shall serve until its successor has been appointed and approved by the Members.

Section 9.4 Authority of Members to Bind the Company. Only the Managing Member and agents of the Company who are authorized in writing by the Managing Member shall have authority to bind the Company. Any Member, other than the Managing Member, who shall take any action as a Member to bind the Company shall indemnify the Company for costs or damages incurred by the Company as a result of such unauthorized action.

Section 9.5 Power of the Managing Member. The Managing Member shall have the power, on behalf of the Company, to do all things necessary or convenient to carry out the business and affairs of the Company, and to take or authorize any action not reserved by the terms of this Agreement for approval of the Members, including without limitation the power to admit additional Members ("**Additional Members**") from time to time. The Managing Member shall have full discretion to manage the Company's Assets to accomplish the business purpose stated in Article III above, including without limitation, loaning Company funds to Accion, Inc. ("**Accion**"), such loans to be evidenced by one or more promissory notes in the form of **Exhibit A.**

Section 9.6 Limitations on the Power and Authority of the Managing Member. The Managing Member shall not undertake any action, or agree to do so, for which approval of the Members is required under Section 9.1 or any other provisions of this Agreement until and unless such approval has been obtained.

Section 9.7 Third Party Reliance. The foregoing provisions of this Section to the contrary notwithstanding, no Person dealing with the Company shall have any obligation to inquire into the power or authority of the Managing Member to act in the ordinary course on behalf of the Company, but any act of the Managing Member which is taken in violation of the provisions of this Agreement of which any Person dealing with the Company shall have actual knowledge shall not bind the Company to such Person.

Section 9.8 Compensation of Managing Member. The Managing Member shall be reimbursed for all reasonable expenses incurred in managing the Company. In addition, the Managing Member may pay itself a management fee that in its opinion is fair and reasonable, but not to exceed such amount as would reduce Company earnings on Capital Contributions below two and ½ percent annually. Reimbursement of expenses and payment of any management fee shall be made solely from the income of the Company and not from Capital Contributions. Such payments shall be set forth as a line item in the annual financial statements of the Company provided pursuant to Section 10.4.

Section 9.9 Managing Member's Standard of Care. The Managing Member's duty of care in the discharge of its duties to the Company and the other Members shall be limited to refraining from managing in a consistently negligent or grossly negligent manner and from engaging in reckless conduct, intentional misconduct or a knowing violation of law. The Managing Member shall be fully protected in relying in good faith upon information, opinions, reports or statements by any Member or agent or other Person, as to matters the Managing Member reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company. This protection shall extend to information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits or losses of the Company or any other facts pertinent to the existence and amount of assets from which distributions to Members might properly be paid.

Section 9.10 Indemnification. The Company shall indemnify the Managing Member and the other Members, and any director, officer, employee or agent of the Managing Member or Members ("**Indemnitee**") against expenses (including attorneys' fees), damages, judgments, fines and amounts paid in settlement actually and reasonably incurred by the

Indemnitee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative arising from acts performed or omitted to be performed in connection with the Company's business if the Indemnitee acted (a) in good faith and (b) in a manner it reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe its conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of <u>nolo contendere</u> or its equivalent, shall not, of itself, create a presumption that the Indemnitee did not act in good faith and in a manner it reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or proceeding, had reasonable cause to believe that its conduct was unlawful.

ARTICLE X
RIGHTS AND OBLIGATIONS OF MEMBERS

Section 10.1 <u>Limitation of Liability</u>. The debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company and not the Members. Each Member's liability shall be limited as set forth in this Operating Agreement, the Act and other applicable law.

Section 10.2 <u>No Priority and Return of Capital</u>. No Member shall have priority over any other Member, either as to Net Income, Gain, or Net Loss, or Company Distributions (including the return of Capital Contributions). This section shall not apply to loans (as distinguished from Capital Contributions) that a Member has made to the Company.

Section 10.3 <u>Liability of a Member for Improper Distribution</u>. To the extent set forth in the Act, a Member who votes for, approves or consents to any Distribution that violates any provision of this Operating Agreement or the Act, shall be liable to the Company jointly, but not severally, with all other Members so voting, approving or consenting, for the amount of the Distribution that exceeds what could have been distributed without violating the Act or this Operating Agreement <u>unless</u> (a) the Member based his determination that the Distribution did not violate such provision on (i) financial statements prepared on the basis of accounting practices and principles that were reasonable under the circumstances, or (ii) on any other valuation method that was reasonable under the circumstances; <u>and</u> (b) the Member had no actual knowledge that rendered his reliance on such statements, valuation or method to be unwarranted.

Section 10.4 <u>Reports to Members</u>. The Managing Member shall provide Members (i) copies of the Company's quarterly financial statements within forty-five (45) days following the end of each interim quarter, and (ii) copies of the annual audited financial statements of the Company for each calendar year by May 1 of the following year. If the Company does not produce separate audited annual financial statements, the Managing Member shall provide Members copies of Accion's audited annual consolidated financial statements which include the Company's financial statements, in a form reasonably sufficient for the needs of the Members. The Managing Member shall provide each Member its annual tax report on Form K-1 within one hundred forty (140) days following calendar year-end. In addition, the Managing Member shall report to the Members, not less often than quarterly and in such form as the Members shall require, on the use by Accion of proceeds of any loan made by the Company to Accion.

ARTICLE XI
WITHDRAWAL/ADDITIONAL MEMBERS

Section 11.1 Withdrawal. A Member shall not have the right to withdraw from the Company prior to the expiration of the Term, as it may be extended from time to time.

Section 11.2 Additional Members. Additional Members may be admitted to the Company upon the payment by the additional Member of the full amount of its subscription and the delivery to the Managing Member of an executed counterpart of this Agreement and such other documentation as the Managing Member may reasonably require.

ARTICLE XII
TRANSFER OF MEMBER'S MEMBERSHIP INTEREST

Section 12.1 Transfer. No Member shall voluntarily or involuntarily sell, transfer, pledge, encumber, or otherwise dispose of, voluntarily or by operation of law (collectively "**Transfer**"), all or any part of its Membership Interest, or attempt to Transfer its Membership Interest, during the Term *provided* that in connection with the sale of assets or any other transaction that results in the change of control of a Member, the Membership Interest of the Member shall pass to the Person acquiring control, and such Person shall assume and perform all of the obligations of the Member hereunder.

ARTICLE XIII
DISSOLUTION AND TERMINATION

Section 13.1 Dissolution.

(a) The Company shall be dissolved upon the occurrence of any of the following events:

(i) the expiration of the Term; or

(ii) prior to the expiration of the Term, one of the following events shall occur and the Members shall not elect, in writing and unanimously, within thirty (30) days of such occurrence to continue the existence of the Company. The events referred to in the foregoing clause are:

(A) the Members other than the Managing Member shall have delivered to the Managing Member written notice to the effect that (i) the Company shall have failed to act in accordance with the business purpose stated in Article III above or Accion shall have acted or proposed to act in a manner that is a material departure from its stated mission or (ii) the Company is being materially mismanaged, in either case stating with reasonable specificity the basis for such conclusions, and the Company or Accion, as the case may be, shall have failed within ninety (90) days following delivery of such notice to correct the actions or circumstances that were the stated basis for the Members' conclusions; or

(B) Accion's auditors shall have included a "going concern" qualification in their report on Accion's annual, audited financial statement; or

(C) Accion's tax exempt status shall be withdrawn by the Internal Revenue Service.

(b) As soon as possible following the occurrence of any of the events specified in this Section 13.1, the Members shall execute and file Articles of Dissolution in accordance with the Act.

Section 13.2 Effect of Filing of Articles of Dissolution. Upon the dissolution of the Company, the Company shall cease operations, except as may be necessary to wind up its business affairs.

Section 13.3 Winding Up Liquidation and Distribution of Assets.

(a) Upon a dissolution and termination of the Company, the Managing Member shall wind up the affairs of the Company, sell all of its property for cash or securities, pay all Company liabilities, including costs of dissolution and winding up, repay all Company loans, pay all fees, set up Reserves for contingencies and distribute the remainder of the Company Assets pursuant to Article VIII. Gain or loss realized upon the liquidation of the Company shall be allocated to the Members in accordance with Article VII. The book value of Company Assets to be distributed in kind shall be restated at fair market value prior to distribution. Any increase or decrease in the book value attributable to the revaluation, shall be credited or charged to the Capital Accounts of the Members as if such assets had been sold at their fair market value.

(b) A reasonable period of time shall be allowed for the orderly liquidation of the Company's Assets and the discharge of its liabilities to enable the Members to minimize losses attendant to liquidation. Upon completion of the winding up of the affairs of the Company, and the liquidation and distribution of the Assets, the Company shall be deemed terminated.

(c) The Members shall comply with all applicable requirements of the Act or other laws pertaining to the winding up of the affairs of the Company and the final distribution of its Assets.

(d) Notwithstanding anything to the contrary in this Operating Agreement, upon a liquidation of the Company, if any Member has a Deficit Capital Account (after giving effect to all Capital Contributions, Distributions, allocations and other Capital Account adjustments for all taxable years, including the year during which such liquidation occurs), such Member shall have no obligation to make any Capital Contribution to the Company, and the negative balance of such Member's Capital Account shall not be considered a debt owed by such Member to the Company or to any other Person for any purpose whatsoever.

ARTICLE XIV
MISCELLANEOUS PROVISIONS

Section 14.1 Accounting Method. The Company shall keep its accounting records and shall report its income for income tax purposes on either the cash or accrual basis method of accounting, as determined by the Managing Member, provided that the method is permitted under applicable provisions of Code Sections 446 and 448. Company books and records shall be maintained at the principal place of business of the Company and shall be open to reasonable inspection and examination of the Members or their duly authorized representatives during reasonable business hours. The accounting year of the Company shall be any year allowed by law as determined by the Managing Member.

Section 14.2 Notices. Any notice, demand, or communication required or permitted to be given by any provision of this Operating Agreement shall be deemed to have been sufficiently given or served for all purposes if delivered personally to the party to whom the same is directed or if sent by regular mail to the Member or Company at such mailing address (or facsimile address) as a Member or the Company shall provide to all other Members and the Company, in writing, from time to time. Any such notice shall be deemed to have been given upon delivery or, in the case of notice sent by regular mail, five business days after deposit in the mail

Section 14.3 Application of New Mexico Law. This Operating Agreement shall be governed by and construed in accordance with the laws of the State of New Mexico.

Section 14.4 Execution of Additional Instruments. Each Member hereby agrees to execute such other and further statements of interests and holdings, designations, powers of attorney and other instruments necessary to comply with applicable laws, rules or regulations.

Section 14.5. Construction. Whenever the singular number is used in this Operating Agreement and when required by the context, the same shall include the plural and vice versa and the masculine gender shall include the feminine and neuter genders and vice versa.

Section 14.6 Amendments. This Operating Agreement may be amended in accordance with Section 9.1.

Section 14.7 Records. The Managing Member shall maintain the records and information required by the Act at the Company’s registered office.

Section 14.8 Returns and Other Elections. The Managing Member shall serve as the Tax Matters Member of the Company and shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code. Copies of such returns, or pertinent information therefrom, shall be furnished to the Members within a reasonable time after the end of the Company's Fiscal Year.

Section 14.9 Headings. The headings in this Operating Agreement are inserted for convenience only and are not intended to describe, interpret, define, or limit the scope, extent or intent of this Operating Agreement or any provision hereof.

Section 14.10 Waivers. The failure of any party to insist upon the strict performance of any provision of this Operating Agreement shall not constitute a waiver of any subsequent breach or violation of any provision of this Agreement.

Section 14.11 Rights and Remedies Cumulative. The rights and remedies provided by this Operating Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

Section 14.12 Severability. If any provision of this Operating Agreement, or the application thereof to any person or circumstance, is held to be invalid, illegal or unenforceable to any extent, the remainder of this Operating Agreement, and the application thereof, shall not be affected and shall be enforceable to the extent permitted by law.

Section 14.13 Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective successors and assigns.

Section 14.14 Creditors. None of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any creditors of the Company or any Member.

Section 14.15 Investment Representations. Each of the Members understands that the Membership Interests evidenced by this Operating Agreement have not been registered under the Securities Act of 1933, the New Mexico Securities Act, or any other securities laws (the "**Securities Acts**"). If such Membership Interests shall be determined to be securities by any regulatory agency or court, the Members agree that for the purposes of the Securities Acts, the Company shall have issued such Membership Interests in reliance upon applicable exemptions from the registration requirements of the Securities Acts, including exemptions which provide for issuance of securities in transactions not involving a public offering. To assure the availability of such exemptions each Member represents and warrants to, and covenants with, the other Members and the Company that it is acquiring its Membership Interest for its own account, for investment and not with a view to the resale or distribution thereof and that it has requested and received all information which it or its advisors consider to be relevant to its decision to become a Member.

Section 14.16 Attorney's Fees. If it becomes necessary for a party to initiate or commence any action, suit or legal proceeding to enforce the terms of this Agreement, the prevailing party shall be entitled to receive its or his costs of such proceedings, including reasonable attorney's fees.

MEMBERS

Accion, Inc.	________________________
By: ________________________	By: ________________________
Its: ________________________	Its: ________________________

Exhibit A

[Form of Promissory Note]

PROMISSORY NOTE

$____________________ Dated: ______________, 2017

ON DECEMBER 30, 2027, FOR VALUE RECEIVED, the undersigned, Accion, Inc., a New Mexico non-profit corporation (the "**Borrower**"), HEREBY, PROMISES TO PAY to the order of ACCION 2017G, LLC, a New Mexico limited liability company (the "**Payee**") the principal sum of _____________________ Dollars ($__________________).

The principal amount outstanding shall accrue interest, until paid in full, at a rate per annum equal to two and 75/100 percent (2.75%), such rate being the applicable Federal rate in effect under Section 1274(d) at the date of this Note. Interest is payable on December 30 of each year, beginning December 30, 2017, on the principal amount outstanding from time to time during the calendar year in which interest is payable.

Both principal and interest are payable in lawful money of the United States of America to the Payee at Albuquerque, New Mexico, in immediately available funds or in such other form as shall be acceptable to Payee.

The foregoing provisions notwithstanding, the entire principal balance evidenced by this Promissory Note, together with interest accrued and unpaid, may at Payee's option be accelerated and become immediately due and payable in the event that the Members of Payee shall take any action to cause the Payee's existence to terminate and expire prior to December 30, 2027. In the event that Payee shall exercise its option to accelerate under this paragraph, written notice of such election shall be hand-delivered to Borrower's President immediately upon Payee's election to exercise its option and such acceleration shall occur concurrently with such delivery.

By making advances to the Borrower evidenced by this Promissory Note, the Payee does not undertake any obligation to make any additional advances. There is no other agreement or understanding pursuant to which the rights and obligations of the Payee and the Borrower, respectively, shall be determined.

Payment of the obligations of the Borrower hereunder is unsecured.

In addition to amounts otherwise payable hereunder, Borrower agrees to pay on demand all costs of collection of amounts evidenced by this Promissory Note, including (1) any obligation paid or advance made by any holder of this Promissory Note under the terms of any instrument securing or relating to this Promissory Note and (2) the attorney's fees of the holder if this Promissory Note is placed with an attorney for collection, including but not limited to attorney's fees incident to the holder's participation in a case or proceeding under the Bankruptcy Code or any successor statute thereto and (3) interest on the unpaid balance of (1) and (2) at the same rate as is charged on the principal of the advances payable under this Promissory Note.

All or any portion of any advance made by Payee to Borrower may be prepaid at any time and from time to time, together with interest accrued and unpaid thereon (if any) but otherwise without penalty or premium. Unless otherwise agreed by Payee and Borrower, all prepayments, and all other payments, will be applied first to costs of collection, then to any accrued but unpaid interest and then principal.

This Promissory Note shall be governed by the laws of the State of New Mexico.

The makers, endorsers, sureties and guarantors waive all presentment, protest and demand, and all notices of protest, dishonor and nonpayment of this Promissory Note, and agree that any renewal or extension of time of payment of this Promissory Note will not release any party liable hereon.

DATED: _________________, 2017.

Accion, Inc.
a New Mexico non-profit corporation

By ____________________________

Its ___________________________

LLC Investment in Small and Micro Businesses

What it is and how it works

Accion's 2015 Lending Impact

- 1,494 new business loans for $18.2 million lent.
- 83% of the owners of those businesses were low-to-moderate income, minority or female.
- 35% of the businesses were start-ups.
- Client businesses' created or sustained 3,965 jobs.
- 2.6% write-off percentage of average outstanding loans receivable balance.

ACCION

Challenge for Nonprofit Business Lenders

- To avoid becoming overleveraged, the nonprofit business lender can only grow its loan receivable portfolio slowly, thus limiting its impact.
- For profit organizations can raise equity by issuing stock.
- Nonprofits, by contrast, cannot issue stock. They only grow equity slowly over time as contributions and program revenue exceed expenses. Grants tend to only reimburse expenses.

ACCION

Equity's Effect on a Nonprofit Business Lender

- It provides a permanent capital base.
- It increases risk tolerance and lending flexibility.
- It strengthens capital structure.
- It protects and leverages additional debt capital.

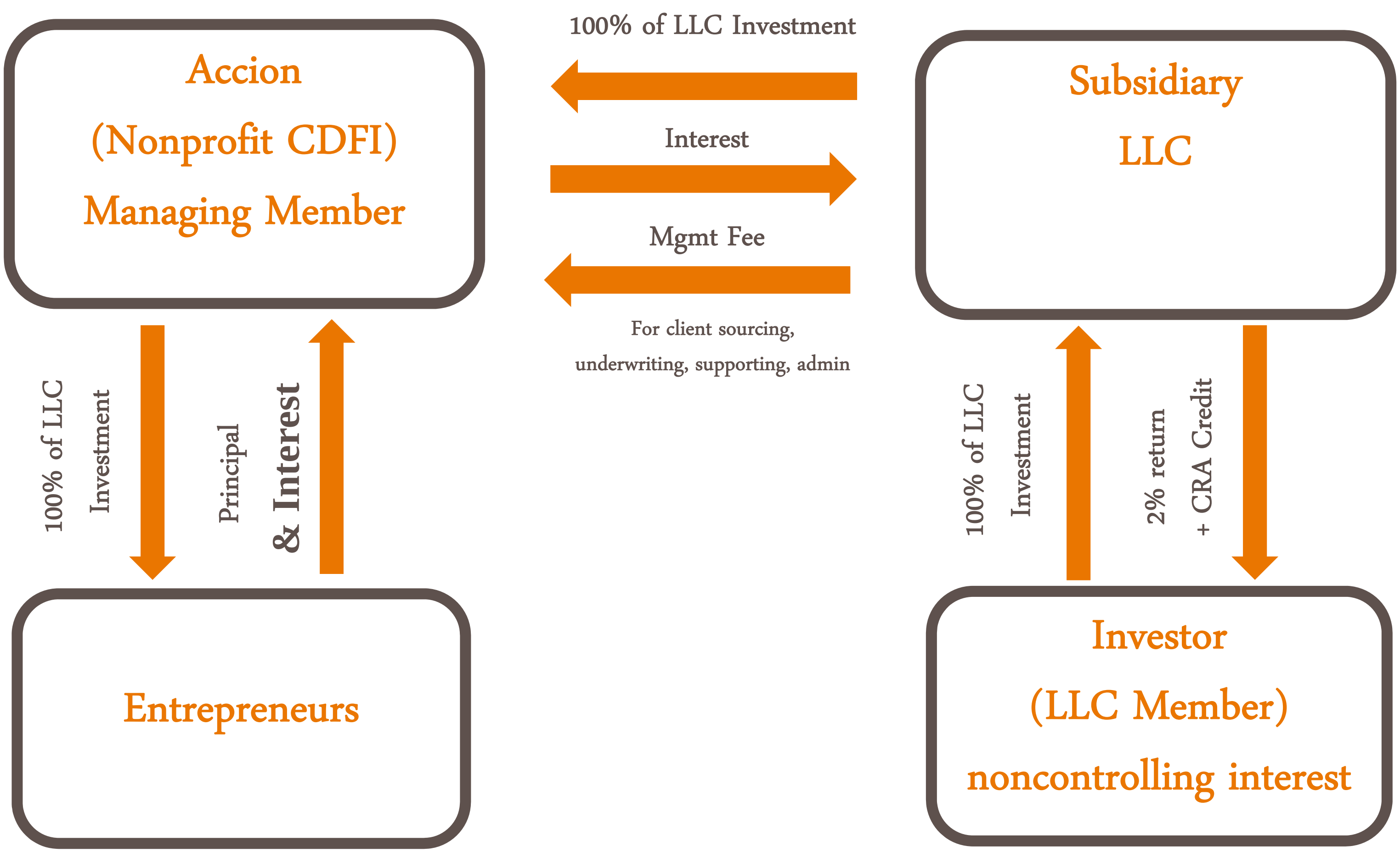
In short, equity enables growth and impact.

Solution: Create Controlled Subsidiary LLC

- Nonprofit lender owns majority voting interest.
- Nonprofit lender is managing member.
- Limited life of LLC – 10 to 15 years.
- Investor becomes non-controlling member of LLC.
- Operating agreement provides for return of capital to members at end of LLC life.
- Managing member's powers are limited by requiring a supermajority for additional debt, extending term, etc.

ACCION

LLC Investment Flow



ACCION

atkinson

Precise.

Personal.

Proactive.

ACCION NEW MEXICO, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2015 and 2014

atkinson

CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

CONTENTS

atkinson
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD
6501 AMERICAS PARKWAY NE , SUITE 700, ALBUQUERQUE, NM 87110
PO BOX 25246, ALBUQUERQUE, NM 87125
T 505 843 6492 F 505 843 6817 ATKINSONCPA.COM

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
ACCION New Mexico, Inc. and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ACCION New Mexico, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ACCION New Mexico, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2016, on our consideration of ACCION New Mexico, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACCION New Mexico, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
March 30, 2016

ACCION New Mexico, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS

	2015	2014
ASSETS		
Cash and cash equivalents	$ 2,762,156	$ 5,692,878
Restricted cash	203,890	533,473
Investment securities held for sale	-	8,400
Accounts receivable		
Accrued interest on small business loans	122,099	83,933
Third-party participation on small business loans	66,917	102,347
Other	1,600	3,564
Contributions receivable, net of discounts and allowance for doubtful accounts of $22,069 in 2015 and $26,795 in 2014	182,899	232,614
Grants receivable	1,360,000	873,074
Small business loans receivable, net	24,388,294	16,882,214
Derivative instrument	219,844	223,181
Prepaid expenses	29,019	12,438
Investment securities	926,836	954,198
Property and equipment, net	2,354,558	2,306,495
Land	1,003,216	1,003,216
Property held for sale	250	250
Total assets	$ 33,621,578	$ 28,912,275

LIABILITIES AND NET ASSETS

	2015	2014
LIABILITIES		
Accounts payable	$ 85,315	$ 38,105
Accrued payroll	157,881	96,928
Other accrued liabilities	53,763	39,532
Line-of-credit	-	1,000,000
Notes payable	10,586,957	8,585,442
Secured debt	5,568,062	4,820,130
Total liabilities	16,451,978	14,580,137
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted		
Unrestricted	8,399,933	7,120,281
Noncontrolling interest in LLC companies	6,038,580	4,991,575
Temporarily restricted	353,416	232,611
Permanently restricted	2,377,671	1,987,671
Total net assets	17,169,600	14,332,138
Total liabilities and net assets	$ 33,621,578	$ 28,912,275

The accompanying notes are an integral part of these consolidated financial statements.

ACCION New Mexico, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2015 and 2014

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Loan interest and fees	$ 3,432,251	$ -	$ -	$ 3,432,251
Contributions	378,917	1,507,531	390,000	2,276,448
Federal awards	1,478,928	-	-	1,478,928
In-kind contributions	195,886	-	-	195,886
Investment income, net	15,749	-	-	15,749
Other revenue	72,595	-	-	72,595
Net realized/unrealized (losses) gains on investments	(47,243)	-	-	(47,243)
Total revenue and support	5,527,083	1,507,531	390,000	7,424,614
Net assets released from restrictions	1,386,726	(1,386,726)	-	-
EXPENSES				
Program services	5,103,936	-	-	5,103,936
Fundraising	286,645	-	-	286,645
Support	243,576	-	-	243,576
Total expenses	5,634,157	-	-	5,634,157
CHANGES IN NET ASSETS FROM OPERATIONS BEFORE NONCONTROLLING INTEREST IN LLC COMPANIES	1,279,652	120,805	390,000	1,790,457
CHANGES IN NET ASSETS FROM NONCONTROLLING INTEREST IN LLC COMPANIES				
Capital contributions	1,000,000	-	-	1,000,000
Gain on LLC activity	88,577	-	-	88,577
Distributions	(41,572)	-	-	(41,572)
Total changes in net assets from noncontrolling interest in LLC companies	1,047,005	-	-	1,047,005
CHANGES IN NET ASSETS	2,326,657	120,805	390,000	2,837,462
Net assets, beginning of year	12,111,856	232,611	1,987,671	14,332,138
Net assets, end of year	$ 14,438,513	$ 353,416	$ 2,377,671	$ 17,169,600

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 2,280,327	$ -	$ -	$ 2,280,327
300,023	911,111	110,000	1,321,134
27,296	1,600,000	-	1,627,296
169,597	-	-	169,597
18,479	-	-	18,479
55,169	-	-	55,169
10,578	-	-	10,578
2,861,469	2,511,111	110,000	5,482,580
2,693,927	(2,693,927)	-	-
3,730,835	-	-	3,730,835
248,425	-	-	248,425
210,510	-	-	210,510
4,189,770	-	-	4,189,770
1,365,626	(182,816)	110,000	1,292,810
2,250,000	-	-	2,250,000
43,102	-	-	43,102
(16,450)	-	-	(16,450)
2,276,652	-	-	2,276,652
3,642,278	(182,816)	110,000	3,569,462
8,469,578	415,427	1,877,671	10,762,676
$ 12,111,856	$ 232,611	$ 1,987,671	$ 14,332,138

The accompanying notes are an integral part of these consolidated financial statements.

ACCION New Mexico, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2015 and 2014

	2015			
	Program Services	Fundraising	Support	Total
Salaries	$ 1,816,904	$ 206,657	$ 147,930	$ 2,171,491
Loan loss provision	1,377,381	-	-	1,377,381
Interest	554,426	-	-	554,426
Professional fees	180,921	4,207	25,245	210,373
Payroll taxes	164,374	18,696	13,383	196,453
Marketing and development	187,045	8,312	-	195,357
Employee benefits	150,374	17,104	12,243	179,721
Depreciation and amortization	122,954	10,222	12,331	145,507
Loan servicing expense	134,785	-	-	134,785
Travel	100,415	4,184	-	104,599
Temporary services	48,744	3,482	17,409	69,635
Miscellaneous expense	56,300	-	-	56,300
Telephone	46,184	2,566	2,566	51,316
Equipment rent and maintenance	45,617	2,534	2,534	50,685
Occupancy	38,525	3,203	3,864	45,592
Supplies	21,798	1,211	1,206	24,215
Insurance	14,594	-	4,865	19,459
Conferences and meetings	19,412	-	-	19,412
Subscriptions and dues	12,172	3,043	-	15,215
Postage	11,011	1,224	-	12,235
Total	$ 5,103,936	$ 286,645	$ 243,576	$ 5,634,157

2014			
Program Services	Fundraising	Support	Total
$ 1,374,029	$ 157,367	$ 125,976	$ 1,657,372
737,741	-	-	737,741
389,549	-	-	389,549
148,446	3,452	20,714	172,612
108,672	12,447	9,964	131,083
226,074	33,034	-	259,108
116,715	13,368	10,701	140,784
97,407	8,098	9,770	115,275
109,732	-	-	109,732
120,099	5,004	-	125,103
55,938	3,996	19,977	79,911
39,441	-	-	39,441
45,818	2,545	2,545	50,908
31,904	1,773	1,773	35,450
33,229	2,753	3,343	39,325
21,705	1,206	1,206	24,117
13,622	-	4,541	18,163
38,649	-	-	38,649
6,694	1,674	-	8,368
15,371	1,708	-	17,079
$ 3,730,835	$ 248,425	$ 210,510	$ 4,189,770

The accompanying notes are an integral part of these consolidated financial statements.

ACCION New Mexico, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

Increase (Decrease) in Cash and Cash Equivalents

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets from operations	$ 1,790,457	$ 1,292,810
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Net realized and unrealized losses (gains) on investments	47,243	(10,578)
Noncontrolling interest in consolidated LLC investments	88,577	43,102
Depreciation and amortization	145,507	115,275
Amortization of note payable closing fee	1,515	(6,908)
Loan loss provision	1,377,381	737,741
Present value discount and amortization on contributions receivable	(6,496)	7,553
Uncollectible contribution expense	1,770	5,850
Donated stock	(13,338)	(15,072)
Change in fair value of derivative instrument	3,337	(25,284)
Changes in other assets and liabilities		
Accounts receivable	(772)	(132,613)
Contributions receivable	54,441	62,768
Grants receivable	(486,926)	473,926
Prepaid expenses	(16,581)	4,759
Accounts payable	47,210	17,840
Accrued payroll	60,953	3,049
Other accrued liabilities	14,231	(88,825)
Net cash provided by operating activities	3,108,509	2,485,393
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	364,693	1,402,627
Purchase of investments	(362,836)	(802,883)
Change in restricted cash for long-term purposes	329,583	(461,798)
Purchase of property and equipment	(193,570)	(158,971)
Investment in small business loans	(18,170,317)	(11,856,699)
Repayments and recoveries of small business loans	9,286,856	5,654,965
Net cash used in investing activities	(8,745,591)	(6,222,759)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

Years Ended December 31, 2015 and 2014

Increase (Decrease) in Cash and Cash Equivalents

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from secured debt	4,232,485	3,193,373
Repayment of secured debt	(3,484,553)	(1,982,818)
Contributions in noncontrolling interests in consolidated LLC companies	1,000,000	2,250,000
Proceeds from note payables	2,000,000	3,000,000
Repayment of line-of-credit, net	(1,000,000)	-
Distributions to noncontrolling interests in consolidated LLC companies	(41,572)	(16,449)
Net cash provided by financing activities	2,706,360	6,444,106
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,930,722)	2,706,740
Cash and cash equivalents, beginning of year	5,692,878	2,986,138
Cash and cash equivalents, end of year	$ 2,762,156	$ 5,692,878

SUPPLEMENTAL DATA

	2015	2014
In-kind revenues and expenses	$ 195,886	$ 169,597
Interest paid in cash	$ 470,881	$ 329,497

The accompanying notes are an integral part of these consolidated financial statements.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Organization

ACCION New Mexico, Inc. (ACCION) was organized in March 1994 as an independent, private, New Mexico nonprofit corporation. Its sole program provides microenterprises and small businesses in New Mexico with credit and business support not otherwise available from the commercial lending sector. During 2008, ACCION expanded its geographic markets to include Arizona and Colorado. ACCION expanded its geographic markets to include Nevada in 2014 and Texas in 2015. ACCION's operations are subsidized by contributions from foundations and other grantors, individuals, banks, and other corporate contributors. ACCION licenses its name from a supporting organization of ACCION International.

During 2015, ACCION was approved to be a Community Advantage (CA) Pilot Loan Program Lender with the U.S. Small Business Administration. As an approved lender, ACCION is required to maintain a loan loss reserve of a minimum of 5% of the unguaranteed portion of the CA loan portfolio. The deposits in the loan loss reserve are required to be maintained in a separate bank account. At December 31, 2015, the unguaranteed CA loan portfolio was $5,993 and the loan loss reserve was $2,075.

ACCION is a member of several New Mexico limited liability companies (LLC). The purpose of each LLC is to further the mission of ACCION by the formation of capital to be deployed by ACCION. ACCION is the managing member with a voting interest of fifty-one percent (51%) in each LLC. The other members are nonmanaging members who have a voting interest of forty-nine percent (49%). Members share net income, gains, net losses, and distributions in accordance with their percentage interests of the aggregate capital accounts. Each LLC has a dissolution date unless the operating agreements are amended to extend the term.

ACCION is also a member of a Colorado limited liability company (ACCION 2014E LLC). The purpose of the LLC is to further the mission of ACCION by the formation of capital to be deployed by ACCION. ACCION is the managing member. Nonmanager members' units do not have voting rights, except as otherwise agreed. Members share net income, gain, net loss, and distributions of the LLC in accordance with their percentage of units. The LLC has a dissolution date unless the operating agreements are amended to extend the term.

The noncontrolling activity of the LLCs are as follows:

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Organization – Continued

	ACCION NM 2007A LLC	ACCION NM 2011B LLC	ACCION NM 2011C LLC	ACCION NM 2013D LLC	ACCION 2014E LLC	Total
Formation date	August 2007	December 2011	December 2011	August 2013	February 2014	
Dissolution date	December 2022	December 2021	December 2021	December 2023	December 2023	
Balance at December 31, 2013	$ 1,199,999	$ 249,923	$ 259,947	$ 1,005,054	$ -	$ 2,714,923
Contributions	-	-	-	1,000,000	1,250,000	2,250,000
Distributions	-	-	(9,947)	(6,503)	-	(16,450)
Net income	1	78	5,000	26,679	11,344	43,102
Balance at December 31, 2014	1,200,000	250,001	255,000	2,025,230	1,261,344	4,991,575
Contributions	-	-	-	-	1,000,000	1,000,000
Distributions	-	-	(5,000)	(25,228)	(11,344)	(41,572)
Net income	26	-	5,001	39,990	43,560	88,577
Balance at December 31, 2015	$ 1,200,026	$ 250,001	$ 255,001	$ 2,039,992	$ 2,293,560	$ 6,038,580

The accompanying consolidated financial statements include the accounts of ACCION New Mexico, Inc. and its Subsidiaries, ACCION NM 2007A, LLC, ACCION NM 2011B, LLC, ACCION NM 2011C, LLC, ACCION NM 2013D, LLC, and ACCION 2014E, LLC (collectively the Company). All material intercompany accounts and transactions have been eliminated.

2. Federal Income Taxes

ACCION is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), except to the extent it has unrelated business income. ACCION had no material unrelated business taxable income for the years ended December 31, 2015 and 2014. The 2007A LLC, 2011B LLC, 2011C LLC, 2013D LLC, and 2014E LLC, all pass-through taxable entities, had no material taxable income in 2015 or 2014.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Federal Income Taxes – Continued

ACCION has adopted the provision of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. There were no uncertain tax positions taken by ACCION for the years ended December 31, 2015 and 2014. ACCION's policy is to classify income tax penalties and interest, when applicable, according to their natural classification. Under the statute of limitations, ACCION's tax returns are no longer subject to examination by tax authorities for years prior to 2012.

3. Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates. It is reasonably possible that conditions which existed at the date of the consolidated financial statements could change in the near term due to current volatility in market and economic conditions. Such future changes, if significant, could lead to changes in estimates used in calculating the allowance for loan losses and uncollectible contributions receivable. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

4. Cash and Cash Equivalents

For purposes of the accompanying consolidated statements of cash flows, ACCION considers all unrestricted highly liquid instruments with original maturities of three months or less to be cash equivalents, unless restricted for long-term purposes by a donor. Cash and cash equivalents include cash on hand, cash in banks, and money market accounts held with a brokerage firm.

Donor restricted cash includes the following at December 31:

	2015	2014
Temporarily restricted operating activities	$ 170,517	-
Permanently restricted endowment	33,373	533,473
	$ 203,890	$ 533,473

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Concentrations of Risk

Financial instruments that potentially subject ACCION to concentration of credit risk include cash balances and investment accounts. ACCION's cash is held with various financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits (currently $250,000); insurance limits on investment accounts vary by investment brokerage firm and by type of investment. ACCION limits the amount of credit exposure with any one financial institution and believes that no significant credit risk exists with respect to cash.

Additionally, financial instruments that potentially subject ACCION to credit risk are primarily loans receivable. See Note D for all policies concerning credit risk. ACCION provides micro and small business lending to qualifying small business entities in New Mexico, Arizona, Colorado, Nevada and Texas. ACCION considers these locations as geographic concentrations potentially subject to risk.

6. Investments

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded using the specific identification method upon the sale of investment assets. The fair market value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition will differ from the amounts reported in these financial statements.

7. Accounts and Microenterprise and Small Business Loans Receivable

The allowance for loan losses is increased by charges to income and decreased by charge-offs, net of recoveries. Loan losses are charged against the allowance (charge-offs) when management believes the uncollectibility of a loan balance is confirmed or 180 days delinquency, whichever is first. Repossessed collateral is reported at net realizable value on or soon after acquisition based on an evaluation completed on the collateral. Foreclosed real property is reported at market value less sales costs upon official acquisition based on the average value of the market analyses or appraisal value of the property. Management's periodic evaluation of the adequacy of the allowance is based on ACCION's past and current loan-loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, and estimated value of any underlying collateral and current economic conditions.

The provision for loan losses in the statements of activities and changes in net assets results from the combination of an estimate by management of loan losses that occurred during the current period and the ongoing adjustment of estimates of losses occurring in prior periods. Because of these factors, it is reasonably possible that the allowances for losses on loans and the valuation of foreclosed real estate may change materially in the near term. While management uses available information to recognize losses on loans and foreclosed real

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Accounts and Microenterprise and Small Business Loans Receivable – Continued

estate, future additions or reductions to the allowances may be necessary based on changes in local economic conditions.

Accrual of interest on a loan is discontinued when management believes that the borrower's financial condition is such that collection of interest is doubtful. Uncollectible interest previously accrued is charged off by means of a charge to interest income. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

Loans that have been modified and economic concessions that have been granted to borrowers who have experienced financial difficulties are considered a troubled debt restructuring (TDR). These concessions typically would result from ACCION's loss mitigation activities and may include suspension of interest, payment extensions, forgiveness of principal, forbearance, and other actions. Certain TDRs are classified as nonperforming at the time of restructuring and typically are returned to performing status after considering the member's sustained repayment performance for a reasonable period.

When ACCION modifies loans in a TDR, it evaluates any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, or uses the current fair value of collateral, less selling costs for collateral dependent loans. If ACCION determines that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, ACCION evaluates TDR's, including those that have payment defaults, for possible impairment and recognizes impairment through the allowance.

8. Derivative Financial Instrument

ACCION makes limited use of a derivative instrument for the purpose of managing the allowance for loan losses related to participation loans made by ACCION. This agreement is used to minimize the amount of loss ACCION could be exposed to by nonperforming participation loans. See Note E. Under generally accepted accounting principles, the fair value of ACCION's derivative financial instrument is reported as an asset in the accompanying consolidated statements of financial position. The change in fair value is recognized as an addition to or deduction from net assets in the accompanying consolidated statements of activities and changes in net assets. The derivative is considered a Level 3 investment within the fair value hierarchy.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Property and Equipment

Property and equipment are stated at cost. ACCION capitalizes all acquisitions greater than $1,000. Donated property is recorded at estimated fair value as of the date of donation. Depreciation is provided for all depreciable assets on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 40 years, and is allocated to each functional category based on utilization. Land is not depreciated. Depreciation expense for the years ended December 31, 2015 and 2014, was $145,507 and $115,275, respectively.

10. Net Assets

The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles for nonprofit organizations. Under these provisions, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ACCION and changes therein are classified and reported as follows:

Unrestricted Net Assets – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. No designations have been made for specific purposes at December 31, 2015 and 2014.

Temporarily Restricted Net Assets – net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets – net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions. These donor-imposed restrictions include land and a building and endowments for the loan portfolio and operations.

11. Donated Services

Contributed services are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the service received. For the years ended December 31, 2015 and 2014, ACCION received and recognized $112,341 and $109,545 of donated services and $83,545 and $60,052 of imputed interest on below market interest bearing notes, respectively. The recognized donated services included legal, marketing, and other professional services related to the programs, management, and general operations of ACCION.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Functional Allocation of Expenses

The costs of providing the fundraising activities, various programs, and supporting services have been allocated to functions based on payroll hours, square footage utilized, and/or actual expenses incurred in the accompanying consolidated statements of functional expenses. Allocation of joint costs involving fundraising activities was allocated among the functional categories as ACCION satisfied the criteria of FASB ASC 958-720-45, *Not-for-Profit Entities*. Activities involving joint costs typically comprise public relations type events that include both a program and fundraising intent. Joint costs were allocated as follows:

	2015	2014
Program services	$ 12,523	$ 41,691
Fundraising	1,391	9,331
Total joint costs	$ 13,914	$ 51,022

13. Advertising Cost

Advertising costs are expensed as incurred. Advertising expenses were $162,958 and $197,118, of which $85,000 were in-kind, for the years ended December 31, 2015 and 2014, respectively, and are included in marketing and development expenses.

14. Reclassified Amounts

Certain 2014 amounts have been reclassified to be consistent with the presentation of 2015 amounts.

15. Subsequent Events

Subsequent events have been evaluated through March 30, 2016, the date the financial statements were available to be issued, to determine whether such events should be recorded or disclosed in the consolidated financial statements for the year ended December 31, 2015. Management believes no material subsequent events have arisen that would require disclosure or accrual in these consolidated financial statements.

NOTE B – INVESTMENTS

Investments, including restricted endowment investment securities, are stated at fair value and consist of the following at December 31, 2015 and 2014:

	2015		
	Cost	Fair Value	Unrealized Gain (Loss)
Equity securities	$ 447,708	$ 514,016	$ 66,308
Mutual funds	324,576	288,499	(36,077)
Government and agency securities	79,588	79,021	(567)
Corporate bonds	47,000	45,300	(1,700)
Total	$ 898,872	$ 926,836	$ 27,964

	2014		
	Cost	Fair Value	Unrealized Gain (Loss)
Equity securities	$ 413,577	$ 502,638	$ 89,061
Mutual funds	341,142	327,692	(13,450)
Government and agency securities	75,183	75,726	543
Corporate bonds	48,682	48,142	(540)
Total	$ 878,584	$ 954,198	$ 75,614

Investment returns consist of the following:

	2015	2014
Interest and dividends	$ 29,301	$ 32,858
Investment fees	(13,552)	(14,379)
	$ 15,749	$ 18,479

	2015	2014
Realized gains	$ 4,214	$ 199,596
Unrealized (losses)	(51,457)	(189,018)
	$ (47,243)	$ 10,578

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions received, including unconditional promises to give, are recognized as revenue in the period received and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor restrictions.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on pledges is computed using the risk-free interest rate applicable to the year in which the promise is received in addition to a credit risk factor determined by management. The effective rate used to discount unconditional promises to give was 8.5% at December 31, 2015 and 2014.

Amortization of the discount is included in contribution revenue. ACCION has provided an allowance for doubtful accounts which includes all pledges outstanding greater than 90 days unless specifically excluded by management and an additional 2% of the remaining outstanding balances.

Contributions receivable for each of the years succeeding December 31, 2015 and 2014, are expected to occur as follows:

	2015	2014
In less than one year	$ 138,148	$ 161,339
In one to five years	66,820	98,070
	204,968	259,409
Less: Allowance for doubtful accounts	(12,936)	(11,166)
Less: Discount to net present value	(9,133)	(15,629)
	$ 182,899	$ 232,614

Contributions receivable are primarily from individuals, major charitable foundations, and local businesses. Contributions made by either ACCION's Board of Directors or employees were approximately $134,308 and $158,065 as of December 31, 2015 and 2014, respectively, with approximately $83,267 and $98,771 recorded as outstanding contribution receivables as of December 31, 2015 and 2014, respectively.

ACCION is the beneficiary of several bequests. No value has been assigned to the conditional promises as no formal documentation has been obtained from the donors.

ACCION was awarded multi-year grants from two foundations totaling $1,750,000. Management believes there are conditional grant requirements which ACCION may not be able to meet. Because of these requirements, the full amount of the awards were not recorded. Amounts received as of December 31, 2015, were $670,517.

NOTE D – SMALL BUSINESS LOANS RECEIVABLE

Loans receivable are recorded at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized as income based on the daily principal amount outstanding. A loan is considered delinquent when a payment is not made within 30 days of the scheduled due date and is placed on nonaccrual status. Loans on nonaccrual status as of December 31, 2015 and 2014, were $863,262 and $466,732, respectively. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received. An allowance for loan losses is maintained to absorb potential losses inherent in the loan portfolio. When all or a portion of a loan balance reaches 180 days delinquency, it is deemed uncollectible, and the remaining loan balance is charged off to the allowance for loan losses. Recoveries of loans previously charged off are credited to the allowance for loan losses. The provision for loan losses charged to expense is determined monthly based on past delinquency and write-off trends. Collateral is secured based on the particular loan profile. Generally, collateral on loans will cover a portion of the loan balance only. Impaired loans are recorded at unpaid principal balances, net of an allowance for uncollectible balances, which approximates the present value of expected future cash flows. For loans that are considered impaired, the provision for loan losses charged to expense is determined monthly based on past delinquency and write-off trends. The interest income on impaired loans is recognized in the same manner as noted above.

Activity in the allowance for loan loss follows:

	2015	2014
Balance at beginning of year	$ 1,563,628	$ 1,034,654
Provision charged to expense	1,377,381	737,741
Loans charged off	(612,537)	(260,951)
Recoveries	36,454	52,184
Balance at end of year	$ 2,364,926	$ 1,563,628

ACCION has a secured debt agreement that limits its risk of loan loss on certain loans. Of the loans charged off reflected in the table above, approximately $139,800 and $57,500 in 2015 and 2014, respectively, were covered by this agreement resulting in the lender taking losses of approximately $104,800 and $43,100 in 2015 and 2014, respectively. See Note E for further details about this agreement.

Management evaluates loans for credit quality at least quarterly, but more frequently if certain circumstances occur, such as material new information which becomes available and indicates a potential change in credit risk. Credit quality is based on the aging status of the loan and by payment activity.

NOTE D – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

When loans have been modified and economic concessions are granted to borrowers who have experienced financial difficulties, these loans are considered a troubled debt restructuring (TDR). Specifically, loans are considered TDRs when, in order to stay current on loan payments, a borrower has needed one payment extension of longer than three months duration, or two payment extensions of three months duration in the life of the loan. If these clients perform pursuant to the modified terms, the loans may be placed back on accrual status, but they will still be reported as TDRs. After a loan is restructured once, it may not be modified again. Total TDRs outstanding as of December 31, 2015 and 2014, were $1,167,702 and $869,892, respectively. The specific valuation allowance for these TDRs has been calculated based on the reserve factor as calculated by management in the evaluation of the allowance for loan losses. Included within the allowance for TDR loan losses was $454,053 and $286,034 at December 31, 2015 and 2014, respectively.

The following table presents informative data for financial receivables regarding their aging at December 31, 2015 and 2014.

			Past Due				
December 31, 2015	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	> 120 Days	Total Past Due
Small business loans	$ 24,755,699	$ 1,134,259	$ 302,144	$ 208,797	$ 132,706	$ 219,615	$ 863,262

			Past Due				
December 31, 2014	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	> 120 Days	Total Past Due
Small business loans	$ 17,016,650	$ 962,460	$ 189,400	$ 74,997	$ 58,084	$ 144,251	$ 466,732

December 31, 2015			December 31, 2014		
	Status of Interest Accruals			Status of Interest Accruals	
Total Small Business Loans Receivable	Total Small Business Loans Receivable On Nonaccrual Status	Small Business Loans Receivable Past Due > 90 Days And Still Accruing Interest	Total Small Business Loans Receivable	Total Small Business Loans Receivable On Nonaccrual Status	Small Business Loans Receivable Past Due > 90 Days And Still Accruing Interest
$ 26,753,220	$ 863,262	$ -	$ 18,445,842	$ 466,732	$ -

NOTE E – SECURED DEBT AND DERIVATIVE FINANCIAL INSTRUMENT

ACCION has an ongoing Memorandum of Agreement (MOA), which was restated and amended in 2013, with a third-party to purchase a portion of loans made in New Mexico by ACCION. The third-party will purchase 75% of the principal disbursed for individual loans designated for participation by ACCION (participation loans). In accordance with generally accepted accounting principles, this agreement does not qualify as a sale and, therefore, is accounted for as secured debt. The agreement was amended in 2015 to increase funding up to $5,750,000 and then again up to $6,500,000. Prior to these amendments, funding was up to $5,000,000 for 2014 in revolving funding for loans made by ACCION. Third party losses on participation loans made prior to November 2013 are shared according to the participation percentage. Losses to the third party on participation loans made subsequent to October 2013 are limited to 1% annually of the average outstanding balance.

ACCION must repay the secured debt as ACCION collects principal payments on the participation loans. If the borrower does not repay the participation loan, ACCION is not required to repay the related secured debt or accrued interest. This arrangement is considered an embedded derivative, and its fair value of $219,844 and $223,181 as of December 31, 2015 and 2014, respectively, is recorded as an asset on the accompanying consolidated statements of financial position. The fair value is estimated based on the present value of the estimated allowance for loan loss on 75% of the participation loans.

Additions are included in other revenue on the accompanying consolidated statements of activities and changes in net assets. Reductions are recorded as decreases in the derivative instrument and other revenue.

The secured debt bears interest, payable monthly as collected on the participation loans, at 3% of the outstanding balance, $5,374,672 and $4,670,230 as of December 31, 2015 and 2014, respectively. The remaining interest earned on the participation loans is retained by ACCION. Interest expense on the secured debt was $153,236 and $123,235 for the years ended December 31, 2015 and 2014, respectively. The MOA has a termination provision requiring reasonable notice from either party. In the event of termination, outstanding loans will be handled in the ordinary course of business under the terms of the MOA until the joint portfolio is collected.

Included in secured debt, there are smaller participations with other third parties in Arizona which totaled $193,390 and $149,900 as of December 31, 2015 and 2014.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2015 and 2014:

	2015	2014
Building	$ 2,229,605	$ 2,220,594
Computer equipment	549,450	404,486
Furniture and office equipment	267,559	227,964
	3,046,614	2,853,044
Less accumulated depreciation	(692,056)	(546,549)
Total	$ 2,354,558	$ 2,306,495
Land	$ 1,003,216	$ 1,003,216

NOTE G – LINE-OF-CREDIT OUTSTANDING

ACCION has a line-of-credit with a financial institution. The current agreement allows for draws up to $600,000 and expires upon full payment of the outstanding balance and execution of a written termination agreement with the financial institution. The financial institution charges interest on the line-of-credit at 2%. The line-of-credit is unsecured. The balance on the line-of-credit was $0 at both December 31, 2015 and 2014, respectively. The line-of-credit is available to be drawn down by ACCION. No restrictive covenants apply to the line-of-credit.

ACCION has a second line-of-credit with a financial institution. The agreement allows for draws up to $1,000,000 and expires upon full payment of the outstanding balance in August 2017. The financial institution charges interest on the line-of-credit at 2%. The line-of-credit is unsecured. The balance on the line-of-credit was $0 and $1,000,000 at December 31, 2015 and 2014, respectively. There were no restrictive covenants on the line-of-credit.

During 2015, ACCION entered into a third line-of-credit with a financial institution. The agreement allows for draws up to $1,000,000 and expires upon full payment of the outstanding balance in October 2020. The financial institution charges interest on the line-of-credit at 2%. The line-of-credit is unsecured. The balance on the line-of-credit was $0 at December 31, 2015. There are restrictive covenants on the line-of-credit. ACCION was in compliance with all such restrictive covenants.

NOTE H – NOTES PAYABLE

	2015	2014
Note payable to bank, due as follows: $1,000,000 due September 2019, September 2020, and September 2021, with remaining balance due September 2022, 3% interest per annum.	$ 4,991,957	$ 4,990,442
Note payable to bank, full payment due June 2016, 0% interest per annum.	1,000,000	1,000,000
Note payable to bank, due September 2016, 2% interest per annum.	1,000,000	1,000,000
Note payable to Kellogg Foundation, $200,000 due 2021 - 2025, 1% interest per annum.	1,000,000	-
Note payable to Piton Foundation, full payment due September 2020, 2% interest per annum.	1,000,000	-
U.S. Department of Treasury, full payment due September 2017, 1.4% interest per annum.	500,000	500,000
Note payable to bank, full payment due February 2017, 2% interest per annum.	425,000	425,000
Note payable to bank, due December 2025, 2% interest per annum, subordinated loan.	400,000	400,000
Note payable to bank, due September 2026, 2% interest per annum, subordinated loan.	250,000	250,000
Note payable to financial institution, full payment due April 2016, 2% interest per annum.	20,000	20,000
	$ 10,586,957	$ 8,585,442

NOTE H – NOTES PAYABLE – CONTINUED

At December 31, 2015, future note repayments are as follows:

2016	$ 2,020,000
2017	925,000
2018	-
2019	1,000,000
2020	2,000,000
Thereafter	4,641,957
	$ 10,586,957

ACCION records in-kind contributions and in-kind interest expense on zero-percent and below market rate notes in the period the interest savings benefit is realized. ACCION recorded $83,545 and $60,052 in imputed interest, using a rate of 3.25% during each of the years ended December 31, 2015 and 2014, respectively. ACCION also incurred $317,645 and $206,262 in interest expense for these notes for the years ended December 31, 2015 and 2014, respectively.

The terms of the notes payable to the banks and foundations place certain restrictions on ACCION, principally to meet certain financial position and performance tests. The primary requirements include minimum capital requirements, minimum loan loss allowance requirements, and maximum bank concentration requirements. At December 31, 2015, ACCION was in compliance with all such requirements. All notes payable are unsecured.

NOTE I – FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ACCION has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE I – FAIR VALUE MEASUREMENTS – CONTINUED

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015.

Mutual funds: Valued at the net asset value (NAV) of shares held by the respective mutual fund. Net asset value is based on aggregate fair values of all individual shares traded on active markets.

Equity securities: Valued at publicly traded market value.

Embedded derivative instrument: Estimated based on the present value of the estimated allowance for loan loss on 75% of participation loans.

Government and agency securities and corporate bonds: Valued at an evaluated price which is based on a compilation of primarily observable market information or a broker quote in a nonactive market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ACCION believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE I – FAIR VALUE MEASUREMENTS – CONTINUED

Fair values of assets measured are as follows:

Assets at Fair Value as of December 31, 2015

	Level 1	Level 2	Level 3	Total
Government and agency securities:				
Intermediate term bond	$ 7,111	$ 35,718	$ -	$ 42,829
Long term bond	17,281	2,849	-	20,130
Short term bond	-	16,062	-	16,062
Corporate bonds:				
Intermediate term bond	-	19,315	-	19,315
Long term bond	-	15,448	-	15,448
Short term bond	-	10,537	-	10,537
Equity securities:				
Financials	144,219	-	-	144,219
Information Technology	127,184	-	-	127,184
Health Care	60,013	-	-	60,013
Consumer Discretionary	62,355	-	-	62,355
Consumer Staples	40,596	-	-	40,596
Industrials	32,039	-	-	32,039
Energy	15,577	-	-	15,577
Materials	17,836	-	-	17,836
Telecommunication Services	9,293	-	-	9,293
Utilities	4,904	-	-	4,904
Mutual funds:				
Fixed income	168,413	-	-	168,413
Equities blend	120,086	-	-	120,086
Embedded derivative instrument	-	-	219,844	219,844
Total assets at fair value	$ 826,907	$ 99,929	$ 219,844	$ 1,146,680

NOTE I – FAIR VALUE MEASUREMENTS – CONTINUED

Assets at Fair Value as of December 31, 2014

	Level 1	Level 2	Level 3	Total
Government and agency securities:				
Long term bond	$ 10,251	$ 48,929	$ -	$ 59,180
Short term bond	-	16,546	-	16,546
Corporate bonds:				
Intermediate term bond	-	35,027	-	35,027
Long term bond	-	8,982	-	8,982
Short term bond	-	4,133	-	4,133
Equity securities:				
Financials	142,051	-	-	142,051
Information Technology	102,962	-	-	102,962
Health Care	53,046	-	-	53,046
Consumer Discretionary	51,496	-	-	51,496
Consumer Staples	38,052	-	-	38,052
Industrials	33,336	-	-	33,336
Energy	31,974	-	-	31,974
Materials	28,863	-	-	28,863
Telecommunication Services	13,279	-	-	13,279
Utilities	7,579	-	-	7,579
Mutual funds:				
Fixed income	170,509	-	-	170,509
Equities blend	157,183	-	-	157,183
Embedded derivative instrument	-	-	223,181	223,181
Total assets at fair value	$ 840,581	$ 113,617	$ 223,181	$ 1,177,379

The following table sets forth a summary of changes in the fair value of ACCION's level 3 assets for the year ended December 31, 2015:

	Embedded Derivative Instrument
Balance, beginning of year	$ 223,181
Change in fair value	(3,337)
Purchases, sales, and settlements	
Purchases	-
Sales	-
Balance, end of year	$ 219,844

NOTE J – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014, are available for the following:

	2015	2014
Restricted for purpose:		
Operating activities	$ 170,517	$ -
Restricted for time:		
Pledges receivable	204,968	259,406
Less: Allowance for uncollectible unconditional promises to give	(12,936)	(11,166)
Less: Discount on unconditional promises to give	(9,133)	(15,629)
	$ 353,416	$ 232,611

Temporarily restricted net assets released from restrictions at December 31, were comprised of the following:

	2015	2014
Restricted for time and/or purpose:		
Various grants and donations	$ 870,743	$ 415,020
Restricted for time:		
Pledges receivable	515,983	2,278,907
	$ 1,386,726	$ 2,693,927

NOTE K – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets may be invested in ACCION's loan portfolio, cash, land, or investments, as designated by the donor. Permanently restricted net assets at December 31, 2015 and 2014, were restricted for the following purposes:

	2015	2014
Loan portfolio	$ 1,171,493	$ 786,493
Land and buildings	500,000	500,000
Operations	706,178	701,178
	$ 2,377,671	$ 1,987,671

NOTE L – ENDOWMENT FUNDS

1. Interpretation of Relevant Law

ACCION's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of New Mexico during 2009 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ACCION classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to permanent endowments, and (3) accumulations to the permanent endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any donor restrictions, investment income will be classified as unrestricted. ACCION's endowments include only donor-restricted endowment funds.

The following table reflects permanently restricted net assets subject to UPMIFA. Excluded permanently restricted net assets at December 31, 2015 and 2014, are $500,000 in land and a building.

Endowment Net Asset Composition by Type of Fund as of December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,877,671	$ 1,877,671
Total funds	$ -	$ -	$ 1,877,671	$ 1,877,671

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 1,487,671	$ 1,487,671
Investment return:				
Investment income	123,291	-	-	123,291
Net depreciation (realized and unrealized)	(43,584)	-	-	(43,584)
	79,707	-	1,487,671	1,567,378
Contributions	-	-	390,000	390,000
Appropriation of endowment assets for expenditure	(70,414)	-	-	(70,414)
Other changes:				
Administration fees	(9,293)	-	-	(9,293)
Endowment net assets, end of year	$ -	$ -	$ 1,877,671	$ 1,877,671

NOTE L – ENDOWMENT FUNDS – CONTINUED

1. Interpretation of Relevant Law – Continued

Endowment Net Asset Composition by Type of Fund as of December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,487,671	$ 1,487,671
Total funds	$ -	$ -	$ 1,487,671	$ 1,487,671

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 1,377,671	$ 1,377,671
Investment return:				
Investment income	31,698	-	-	31,698
Net appreciation (realized and unrealized)	10,277	-	-	10,277
	41,975	-	1,377,671	1,419,646
Contributions	-	-	110,000	110,000
Appropriation of endowment assets for expenditure	(30,551)	-	-	(30,551)
Other changes:				
Administration fees	(11,424)	-	-	(11,424)
Endowment net assets, end of year	$ -	$ -	$ 1,487,671	$ 1,487,671

	2015	2014
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 1,877,671	$ 1,487,671
Land and building	500,000	500,000
Total permanently restricted net assets	$ 2,377,671	$ 1,987,671

NOTE L – ENDOWMENT FUNDS – CONTINUED

2. Investment and Spending Objectives

Endowment funds may be invested in ACCION's loan portfolio, cash, or investments, as designated by the donor. Portions of ACCION's investment balances meet liquidity needs and preserve capital. Investment and interest income earned on endowment restricted assets are considered unrestricted and are available for spending. The overall return goal targets an excess of the current bond yield while protecting principal. The primary risk control mechanism for endowment funds is asset allocation, and within the asset allocation, diversification between asset classes. Currently, the target asset allocation model for endowment funds is 60% equities, 25% fixed income, and 15% alternative investments (such as gold and real estate). These targets were met during the current year. Investment advisors have been retained for investment purposes and the investment committee periodically monitors performance.

The following table reflects the assets held for the endowment funds:

	2015	2014
Restricted endowment investment securities	$ 926,836	$ 954,198
Investments in loan portfolio	917,462	-
Restricted endowment cash	33,373	533,473
	$ 1,877,671	$ 1,487,671

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires ACCION to retain as a fund of perpetual duration. There was no deficiency in endowment funds at December 31, 2015 and 2014.

NOTE M – EMPLOYEE SAVINGS PLAN

ACCION sponsors a SIMPLE IRA tax-deferred saving incentive match plan, which covers full-time employees who earned at least $5,000 with ACCION in the previous calendar year. ACCION will match up to 3% of an employee's annual compensation, and these contributions are 100% vested. Employee contribution limits for the years ended December 31, 2015 and 2014, as established by the Internal Revenue Service, were $12,500 and $12,000, respectively. For the years ended December 31, 2015 and 2014, ACCION's expense for the plan was $47,132 and $32,383, respectively.

NOTE N – CONTINGENCIES

Expenditures under grant programs may be subject to program or compliance audits by the grantor which may result in disallowed program expenditures. There are no such audits in progress at December 31, 2015.

NOTE O – SERVICES RECEIVED FROM AN AFFILIATE

ACCION New Mexico, Inc. is a member of the ACCION U.S. Network (Network), a nationwide micro and small-business lending network consisting of four individually governed and managed not-for-profit ACCION branded member organizations that each serve specified geographies and collectively serve thousands of clients nationwide.

ACCION, the U.S Network, Inc. (AUSN) licenses the ACCION brand from ACCION International and sublicenses the brand to the four Network member organizations for an annual fee. All of the Network member organizations are represented in the governance of AUSN. AUSN raises funds that enable it to a) provide financial support and services to the member organizations b) fund the out-of-pocket costs of building technology and infrastructure to serve the operating processes of its members, and c) provide information sharing and establish and monitor required minimum member operating standards. Accion New Mexico, Inc. works collaboratively with AUSN and the other Network member organizations to develop and improve the efficiency and effectiveness of key processes, together with supporting technology designed to benefit all Network members. AUSN and each Network member organization accounts for its own costs related to these collaborative development activities.

NOTE P – NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) has recently issued Accounting Standards Update (ASU) 2014-09, *(Topic 606): Revenue from Contracts with Customers* that was designed to develop a common revenue standard for U.S. GAAP and international standards. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Steps to apply the core principle are as follows:

1. Identify the contract(s) with the customer
2. Identify the separate performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue when a performance obligation is satisfied

Several new disclosures will also be required to include sufficient information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This ASU will be effective for annual periods beginning after December 15, 2018.

NOTE P – NEW ACCOUNTING STANDARDS – CONTINUED

On February 25, 2016, the Financial Accounting Standards Board issued ASU 2016-02 *Leases* (FASB Codification Topic 842) which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB Codification Topic 840. With this update, GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position (balance sheet) and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2019.

As of the date of these financial statements, management has not determined the impact these new ASUs will have on future reporting periods.

SUPPLEMENTARY INFORMATION

ACCION New Mexico, Inc. and Subsidiaries

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2015

Federal Grantor - Pass-through Grantor - Program Title	Federal CFDA Number	Expenditures
Department of Treasury		
Community Development Financial Institutions Fund Program		
Financial Assistance - 151FA013713	21.020	$ 1,360,000
Department of Commerce		
Economic Development Administration		
EA Assistance - Implementation of Presto Loan Program - 08-79-04982	11.307	84,887
Department of Housing and Urban Development		
Passthrough Liftfund FKA Accion Texas		
Border Community Capital Initiative - BC-13-TX-C-0001	14.266	34,041
		$ 1,478,928

Notes to the Schedule of Expenditures of Federal Awards

NOTE A

The accompanying schedule of expenditures of federal awards includes the federal grant activity of ACCION New Mexico, Inc. and Subsidiaries and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. ACCION elected not to use the 10% de minimis indirect cost rate.

ATKINSON & CO. LTD
6501 AMERICAS PARKWAY NE , SUITE 700, ALBUQUERQUE, NM 87110
PO BOX 25246, ALBUQUERQUE, NM 87125
T 505 843 6492 F 505 843 6817 ATKINSONCPA.COM

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
ACCION New Mexico, Inc. and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of ACCION New Mexico, Inc. and Subsidiaries (ACCION), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered ACCION's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACCION's internal control. Accordingly, we do not express an opinion on the effectiveness of ACCION's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACCION's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ACCION's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACCION's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
March 30, 2016

ATKINSON & CO. LTD
6501 AMERICAS PARKWAY NE , SUITE 700, ALBUQUERQUE, NM 87110
PO BOX 25246, ALBUQUERQUE, NM 87125
T 505 843 6492 F 505 843 6817 ATKINSONCPA.COM

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
ACCION New Mexico, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited ACCION New Mexico, Inc. and Subsidiaries' (ACCION) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ACCION's major federal programs for the year ended December 31, 2015. ACCION's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of ACCION's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ACCION's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ACCION's compliance.

Opinion on Each Major Federal Program

In our opinion, ACCION complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of ACCION is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ACCION's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ACCION's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
March 30, 2016

ACCION New Mexico, Inc. and Subsidiaries

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2015

I. Summary of Auditors' Results

A. An unmodified opinion was issued on the consolidated financial statements of ACCION New Mexico, Inc. and Subsidiaries.

B. No instances of noncompliance with laws and regulations or the provisions of contracts and grant agreements that are material to the consolidated financial statements were disclosed during the audit.

C. Internal control over financial reporting:

- Material weaknesses identified Yes___ No_X_
- Significant deficiencies identified Yes___ None Reported _X_

D. The Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance expresses an unmodified opinion on all major programs.

E. Federal awards:

Internal control over major programs:

- Material weaknesses identified Yes___ No_X_
- Significant deficiencies identified Yes___ None Reported _X_

F. There are no audit findings that are required to be reported in accordance with the Uniform Guidance.

G. The ISP programs tested as major programs included: Financial Assistance – CFDA No. 21.020

H. The threshold for distinguishing Types A and B programs was $750,000.

I. ACCION New Mexico, Inc. and Subsidiaries was determined not to be a low-risk auditee.

II. Financial Statement Audit Findings

None

III. Findings and Questioned Costs – Major Federal Award Programs

None

IDENTIFICATION OF AUDIT PRINCIPAL

For the Year Ended December 31, 2015

Audit Principal:	Barbara Lewis, CPA
Name and address of independent accounting firm:	Atkinson & Co., Ltd. 6501 Americas Parkway NE Suite 700 Albuquerque, New Mexico 87110
Audit period:	Year Ended December 31, 2015
Telephone Number:	(505) 843-6492
Federal Employee ID Number:	85-0211867

ATKINSON & CO. LTD
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

6501 AMERICAS PARKWAY NE
SUITE 700
ALBUQUERQUE, NM 87110

T 505 843 6492
F 505 843 6817
ATKINSONCPA.COM

Hamilton Lane

Silver State Opportunities Fund LLC

Second Quarter Fiscal 2017 Report

Table of Contents

Section 1:

Portfolio Update

Hamilton Lane was engaged by the Nevada Capital Investment Corporation ("NCIC") in August of 2012, to provide investment management services through the Silver State Opportunities Fund LLC ("Silver State" or the "Fund"). In September 2012, Hamilton Lane opened its Nevada office to oversee the management the Fund; David Helgerson, Miguel Luina, and Anup Sharma serve as the main points of contact from Hamilton Lane for the Fund. Silver State's investments are to include both partnerships and co-investments focusing on compelling investments across various investment strategies (buyout, venture capital, growth, mezzanine, distressed, and special situations) with a significant presence in Nevada. The NCIC has committed $50 million to the Fund, and Hamilton Lane has committed $0.5 million to the vehicle. The chart below presents an overview of the Fund and investment portfolio as of December 31, 2016.

Silver State Opportunities Fund LLC Overview		
General Overview		
Closing Date	August 1, 2012	
Vintage Year	2013	
Termination Date of Fund (1)	August 1, 2022	
Committed Capital (Fund Size)	$50,505,051	
$ millions	**12/31/2015(3)**	**12/31/2016**
Partnerships	7	7
Capital Committed to Partnerships	$23.6	$23.6
Unfunded Commitment to Partnerships	$14.1	$10.6
Paid-In Capital	$10.0	$14.4
Capital Distributed	$1.2	$3.0
Market Value	$9.5	$14.0
Since Inception IRR (gross)	6.50%	11.52%
Active Co-Investments	4	7
Paid-In Capital to Co-Investments	$11.9	$20.9
Capital Distributed from Co-Investments	$0.4	$0.9
Market Value	$12.6	$20.0
Since Inception IRR (gross)	7.92%	(0.06%)
Silver State Total		
Total Capital Committed to Investments	$35.5	$44.6
Paid-In Capital	$21.9	$35.3
Capital Distributed	$1.6	$3.9
Market Value	$22.0	$34.0
Total Value Multiple	1.13x	1.07x
Since Inception IRR (gross) (2)	13.83%	4.79%
Since Inception IRR (net)	3.13%	(0.11%)

(1) Term may be extended by the Manager for up to two successive one-year periods in its sole discretion. Per the terms of the Amended and Restated LLC Agreement, NCIC and the Manager may make an additional capital commitment at the end of the Commitment Period of the First Tranche. Should NCIC elect to make a Second Tranche Commitment, the termination date of the Fund will change.

(2) Gross IRR does not include payments for Hamilton Lane management fees or Fund partnership expenses.

(3) Prior quarter information is based upon the financial information presented in the Silver State Opportunities Fund LLC Second Quarter Fiscal 2016 Alternative Investment Report.

Investments

Since the inception of the fund, $35.3 million has been called and $3.9 million has been distributed.

Investment details as of December 31, 2016 are provided in the chart below.

INVESTMENT NAME	INVESTMENT STRATEGY	CAPITAL COMMITTED	PAID-IN CAPITAL [1]	CAPITAL DISTRIBUTED	REPORTED MARKET VALUE	IRR [2]
Partnerships						
Brentwood Associates Private Equity V, L.P.	Corp Fin/Buyout	$ 3,000,000	$ 1,796,651	$ 718,854	$ 1,356,741	15.59%
Convergent Capital Partners III, L.P.	Mezzanine	5,000,000	3,264,482	-	3,844,186	10.19%
Enhanced Small Business Investment Company, L.P.	Mezzanine	2,600,000	1,689,929	534,027	1,866,140	16.61%
Graycliff Private Equity Partners III, L.P.	Corp Fin/Buyout	1,000,000	746,244	354,542	374,538	(2.69%)
Huntington Capital Fund III, L.P.	Mezzanine	5,000,000	3,213,463	410,712	3,130,099	7.89%
Sorenson Capital Partners III, L.P.	Corp Fin/Buyout	2,000,000	1,037,025	18	1,059,446	2.00%
Waterton Precious Metals Fund II Cayman, L.P.	Corp Fin/Buyout	5,000,000	2,694,041	948,016	2,419,086	13.21%
Partnerships Total		**$ 23,600,000**	**$ 14,441,834**	**$ 2,966,169**	**$ 14,050,236**	**11.52%**
Co-Investments [3]	Corp Fin/Buyout	$ 21,008,209	$ 20,887,675	$ 916,537	$ 19,951,419	(0.06%)
Total		**$ 44,608,209**	**$ 35,329,509**	**$ 3,882,706**	**$ 34,001,655**	**4.79%**

[1] Paid-In Capital includes amounts paid for investments, management fees and expenses.

[2] IRR is net of management fees, but gross of HL Fees.

[3] Co-Investments have been blinded upon client request.

Nevada Impact[4]

As of June 30, 2016, the Fund's partnerships opened five new offices in Nevada and hired four locally-based investment professionals. The Fund has made over 270 introductions for Nevada-based companies to private equity managers, helping increase the availability of capital to companies within the State. The Fund and its partners have invested $528.8 million in twenty-five Nevada companies. Those investments have helped support $1,973 million of total capital raised in Nevada through additional equity and debt financings.

The Fund's portfolio companies have grown Nevada employment by 15% since receiving their initial investment from SSOF, from 1,440 to 1,660 total employees. SSOF portfolio companies create high quality jobs, resulting in attractive wages for their employees. The average wage for Nevada employees at SSOF portfolio companies is $50k, 18% higher than the average Nevada wage[5] and 4% higher than the average national wage[6] in 2015.

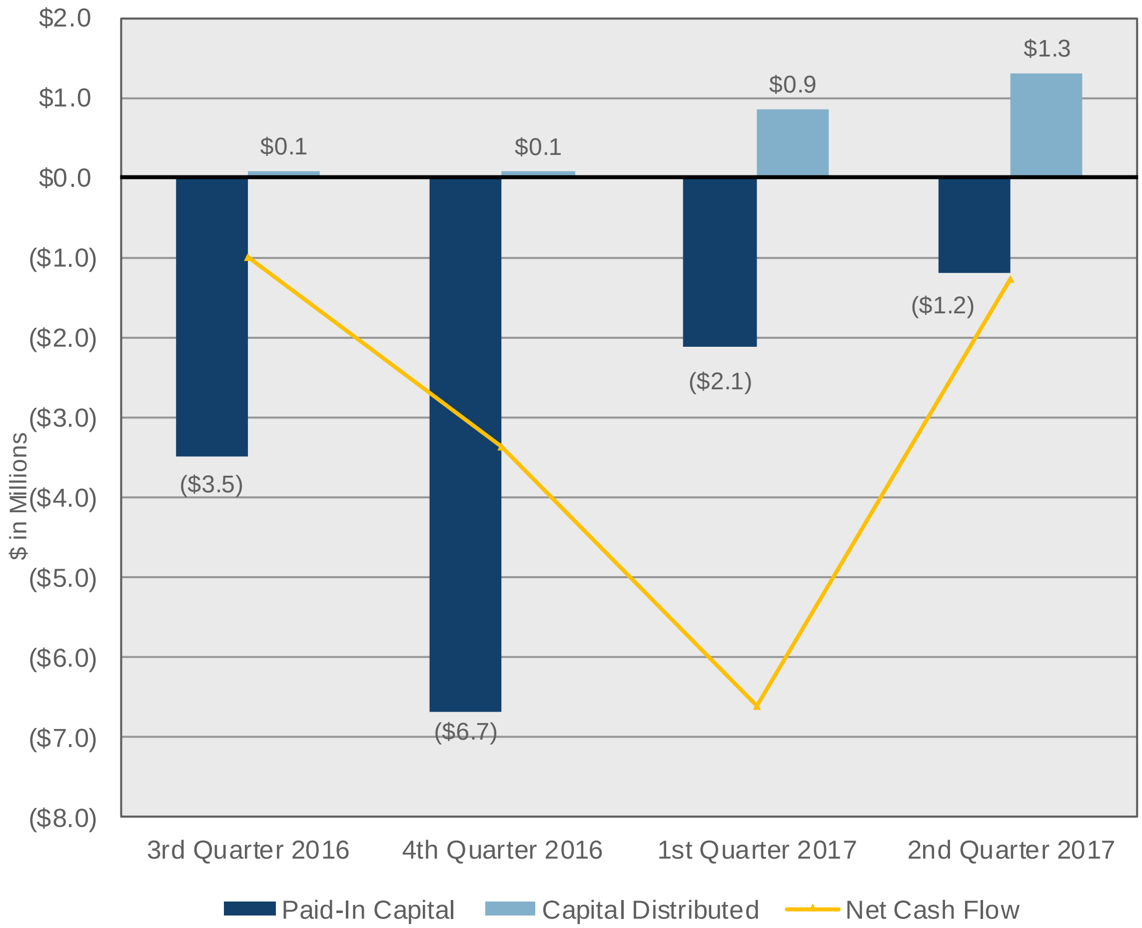
[4] As of June 30, 2016

[5] Based on Nevada Department of Employment and Training 2015 average wage for all Nevada occupations.

[6] Based on Bureau of Labor Statistics 2015 average wage for all U.S. occupation.

Cash Flows

The chart below presents the investment cash flows for the four quarters ended December 31, 2016.



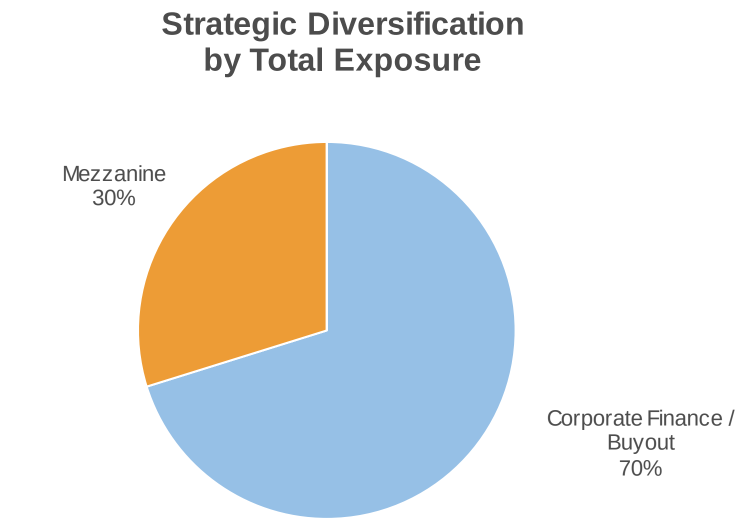
During the quarter, the Fund invested $1.2 million to underlying partnerships. The Fund did not make any additional contributions to co-investments. The Fund received $1.3 million in distributions during the quarter. Software Paradigms International, an information technology service provider for retailers worldwide, distributed $0.2 million. Underlying partnerships distributed $1.1 million.

Investment Returns

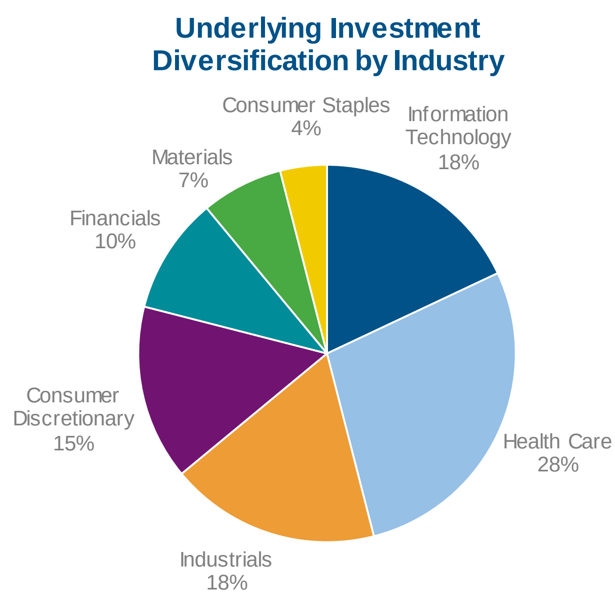
As of December 31, 2016, the Fund has generated a gross internal rate of return ("IRR") of 4.79% and net IRR, including management fees paid to Hamilton Lane, of (0.11%). Additionally, the Portfolio has a gross total value multiple of 1.07x. The positive performance for the quarter can be attributed to the net value change of two co-investments, Software Paradigms International and Super Color Digital, as well as the overall performance of the majority of underlying partnerships.

Diversification

The Fund has committed to seven co-investments and seven fund investments as of December 31, 2016. The strategic diversification information presented in the chart below is based on total exposure as of December 31, 2016, which is the sum of unfunded commitments plus adjusted market values.

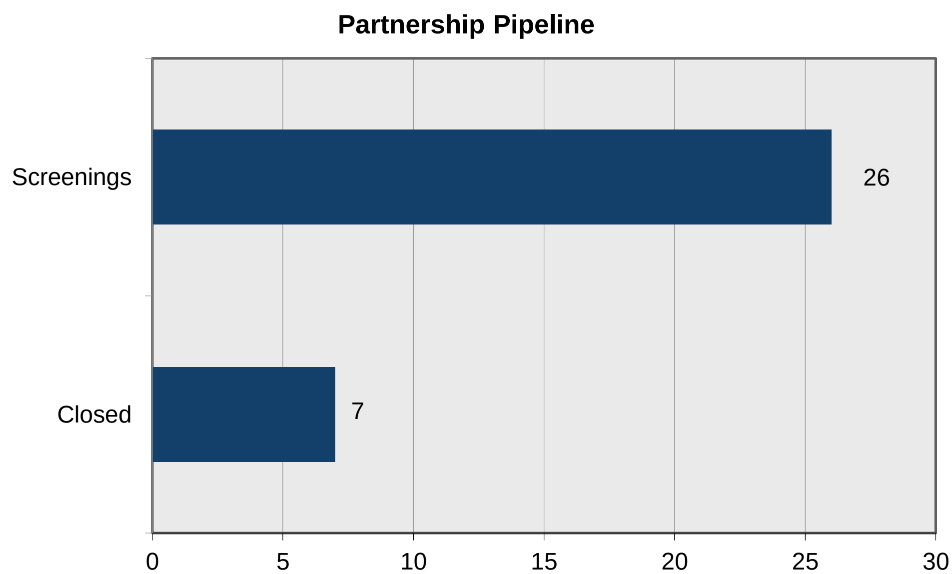


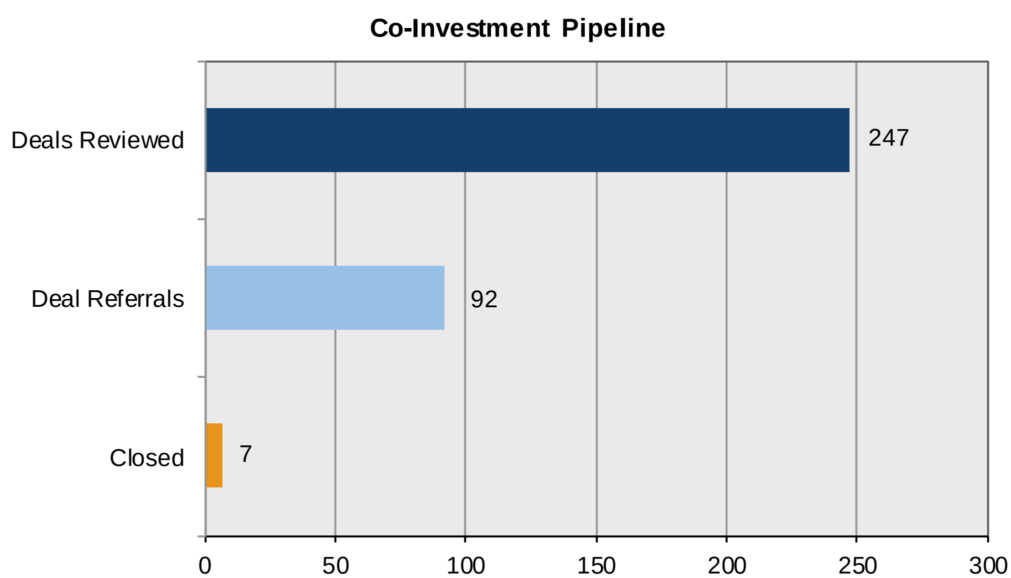
The chart below displays the diversification of the Fund's underlying holdings by industry as of December 31, 2016. These amounts will change as new investments are made across varying investment strategies and industries.



Deal Flow

The charts below provide detail regarding partnership and co-investment deal flow for the Fund during the Commitment Period.





During the Commitment Period, Hamilton Lane evaluated 26 partnership and 247 co-investment opportunities for the Fund.

Silver State Opportunities Fund LLC

Second Quarter Fiscal 2017 Report (unaudited)

Section 2:

Financial Statements

SILVER STATE OPPORTUNITIES FUND LLC

Financial Statements

December 31, 2016

The Manager
Silver State Opportunities Fund LLC

Management is responsible for the accompanying financial statements of Silver State Opportunities Fund LLC (the "Company") (a Nevada limited liability company), which comprise the statements of assets, liabilities and members' equity, including the schedules of fund investments and co-investments, as of December 31, 2016 and June 30, 2016, and the related statements of operations, changes in members' equity and cash flows for the six months ended December 31, 2016 and the year ended June 30, 2016 in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, including the schedules of fund investments and co-investments, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements, including the schedules of fund investments and co-investments.

The supplemental information contained on pages 2-16 and 2-17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements, including the schedules of fund investments and co-investments, are not designed for those who are not informed about such matters.

We are not independent with respect to Silver State Opportunities Fund LLC.

Stone Pine Accounting Services, LLC

Denver, Colorado
April 25, 2017

Statements of Assets, Liabilities and Members' Equity

	December 31, 2016	June 30, 2016
Assets		
Investments, at fair value:		
Fund investments (net cost - $12,339,835 and $12,046,725, respectively)	$14,050,236	$12,895,319
Co-investments (net cost - $20,599,142 and $18,920,238, respectively)	19,951,419	17,752,960
Total investments	34,001,655	30,648,279
Cash	518,922	1,676,802
Receivable from Manager	1,980	-
Interest receivable	-	67,708
Total assets	$34,522,557	$32,392,789
Liabilities and members' equity		
Liabilities:		
Accounts payable and accrued expenses	$ 59,799	$ 45,680
Payable to affiliate	-	11,132
Total liabilities	59,799	56,812
Members' equity:		
Nevada Capital Investment Corporation	34,118,149	32,012,617
HL Nevada Fund Manager LLC	344,609	323,360
Total members' equity	34,462,758	32,335,977
Total liabilities and members' equity	$34,522,557	$32,392,789

See accountants' compilation report.

Statements of Operations

	Six Months Ended December 31, 2016	Year Ended June 30, 2016
Investment income (loss)		
Income:		
Dividend and interest income	$ 552,445	$ 453,585
Total income	552,445	453,585
Expenses:		
Management fees	182,667	500,000
Administration fees	22,050	43,050
Interest	-	27,934
Audit and tax fees	17,000	26,099
Consulting fees	6,925	13,520
Bank charges	8,532	11,132
Custodial fees	750	1,500
Conferences	10,755	125
Other	313	670
Total expenses	248,992	624,030
Net investment income (loss)	303,453	(170,445)
Net realized and unrealized gain (loss) on investments		
Net realized gain on investments	208,022	-
Net change in unrealized appreciation (depreciation) on investments	1,381,362	(3,035,920)
Net realized and unrealized gain (loss) on investments	1,589,384	(3,035,920)
Net increase (decrease) in members' equity resulting from operations	$1,892,837	$(3,206,365)

See accountants' compilation report.

Statements of Changes in Members' Equity

Six months ended December 31, 2016 and the year ended June 30, 2016

	Nevada Capital Investment Corporation	HL Nevada Fund Manager LLC	Total
Members' equity at June 30, 2015	$21,332,396	$341,261	$21,673,657
Contributions received from members	14,435,530	140,760	14,576,290
Distributions paid to members	(700,528)	(7,077)	(707,605)
Net investment (loss) income:			
Management fees	(500,000)	-	(500,000)
Other	326,257	3,298	329,555
Net change in unrealized depreciation on investments	(3,005,562)	(30,358)	(3,035,920)
Reversal of carried interest allocation	124,524	(124,524)	-
Members' equity at June 30, 2016	32,012,617	323,360	32,335,977
Contributions received from members	1,572,669	14,021	1,586,690
Distributions paid to members	(1,339,219)	(13,527)	(1,352,746)
Net investment income:			
Management fees	(182,667)	-	(182,667)
Other	481,259	4,861	486,120
Net realized gain on investments	205,942	2,080	208,022
Net change in unrealized appreciation on investments	1,367,548	13,814	1,381,362
Members' equity at December 31, 2016	$34,118,149	$344,609	$34,462,758

See accountants' compilation report.

Statements of Cash Flows

	Six Months Ended December 31, 2016	Year Ended June 30, 2016
Cash flows from operating activities		
Net increase (decrease) in members' equity resulting from operations	$1,892,837	$ (3,206,365)
Adjustments to reconcile net increase (decrease) in members' equity resulting from operations to net cash used in operating activities:		
Non-cash interest income	(21,223)	(12,950)
Net realized gain on investments	(208,022)	-
Net change in unrealized (appreciation) depreciation on investments	(1,381,362)	3,035,920
Contributions to fund investments	(1,323,046)	(4,656,745)
Distributions received from fund investments accounted for as:		
Return of capital	1,029,936	363,374
Realized gains	208,022	-
Purchase of co-investments	(1,657,681)	(7,684,719)
Change in assets and liabilities:		
Receivable from Manager	(1,980)	-
Interest receivable	67,708	(67,708)
Accounts payable and accrued expenses	14,119	(2,290)
Payable to affiliate	(11,132)	11,132
Net cash used in operating activities	(1,391,824)	(12,220,351)
Cash flows from financing activities		
Contributions received from members	1,586,690	14,576,290
Distributions paid to members	(1,352,746)	(707,605)
Net cash provided by financing activities	233,944	13,868,685
Net (decrease) increase in cash	(1,157,880)	1,648,334
Cash – beginning of period	1,676,802	28,468
Cash – end of period	$ 518,922	$ 1,676,802
Supplemental disclosure of cash flow information		
Interest paid during the period	$ -	$ 27,934

See accountants' compilation report.

Schedule of Fund Investments

December 31, 2016

Investments	Investment Commitments	Net Cost*	Fair Value	Percentage of Members' Equity
Corporate finance/buyout				
Brentwood Associates Private Equity V, L.P.	$ 3,000,000	$ 1,224,023	$ 1,356,741	3.94%
Graycliff Private Equity Partners III LP	1,000,000	404,080	374,538	1.09
Sorenson Capital Partners III, LP	2,000,000	1,037,025	1,059,446	3.07
Waterton Precious Metals Fund II Cayman, LP	5,000,000	1,858,511	2,419,086	7.02
	11,000,000	4,523,639	5,209,811	15.12
Mezzanine				
Convergent Capital Partners III, L.P.	5,000,000	3,264,482	3,844,186	11.15
Enhanced Small Business Investment Company, LP	2,600,000	1,641,043	1,866,140	5.42
HCAP Partners III, L.P.	5,000,000	2,910,671	3,130,099	9.08
	12,600,000	7,816,196	8,840,425	25.65
Total fund investments	$23,600,000	$12,339,835	$14,050,236	40.77%

*Net cost is equal to cumulative capital contributions, net of return of capital distributions.

See accountants' compilation report.

Schedule of Fund Investments

June 30, 2016

Investments	Investment Commitments	Net Cost*	Fair Value	Percentage of Members' Equity
Corporate finance/buyout				
Brentwood Associates Private Equity V, L.P.	$ 3,000,000	$ 1,031,939	$ 1,129,924	3.49%
Graycliff Private Equity Partners III LP	1,000,000	737,456	674,152	2.08
Sorenson Capital Partners III, LP	2,000,000	755,470	639,538	1.98
Waterton Precious Metals Fund II Cayman, LP	5,000,000	2,631,771	2,892,919	8.95
	11,000,000	5,156,636	5,336,533	16.50
Mezzanine				
Convergent Capital Partners III, L.P.	5,000,000	3,264,482	3,711,968	11.48
Enhanced Small Business Investment Company, LP	2,600,000	1,641,043	1,856,740	5.74
HCAP Partners III, L.P.	5,000,000	1,984,564	1,990,078	6.16
	12,600,000	6,890,089	7,558,786	23.38
Total fund investments	$23,600,000	$12,046,725	$12,895,319	39.88%

*Net cost is equal to cumulative capital contributions, net of return of capital distributions.

See accountants' compilation report.

Schedule of Co-Investments

December 31, 2016

Investments	Invested Amount	Cumulative PIK Interest/ Amortization	Cumulative Return of Capital Distributions	Net Cost	Fair Value	Percentage of Members' Equity
Investment in Kareo, Inc., a cloud-based medical software platform for small physician practices						
Montreux Equity Partners V Associates IIIB, LLC, 17.15% member interest	$ 3,400,000	$ -	$ -	$ 3,400,000	$ 4,121,208	11.96%
Investment in Marshall Retail Group Holding Company, Inc., a specialty retailer providing turnkey solutions to casino hotels and airport operators						
MRG Acquisition Holdings, LLC, 195,500.8034 class A units	2,000,000	-	-	2,000,000	2,067,767	6.00
Investment in Providence Corporate Development Holding Company, a provider of corporate sales training solutions						
11,273.6924 shares of MHI Super Holdings, Inc. common stock						
14,073.6951 shares of Providence Corporate Development Holding Company common stock						
25,347.3875 total shares of common stock	3,571,621	-	-	3,571,621	-	-

See accountants' compilation report.

Schedule of Co-Investments (Continued)

December 31, 2016

Investments	Cumulative Invested Amount	Cumulative PIK Interest/ Amortization	Cumulative Return of Capital Distributions	Net Cost	Fair Value	Percentage of Members' Equity
Investment in Rural Physicians Group, provides rotating hospitalists to critical access and rural hospitals in the U.S.						
Rural Physicians Holdings, LLC, 2,157,680.25 class A-1 units	2,157,680	-	-	2,157,680	3,012,214	8.74
Investment in Softvision, LLC (formerly known as Software Paradigms International Group, LLC), an outsourced IT services software provider with an exclusive focus on mobile application development and maintenance						
$5,000,000, senior subordinated note, 12.5%, 11/23/2021	4,900,000	11,089	-	4,911,089	4,911,089	14.25
Investment in Super Color Digital, LLC, a turnkey provider of grand-format graphics, event structures, and visual solutions						
$1,429,381 subordinated note, 14%, 3/1/2021	1,426,563	23,084	-	1,449,647	1,429,381	
SCD Holdings LLC, 5,264.448 common units	609,105	-	-	609,105	664,268	
Total investment in Super Color Digital, LLC	2,035,668	23,084	-	2,058,752	2,093,649	6.07

See accountants' compilation report.

Schedule of Co-Investments (Continued)

December 31, 2016

Investments	Cumulative Invested Amount	Cumulative PIK Interest/ Amortization	Cumulative Return of Capital Distributions	Net Cost	Fair Value	Percentage of Members' Equity
Investment in Dermatology Management, LLC, an operator of dermatology clinics across Nevada, California and Arizona						
West Dermatology Management Holdings, LLC, 2,500,000 class B units	2,500,000	-	-	2,500,000	3,745,492	10.87
Total co-investments	$20,564,969	$34,173	$ -	$20,599,142	$19,951,419	57.89%

See accountants' compilation report.

Schedule of Co-Investments
June 30, 2016

	Cumulative					
Investments	Invested Amount	PIK Interest/ Amortization	Return of Capital Distributions	Net Cost	Fair Value	Percentage of Members' Equity
Investment in Kareo, Inc., a cloud-based medical software platform for small physician practices						
Montreux Equity Partners V Associates IIIB, LLC, 17.15% member interest	$ 3,400,000	$ -	$ -	$ 3,400,000	$ 4,121,208	12.75%
Investment in Marshall Retail Group Holding Company, Inc., a specialty retailer providing turnkey solutions to casino hotels and airport operators						
MRG Acquisition Holdings, LLC, 195,500.8034 class A units	2,000,000	-	-	2,000,000	1,725,046	5.33
Investment in Providence Corporate Development Holding Company, a provider of corporate sales training solutions						
11,273.6924 shares of MHI Super Holdings, Inc. common stock						
14,073.6951 shares of Providence Corporate Development Holding Company common stock						
25,347.3875 total shares of common stock	3,571,621	-	-	3,571,621	1,139,656	3.52

See accountants' compilation report.

Schedule of Co-Investments (Continued)

June 30, 2016

Investments	Invested Amount	Cumulative PIK Interest/ Amortization	Cumulative Return of Capital Distributions	Net Cost	Fair Value	Percentage of Members' Equity
Investment in Rural Physicians Group, provides rotating hospitalists to critical access and rural hospitals in the U.S.						
Rural Physicians Holdings, LLC, 2,000,000 class A-1 units	2,000,000	-	-	2,000,000	2,437,518	7.54
Investment in Softvision, LLC (formerly known as Software Paradigms International Group, LLC), an outsourced IT services software provider with an exclusive focus on mobile application development and maintenance						
$5,000,000, senior subordinated note, 12.5%, 11/23/2021	4,900,000	1,939	-	4,901,939	4,901,939	15.16
Investment in Super Color Digital, LLC, a turnkey provider of grand-format graphics, event structures, and visual solutions						
$1,414,857 subordinated note, 14%, 3/1/2021	1,426,562	11,011	-	1,437,573	1,414,857	
SCD Holdings LLC, 5,264.448 common units	609,105	-	-	609,105	598,432	
Total investment in Super Color Digital, LLC	2,035,667	11,011	-	2,046,678	2,013,289	6.23

See accountants' compilation report.

Schedule of Co-Investments (Continued)

June 30, 2016

Investments	Cumulative Invested Amount	Cumulative PIK Interest/ Amortization	Cumulative Return of Capital Distributions	Net Cost	Fair Value	Percentage of Members' Equity
Investment in Dermatology Management, LLC, an operator of dermatology clinics across Nevada, California and Arizona						
West Dermatology Management Holdings, LLC, 1,000,000 class B units	1,000,000	-	-	1,000,000	1,414,304	4.37
Total co-investments	$18,907,288	$12,950	$ -	$18,920,238	$17,752,960	54.90%

See accountants' compilation report.

Supplemental Information

Supplemental Schedule of Changes in Members' Capital Commitments

December 31, 2016

	Capital Commitments		Capital Drawdowns			
	Percentages	Amounts	Period From August 14, 2012 (Inception) Through June 30, 2016	Six Months Ended December 31, 2016	Recallable Distributions	Remaining Capital Commitments at December 31, 2016
Member						
Nevada Capital Investment Corporation	99.00%	$50,000,000	$(35,918,926)	$(1,572,669)	$1,164,038	$13,672,443
Manager						
HL Nevada Fund Manager LLC	1.00	505,051	(343,219)	(14,021)	11,758	159,569
	100.00%	$50,505,051	$(36,262,145)	$(1,586,690)	$1,175,796	$13,832,012

See accountants' compilation report.

Supplemental Schedule of Financial Highlights

Six months ended December 31, 2016

Financial highlights of the Company for the six months ended December 31, 2016 for the NCIC are as follows:

Ratios to average net assets (annualized):	
Net investment income	1.82 %
Operating expenses	1.51 %
Internal rates of return from inception through:	
December 31, 2016	(0.11)%
July 1, 2016	(4.81)%

See accountants' compilation report.

Section 3:

Market Update

Where Are We Now?

Fundraising and valuations reach highs with readily available debt, while liquidity recedes...

As Good as it Gets for Private Equity Fund-Raising

- Forbes, March 2017

Money for Nothing…The use of credit facilities to delay capital calls is now widespread. What is at risk?

- Private Equity International, February 2017

Dow Closes Above 20,000 Milestone as Stocks Notch Records

- MarketWatch, January 2017

Private Equity's Big Dry Powder Mountain

- Bloomberg, March 2017

Fed Raises Interest Rates for Third Time Since Financial Crisis

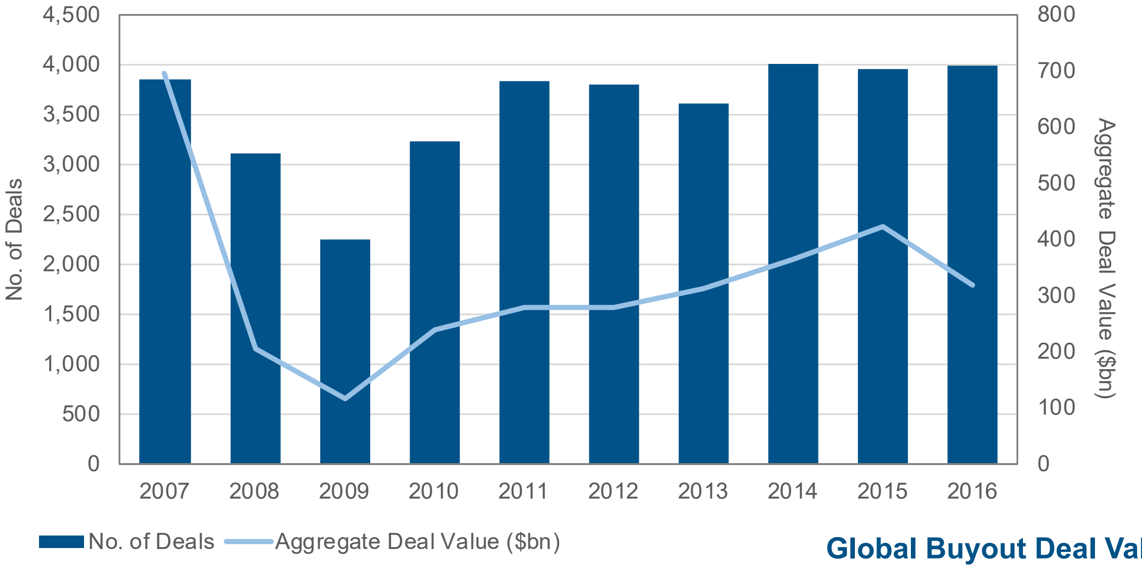
- New York Times, March 2017

...will interest rate increases provide a counterbalance?

Lower Deal Value Across More Deals

Global Annual Private Equity-Backed Buyout Deals

2007 - 2016



Source: Preqin (January 2017)

2016: Deal value ceases its climb

- Aggregate deal value of $319B 25% lower than previous year (Preqin)
  - Yet, still above lows seen from 2009 to 2013
- Deal volume holding steady

Notably, fewer mega deals in 2016

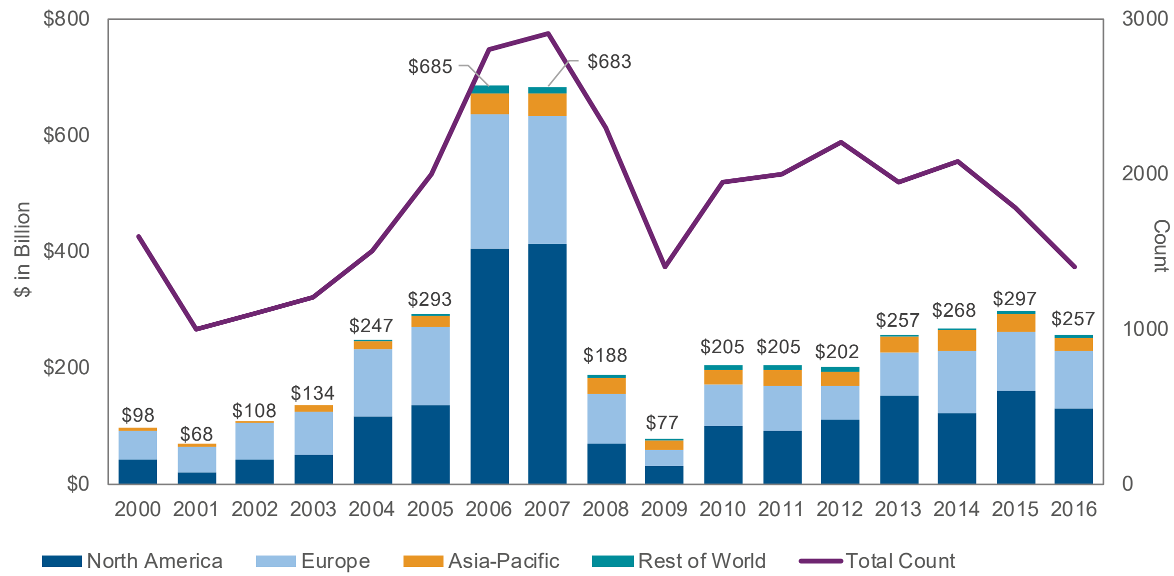
- Aggregate value of 10 largest deals fell 60% in 2016 (Preqin)

Value decline driven by North America

- North America back to 2014 levels
  - Was 2015 an anomaly?
- Asia deal value declined 26% from record high in 2015 (Bain)

Global Buyout Deal Value by Region

2000 - 2016



Source: Bain/Dealogic

Notes: Excludes add-ons, loan-to-own transactions and acquisitions of bankrupt assets; based on announcement date; includes announced deals that are completed or pending, with data subject to change; geography based on target's location; discrepancies in bar heights displaying the same values are due to rounding

Plenty of Deals, Even at High Prices

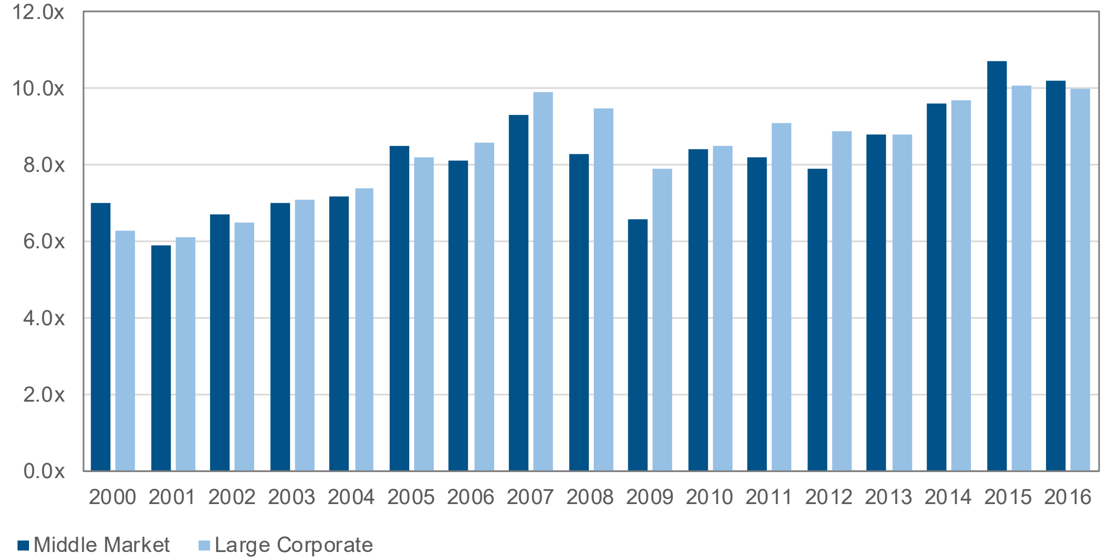
Pricing is Holding at Top of Market

- 10.0x EBITDA for second straight year
- Middle Market stays more expensive in 2016

Surprising Level of Competition from Corporations

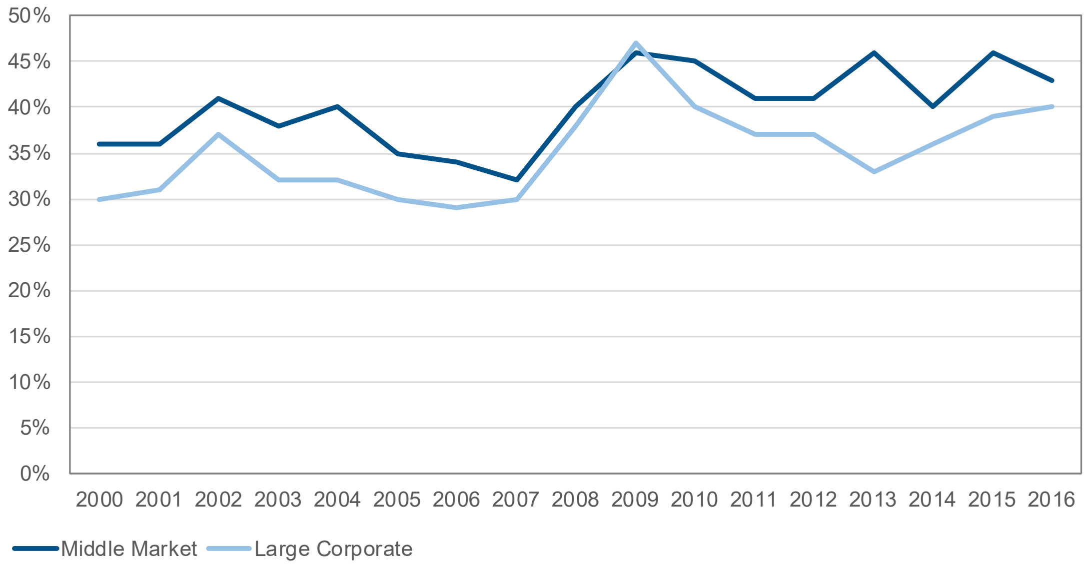
- Example: Canon outbid KKR and Permira to buy Toshiba Medical Systems in 2016
  - Paid ~$6B for company generating operating profit of $160M (Bain)

U.S. Purchase Price Multiples



Source: S&P LCD (February 2017)
Large Corp include all LBOs with EBITDA > $50M / Middle Market include all LBOs with EBITDA < $50M

U.S. Equity Contributions



Source: S&P LCD (February 2017)
Large Corp include all LBOs with EBITDA > $50M / Middle Market include all LBOs with EBITDA < $50M

Will Increased Equity Usage Continue?

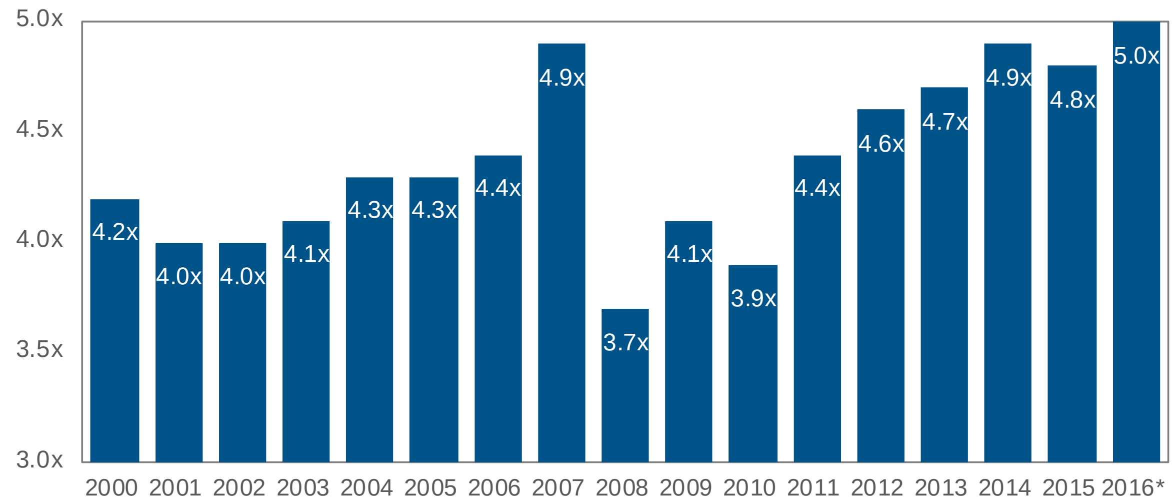
- Equity requirements higher now compared to prior market high of 2007
- Debt is still cheaper, and plentiful

No Shortage of Affordable Debt

Debt is still readily available to PE investors

- Debt to EBITDA levels moving upwards post-GFC
  - Now above 2007 high

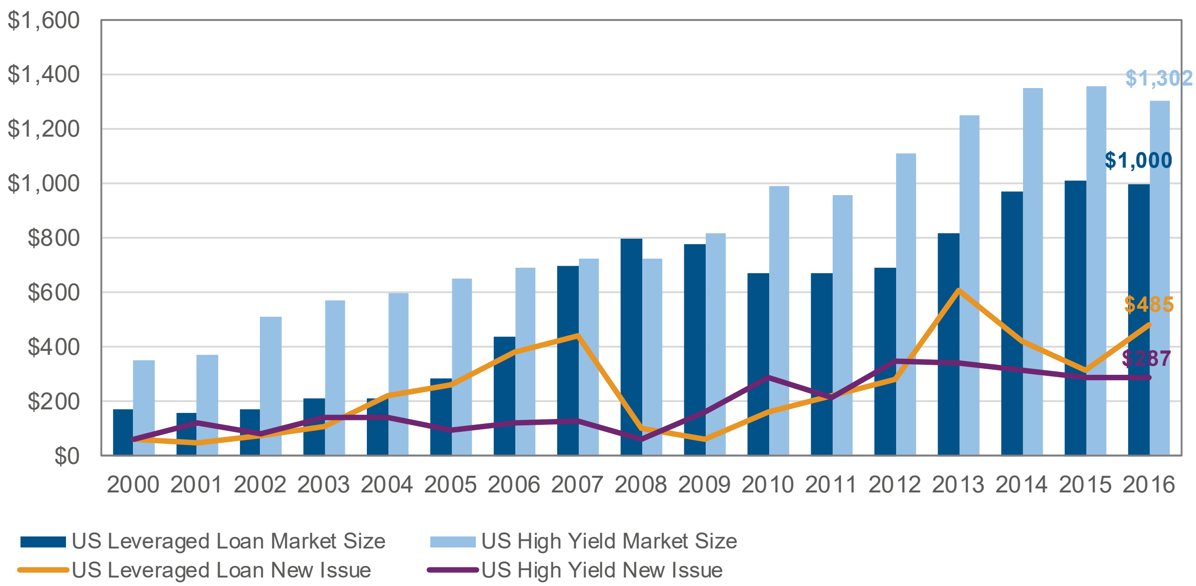
Leveraged Loan Debt/EBITDA



*Through Q3 2016
Source: JP Morgan, S&P Capital IQ LCD

U.S. Leveraged Loan and U.S. High Yield Bond

Market Size and New Issue Volume ($B)



Source: AG & Co, Capital Markets Perspectives (Credit Suisse, Bank of America Merrill Lynch, JP Morgan)

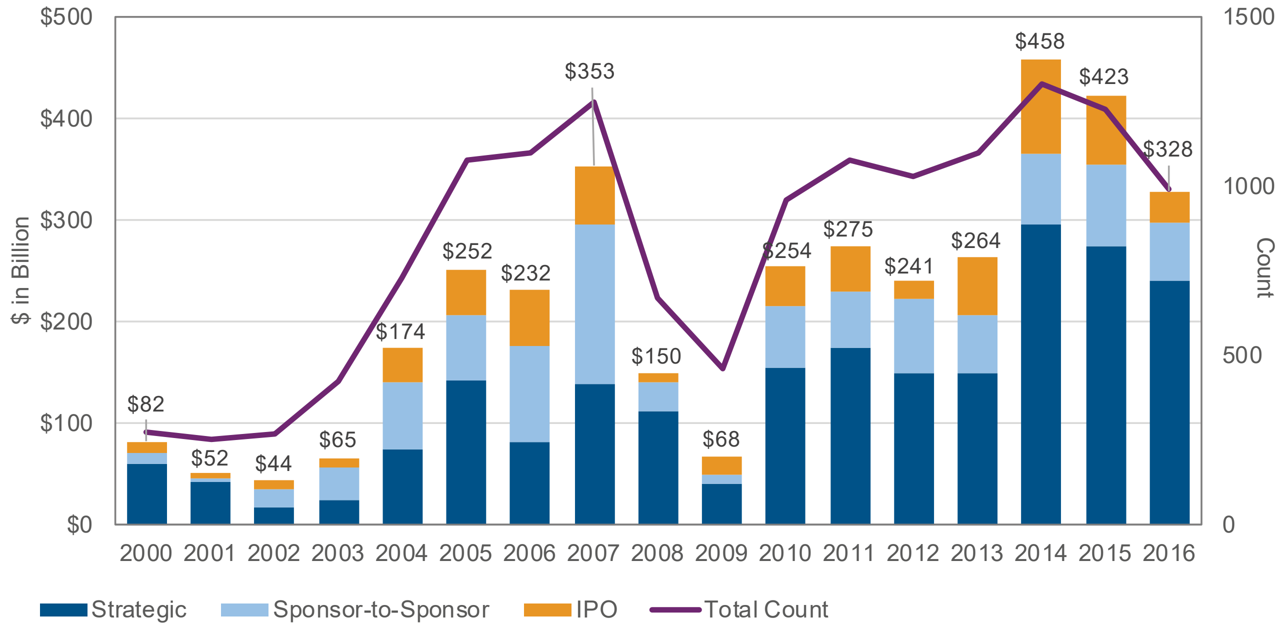
Leveraged loan and high yield markets steady over last three years

- High percentage of repricings/refinancings in 2016 (Angelo, Gordon & Co.)
- HY new issuance stabilizing since 2012
- Leveraged loan new issuance rose to $485B after hitting high in 2013

Sustained Activity in Liquidity

Global Number of PE-Backed Exits by Type and Aggregate Exit Value

2000 - 2016



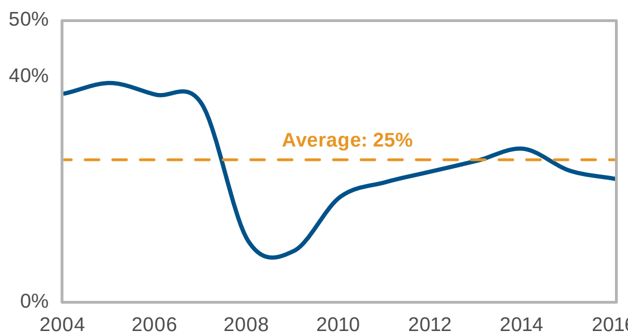
Note: Bankruptcies excluded; IPO value represents offer amount and not market value of company; discrepancies in bar heights displaying the same value are due to rounding
Source: Bain/Dealogic

2016 exits represent slowdown from 2014/2015

- Still, a strong year at $328B in aggregate value
- Strategics have been decreasing in exit value since their 2014 highs
  - IPOs experienced 48% decrease in aggregate value from 2015 (Bain)

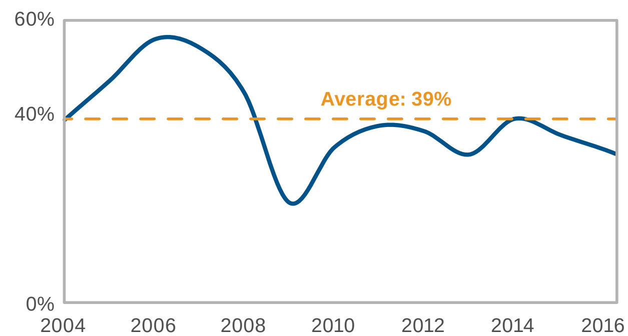
Industry Level All PE Distribution Pace

Annual Distributions as % of NAV



Industry Level All PE Contribution Pace

Annual Contributions as % of Unfunded

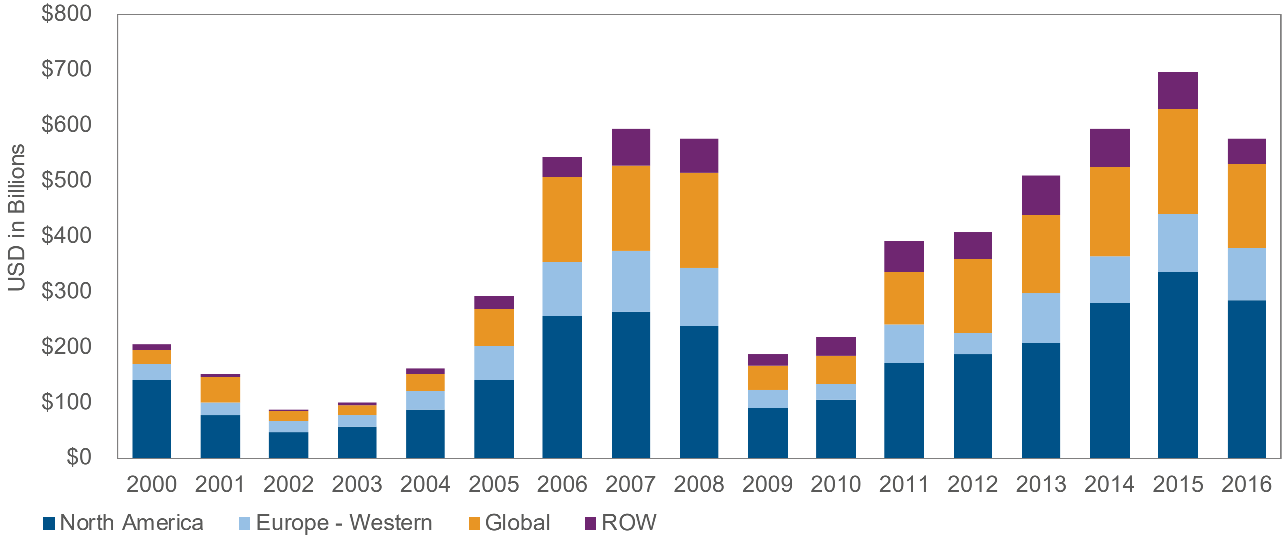


- Distribution ratio on downward trend
  - Yet, Q4 2016 one of the strongest quarters for distributions to date at $136B
- Contribution ratio decreasing since hitting average in 2014

Source: Hamilton Lane Fund Investment Database (January 2017) Cashflows through 12/31/2016.

Appetite for Private Equity Fuels Strong Fundraising

Global Annual Private Capital Fundraising



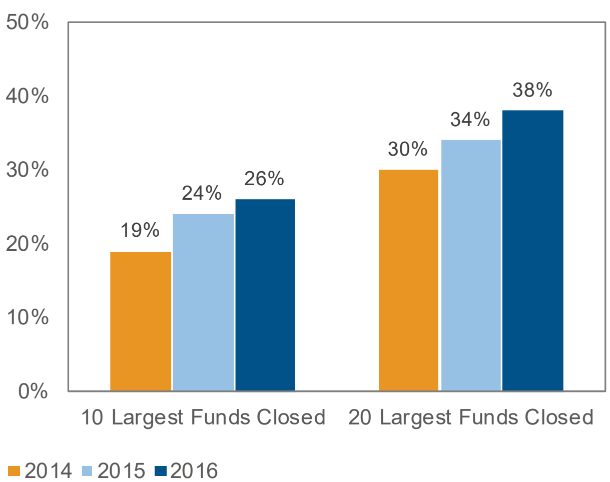
Source: Cobalt. Fundraising data includes real estate, secondary funds, and fund-of-funds (March 2017).
Figures for 2016 are estimated and subject to change.

Annual fundraising levels remain above $500B

- $575B raised in 2016
  - Down from high in 2015, yet close to pre-GFC levels
- ROW largest decline at 32%, down from 2015
  - Relative to the small market size ($45B raised in 2016)

Proportion of Aggregate Capital Raised

By Largest Funds Closed, 2014-2016



Source: Preqin (January 2017)

Trends continue: capital raised concentrated in fewer funds

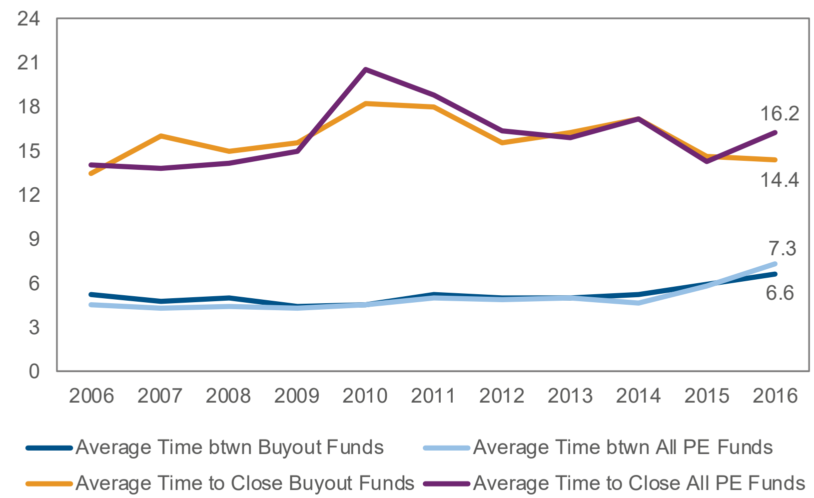
- Ten largest PE funds closed in 2016 represent 26% of capital raised (Preqin)

Buyouts time to final close decreasing

- 2016: quickest time to close since 2007

U.S. PE Fund Time Metrics

In Months, 2006-2016



Source: Pitchbook

Focus Topic: Middle Market Update

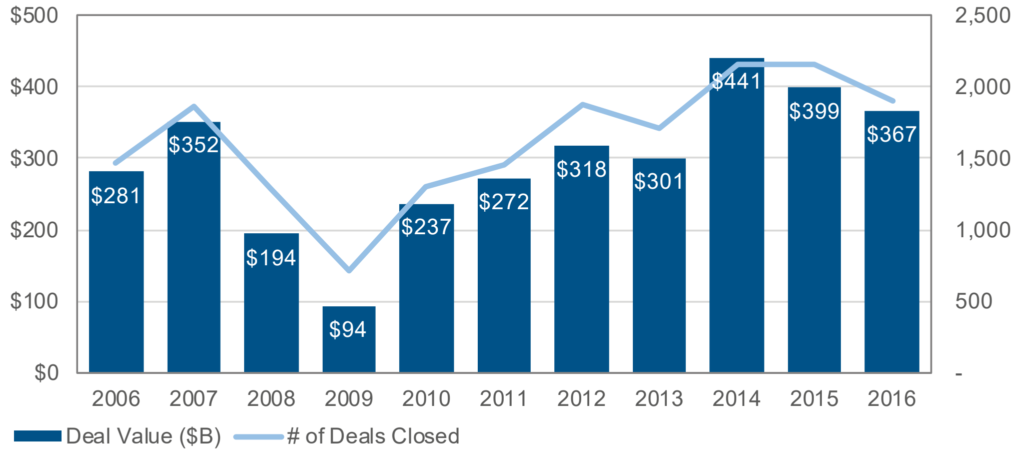
Middle-Market More Crowded

- Managers searching for value in smaller deal sizes
- Traditionally trades at lower multiples using less leverage
  - GPs need operational value add and industry expertise

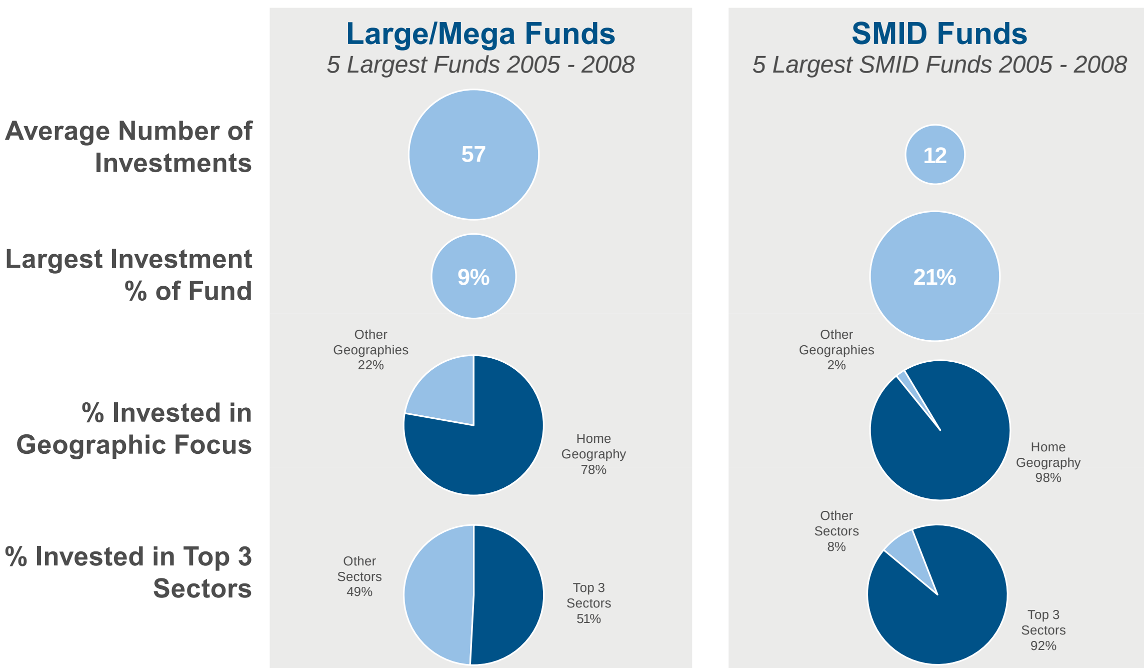
Strong Deal Activity Last Three Years

- Aggregate deal value peaked in 2014 ($441B)
  - Average annual value of $296B over 11-year period, compared to $523B total U.S. PE market (Pitchbook)
- Market has since slowed, but remains active

U.S. PE Middle Market Activity



Source: PitchBook (February 2017)
Note: Includes buyout transactions between $25M-$1B, minority deals not included



In 2016, SMID represented 92% of all buyout fund PPMs received by Hamilton Lane

SMID fund characteristics

- Typically have smaller, more concentrated portfolios
- Tend to focus on single geographies
- Often focus on few sectors with deep knowledge

Source: Hamilton Lane Fund Investment Database. For funds of which HL tracks underlying portfolio companies (May 2016)
SMID is represented as buyout funds with fund sizes of less than $3B

Disclosures

This presentation has been prepared solely for informational purposes and contains confidential and proprietary information, the disclosure of which could be harmful to Hamilton Lane. Accordingly, the recipients of this presentation are requested to maintain the confidentiality of the information contained herein. This presentation may not be copied or distributed, in whole or in part, without the prior written consent of Hamilton Lane.

The information contained in this presentation may include forward-looking statements regarding returns, performance, opinions, the fund presented or its portfolio companies, or other events contained herein. Forward-looking statements include a number of risks, uncertainties and other factors beyond our control, or the control of the fund or the portfolio companies, which may result in material differences in actual results, performance or other expectations. The opinions, estimates and analyses reflect our current judgment, which may change in the future.

All opinions, estimates and forecasts of future performance or other events contained herein are based on information available to Hamilton Lane as of the date of this presentation and are subject to change. Past performance of the investments described herein is not indicative of future results. In addition, nothing contained herein shall be deemed to be a prediction of future performance. The information included in this presentation has not been reviewed or audited by independent public accountants. Certain information included herein has been obtained from sources that Hamilton Lane believes to be reliable but the accuracy of such information cannot be guaranteed.

This presentation is not an offer to sell, or a solicitation of any offer to buy, any security or to enter into any agreement with Hamilton Lane or any of its affiliates. Any such offering will be made only at your request. We do not intend that any public offering will be made by us at any time with respect to any potential transaction discussed in this presentation. Any offering or potential transaction will be made pursuant to separate documentation negotiated between us, which will supersede entirely the information contained herein.

Hamilton Lane (UK) Limited is a wholly-owned subsidiary of Hamilton Lane Advisors, L.L.C. Hamilton Lane (UK) Limited is authorized and regulated by the Financial Conduct Authority. In the UK this communication is directed solely at persons who would be classified as a professional client or eligible counterparty under the FCA Handbook of Rules and Guidance. Its contents are not directed at, may not be suitable for and should not be relied upon by retail clients.

Hamilton Lane Advisors, L.L.C. is exempt from the requirement to hold an Australian financial services license under the Corporations Act 2001 in respect of the financial services by operation of ASIC Class Order 03/1100: US SEC regulated financial service providers. Hamilton Lane Advisors, L.L.C. is regulated by the SEC under US laws, which differ from Australian laws.

Any tables, graphs or charts relating to past performance included in this presentation are intended only to illustrate the performance of the indices, composites, specific accounts or funds referred to for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

The information herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice, or investment recommendations. You should consult your accounting, legal, tax or other advisors about the matters discussed herein.

As of April 3, 2017

Disclosures

This presentation has been prepared solely for informational purposes and contains confidential and proprietary information, the disclosure of which could be harmful to Hamilton Lane. Accordingly, the recipients of this presentation are requested to maintain the confidentiality of the information contained herein. This presentation may not be copied or distributed, in whole or in part, without the prior written consent of Hamilton Lane.

The information contained in this presentation may include forward-looking statements regarding returns, performance, opinions, the fund presented or its portfolio companies, or other events contained herein. Forward-looking statements include a number of risks, uncertainties and other factors beyond our control, or the control of the fund or the portfolio companies, which may result in material differences in actual results, performance or other expectations. The opinions, estimates and analyses reflect our current judgment, which may change in the future.

All opinions, estimates and forecasts of future performance or other events contained herein are based on information available to Hamilton Lane as of the date of this presentation and are subject to change. Past performance of the investments described herein is not indicative of future results. In addition, nothing contained herein shall be deemed to be a prediction of future performance. The information included in this presentation has not been reviewed or audited by independent public accountants. Certain information included herein has been obtained from sources that Hamilton Lane believes to be reliable but the accuracy of such information cannot be guaranteed.

This presentation is not an offer to sell, or a solicitation of any offer to buy, any security or to enter into any agreement with Hamilton Lane or any of its affiliates. Any such offering will be made only at your request. We do not intend that any public offering will be made by us at any time with respect to any potential transaction discussed in this presentation. Any offering or potential transaction will be made pursuant to separate documentation negotiated between us, which will supersede entirely the information contained herein.

Hamilton Lane (UK) Limited is a wholly-owned subsidiary of Hamilton Lane Advisors, L.L.C. Hamilton Lane (UK) Limited is authorized and regulated by the Financial Conduct Authority. In the UK this communication is directed solely at persons who would be classified as a professional client or eligible counterparty under the FCA Handbook of Rules and Guidance. Its contents are not directed at, may not be suitable for and should not be relied upon by retail clients.

Hamilton Lane Advisors, L.L.C. is exempt from the requirement to hold an Australian financial services license under the Corporations Act 2001 in respect of the financial services by operation of ASIC Class Order 03/1100: US SEC regulated financial service providers. Hamilton Lane Advisors, L.L.C. is regulated by the SEC under US laws, which differ from Australian laws.

Any tables, graphs or charts relating to past performance included in this presentation are intended only to illustrate the performance of the indices, composites, specific accounts or funds referred to for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

The information herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice, or investment recommendations. You should consult your accounting, legal, tax or other advisors about the matters discussed herein.

As of April 3, 2017

Appendix A:

Glossary of Terms

Additional Fees: The amount of capital an investor pays into a fund/investment that does not count against the investors' commitment. Additional fees typically consist of management fees or late-closing interest expense.

Capital Committed: An investor's financial obligation to provide a set amount of capital to the investment.

Capital Contributed: Capital contributed from an investor's capital commitment to fund partnership investments, organizational expenses and management fees.

Capital Distributed: Cash or stock disbursed to the investors of an investment.

Co/Direct Investment: A direct investment is a purchased interest of an operating company. A co-investment is a direct investment made alongside a partnership.

Corporate Finance/Buyout: Funds seeking to make controlling and non-controlling investments in established companies which have the potential to achieve greater value through improved performance.

Cost Basis: Capital contributions less return of principal.

Fund-of-Funds: An investment vehicle which invests in other private equity partnerships.

Fund/Investment Size: The total amount of capital committed by investors to a fund.

Investment Category: Used to identify investments in one of the following categories: co/direct investments, fund-of-funds, primary funds, secondary fund-of-funds or secondary purchases.

Investment Strategy: A sub-classification of a partnership's investment type, such as Co/Direct Investment, Corporate Finance/Buyout, Mezzanine, Real Estate, Special Situation, Venture Capital.

Life Cycle Period: The current stage of a partnership depending on the percentage contributed to date. Life cycle periods are investment and realization.

Mezzanine: An investment strategy involving the purchase of subordinated debt. These securities exist between the senior debt and equity of a holding's capital structure. Subordinated debt carries a lower level of risk than pure equity structures because they generate current income and have a more senior position in the company's capital structure.

Net Internal Rate Of Return ("IRR"): The discount rate that equates the net present value of the partnership's cash outflows with its inflows and residual value at the time of calculation. The calculation is net of management fees and the general partner's carried interest.

Originator: The institution responsible for recommending a client commit to an investment.

Ownership Percentage: The investor's percent of ownership as measured by capital committed divided by fund/investment size.

Paid-In Capital: The amount of capital an investor has contributed to a partnership, which includes capital contributions and additional fees.

Pooled Average IRR: An IRR calculation which aggregates cash flows (paid-in capital and capital distributed) and the reported market values of each investment within a portfolio to create one portfolio investment and return.

Portfolio Holding Exposure: The limited partner's pro rata allocation to an underlying investment based on the ownership percentage of the partnership.

Primary Fund: Defines when the investor acquired an interest in the partnership. Primary fund is the investment category when an investor participates in a closing at the inception of the partnership.

Private Equity Partnership: A professionally managed pool of capital that generally invests in unlisted companies or securities. Common investment strategies include corporate finance/buyout, mezzanine, special situations and venture capital.

Realized Multiple: Ratio of cumulative distributions to paid-in capital.

Return On Investment ("ROI"): A calculation based on the total value (market value plus distributions) divided by paid-in capital for an investment.

Reported Market Value: The investment’s capital account balance at quarter end, which includes the general partner’s reported value of the underlying holdings and other assets and liabilities.

Secondary Fund-of-Funds: A private equity vehicle formed to purchase active partnership interests from an investor.

Secondary Purchase: A purchase of an existing partnership interest or pool of partnership interests from an investor.

Special Situation: Partnerships that invest using a unique strategy. Examples include distressed and turnaround, industry focused and multi-stage partnerships.

Total Exposure: Calculated by the summation of market value and unfunded commitments.

Venture Capital: An investment strategy that provides start-up or growth capital to companies in the early stages of development. Venture investments generally involve a greater degree of risk, but have the potential for higher returns.

Vintage Year: The year in which a partnership makes its first capital call for an investment into a portfolio company/holding.

Appendix B:

Disclosure Statements