



Private Global Economic Opportunity Notes Series A, Series B & Series X

Term and interest rate <i>per annum</i>	<i>Series A:</i> 0.00 to 3.00% Notes due in Three Years <i>Series B:</i> 0.00 to 3.50% Notes due in Five Years <i>Series X:</i> Tenor and interest rate as set forth in the applicable Note
Additional interest <i>per annum</i> payable to MCE Philanthropic Guarantors	25 basis points (0.25%)
Minimum investment amount	\$100,000
Issue price	100%

See “The Offering” beginning on page 2 for a summary description of the terms of the Notes and this offering.

MCE Social Capital (MCE), a nonprofit public benefit corporation organized under the laws of the State of California and a federal income tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code, is from time to time offering its Private Global Economic Opportunity Notes (Notes) exclusively to “accredited investors,” as that term is defined in Regulation D (Regulation D) under the Securities Act of 1933, as amended (Securities Act). This offering of Notes is not registered under the Securities Act.

Use of proceeds. Net proceeds from the offering of Notes will be used to help MCE further its mission of mobilizing capital to generate economic opportunities for people living in poverty in the developing world by making loans, typically unsecured, to financial services providers (FSPs) and to small and growing businesses (SGBs) around the world.

Minimum denomination, form, term and interest rate. Notes will be issued only in definitive registered form, without interest coupons, in minimum denominations of \$100,000 and integral multiples of \$50,000 in excess thereof, in four separate series: Series A Notes bearing interest at a rate of 0.00 to 3.00% *per annum* (as set forth in the applicable Note) with a term of approximately three years from the issue date, Series B Notes bearing interest at a rate of 0.00 to 3.50% *per annum* (as set forth in the applicable Note) with a term of approximately five years from the issue date and Series X Notes bearing interest at the rate *per annum* and with a term as set forth in the applicable

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Investing in the Notes involves a high degree of risk and there can be no assurance that investors will not lose their entire investment. Potential investors should carefully read this Offering Memorandum and any supplement hereto, including the information under “Risk Factors” beginning on page 8, before investing.

Neither the Securities and Exchange Commission (SEC) nor any state or other regulatory authority has passed upon the adequacy or accuracy of this Offering Memorandum or endorsed the merits of this offering. Any representation to the contrary is a criminal offense.

Note. The maturity date of each Note will be stated thereon. Interest will accrue on the outstanding principal amount of each Note on a daily basis at 1/365th (or 1/366th in a leap year) of the applicable interest rate and will be payable annually in arrears on the anniversary of issuance, except that the final interest payment will not be paid on such anniversary but at maturity, to the holder in whose name the Note is registered.

Additional interest payable on Notes held by philanthropic guarantors. A holder of Notes of any series who also participates in our Philanthropic Guarantee Program (as described under “Overview – The Philanthropic Guarantee Program”) will be paid an additional 25 basis points (0.25%) above the rate otherwise applicable to the Notes of such series while such participation continues in accordance with the terms of such holder’s philanthropic guarantee agreement.

No guarantee. The Notes are not guaranteed by our philanthropic guarantors or any other third party.

Issue price. Notes will be issued at an issue price of 100% of the principal amount.

Ranking. Notes of each series will rank at the same level of seniority as Notes of each other series, and with all other unsecured and unsubordinated MCE debt.

Redemption at MCE’s option. Each Note may be redeemed in whole or in part at the option of MCE at any time at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the date of redemption. We are not required to redeem Notes on a *pro rata* basis. The Notes are not redeemable or repurchasable at the option of the holder at any time.

Tax considerations. Except in the limited circumstances described in the second paragraph under *Certain U.S. Federal Income Tax Consequences—Tax Consequences to U.S. Holders—Payments of Interest*, an investment in the Notes is not a charitable donation and is not deductible for income tax purposes, even though the Notes may pay a below-market return; and any losses incurred on the Notes are not deductible as charitable donations. Potential investors must consult their own tax advisers as to the consequences of investing in the Notes.

Transfer restrictions. No holder of Notes may offer, sell, assign, pledge, hypothecate, dispose of, encumber or otherwise transfer any Note (or any interest therein) without the prior written consent of MCE, such consent to be granted or withheld in MCE’s sole discretion. The Notes have not been registered under the Securities Act, state securities laws or the laws of any other jurisdiction and may not be transferred except as permitted under the Securities Act and applicable state securities laws, or pursuant to registration or exemption therefrom. Each Note will bear a legend to the foregoing effect.

No trust indenture. No trust indenture has been or will be established to provide for the repayment of the Notes and no trustee has been or will be appointed. Holders of Notes will therefore have none of the protections afforded by the Trust Indenture Act of 1939, as amended (Trust Indenture Act).

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Unless otherwise indicated or the context otherwise requires, all references in this Offering Memorandum to “MCE Social Capital,” the “Issuer,” the “Company,” “MCE,” “we,” “our,” “ours,” “us” or similar terms refer to MCE Social Capital, a nonprofit public benefit corporation organized under the laws of the State of California and a federal income tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code.

IMPORTANT INFORMATION

Investing in the Notes involves a high degree of risk and there can be no assurance that investors will not lose their entire investment. Potential investors should carefully read this Offering Memorandum and any supplement hereto, including the information under “*Risk Factors*” beginning on page 8, before investing.

The Notes are being offered only to “accredited investors,” as that term is defined in Regulation D (Regulation D) under the Securities Act of 1933, as amended (Securities Act). The Notes are not being offered by any form of general solicitation or general advertising within the meaning of Regulation D, except as permitted by Regulation D.

The Notes have not been registered under the Securities Act or any state securities laws and are exempt from registration under the Securities Act pursuant to Section 3(a)(4) thereof and pursuant to the exemption provided by Rule 506(c) of Regulation D. Holders of Notes will therefore have none of the protections afforded by the Securities Act. The SEC has not made any determination that the Notes are exempt from registration under the Securities Act.

No holder of Notes may offer, sell, assign, pledge, hypothecate, dispose of, encumber or otherwise transfer any Note (or any interest therein) without the prior written consent of MCE, such consent to be granted or withheld in MCE’s sole discretion. The Notes have not been registered under the Securities Act, state securities laws or the laws of any other jurisdiction and may not be transferred except as permitted under the Securities Act and applicable state securities laws, or pursuant to registration or exemption therefrom. Each Note will bear a legend to the foregoing effect. See “*Notice to Investors; Transfer Restrictions*.”

The Notes are not an appropriate investment for any investor who cannot afford to bear the loss of the entire investment.

This Offering Memorandum does not constitute an offer or solicitation of an offer to sell to any person in any state or other political jurisdiction in which such offer or solicitation may not be lawfully made. This Offering Memorandum does not constitute an offer by a broker-dealer in any state or other jurisdiction where the broker-dealer is not qualified to act as a broker-dealer. Federal and state securities laws may affect MCE’s ability to offer or sell the Notes in certain states.

In making an investment decision, investors must rely on their own examination of MCE and the terms of the offering made pursuant to this Offering Memorandum, as further set forth in any supplement hereto, including the merits and risks involved.

MCE may add, update or change any of the information contained in this Offering Memorandum prior to the completion of the offering contemplated hereby in one or more supplements hereto. In the event of a conflict between this Offering Memorandum and any such supplement, or between two or more such supplements, the terms of the most recent such supplement shall control.

You should assume that the information appearing in this Offering Memorandum or any supplement hereto is accurate only as of the date on the cover hereof or thereof. MCE’s operations and financial position, and the terms of the Notes and this offering, may have changed since those dates.

This Offering Memorandum, together with any supplement hereto, contains all of the representations by MCE concerning the offering to which it relates. MCE has not authorized anyone to provide you with information that is different than the information provided herein. MCE takes no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. Investors are advised to read this Offering Memorandum and any supplement hereto carefully prior to making any decision to invest in the Notes. No person has been authorized to give any information or to make any representation in connection with the offering contemplated hereby other than those contained in this Offering Memorandum and any supplement hereto, and if given or made, such information or representations must not be relied upon as having been made by the issuer.

The Notes are not and will not be insured or guaranteed by the federal deposit insurance corporation (FDIC), the securities investment protection corporation (SIPC), or any other agency.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum and any supplement hereto includes or may include certain forward-looking information about MCE and our operations, including but not limited to our expectations for our future performance, revenues, income, liquidity and capital structure. Forward-looking statements may also be identified by words such as “may,” “will,” “continue,” “believe,” “expect,” “anticipate,” “project,” “intend,” “should,” “seek,” “estimate,” “future” or similar expressions. These statements discuss future expectations, contain projections of activities or financial position or state other forward-looking information.

Such information is based upon various assumptions by MCE that we believe were reasonable when made but that may prove to be incorrect. All such assumptions are inherently subject to significant economic and other uncertainties and contingencies beyond our control and based upon assumptions with respect to future operational decisions, which are subject to change. Accordingly, there can be no assurances that actual results will meet expectations, and actual results may vary materially from the results anticipated herein. See “*Risk Factors*” for a discussion of certain factors that could cause actual events not to develop in accordance with or as suggested by forward-looking statements. Nothing contained herein is, or should be relied upon as, a promise or representation as to our future performance. We do not assume any responsibility to update any of the information in this Offering Memorandum regardless of whether factors change as a result of new information or future events, or for any other reason.

OVERVIEW

MCE Social Capital is a nonprofit public benefit corporation organized under the laws of the State of California and a federal income tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code. We were founded as MicroCredit Enterprises and changed our name to MCE Social Capital in 2014.

We commenced operations in 2005 with the social purpose of mobilizing capital to finance micro-businesses of poor families in the developing world in order to produce jobs, sustain micro-businesses, and improve human lives. In 2016, this social purpose was expanded to include mobilizing capital for small and medium sized enterprises, and similar organizations, in order to improve human lives throughout the developing world.

To accomplish these social purposes, we finance loans to microfinance institutions and similar organizations (together, FSPs) and to small and growing businesses (together, SGBs). An FSP is typically an organization that provides finance services to self-employed, low-income entrepreneurs who are not being served by mainstream financial providers. The core service of microfinance is the provision of microcredit, which is the extension of small loans to impoverished borrowers who typically lack collateral, steady employment, and a verifiable credit history. MCE similarly supports other specialized financial institutions, including ones that provide financing for agriculture and the deployment of solar energy systems. An SGB is an organization that typically generates approximately \$200,000 to \$2 million in annual revenue. MCE aims to make loans to SGBs that create jobs, help smallholder farmers, facilitate the provision of clean water and energy, and increase household savings. MCE aims to diversify its loans to SGBs among the following sectors: agriculture value chain; water, waste, and sanitation; clean energy; other non-financial services such as health and education; and bottom-of-pyramid financial institutions targeting SGBs.

The Philanthropic Guarantee Program

We benefit from credit support provided by two pools of individual and institutional philanthropic guarantors, who we refer to as our philanthropic guarantors, and who participate in our Philanthropic Guarantee Program. One pool of philanthropic guarantors provides credit support with respect to our loans to FSPs and the second provides credit support with respect to our loans to SGBs. Pursuant to a philanthropic guarantee agreement, philanthropic guarantors agree to guarantee to MCE the due and punctual payment in full of all obligations in the respective philanthropic guarantor pool. Each philanthropic guarantor unconditionally guarantees to us the due and punctual payment of their *pro rata* share of all such obligations pursuant to the philanthropic guarantee agreement when they become due. No philanthropic guarantor is liable for any amount in excess of his or her philanthropic guarantee. Losses on loans to FSPs or SGBs are allocated to the respective pool of philanthropic guarantors and allocations are made to each philanthropic guarantor on a *pro rata* basis. In 2022, 2021 and 2020, losses totaling \$2.75 million, \$0.35 million and \$0.2 million, respectively, were allocated to the FSP pool, and in 2022, 2021 and 2020, losses totaling \$0.52 million, \$0.54 million and \$0.15 million, respectively, were allocated to the SGB pool. The term of each philanthropic guarantee agreement is unlimited with an 18-month notice period for withdrawal, and we cannot predict whether philanthropic guarantors will continue their philanthropic guarantee agreements and participate in the Philanthropic Guarantee Program. Further, guarantors in the SGB pool may provide that their agreements will immediately terminate upon the guarantor's death, or the executor of a deceased guarantor may opt to terminate the agreement, effective upon notification. It is MCE's current policy to allow guarantors in the FSP pool the same option for early termination in the event of the guarantor's death. We cannot predict whether or how many guarantors will die during the term of any note, or whether or how many guarantors or executors will utilize the early termination option. Nor can we predict whether philanthropic guarantors will honor their respective obligations under their philanthropic guarantee agreements. See "*Risk Factors – Risks Relating to Our Activities – Our financial position may be adversely affected if our philanthropic guarantors do not abide by their philanthropic guarantee agreements*" and "*– The Philanthropic Guarantee Program does not eliminate the risks of investing in the Notes.*"

Our principal place of business is located at 5758 Geary Blvd., #261, San Francisco, CA 94121. Our telephone number is (415) 230-4330 and our website is www.MCEsocap.org. Information contained on, or accessible through, MCE's website is not incorporated by reference in, and shall not be considered part of, this Offering Memorandum.

THE OFFERING

This section summarizes the terms of this offering of Notes, which are described in more detail under “Description of Notes.” Before you decide to invest in the Notes, you should read the more detailed information appearing elsewhere in this Offering Memorandum and any supplement hereto, including “Risk Factors” and any additional risk factors appearing in any supplement hereto, as well as our financial statements included elsewhere herein or appearing in any supplement hereto. The following summary description of the Notes is qualified in its entirety by reference to the applicable form of Note attached hereto as Annex A or Annex B.

Issuer	MCE Social Capital, a nonprofit public benefit corporation organized under the laws of the State of California and a federal income tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code.
Notes offered hereby	<p>Private Global Economic Opportunity Notes.</p> <p>Notes will be offered in four separate series: Series A Notes, Series B Notes and Series X Notes.</p> <p>Notes may be offered from time to time over a period of years. There is no minimum amount of Notes that must be issued before any are issued, or any limit on the maximum amount of Notes that may be issued.</p>
No guarantee.....	MCE’s obligations under the Notes are not guaranteed by the philanthropic guarantors or any other third party.
Maturity	Series A Notes will mature on the calendar month-end following (or that coincides with) the third anniversary of the issue date and Series B Notes will mature on the calendar month-end following (or that coincides with) the fifth anniversary of the issue date. Each Series X Note will mature on the date set forth in the applicable Note. The maturity date of each Note will be stated thereon.
Interest rate	<p>Series A Notes will bear interest at a rate of 0.00 to 3.00% <i>per annum</i> (as set forth in the applicable Note) and Series B Notes will bear interest at a rate of 0.00 to 3.50% <i>per annum</i> (as set forth in the applicable Note). Each Series X Note will bear interest at the rate <i>per annum</i> set forth in the applicable Note.</p> <p>A holder of Notes of any series who also participates as a philanthropic guarantor in the Philanthropic Guarantee Program will be paid an additional 25 basis points (0.25%) above the rate otherwise applicable to such series while such participation continues in accordance with the terms of such holder’s philanthropic guarantee agreement.</p> <p>Interest will accrue on the outstanding principal amount of each Note on a daily basis at 1/365th (or 1/366th in a leap year) of the applicable interest rate and will be payable annually in arrears on the anniversary of issuance, except that the final interest payment will not be paid on such anniversary but at</p>

maturity, to the holder in whose name the Note is registered.

The interest rate provided by the Notes may be lower than rates provided by other notes of comparable risk and duration. We are seeking to sell these Notes to investors who value the positive social impact that we believe is likely to be achieved through the loans to FSPs and SGBs that proceeds from these Notes would help to finance. Such investors may be willing to hold Notes with lower interest rates than would be the case if MCE were not perceived to generate positive social impact.

Minimum denomination and form.....	Notes will be issued only in definitive registered form, without interest coupons, in minimum denominations of \$100,000 and integral multiples of \$50,000 in excess thereof.
Issue price.....	Notes will be issued at an issue price of 100% of the principal amount.
Ranking and seniority.....	<p>Notes of each series will rank at the same level of seniority as Notes of each other series, and with all other unsecured and unsubordinated MCE debt.</p> <p>The Notes will rank junior to our secured indebtedness, if any, to the extent of the value of the assets securing such secured indebtedness.</p>
Redemption at the option of MCE.....	<p>Each Note may be redeemed in whole or in part at the option of MCE at any time at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the date of redemption. We are not required to redeem Notes on a <i>pro rata</i> basis.</p> <p>The Notes are not redeemable or re-purchasable at the option of the holder at any time.</p>
Additional or different terms applicable to Series X Notes.....	<p>Each Series X Note may have such additional terms as are set forth in the applicable Note. In addition, any Series X Note may have terms that differ from the terms otherwise described in this Offering Memorandum. Series X Notes may vary between themselves as to tenor, interest rate and other terms.</p> <p><i>Investors in Series X Notes are cautioned to review the form of Note carefully prior to investment in order to ascertain any additional or different terms from those described in this Offering Memorandum.</i></p>
Use of proceeds	Net proceeds from the offering of Notes will be used to help MCE further its mission of mobilizing capital to generate economic opportunities for people living in poverty in the developing world by making loans, typically unsecured, to FSPs and SGBs around the world.

Governing law	The Notes will be governed by the laws of the State of New York.
Investor qualifications	<p>The Notes are being offered only to “accredited investors,” as that term is defined in Rule 501(a) of Regulation D under the Securities Act. In general, for an individual to qualify as an accredited investor:</p> <ul style="list-style-type: none"> • The individual must have a net worth, or joint net worth with that person’s spouse, in excess of \$1,000,000, excluding the value of the individual’s primary residence, or • The individual must have had income in excess of \$200,000 in each of the two most recent years, or joint income with that person’s spouse in excess of \$300,000, in each of those years, and have a reasonable expectation of reaching the same income level in the current year. <p>Investors that are entities are subject to different eligibility standards, the most common of which is that the entity not have been formed for the purpose of investing in the Notes and must have total assets in excess of \$5,000,000.</p> <p>In order to comply with federal securities laws, each prospective investor will be required to certify as to their status as an accredited investor, and back-up documentation or certifications will be required. Prospective investors will also be required to enter into a Private Global Economic Opportunity Note Subscription Agreement substantially in the form attached hereto as Annex C or Annex D, as applicable.</p>
Transfer restrictions.....	No holder of Notes may offer, sell, assign, pledge, hypothecate, dispose of, encumber or otherwise transfer any Note (or any interest therein) without the prior written consent of MCE, such consent to be granted or withheld in MCE’s sole discretion. The Notes have not been registered under the Securities Act, state securities laws or the laws of any other jurisdiction and may not be transferred except as permitted under the Securities Act and applicable state securities laws, or pursuant to registration or exemption therefrom. Each Note will bear a legend to the foregoing effect. See “ <i>Notice to Investors; Transfer Restrictions.</i> ”
Tax considerations.....	<p>Prospective investors are urged to consult their own tax advisers with respect to the federal, state, local and foreign tax consequences of purchasing, owning and disposing of the Notes.</p> <p>Except in the limited circumstances described in the second paragraph under <i>Certain U.S. Federal Income Tax Consequences—Tax Consequences to U.S. Holders—Payments of Interest</i>, an investment in the</p>

Notes is not a charitable donation and is not deductible for income tax purposes, even though the Notes may pay a below-market return; and any losses incurred on the Notes are not deductible as charitable donations.

Foundations should consult with their tax advisers to determine whether purchase of a Note would be considered a “Program-Related Investment” under the Internal Revenue Code.

See “*Certain U.S. Federal Income Tax Consequences.*”

No Securities Act registration.....

The Notes have not been registered under the Securities Act or any state securities laws and are exempt from registration under the Securities Act pursuant to Section 3(a)(4) thereof and pursuant to the exemption provided by Rule 506(c) of Regulation D. Holders of Notes will therefore have none of the protections afforded by the Securities Act. The SEC has not made any determination that the Notes are exempt from registration under the Securities Act.

No trust indenture

No trust indenture has been or will be established to provide for the repayment of the Notes and no trustee has been or will be appointed. Holders of Notes will therefore have none of the protections afforded by the Trust Indenture Act.

No Investment Company Act registration

We are exempt from registration as an investment company pursuant to section 3(c)(10) of the Investment Company Act of 1940, as amended (Investment Company Act). The SEC has not made any determination that we are exempt from registration under the Investment Company Act. Holders of Notes will therefore have none of the protections afforded by the Investment Company Act.

No trading market.....

The Notes are a new issue of securities with no trading market. We do not intend to register these securities with the SEC or apply for listing of the Notes on any securities exchange. The Notes are subject to transfer restrictions. Consequently, investors should view the purchase of the Notes as an investment to be held to maturity (subject to our option to redeem) as they likely will not be able to sell any Notes, for emergency purposes or otherwise.

Risk factors.....

The Notes are not an appropriate investment for any investor who cannot afford to bear the loss of the entire investment. Accordingly, you should carefully read this Offering Memorandum and any supplement hereto, including the information under “*Risk Factors.*”

Distribution.....

The Notes are available for purchase directly from MCE or through certain registered broker-dealers.

Our contact information

Inquiries should be directed to MCE Social Capital,
5758 Geary Blvd., #261, San Francisco, CA 94121.
MCE's telephone number is (415) 230-4330 and
website is www.MCEsocap.org.

SUMMARY FINANCIAL DATA

Set forth below is a summary of MCE's activities, financial position and cash flows as of and for the years ended December 31, 2022 and 2021, which has been derived from our audited financial statements as of and for such years included elsewhere herein. This data should be read in conjunction with such financial statements, including the notes thereto, as well as the information under "*Management's Discussion and Analysis of Financial Position and Activities.*"

	Year Ended December 31,	
	2022	2021
	(in thousands)	
STATEMENT OF UNRESTRICTED ACTIVITIES DATA ⁽¹⁾		
<i>Operating revenue and support</i>		
<i>Revenue from lending activities</i>		
Interest income on loans.....	\$ 4,139	\$ 3,694
Amortization of loan origination fee revenue.....	280	232
Imputed interest expense	(113)	(124)
Realized (losses) gains on swap transactions	651	767
Realized foreign currency translation gains	(542)	(717)
Interest expense	(1,742)	(1,512)
Net revenue from lending activities	2,673	2,341
<i>Other revenue and support</i>		
Contributions and grants	577	563
Contributed services	191	193
Interest income	4	3
Other income	—	—
Net assets released from restrictions	89	28
Total operating revenue and support	3,534	3,128
<i>Operating expenses</i>		
Program services	2,699	2,016
Management and general.....	609	444
Fundraising.....	251	187
Total operating expenses	3,558	2,648
Change in net assets from operating activities	(24)	480
<i>Nonoperating activities</i>		
Unrealized foreign currency translation gains (losses).....	72	(130)
Change in fair value of derivative instruments	(279)	(146)
Credit losses	(5,593)	(1,159)
Credit loss recoveries	974	405
Guarantor contributions.....	4,820	1,018
Loss on remeasurement of guarantor contributions.....	(1,046)	(607)
Net assets released from restrictions	729	265
Change in net assets from nonoperating activities	(323)	(355)
Total change in unrestricted net assets	(347)	127

- (1) Our statements of unrestricted activities contained in our audited financial statements as of and for the years ended December 31, 2022 and 2021 included elsewhere herein contain a breakdown of activities by FSPs and SGBs.

	At December 31,	
	2022	2021
	(in thousands)	
STATEMENT OF FINANCIAL POSITION DATA		
Assets		
Cash and cash equivalents	\$ 9,890	\$ 8,210
Cash held for SGB Portfolio loan loss reserve	210	7
Restricted cash from Deutsche Bank MDF for SGB investments	1,488	219
Certificate of deposit designated for SGB Portfolio loan loss reserve	500	700
Interest receivable.....	597	797
Loans receivable from financial services providers, net ⁽¹⁾	50,781	39,010
Loans receivable from small and growing businesses, net ⁽¹⁾	7,186	9,688
Guarantor receivables	5,814	3,038
Derivative instruments.....	—	238
Investment in MFX Solutions, LLC	205	205
Other assets.....	1,082	680
Total assets	77,754	62,792
Liabilities ⁽¹⁾		
Accounts payable	12	3
Accrued liabilities.....	220	376
Interest payable.....	609	515
Line of credit	—	—
Notes payable	66,529	50,239
Participating share note payable	1,437	1,753
Derivative instruments.....	41	—
Total liabilities	68,849	52,885
Net assets		
Without donor restrictions	4,439	4,786
With donor restrictions	4,466	5,120
Total net assets.....	8,905	9,906
Total liabilities and net assets.....	77,754	62,792

	Year Ended December 31,	
	2022	2021
	(in thousands)	
STATEMENT OF CASH FLOWS DATA		
Net cash provided by operating activities.....	\$ 2,188	\$ 1,280 ⁽²⁾
Net cash provided by (used in) investing activities	(14,871)	(449) ⁽³⁾
Net cash used in financing activities	15,836	(494)
Change in cash and cash equivalents	3,153	336

- (1) Amounts previously reported under liabilities as deferred loan origination fees are now included in loans receivable from financial services providers, net and loans receivable from small and growing business, net as decreases to net loans receivable balances.
- (2) In 2022, we changed our presentation of amortization of deferred loan origination fees in our statement of cash flows. Amounts previously reported under cash flows from investing activities are now reported in cash flows from operating activities. In connection with such change, certain amounts from 2021 were adjusted.
- (3) In 2022, we changed our presentation of loans receivable repayments received in our statement of cash flows. Amounts previously reported under cash flows from investing activities are now reported in cash flows from operating activities. In connection with such change, certain amounts from 2021 were adjusted.

RISK FACTORS

An investment in the Notes involves various material risks and you may lose all or part of your investment. As a result, the Notes are not an appropriate investment for any investor who cannot afford to bear the loss of the entire investment. Prior to any investment, and in consultation with your own financial and legal advisers, you should carefully consider, among other matters, the following risk factors as well as any risk factors appearing in any supplement hereto. These risks are not the only ones MCE faces or that you will face as a holder of Notes. Additional risks not presently known to us or that are currently deemed immaterial could also materially and adversely affect our financial position, activities, cash flows and prospects, and your interests as a holder of Notes.

Risks Relating to Our Activities

Lending to FSPs and SGBs in developing countries increases the risk that macroeconomic and geopolitical volatility and uncertainty will negatively impact the FSPs and SGBs and their ability to repay amounts owed to us.

We lend to FSPs and SGBs in developing countries. Lending to FSPs and SGBs in developing countries involves a number of risks, including:

- High rates of inflation and/or currency devaluation, which may reduce the ability of an FSP or SGB borrower to pay back U.S. dollar-denominated obligations to MCE, and which may be exacerbated by volatility in financial markets;
- The impact of the ongoing military conflict between the Russian Federation and Ukraine, which has negatively impacted and will likely continue to negatively impact regional stability in Eastern Europe in particular and Europe as a whole, supply chains, commodity prices, credit and capital markets, and energy availability, and which may affect the ability of an FSP or SGB in the European region to pay its obligations to us;
- Risks associated with political, regulatory, economic and fiscal uncertainty, including the risk of nationalization or expropriation of an FSP's or SGB's assets, risks of war and revolution, and risks of natural events;
- The impact of military or political action, or the imposition of economic or other sanctions on a country by other countries, including the risk that the United States might impose sanctions on a country or countries in which FSPs and SGBs are located, which could directly or indirectly impair the ability of an FSP or SGB to pay its obligations to us;
- Turmoil and hostilities in the Middle East, including Syria, North Africa, Zambia, Myanmar and other geographic areas and countries, which could cause cascading effects impacting other countries and economies;
- The risk that some countries may be relatively less equipped than more developed countries to deal with and recover from natural and environmental disasters such as floods, tsunamis, typhoons, hurricanes and earthquakes, and epidemics and pandemics such as the COVID-19 pandemic, the Ebola virus, bird flu or swine flu;
- The location of many borrowers from FSPs in regions dependent on agricultural production or the production of other commodities, making their ability to repay their obligations to an FSP vulnerable to unexpected adverse environmental conditions, increases in costs of agricultural inputs, changes in commodity prices and other events;
- Political, economic, social and business environments that are substantially different from and typically less favorable than those in the United States and other developed countries, which may impair an FSP's or SGB's ability to function successfully in the businesses in which they operate; and

- Heightened technology and cyber security risk (including cyber-attacks or data security breaches) on the FSP's or SGB's information technology, internet, network access or other voice or data communications systems or services.

Lending to FSPs involves a number of other additional risks, including:

- Government actions in developing countries that could limit the ability of an FSP to collect funds from its borrowers and pay its obligations to us or the ability of such borrowers to carry out their own business activities; and
- Risks associated with the lack of established or uniform standards within the microfinance industry for conducting due diligence on potential borrowers.

The FSPs and SGBs with whom we work are exclusively in developing countries, which adds additional risk to the ability of our borrowers to repay amounts owed to us. The geographic distribution of our outstanding loan portfolio changes from time to time.

If the FSPs and SGBs with whom we work are unable to make payments to us when they become due, we may need to restructure their loans or their loans may become non-performing, either of which could have a negative adverse effect on our business, financial condition and results of operations.

Macroeconomic challenges may adversely affect our ability to obtain new capital and to undertake new business opportunities.

Macroeconomic challenges, including inflation, rising interest rates and recession or fears of recession may affect the profitability of new opportunities. Since the first half of 2022, central banks in the United States, Europe, and elsewhere have been raising interest rates in response to rising inflation, which has increased at the fastest pace in nearly 40 years during 2022 and reached the highest rate of inflation since the 1980s in mid-2022. As a result, there is no guarantee that we will be able to obtain new capital at the same or similar rates as previous years. This may directly or indirectly limit our ability to grow our loan portfolio. Because the amount of revenue we generate is driven primarily by the size of our loan portfolio, this would negatively impact our business, financial condition and results of operations.

This may also affect the FSPs and SGBs ability to obtain financing from other sources which would mean that MCE is more vulnerable to the business risks associated with these investments. While our loans are guaranteed by our philanthropic guarantors, these macroeconomic challenges may also adversely affect the financial condition of our philanthropic guarantors, which in turn increases the risk that our philanthropic guarantors may fail to perform their obligations under the applicable philanthropic guarantee agreement, which could materially adversely affect MCE's financial position and liquidity and may cause MCE to become insolvent or otherwise incapable of making timely payments of interest and principal on the Notes, in which case you could lose some or all of your investment. In addition, if the financial condition of our philanthropic guarantors are negatively affected by these macroeconomic challenges, we could experience a withdrawal of their guarantees. Although a philanthropic guarantor is required to give 18 months' notice prior to withdrawing, if we experience a significant number of withdrawals and are unable to find replacement guarantors as a result of macroeconomic challenges or otherwise, we may be required to sell loans or otherwise reduce the size of our loan portfolio.

Outbreaks of infectious disease, such as the COVID-19 pandemic, and similar public health threats have adversely affected, and may continue to adversely affect, our business, financial condition, results of operations.

Outbreaks of infectious disease, such as the COVID-19 pandemic, have in the past, and may in the future, negatively impact the U.S. and global economy; disrupt U.S. and global supply chains; lower equity market valuations; create significant volatility and disruption in financial markets; result in ratings downgrades, credit deterioration, and defaults in many industries; increase demands on capital and liquidity; and increase unemployment levels and decrease consumer confidence. The COVID-19 pandemic in particular resulted in temporary closures of many

businesses and the institution of social distancing and sheltering in place requirements in many countries, including those in which FSPs, SGBs and philanthropic guarantors are located.

Although the effects of the COVID-19 pandemic generally subsided in 2022, the spread of infectious disease continues to be unpredictable around the world, and we cannot predict whether and to what extent any infectious disease outbreak could affect the U.S. and global economy. If the spread of infectious diseases has a material adverse effect on the U.S. and/or global economy, it could cause an increase in the number of our loans that need to be restructured and/or in the number of our loans that are non-performing. For example, in response to the COVID-19 pandemic in 2020, we restructured more than \$5.3 million in principal amount of loans to extend the maturities of certain loans by three to 12 months. We also saw an increase in non-performing loans.

Moreover, while our loans are guaranteed by our philanthropic guarantors, the outbreak of infectious disease may also adversely affect the financial condition of our philanthropic guarantors, which in turn increases the risk that our philanthropic guarantors may fail to perform their obligations under the applicable philanthropic guarantee agreement, which could materially adversely affect MCE's financial position and liquidity and may cause MCE to become insolvent or otherwise incapable of making timely payments of interest and principal on the Notes, in which case you could lose some or all of your investment.

The amount of revenue we generate is driven primarily by the size of our loan portfolio, which can be impacted by the spread of infectious disease. For example, as a result of the COVID-19 pandemic, we experienced a lower than anticipated rate of growth in the size of our FSP loan portfolio during most of 2020 and 2021. In addition, although a philanthropic guarantor is required to give 18 months' notice prior to withdrawing, if we experience a significant number of withdrawals and are unable to find replacement guarantors, we may be required to sell loans or otherwise reduce the size of our loan portfolio. Further, guarantors in the SGB pool may provide that their agreements will immediately terminate upon the guarantor's death, or the executor of a deceased guarantor may opt to terminate the agreement, effective upon notification. It is MCE's current policy to allow guarantors in the FSP pool the same option for early termination in the event of the guarantor's death. Early terminations and the prospect of early terminations also may require us to sell loans or otherwise reduce the size of our loan portfolio. If the size of our loan portfolio is reduced in the future, we will generate less revenue, which could lead to our being unable to meet our obligations to holders of Notes.

The spread of infectious disease and subsequent public health measures adopted by governments has in the past, and may in the future, impact our ability to perform due diligence on prospective borrowers. For example, during most of 2020 and 2021, we performed very limited site visits to perform due diligence and instead predominantly performed due diligence virtually as a result of the COVID-19 pandemic. Although we have returned to in-person due diligence, we may be forced to resume virtual due diligence in the event of another outbreak of infectious disease, which may slow our ability to extend new loans and adversely affect the quality of our due diligence, increasing risks of future defaults.

Any of the foregoing impacts as a result of a pandemic, epidemic or other spread of infectious disease in the countries in which we operate could have a material adverse effect on our business, financial condition and results of operations.

Our financial position may be adversely affected if our philanthropic guarantors do not abide by their philanthropic guarantee agreements.

The Notes are our unsecured general obligations and are not a deposit or obligation of, or guaranteed or endorsed by, any bank, and are not insured by any federal or state agency. No collateral will be pledged, assigned or otherwise set aside to secure our obligations under the Notes, and, if we default on a Note, the holder of that Note will not be entitled to foreclose on any of our assets. Payment of principal and interest on the Notes will depend solely upon our financial position, which may be adversely affected if our philanthropic guarantors do not abide by their philanthropic guarantee agreements.

There can be no assurance that we have at present, or will have in the future, sufficient assets to satisfy the claims of holders of Notes. In the event that one or more of MCE's loans becomes non-performing, and our philanthropic guarantors fail to perform their obligations under the applicable philanthropic guarantee agreement, MCE's financial position and liquidity could be materially adversely affected and MCE may become insolvent or otherwise incapable of making timely payments of interest and principal on the Notes, in which case you could lose some or all of your

investment. Although the philanthropic guarantors have met their obligations in the past, if many of MCE's loans become non-performing there can be no assurance that philanthropic guarantors will continue to do so, and if they fail to meet their commitments we may become insolvent. Also, the enforceability of the philanthropic guarantor's obligations has not been tested in court and we cannot predict that a court would require a philanthropic guarantor to abide by its terms. MCE is currently considering and might adopt a change in policy to allow guarantors, at their option, to authorize MCE to borrow and lend against 100% of the amount of their guarantees, instead of the current policy of limiting borrowing and lending to 50% of their guarantee amount. For the guarantors who elect to authorize MCE to borrow and lend against 100% of their guarantee amount if this policy change is adopted, call amounts on their guarantees are expected to approximately double, increasing the risk that a guarantor will be unable or unwilling to its their obligation under the philanthropic guarantee agreement.

Our dependence on FSPs who lend to individuals and small businesses in developing countries subjects us to a number of risks that could adversely affect our ability to make payments of principal and interest on the Notes.

Our FSP borrowers derive their income primarily from interest and fees derived from small, unsecured loans to individuals and small business entrepreneurs in their local markets. These people typically have few, if any, liquid or other assets. If a number of people default on their loan obligations to an FSP, it could substantially impair the FSP's ability to make payments to MCE. If a number of FSPs default on their loan obligations to MCE, this, in turn, could make it difficult for MCE to meet some or all of our own obligations, including our obligations under the Notes, and you could lose some or all of your investment.

The quality and performance of the loans we make to FSPs and SGBs may adversely impact our ability to pay principal and interest on the Notes.

The FSPs and SGBs to which we lend money may be unable to obtain financing from conventional commercial lenders, and we may make loans to borrowers on terms less stringent than those imposed by commercial lenders. As a result, we may face risks that commercial lenders often do not face. Among these risks are business risks associated with FSP and SGB investments in individuals or companies in early stages of development with little or no operating history, individuals or companies operating at a loss and individuals or companies that may need substantial additional capital to support their operations. Such ventures may not survive or be able to satisfy their obligations to us.

Some FSPs and SGBs may rely on grants and contributions to sustain their operations.

Some of our FSP and SGB borrowers may receive grants and contributions from a variety of sources, both public and private, and they may depend on these grants and contributions to repay funds that we have loaned to them. Reliance on grant and contribution income, which is inherently variable, exposes our FSP and SGB borrowers to a number of risks and uncertainties. If our FSP and SGB borrowers are unable to continue to obtain funds through grants and contributions, this could adversely affect the ability of such borrowers to repay us, and therefore harm our ability to meet our obligations under the Notes.

We may choose not to pursue remedies against a defaulting FSP or SGB, and even if we choose to pursue such remedies, we may not be successful.

We may decide, on a case-by-case basis, not to pursue any remedies against a defaulting FSP or SGB for a number of reasons, including if we believe that the FSP or SGB is still capable of serving its mission or that its financial difficulties are of a temporary or transient nature. We could also determine that the cost of exercising such remedies or a lack of effective remedies in the courts where the borrower is located would make such exercise impractical.

Even if we were to decide to pursue legal or other remedies against a delinquent borrower, this could be ineffective if other creditors of the delinquent borrower take similar actions, which may occur if the borrower is insolvent.

If we were successful in seeking legal recourse against a borrower, the result could be that we would come to directly hold all or part of the borrower's loan portfolio or other assets, which in many cases would not be readily convertible into cash. Holders of Notes have no effective legal right to compel us to pursue collection of loan payments from delinquent FSPs or SGBs or to take legal action against any FSP or SGB that has defaulted on its payments.

We face legal uncertainties from our international operations that could impair our ability to enforce our agreements with FSPs and SGBs.

We lend money directly and indirectly to FSPs and SGBs in various countries around the world and enter into transactions and agreements subject to various laws and jurisdictions. Due to differences in laws and legal systems, transactions and agreements involving foreign countries are subject to greater legal uncertainty than domestic transactions.

The FSPs and SGBs to which we loan funds are located in various countries throughout the world. Changes in laws governing commercial transactions, lack of clarity or incomplete development of laws governing commercial transactions and governmental corruption increase legal uncertainty in many developing countries. If we are required to take legal action to enforce an agreement with an FSP or SGB or if any of our agreements with any FSP or SGB is found to be invalid or unenforceable, this could negatively impact our financial results and impair our ability to make payments to the holders of Notes.

Our charitable purpose may increase the risk of loss to holders of Notes.

We are a nonprofit organization whose primary charitable purpose is to increase the availability of capital to impoverished people globally, including by making loans to FSPs and SGBs at affordable rates. As such, while we apply objective creditworthiness standards, our borrowers may not meet conventional lending standards used by corporate lenders in the developed world. As a nonprofit organization, we are not driven solely by profit or economic motives; however, our ability to make payments on the Notes is dependent upon the economic success of our lending activities. As a result, there is a higher risk compared to a purely commercial enterprise that the loans we make to FSPs or SGBs in pursuit of our charitable purpose may not be repaid in part or in full, which could lead to our being unable to meet our obligations to holders of Notes.

On the other hand, our charitable goals may not be achieved because of political, economic, social or other reasons beyond our control or because of failures on our part. Investors should be aware that there is no assurance that the purchase of Notes will help to generate economic opportunities for individuals and enterprises in the developing world.

If we lose the services of our executive staff, our financial and administrative performance could be impaired.

As of December 31, 2022, MCE had five senior management positions, each of which is essential to our continuing viability. These include the Chief Executive Officer, the Chief Investment Officer, the Interim Chief Financial Officer, the Chief Business Development Officer, and the General Counsel and Chief Operating Officer. The loss of one or more senior members of our staff could negatively impact our ability to continue normal operations. Further, we currently neither have nor plan to acquire key person insurance to protect the organization from the loss of one or more of our key personnel.

If we are unable to procure pro bono professional services in the future, our business activities could be adversely affected.

We rely on significant amounts of *pro bono* legal and other professional services in order to operate, and we recognize the value of these services in our financial statements in accordance with generally accepted accounting principles. If we become unable to procure such services on a *pro bono* basis, or at all, our ability to operate our existing business and to carry out future business activities could be impaired.

We expect to seek additional borrowing in the future to expand our loan portfolio, but if we are unable to obtain such capital, this could adversely affect our ability to undertake new business activities.

We expect to seek to obtain additional borrowing in the future. However, there is no guarantee that we will be able to locate additional sources and obtain such financing. In the event that we are unable to obtain such capital financing, our capacity to undertake desired business activities could be impaired. If needed capital is not available, our activities will be limited to the extent that they can be financed with capital already available.

Our liquid assets are subject to various market risks.

Our liquid assets are on deposit with banks and are subject to the risks attendant to the banking system as a whole. Any adverse change in our ability to access our liquid assets, including bank deposits, could temporarily or permanently affect our ability to make payments of principal and interest on the Notes.

Our foreign currency exchange hedging contracts may only eliminate a portion of the risk associated with foreign currency fluctuation, and even introduce some additional risks.

In many cases, we make loans to FSPs and SGBs in local currencies, but our financial obligations to lenders, holders of Notes and employees are generally in U.S. dollars. As a result, we face exposure to changes in foreign currency exchange rates. We attempt to mitigate this risk by entering into foreign exchange hedging contracts. Our hedging contracts are subject to the risk of a counterparty defaulting on its obligations, which could affect our ability to repay holders of the Notes. When we make loans in U.S. dollars, the exposure to changes in foreign currency exchange rates falls primarily on the borrower, and if the borrower's local currency loses value against the U.S. dollar, the borrower's risk of default increases.

We may issue additional indebtedness or grant liens or encumbrances on any of our property currently owned or acquired in the future.

The Notes do not contain financial covenants and do not restrict our ability to incur additional indebtedness. We may incur additional indebtedness, secured or unsecured, and grant liens or encumbrances on any of our property. The incurrence of additional indebtedness, secured or unsecured, may adversely affect our ability to make payments of principal or interest on the Notes. The Notes are not secured by a lien on any of our assets. The granting of mortgages, deeds of trust, security interests and other liens on our properties to secure other obligations may hinder or preclude realization from such properties of amounts sufficient to pay principal and interest on the Notes if we encounter financial difficulties.

Payments due under the Notes will not be guaranteed by any of our subsidiaries and, in the event of any bankruptcy, creditors of our subsidiaries will have a prior claim on all of the assets of our subsidiaries before any such assets can be used to repay the Notes.

Payments due under the Notes will not be guaranteed by any of our subsidiaries. As a result, the claims of creditors of our subsidiaries will have priority as to the assets of our subsidiaries in the event of a bankruptcy before any such assets can be used to repay the Notes. For example, as of September 30, 2023, our subsidiary MCE Empowering Sustainable Agriculture Fund LLC ("MESA") had \$27,000,000 of available borrowings under its senior loan facility, of which MESA has borrowed \$4,500,000 that is currently outstanding, and 14,600,000 of available borrowings under its subordinated loan facility, of which MESA has borrowed \$8,000,000 that is currently outstanding. MESA can request disbursements under its senior and subordinated loan facility at any time, subject to certain conditions. We are also a junior subordinated lender under the subordinated facility, and under the terms of this facility, any loans that we make to MESA will be contractually subordinated to the loans made to MESA by third parties. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, such subsidiaries will pay the third-party holders of their debt before they will be able to distribute any of their assets to us. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Notes, or to make any funds available therefor, whether by dividends, loans, distributions or other payments. Any right that we have to receive any assets of any such subsidiaries upon their liquidation or reorganization, and the consequent rights of holders of the Notes to realize proceeds from the sale of any of our subsidiaries' assets, will be effectively subordinated to the claims of such subsidiaries' third-party creditors. In particular, the assets that remain and that we have a right to receive after the satisfaction of any of our subsidiaries' third-party creditors' claims may not be sufficient to repay the remaining principal of the Notes. In addition, because our loans to MESA are contractually subordinated to third-party loans made under the facilities, in the event of a bankruptcy, liquidation or reorganization of MESA, MESA will pay amounts owed to third-party lenders before they pay any amounts owed to us, which will further reduce the assets available to noteholders in the event of any bankruptcy, liquidation or reorganization of us.

The Philanthropic Guarantee Program does not eliminate the risks of investing in the Notes.

Receipts due to us from FSPs and SGBs are guaranteed by our pools of philanthropic guarantors. There are a number of risks in relying in whole or in part on the philanthropic guarantors to reduce the risk associated with an investment in the Notes, including:

- Fulfilment of the philanthropic guarantee agreements is in part dependent upon MCE and the philanthropic guarantors acting in good faith. No court or regulatory authority has determined whether the philanthropic guarantee agreements are enforceable in accordance with their terms. If FSPs or SGBs default on loans to us and we are unable to obtain payment from the philanthropic guarantors, our ability to make payments on the Notes could be seriously affected.
- Philanthropic guarantors may withdraw from their applicable philanthropic guarantee agreements with 18 months' notice. In addition, philanthropic guarantors backing the SGB portfolio may provide that their guarantees terminate immediately upon their deaths, or their executors could so elect, and our Board of Directors has approved a proposal to provide similar treatment for philanthropic guarantors backing the FSP portfolio, which we are currently implementing as a matter of policy.
- Under U.S. federal bankruptcy law and provisions of state fraudulent transfer and corporate laws, there may be limitations on the enforceability of a philanthropic guarantee, and payments by a philanthropic guarantor pursuant to such a guarantee could be voided and required to be returned to the philanthropic guarantor, or to a fund for the benefit of the creditors of the philanthropic guarantor or his or her estate. We cannot be sure as to the standards that a court would use to determine whether or not any particular philanthropic guarantee agreement is enforceable, or, regardless of the standard that the court uses, that the guarantee by a philanthropic guarantor would not be voided or would not be subordinated to the philanthropic guarantor's other debt. A guarantee could also be subject to the claim that, since the guarantee was incurred for our benefit, and it only indirectly benefited the applicable philanthropic guarantor, the obligations under such guarantee were incurred for less than fair consideration. A court could thus void the obligations under such guarantee, subordinate such obligations to the applicable philanthropic guarantor's other debt or take other action with respect to such guarantee that would be detrimental to us, and by extension, holders of Notes.
- Moreover, because we rely on the guarantees of our philanthropic guarantors to obtain financing for our activities, a reduction in the number of our philanthropic guarantors could reduce our ability to obtain financing for our activities, and could lead to a breach in agreements with certain lenders, requiring accelerated repayments. This in turn could affect our ability to continue as an ongoing enterprise.
- Although holders of Notes, along with other MCE lenders, are generally third-party beneficiaries of our philanthropic guarantee agreements, this does not mean that a holder would be able to proceed against a defaulting philanthropic guarantor in order to recover unpaid principal and interest on such holder's Notes, since the obligation in the agreement is to make a payment to MCE if MCE calls upon the guarantor to do so. Instead, a holder may be able to proceed against a defaulting philanthropic guarantor in order to enforce such philanthropic guarantor's obligations to MCE. Even then, it is possible that a philanthropic guarantor would have valid defenses to any such a proceeding, and for the reasons discussed above, among others, we cannot predict whether a court would uphold such a proceeding brought by a holder of Notes.

Individually and collectively, these factors relating to the philanthropic guarantors could substantially impact our ability to meet its obligations to any and all holders of Notes.

Our SGB program could experience a high level of defaults, and if losses deplete the loan loss reserve for SGB philanthropic guarantors, and consequently expose SGB philanthropic guarantors to more than \$10,000 per year, there would be an increased risk that those SGB philanthropic guarantors might withdraw (upon 18 months' notice) or even fail to honor their obligations.

We have established a loan loss reserve on our balance sheet of \$1,000,000 that caps first-dollar exposure for philanthropic guarantors backing our SGB lending. The reserve caps first-dollar exposure at \$10,000 per loan guarantee per calendar year. Only in the event that losses exceed the reserve are philanthropic guarantors responsible for the excess beyond the amount covered by the reserve. We may, with the Board of Directors' approval, replenish

the reserve should it be diminished at a future date. In December 2021, MCE made the first draw on the SGB LLR in an amount of \$295,499 in connection with the default by an SGB that resulted in a loss of \$535,499. In December 2022, MCE made an additional draw on the SGB LLR in an amount of \$167,544 in connection with the default by an SGB that resulted in a loss of \$547,544. The current balance of the SGB LLR is \$536,957. See “*Business – Loss History*”.

If losses in the SGB portfolio are so substantial as to exhaust the reserve, SGB philanthropic guarantors might be more likely to submit notices of withdrawal, which become effective in 18 months, or even become resistant to fulfilling their obligations to us, because individual SGB philanthropic guarantors may not be willing to be liable for more than \$10,000 of exposure per year.

We typically do not ask for financial information from the philanthropic guarantors.

Pursuant to the philanthropic guarantee agreement, we may, at our discretion, ask a philanthropic guarantor to deliver to us (or our bank lenders) their financial statements and any other information, but we typically do not do so. Holders of Notes will have no access to this information. We also do not undertake any independent investigation or verification of the information provided to us by the philanthropic guarantors, though we do take reasonable steps to ensure that a prospective philanthropic guarantor is an accredited investor under federal securities laws.

Even assuming the accuracy of such information at the time provided to us, there can be no assurance that we will become aware of a deterioration in the financial position of a philanthropic guarantor, should that occur. If a philanthropic guarantor experiences deterioration in their financial position, this could have an adverse impact on the ability of that philanthropic guarantor to fulfill its obligations under its philanthropic guarantee agreement. In such an event, we may not be able to take any actions to effectively protect our interests or the interests of the holders of Notes. Potential investors in the Notes therefore should not rely upon the financial positions of the philanthropic guarantors or their abilities to fulfill their obligations under the philanthropic guarantee agreements in deciding whether to invest in the Notes.

The philanthropic guarantee agreements do require each philanthropic guarantor to represent that it meets certain eligibility criteria and to inform us if such representation was false when made or later becomes false due to a change in circumstances, but one or more philanthropic guarantors might violate this obligation or might be unaware of a change in circumstances.

Potential conflicts of interest resulting from philanthropic guarantors serving as directors and/or officers could negatively impact the holders of Notes.

All but three of our current members of the Board of Directors are themselves philanthropic guarantors or representatives of organizations that are philanthropic guarantors. In the event that we suffer the types of losses that the philanthropic guarantee agreements are designed to address, the philanthropic guarantors serving as members of the Board of Directors or otherwise represented on the Board of Directors could be faced with a potential conflict between their financial interests and the interests of MCE and our creditors, including the holders of Notes. There is a risk that this potential conflict of interest could affect our decision(s) regarding whether and when to call for philanthropic guarantors to contribute their *pro rata* shares of such losses, which could adversely affect the holders of Notes.

Cyber incidents or attacks directed at us could result in information theft, data corruption, operational disruption and/or financial loss.

We depend on digital technologies, including information systems, infrastructure and cloud applications and services, including those of third parties with which we may deal. Sophisticated and deliberate attacks on, or security breaches in, our systems or infrastructure, or the systems or infrastructure of third parties or the cloud, could lead to corruption or misappropriation of our assets, proprietary information and sensitive or confidential data. We may not be sufficiently protected against such occurrences. We may not have sufficient resources to adequately protect against, or to investigate and remediate any vulnerability to, cyber incidents. It is possible that any of these occurrences, or a combination of them, could have adverse consequences on our business and lead to financial loss.

Risks Relating to the Notes

Because no trust indenture has been or will be established by MCE to provide for the repayment of the Notes and no trustee has been or will be appointed, these Notes may be riskier than notes for which a trust indenture is established.

Debt, such as the obligations represented by the Notes, is often issued pursuant to a trust indenture, such as the type required for public debt offerings in accordance with the Trust Indenture Act. These trust indentures provide covenants and procedures to protect debt holders and appoint a trustee to act for the benefit of all debt holders and protect their interests. However, the Notes issued by MCE in this offering are not governed by any trust indenture and there is no trustee. The Notes are being issued pursuant to an exemption from the Trust Indenture Act and the provisions of that Act designed to protect debt holders are not applicable to the Notes. Other than our covenant to pay principal and interest, we are undertaking no substantial obligations to holders of the Notes.

The Notes do not require us to meet any ongoing financial tests or require us to refrain from certain activities that could harm investors in the Notes. As a result, the Notes do not, for example, limit the amount of debt that we can incur or limit our ability to pledge our assets for the benefit of our creditors other than noteholders. Nor do the Notes require us to maintain any level of financial reporting to holders. The foregoing is in contrast to the typical protections that investors would have in debt securities issued by for-profit entities.

An investor in the Notes has no control over specific loans that we may make.

An investor in the Notes has no control over the specific use of funds. All funds from Notes will be used for lending to FSPs and/or SGBs. Although an investor may, at the time of investment, indicate a preference as to how the net proceeds of such investor's Notes are to be targeted, and we may take such preference into account in deploying such net proceeds, we retain complete control over the allocation of the proceeds of the Notes being offered and such targeting preferences would be used only for our information purposes. There is no commitment that we will be able or choose to allocate our loan portfolio consistent with investors' targeting preferences. We reserve the right not to implement or to stop implementing a targeting preference.

Holders of Notes will not have the benefit of the protections of the Investment Company Act.

We believe we are exempt from registration as an investment company pursuant to Section 3(c)(10) of the Investment Company Act, although the SEC has not made any determination that we are so exempt. Because we are not registered as an investment company, despite the composition of our assets consisting primarily of loans to FSPs and SGBs, an investor in our Notes will not have the benefit of the provisions of the Investment Company Act, including those which would otherwise limit the amount of leverage we can incur. As a result, we may be more likely to face liquidity constraints than a company subject to Investment Company Act regulation, which could have an adverse impact on our ability to meet our obligations, including obligations under the Notes.

Your ability to transfer the Notes is severely restricted.

The Notes may not be freely transferred. If you purchase a Note, you may not offer, sell, transfer, assign, pledge, hypothecate or otherwise dispose of or encumber it (or any interest therein) without our prior written consent, such consent to be granted or withheld in our sole discretion.

In addition, because we are offering the Notes in reliance upon exemptions from registration under the Securities Act and applicable state securities laws, the Notes may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws, or pursuant to registration or exemption therefrom. We have no obligation to and do not intend to register the Notes for resale. Even if we were to consent to a sale or transfer, the holder is responsible for determining whether a sale or transfer is legally permissible.

As a result, there is no trading market for the Notes at present and no trading market is expected to develop in the future. You should therefore consider the Notes as an investment to be held until maturity.

You may need the consent of other holders of Notes to take action against us, and the Notes may be amended in some respects without your consent.

For certain events of default, a holder of Notes is required to obtain the consent of the holders of a majority of the aggregate principal amount of Notes of the same series outstanding at the time of the default in order to pursue acceleration of the Notes. Because there is no trustee or other third party who maintains a list of the registered noteholders, you may not be able to locate or communicate with other holders in order to take such action.

Certain provisions of the Notes may be amended without your consent or over your objection if we obtain the consent of a majority of the holders of Notes of the same series.

The interest rate on the Notes is low relative to the yield on comparable debt instruments.

The interest rate on the Notes is set at a relatively low level to allow us to achieve our charitable objectives. As a result, it means that investors may be able to obtain a significantly higher interest rate on other securities that carry a degree of risk equal to, or lower than, MCE's Notes.

The Notes have not been approved and are not guaranteed by any government agency.

No federal or state agency has made any finding or determination as to the fairness for investment, or made any recommendation or endorsement of the Notes. Repayment of the Notes is not secured nor guaranteed by any federal or state authority or regulatory agency or any other entity as are certificates of deposit or accounts offered by banks and other regulated institutions.

An investment in the Notes is not a charitable donation and is not deductible for income tax purposes, except potentially to a limited extent in the case of a below-market loan; and any losses incurred on the Notes are not deductible as charitable donations.

Although we are a charitable organization within the meaning of Section 501(c)(3) of the Internal Revenue Code, except potentially to the extent of a deemed payment from an investor to MCE in connection with a Note with a below-market interest rate (described in the second paragraph under *Certain U.S. Federal Income Tax Consequences – Tax Consequences to U.S. Holders – Payments of Interest*), an investment in the Notes is not a donation to a charitable organization and is not deductible for income tax purposes. It is an investment. Interest paid or accrued on the Notes, (including, in the case of a Note with a below-market rate of interest, any "forgone interest" deemed paid or accrued, as described in *Certain U.S. Federal Income Tax Consequences*), is income to each holder and will be subject to tax unless the holder is eligible for an exemption from federal tax with respect to such interest. Prospective holders of Notes are advised to consult their own tax advisers regarding the federal, state, local, and foreign tax consequences of the purchase, ownership, and disposition of the Notes.

In the event you sustain any loss on your investment in the Notes, the loss will not be deductible as a charitable donation from your income taxes.

We are making no representations as to the tax consequences of purchasing and holding the Notes.

As noted above, the principal amount of a Note is not deductible for federal income tax purposes, except potentially in the limited circumstances described in the second paragraph under *Certain U.S. Federal Income Tax Consequences – Tax Consequences to U.S. Holders – Payments of Interest*. The purchase of the Notes should in no way be understood as a charitable donation, and holders of Notes will not receive any income tax deductions from our operations. In general, all interest (including any "forgone interest" in the case of a Note with a below-market rate of interest) will be taxable income to the holders when received by them in cash or accrued (or deemed received or accrued), in accordance with their method of accounting for tax purposes. Potential investors are encouraged to consult their tax advisers regarding the tax treatment of income earned on the Notes.

Each Series X Note may have additional or different terms from those described in this Offering Memorandum.

Each Series X Note may have such additional terms as are set forth in the applicable Note. In addition, any Series X Note may have terms that differ from the terms otherwise described in this Offering Memorandum. As a result, ***investors in Series X Notes are cautioned to review the form of Note carefully prior to investment in order to ascertain any additional or different terms from those described in this Offering Memorandum.***

Legal and Regulatory Risks

Any change in our activities or nonprofit status could negatively impact our ability to meet our obligations under the Notes.

Federal and California state authorities have determined that we are exempt from federal and state taxation on the basis that we serve a charitable purpose. This determination rests upon a number of conditions and assumptions that must continue to be met on an ongoing basis. If we fail to comply with any of these conditions or assumptions, we could lose our nonprofit status and be subjected to federal and/or state taxation. In addition, we are not obligated to continue our current operations or existence as a nonprofit entity. If we were subject to federal or state taxation, this could negatively impact our financial viability and cash flow, which could ultimately impact our ability to meet our obligations under the Notes. Further, it is possible that the Internal Revenue Service (“IRS”) and state, county and local taxing authorities sometime in the future could re-characterize earnings from our lending activities as unrelated business taxable income. Any such re-characterization would negatively affect our financial viability and cash flow, which in turn would negatively affect our ability to meet our obligations under the Notes.

Changes in federal and state securities laws relating to securities offered and sold by nonprofit charitable organizations could adversely affect our ability to sell the Notes and/or our ability to meet our obligations under the Notes.

Pursuant to current federal and state exemptions relating to certain securities offered and sold by nonprofit charitable organizations, the Notes will not be registered with the SEC or with any state securities regulatory body. Federal and state securities laws are subject to change and frequently do change. Future changes in federal or state laws, rules or regulations regarding the sale of securities by charitable or other nonprofit organizations may make it more costly and difficult for us to offer and sell the Notes. Such an occurrence could result in a decrease in the amount of notes sold by us, which could affect our operations and ability to meet our obligations under the Notes.

Changes in regulations governing our lending activities could adversely affect our ability to operate and to make payments under the Notes.

We are not subject to regulation as a bank, but some of our operations may be subject to regulation by federal, state and local governmental authorities. Pursuant to current federal and state exemptions relating to certain securities offered and sold by nonprofit charitable organizations, the Notes are not and will not be registered with the SEC and are not registered with any state securities regulatory bodies. Although we believe that our business is in compliance in all material respects with applicable local, state and federal laws, rules and regulations, there can be no assurance that more restrictive laws, rules and regulations will not be adopted in the future which could make compliance much more difficult or expensive, restrict our ability to originate loans, further limit or restrict the amount of interest and other charges earned under loans we originate, or otherwise adversely affect our operations or prospects.

We may face penalties for non-compliance with securities laws.

Prior to this offering of Notes, we raised capital by issuing debt in previous offerings. No federal or state regulatory body or self-regulatory body has consented to or passed on, nor made any judgment or statement as to the adequacy of, such previously issued securities. If a federal or state regulatory or self-regulatory body were to determine that our prior issuance of securities violated federal or state laws, rules or regulations, our performance may be negatively impacted and our ability to meet our obligations under the Notes may be impaired. Nothing in this Offering Memorandum should be understood as a representation or warranty with respect to such previously issued securities. This Offering Memorandum concerns only the Notes to be issued under this Offering Memorandum and not any instruments that have been issued by us prior to the date printed on the front of this Offering Memorandum.

We are subject to the risk of litigation, arbitration and other claims, and may be required to expend substantial money and time to protect its organization.

We may become involved in litigation in the ordinary course of business. Litigation can be time consuming and costly, and there can be no assurance that we will not become involved in litigation that could have a material adverse effect on our activities or ability to pay principal and interest on the Notes when due or at all. Further, there can be no assurances that we will not be enjoined from pursuing important activities as a result of existing or future litigation, arbitration or other claims.

There may be additional risks not enumerated in this document.

The paragraphs above discuss certain risks associated with us and the Notes, but are not intended to be a complete enumeration of all risks associated with the purchase or holding of Notes. Unforeseen circumstances affecting our activities may affect revenues and payments of principal and interest on the Notes.

USE OF PROCEEDS

Net proceeds from the offering of Notes will be used to help further our mission of mobilizing capital to generate economic opportunities for people living in poverty in the developing world by making loans, typically unsecured, to financial service providers (FSPs) and to small and growing businesses (SGBs) around the world. FSPs are organizations that partner with people not typically served by mainstream financial institutions, including low-income entrepreneurs, and make “micro” loans to such people. SGBs are organizations that typically generate approximately \$200,000 to \$2 million in annual revenue.

An investor may, at the time of investment, indicate a preference as to how the net proceeds of such investor’s Notes are to be targeted, and we may take such preference into account in deploying such net proceeds. However, we will not, and will not be obligated to, treat such net proceeds as restricted assets and we will be under no obligation to deploy such net proceeds in accordance with any investor’s targeting preference. We will have complete discretion as to the deployment of all net proceeds from the Notes. See “*Risk Factors – Risks Relating to Our Activities – An investor in the Notes has no control over specific loans that we may make.*”

We will not knowingly direct the proceeds of the Notes to embargoed countries, as publicly designated by the U.S. government, or to individuals or entities identified by the U.S. government as being involved in terrorism, international narcotics trafficking, proliferation of weapons of mass destruction or various other restricted activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND ACTIVITIES

Overview

We finance loans to microfinance institutions and similar organizations (together, FSPs) and to small and growing businesses (together, SGBs). An FSP is typically an organization that lends money and provides additional services to self-employed, low-income entrepreneurs in both urban and rural areas who are not being served by mainstream financial providers. The core service of microfinance is the provision of microcredit, which is the extension of small loans to impoverished borrowers who typically lack collateral, steady employment, and a verifiable credit history. MCE similarly supports other specialized financial institutions, including ones that provide financing for agriculture and the deployment of solar energy systems. An SGB is an organization that typically generates approximately \$200,000 to \$2 million in annual revenue. MCE aims to make loans to SGBs that support job creation, help smallholder farmers, facilitate the provision of clean water and energy, and increase household savings. MCE aims to diversify its loans to SGBs among the following sectors: agriculture value chain; water, waste, and sanitation; clean energy; other non-financial services such as health and education; and bottom-of-pyramid financial institutions targeting SGBs.

By making loans to both FSPs and SGBs across the developing world, MCE seeks to alleviate poverty and promote sustainable growth by improving livelihoods, strengthening institutions, and providing economic opportunity and security.

Significant Accounting Policies

Nature of Operations – MCE Social Capital is a California nonprofit benefit corporation that offers an innovative approach to mobilize capital to help the impoverished. MCE leverages philanthropic guarantees to borrow capital, which MCE, in turn, lends to micro-finance funders and to small businesses in the developing world. MCE guarantors pledge to pay MCE for any loss of principal in their lending, up to limits in the philanthropic guarantee agreement.

MCE's philanthropic guarantors are comprised of individuals, foundations, and organizations or institutions meeting the definition of an "accredited investor" under rules of the Securities and Exchange Commission. Guarantors accept the risk of providing guarantees to enable the social impact of MCE's lending. Guarantors do not receive any compensation in exchange for their philanthropic guarantees.

Basis of Presentation – As a nonprofit benefit corporation, MCE's net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of MCE and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Represents resources that are not (or no longer) subject to any donor restrictions and are considered to be available for unrestricted use.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions that could be met either by actions of MCE or the passage of time or that must be maintained permanently by the organization.

Revenues are reported as increases in assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in assets without donor restrictions. Expirations of donor restrictions on the net assets are reported as releases between applicable classes of net assets.

Cash and Cash Equivalents, Designated Cash, Restricted Cash and Certificate of Deposit – Short-term, highly liquid investments with original maturities of three months or less are considered to be cash equivalents. MCE maintains cash and cash equivalents and a certificate of deposit for the board-designated purpose of funding an SGB portfolio loan loss reserve, which is included in cash designated for SGB Portfolio loan loss reserve and an investment in a certificate of deposit on the consolidated statements of financial position. The restricted cash is from the Deutsche Bank Microcredit Development Fund, Inc. (Deutsche Bank MDF) for SGB investments.

The certificate of deposit is recorded at cost. MCE maintains the certificate of deposit for the board-designated purpose of funding an SGB portfolio loan loss reserve, which is separately presented on the consolidated statements

of financial position. As of December 31, 2022 and 2021, the balance of the certificate of deposit was \$500,000 and \$700,000 respectively. The certificate of deposit matures in 2023.

Investment in MFX Solutions, LLC – MCE’s investment in MFX Solution is carried at cost. Cost is reported as \$205,000 with no impairment in 2022 and 2021.

Accounting for Derivative Instruments – Derivative instruments are recorded in the consolidated statements of financial position at fair value and represent cross-currency interest rate swap agreements and forward contracts. Fair values for MCE’s derivative instruments are based on the present value of expected future cash flows. Changes in fair value are recorded in the consolidated statements of activities as unrealized gains and losses. Realized gains and losses are recognized on the hedged activities as settlements occur.

Accounting for Foreign Currency Denominated Transactions – MCE’s books and records are maintained in U.S. dollars. Transactions denominated in foreign currency are converted to U.S. dollars at the current exchange rate as of the date of the consolidated statements of financial position. Changes in value of foreign currency transactions are recorded at the current exchange rate as of the date of the change.

Revenue Recognition – Interest income is recognized as it accrues based upon rates in the underlying agreements. Contributions are recognized as revenue when they are unconditionally received or promised. Unconditional promises to give that are expected to be collected in future years are included in accounts receivable and discounted to present value based on estimated future cash flows. The discounts on those amounts are computed using appropriate interest rates applicable in the years in which the promises were received. Unconditional promises to give expected to be collected within one year are recorded at their net realizable value.

Other Assets – Other assets consist primarily of prepaid expenses, refundable deposits and accounts receivable.

Loan Receivable – Loans receivable are stated at the amount management expects to collect of the outstanding balance. An allowance for credit losses, if required, is based on management’s assessment of the current status of an individual loan that is anticipated to be partially or fully uncollectible. Amounts are included as past due if principal repayment has not been made in accordance with the latest amended loan agreements payment terms.

Guarantor Receivables – MCE’s guarantors provide a philanthropic guarantee towards any MCE defaults. These guarantees are considered conditional promises to give until a default occurs or a loan loss reserve is established.

Deferred Loan Origination Fees – Loan origination fees on MCE’s lending are deferred and recognized as revenue over the contractual lives of related loans (i.e., amortized). Amortization of deferred loan fees stops when a loan is impaired.

Income Tax – MCE qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) and, therefore, there is no provision for income taxes. In addition, MCE has been classified as an organization that is not a private foundation and donations to MCE qualify for the charitable contribution deduction under Section 170 of the Code. Income determined to be unrelated business taxable income (UBTI) would be taxable.

MCE evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of December 31, 2022 and 2021, MCE had no uncertain tax positions.

Contributed Services – MCE receives a significant amount of donated professional services from executives and attorneys. Donated services are recorded at fair market value in the period they are received. Donated services are recorded only if specific professional expertise is provided or the services are for constructing a fixed asset, in accordance with generally accepted accounting principles in the United States (“GAAP”).

Financing Costs – Financing costs are recorded as a direct deduction to the related debt liability on the consolidated statements of financial position. Financing costs are amortized over the term of the applicable debt using the straight-line method. GAAP requires the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization of financing costs are included as a component of interest expense in the consolidated statements of activities.

Allocation of Functional Expenses – The costs of providing various programs or supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Operating and Nonoperating Activities – All activities are considered operating except for unrealized gains and losses on foreign currency translation, unrealized gains and losses on derivative financial instruments, credit losses and recoveries, guarantor contributions and related net asset releases.

Strategic Initiatives – In 2021, MCE's board approved a strategic plan to scale its impact and meet demand for MCE's capital in the developing world. Recognizing the need to make internal investments in key areas such as systems and processes, communications, risk management, and skills development, MCE launched a strategic fundraising campaign to fund the related operational and foundational expenses. MCE generated 100% board participation in a successful matching grant campaign and raised \$460,000 for these important initiatives. The funds will be spent over the next two to three years. As of December 31, 2022 and 2021, strategic funds expended were \$283,467 and \$142,063, respectively.

Use of Estimates – MCE's consolidated financial statement are prepared in conformity with U.S. GAAP and this requires MCE management to make assumptions and estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounting Pronouncements Adopted – The Financial Accounting Standards Board issued Accounting Standards Update 2016-13, Measurement of Credit Losses on Financial Instruments. This pronouncement creates a new credit impairment standard for financial assets measured at amortized cost and available for sale debt securities. The Accounting Standards Update (ASU) requires financial assets measured at amortized cost (including loans, trade receivables, and held-to maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the life of the asset, rather than incurred losses. Subsequently, the Financial Accounting Standards Board (FASB) has issued Codification Improvements to Topic 326, Financial Instruments-Credit Losses, making the ASU effective for fiscal years beginning after December 15, 2022. MCE does not intend to early adopt and in the early stages of implementation. Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on MCE's net assets or changes in net assets. The organization will adopt the pronouncement in 2023.

Subsequent Events – Subsequent events are events or transactions that occur after the consolidated statements of financial position date but before the consolidated financial statements are issued or are available to be issued. In the consolidated financial statements, MCE recognizes the effects of all subsequent events that provide additional evidence about conditions that existed as of the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements.

MCE's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist as of the date of the balance sheet but arose after the balance sheet date and before the consolidated financial statements are available to be issued. MCE has evaluated subsequent events through April 26, 2023, which is the date when the consolidated financial statements were available to be issued.

Activities for 2022 Compared to 2021

Revenue From Lending Activities

Net revenue from lending activities was \$2,673,326 in 2022, compared to \$2,340,961 in 2021, an increase of \$332,365 or approximately 14%. This increase is primarily related to the economic recovery from the COVID-19 pandemic and the resulting increase in new loans in the FSP portfolio.

Net revenue from lending activities is gross revenue from lending activities net of interest expense as well as less imputed interest expense and gains and losses on swap transactions. Interest expense in 2022 was \$1,742,484, compared to \$1,511,655 in 2021, an increase of \$230,829, or approximately 15%, primarily related to increased interest rates from MCE lenders, in line with concurrent increases to the Fed Funds rate by the Federal Reserve throughout 2022. Currency losses were \$541,901 in 2022, compared to currency losses of \$717,461 in 2021. These

currency losses were offset by gains generated by swap transactions of \$651,469, compared to gains of \$767,080 in 2021.

Other Revenue and Support

For 2022, contributions and grants totaled \$731,162, compared to \$641,899 in 2021, an increase of \$89,263, or approximately 14%. For 2022, contribution and grants consisted primarily of the restricted matching grants made by members of the Board of Directors in their individual capacities, an unrestricted grant from a new donor, as well as milestone payments made by USAID as part of the DAI Invest grant which was awarded to MCE in 2021.

Contributed services were \$190,842 in 2022, compared to \$193,065 for the previous year, a decrease of \$2,223, or approximately 1%, primarily related to legal and professional services.

Operating Expenses

For 2022, MCE's total operating expenses were \$3,558,194. Of this amount, \$2,698,549 represented program expenses, \$608,821 represented management and general expenses and \$250,824 represented fundraising expenses. For 2021, MCE's total operating expenses were \$2,647,878. Of this amount, \$2,016,264 represented program expenses, \$444,717 represented management and general expenses and \$186,897 represented fundraising expenses. The increase in total operating expenses was primarily due to increased personnel expenses, as well as travel expenditures for increased in-person due diligence.

Change in Net Assets

Overall, the change in net assets for 2022 was a decrease of \$1,001,103 versus a decrease of \$87,155 for the same period in 2021, a decrease of \$913,948. This decrease was due to both an increase in operating expenses as well as the increase in credit losses in 2022. In addition, the net interest margin on the portfolio decreased as a percentage of overall portfolio.

Liquidity and Capital Resources

MCE's principal source of liquidity is its borrowing, the proceeds from which are used to fund its lending to FSPs and SGBs. MCE manages its liquidity by matching sources and uses of funds with particular attention to duration in order to ensure its ability to repay its lenders on time. Finally, MCE relies on its Philanthropic Guarantee Program to cover losses of principal and outstanding interest on its loan assets.

Operational costs are paid for out of the net income generated by the difference between MCE's lending income and lending expenses. This covers salaries and benefits, travel, and other costs. This also includes hedging expenses, which historically have generally been offset by hedging income over time. Additionally, as a non-profit, MCE is able to seek grants and donations and does so from time to time. These funds are used for specific purposes following the intent of our donors, often for particular working capital needs or for specific initiatives. For example, USAID's Pace grant to MCE supported MCE in launching the SGB portfolio, funding initial SGB portfolio staff, travel expenses and related expenses. MCE believes that its cash flows from operations, grants and reserves will be adequate to provide liquidity for the remainder of 2023 and for at least the first half of 2024.

MCE manages the cost of its funds by borrowing from a variety of sources with varying cost profiles. MCE borrows from commercial banks, government development agencies, foundations and individuals. These lenders are backed in their lending by MCE's Philanthropic Guarantee Program. See "– Contractual Payables and Receivables" for a breakdown of MCE borrowing.

The following table shows our sources and uses of funds as of December 31, 2022.

Sources

First Republic Bank	\$ 8,000,000
U.S. International Development Finance Corporation.....	10,000,000
RSF Social Foundation	2,000,000
Metropolitan Life Insurance Company	5,000,000
Private Notes and Loans	41,305,000
Grant Funding	350,000
Participation Agreements.....	1,436,951
Total.....	\$ 68,091,951

Uses

FSP lending.....	\$ 54,138,809
SGB Lending	9,881,090
Total.....	\$ 64,019,899

Cash Flows

In 2022, we changed our presentation of amortization of deferred loan origination fees in our statement of cash flows. Amounts previously reported under cash flows from investing activities are now reported in cash flows from operating activities. In connection with such change, certain amounts from 2021 were adjusted. In 2022, we also changed our presentation of loans receivable repayments received in our statement of cash flows. Amounts previously reported under cash flows from investing activities are now reported in cash flows from operating activities. In connection with such change, certain amounts from 2021 were adjusted.

In 2022, operating activities provided \$2.2 million, compared to \$1.3 million provided by operating activities in 2021. In 2022, \$14.8 million were used in investing activities, compared to \$0.4 million used by investing activities in 2021. This \$14.4 million increase in cash used by investing activities was primarily the result of growth in the MCE FSP and SGB portfolios. Financing activities provided \$15.8 million in 2022, compared to \$0.5 million used by financing activities in 2021. This \$16.3 million increase in cash provided by financing activities was primarily the result of borrowings to fund the growth in the MCE portfolio. As a result, from December 31, 2021 to December 31, 2022, cash and cash equivalents increased from \$8.4 million to \$11.6 million.

In 2021, operating activities provided \$1.3 million, compared to \$4.8 million provided by operating activities in 2020. In 2021, \$0.4 million were used in investing activities, compared to \$8.2 million provided by investing activities in 2020. This \$8.6 million decrease in cash provided by investing activities was primarily the result of disbursements exceeding payments received from borrowers. Financing activities used \$0.5 million in 2021, compared to \$10.2 million used by financing activities in 2020, as a result of paying down less debt than the previous year. As a result, from December 31, 2020 to December 31, 2021, cash and cash equivalents increased from \$8.1 million to \$8.4 million.

Contractual Payables and Receivables

The table below summarizes MCE's contractual payment obligations as of December 31, 2022. See Note 8 to our financial statements as of and for the year ended December 31, 2022 included elsewhere herein.

	Due by MCE			
	Within 1 Year	In 2-3 Years	In 4-5 Years	In More Than 5 Years
OPIC notes	\$ -	\$ 10,000,000	\$ -	\$ -
RSF Social Finance note	2,000,000	-	-	-
FRB notes.....	500,000	7,500,000	-	-
Metlife notes.....	\$ 0	5,000,000	-	-
Privately placed notes.....	7,280,000	9,865,000	1,750,000	460,000
Notes payable to philanthropic guarantors	8,350,000	12,450,000	1,500,000	-
Total	\$ 18,130,000	\$ 44,815,000	\$ 3,250,000	\$ 460,000

The table below summarizes MCE's contractual receivables as of December 31, 2022. See Note 6 to our financial statements as of and for the year ended December 31, 2022 included elsewhere herein.

	Due to MCE			
	Within 1 Year	In 2-3 Years	In 4-5 Years	In More Than 5 Years
FSP lending	\$ 10,000,696	\$ 38,638,113	\$ 5,500,000	-
SGB lending	8,881,090	1,000,000	-	-
Total	\$ 18,881,786	\$ 39,638,113	\$ 5,500,000	\$ 0

Risk Analysis

Portfolio at Risk / Hedging

As of December 31, 2022, MCE's active portfolio totaled \$64.5 million, representing 119 loans to 50 institutions (37 FSPs and 13 SGBs) in 28 countries. The portfolio at risk (PaR) greater than 30 days (i.e., the outstanding balance of all loans with payments in arrears beyond 30 days) was 5.62% for the FSP portfolio and 26.95% for the SGB portfolio. MCE's PaR greater than 90 days (i.e., the outstanding balance of all loans with payments in arrears beyond 90 days) was 5.61% for the FSP portfolio and 27.62% for the SGB portfolio. The share of hedged local currency loans represented 34% of the outstanding portfolio.

Watch List & Impaired List

As of June 30, 2023, there were 16 MCE clients on MCE's Watch List as compared to 6 MCE clients in 2022. In 2022, MCE conservatively decided to include all restructured loans and all loans within the periphery of Russia on the watch list. Clients move on and off the Watch List, including being escalated to the Impaired List. As of June 30, 2023, MCE had six MCE clients on its Impaired List. MCE judged that these clients were experiencing serious issues related to external or internal risks and might miss future payments on their loans from MCE. Should MCE experience a default on one of its loans, the philanthropic guarantors would be called upon to reimburse MCE for the loss.

These are the 13 FSPs on MCE's Watch List:

- Finca Zambia (Zambia) – since Q1 2020; amount owed to MCE: \$0.25 million
- Fudecosur (Costa Rica) – since Q2 2022; amount owed to MCE: \$0.45 million
- ACME (Haiti) – since Q3 2022; amount owed to MCE: \$0.38 million
- IDEPRO (Bolivia) – since Q2 2023; amount owed to MCE: \$1.0 million

- LOVI (Indonesia) – since Q2 2023; amount owed to MCE: \$1.0 million
- Amazonas (Bolivia) – since Q2 2023; amount owed to MCE; \$1.0 million

Russian Periphery:

- Lazika (Georgia) – since Q1 2022; amount owed to MCE: \$2.0 million
- ACF (Kazakhstan) – since Q1 2022; amount owed to MCE \$2.5 million
- Arnur Credit (Kazakhstan) – since Q1 2022; amount owed to MCE \$2.0 million
- Elet Capital (Kyrgyzstan) – since Q1 2022; amount owed to MCE \$2.0 million
- Microinvest (Moldova) – since Q1 2022; amount owed to MCE \$2.8 million
- HUMO (Tajikistan) – since Q1 2022; amount owed to MCE \$1 million
- Renesans (Uzbekistan) – since Q1 2022; amount owed to MCE \$1.29 million

There are three SGBs on MCE's Watch List:

- Good Nature Agro (Zambia) – since Q2 2022; amount owed to MCE: \$0.27 million
- Nahua (Costa Rica) – since Q4 2021; amount owed to MCE: \$0.01 million
- Sol Organica – since Q2 2023; amount owed to MCE; \$0.38 million

At the time of impairment, MCE's philanthropic guarantors are charged with the principal balance of the impaired loans (subject to the loan loss reserve in the case of the SGB program, as described under "*Risk Factors – Risks Relating to Our Activities – Our SGB program could experience a high level of defaults, and if losses deplete the loan loss reserve for SGB philanthropic guarantors, and consequently expose SGB philanthropic guarantors to more than \$10,000 per year, there would be an increased risk that those SGB philanthropic guarantors might withdraw (upon 18 months' notice) or even fail to honor their obligations*"). The reduction in principal (impairment) is immediately offset by the guarantees provided by MCE's philanthropic guarantors. Once any work out is completed, philanthropic guarantors are asked to provide their *pro rata* share (a "guarantor call").

There are three FSPs on MCE's Impaired List:

- EFTA (Tanzania) – since Q3 2021; amount owed to MCE: \$0.95 million
- Advans (Myanmar) – since Q4 2022; amount owed to MCE: \$0.58 million
- Proximity (Myanmar) – since Q1 2022; amount owed to MCE: \$1.5 million

On September 17, 2021, one MFI and one SGB were declared by the Board of MCE to be in default. These entities were formerly on the Impaired List.

- Georgian Credit (Georgia) – MCE Board of Directors declared Georgian Credit in default because of concerns about the ability of the MFI management to successfully implement a turnaround and because of market uncertainty due to the COVID-19 situation and the possibility of further lockdowns.
- Sierra Agra (Sierra Leone) – MCE Board of Directors declared Sierra Agra in default since the Company ceased operations in 2020 and further recovery is dependent on the company, or its assets, being acquired by a third party.

On September 13, 2022, one FSP and one SGB were declared by the Board of MCE to be in default. These entities were formerly on the Impaired List.

- Sunfunder (Global) – MCE Board of Directors declared Sunfunder in default because of Sunfunder’s inability to adhere to their restructured repayment schedule, the company’s sustained underperformance, and concerns about the ability of Sunfunder’s management to recover capital from the remaining underlying portfolio companies.
- Tolaro (Benin) – MCE Board of Directors declared Tolaro in default as a result of the company’s refusal to agree to any restructuring and management’s lack of commitment towards meeting its debt repayment obligations.

On September 27, 2023, three SGBs were declared by the Board of MCE to be in default. These entities were formerly on the Impaired List.

- Villa Andina (Peru) – MCE Board of Directors declared Villa Andina in default because of sustained negative financial performance and Villa Andina’s bankruptcy filing in January 2023.
- PFG (Ethiopia) – MCE Board of Directors declared PFG in default as a result of the country deterioration, negative financial performance and high uncertainty of the PFG Group to be able to improve its financial performance, which required a change of the company’s business model.
- Prograin Organic (Moldova) – MCE Board of Directors declared Prograin Organic in default as a result of weak financial performance, lack of strategic decisions due to shareholder tensions and limited visibility on the status of the operations.

Interest Rate Risk

All of MCE’s loans to FSPs and SGBs are currently made with fixed interest rates. Similarly, MCE’s debts are generally at fixed interest rates, often fixed at the time of borrowing. Because MCE borrows in the United States and lends in other countries, to the extent prevailing interest rates rise in the United States but not in the countries where MCE lends, MCE is vulnerable to increases in U.S. interest rates. MCE mitigates this interest rate risk by blending higher cost commercial and institutional borrowing with lower cost borrowing from other sources, including accredited investors and foundations.

Currency Risk

MCE borrows in U.S. dollars and approximately two-thirds of its lending is in U.S. dollars. MCE hedges the value of its loan assets that are not U.S.-dollar denominated. An FSP or SGB with a U.S. dollar-denominated loan that is located in a country with a currency depreciating relative to the U.S. dollar may be more likely to default on its loan. See “*Risk Factors – Risks Relating to Our Activities – Lending to FSPs and SGBs in developing countries increases the risk that macroeconomic and geopolitical volatility and uncertainty will negatively impact the FSPs and SGBs.*”

BUSINESS

We are a nonprofit public benefit corporation organized under the laws of the State of California and a federal income tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code. We were founded as MicroCredit Enterprises and changed our name to MCE Social Capital in 2014.

We commenced operations in 2005 with the social purposes of mobilizing capital to finance micro-businesses of poor families in the developing world and produce jobs, sustain micro-businesses, and improve human lives. In 2016, these social purposes were expanded to include mobilizing capital for small and medium sized enterprises, and similar organizations, to improve human lives throughout the developing world.

To accomplish these social purposes, we finance loans to microfinance institutions and similar organizations (together, FSPs) and to small and growing businesses (SGBs). An FSP is typically an organization that provides finance services to self-employed, low-income entrepreneurs in both urban and rural areas who are not being served by mainstream financial providers. The core service of microfinance is the provision of microcredit, which is the extension of small loans to impoverished borrowers who typically lack collateral, steady employment, and a verifiable credit history. MCE similarly supports other specialized financial institutions, including ones that provide financing for agriculture and the deployment of solar energy systems. An SGB is an organization that typically generates approximately \$200,000 to \$2 million in annual revenue. MCE aims to make loans to SGBs that create jobs, help smallholder farmers, facilitate the provision of clean water and energy, and increase household savings. MCE aims to diversify its loans to SGBs among the following sectors: agriculture value chain; water, waste, and sanitation; clean energy; other non-financial services such as health and education; and bottom-of-pyramid financial institutions targeting SGBs.

The Philanthropic Guarantee Program

We benefit from credit support provided by two pools of individual and institutional philanthropic guarantors, who we refer to as our philanthropic guarantors, and who participate in our Philanthropic Guarantee Program. One pool of philanthropic guarantors provides credit support with respect to our loans to FSPs and the second provides credit support with respect to our loans to SGBs. Pursuant to a philanthropic guarantee agreement, philanthropic guarantors agree to guarantee to MCE the due and punctual payment in full of all obligations in the respective philanthropic guarantor pool. Each philanthropic guarantor unconditionally guarantees to us the due and punctual payment of their *pro rata* share of all such obligations pursuant to the philanthropic guarantee agreement when they become due. No philanthropic guarantor is liable for any amount in excess of his or her philanthropic guarantee. Losses on loans to FSPs or SGBs are allocated to the respective pool of philanthropic guarantors and allocations are made to each philanthropic guarantor on a *pro rata* basis. In 2022, 2021 and 2020, losses totaling \$2.75 million, \$0.35 million and \$0.2 million, respectively, were allocated to the FSP pool, and in 2022, 2021 and 2020, losses totaling \$0.52 million, \$0.54 million and \$0.15 million, respectively, were allocated to the SGB pool. The term of each philanthropic guarantee agreement is unlimited with an 18-month notice period for withdrawal, and we cannot predict whether philanthropic guarantors will continue their philanthropic guarantee agreements and participate in the Philanthropic Guarantee Program. Further, guarantors in the SGB pool may provide that their agreements will immediately terminate upon the guarantor's death, or the executor of a deceased guarantor may opt to terminate the agreement, effective upon notification. It is MCE's current policy to allow guarantors in the FSP pool the same option for early termination in the event of the guarantor's death. We cannot predict whether or how many guarantors will die during the term of any note, or whether or how many guarantors or executors will utilize the early termination option. Nor can we predict whether philanthropic guarantors will honor their respective obligations under their philanthropic guarantee agreements. See "*Risk Factors – Risks Relating to Our Activities – Our financial position may be adversely affected if our philanthropic guarantors do not abide by their philanthropic guarantee agreements*" and "*– The Philanthropic Guarantee Program does not eliminate the risks of investing in the Notes.*"

In 2018, we established MCE Social Capital Stichting ("MCE Stichting") in the Netherlands to allow European investors to more easily participate in our philanthropic guarantee program. Investors began providing guarantees through MCE Stichting in 2020.

As of July 31, 2023, there were a total of 126 FSP philanthropic guarantee units, representing \$124 million in guaranteed capital. Of these, 21 guarantees are scheduled to withdraw within 18 months. An FSP guarantee unit is \$1 million.

As of July 31, 2023, there were a total of 53 SGB philanthropic guarantee units, representing \$27 million in guaranteed capital. Of these, 6 guarantees are scheduled to be withdrawn within the 18 months. An SGB guarantee unit is \$500,000.

With the backing of each guarantee unit, MCE currently borrows up to half of the unit's value (\$500,000 or \$250,000) from lenders including the U.S. International Development Finance Corporation (formerly U.S. Overseas Private Investment Corporation (OPIC)), First Republic Bank, RSF Social Finance, Metropolitan Life Insurance Company, as well as from accredited investors. MCE's professional portfolio team then performs due diligence on potential FSPs and SGBs, usually by traveling to the developing world to identify creditworthy FSPs and SGBs that generate meaningful social impact in their communities.

Some philanthropic guarantors enter direct guarantee arrangements with one of our lenders (First Republic Bank) for loans to the FSP portfolio only. When they do, MCE reduces their obligations under the guarantee agreements by half, to \$500,000, but the total of their obligations under the direct guarantee and the philanthropic guarantee agreement remains at \$1 million.

For the guarantors who elect to authorize MCE to borrow and lend against 100% of their guarantee amount if this policy change is adopted, call amounts on their guarantees are expected to approximately double, increasing the risk that a guarantor will be unable or unwilling to meet its obligation under the philanthropic guarantee agreement.

MCE Lending

After completing a rigorous due diligence process, we make loans to select FSPs and SGBs. MCE's FSP or SGB Loan Committee, Board committees made up of philanthropic guarantors, approves each loan to an FSP or an SGB, as applicable. Additionally, MCE's Loan Committees use outside advisers to bring specific expertise into each committee's deliberations. The historic repayment rate of MCE borrowers to MCE since 2006 is, as of December 31, 2022, more than 97.4%, (dollar-weighted). If an FSP or SGB cannot pay any portion of its loan obligation, MCE's Board of Directors (all but three of whom are philanthropic guarantors) formally declares the loan in default.

Both FSP and SGB philanthropic guarantors share the loss of a default on a *pro rata* basis and make a tax-deductible payment to MCE calculated as the amount of the default divided by the number of guarantee units. Any philanthropic guarantor may exit the program with 18 months advance written notice, which is required so that MCE can secure a replacement or make adjustments in the lending portfolio.

SGB philanthropic guarantors can provide that the guarantees terminate immediately upon their death, or their executors can opt to terminate the guarantees any time after the death of the philanthropic guarantor. In the FSP program, MCE has adopted a similar policy to allow a philanthropic guarantor in the FSP program or his or her executor to terminate a guarantee 90 days after the death of the philanthropic guarantor. MCE Stichting has incorporated this policy into its philanthropic guarantee agreements as well.

MCE established a loan loss reserve (LLR) of \$1,000,000 that caps first-dollar exposure for philanthropic guarantors backing MCE's SGB lending. The LLR caps first-dollar exposure at \$10,000 per loan guarantee per calendar year. Only in the event that losses exceed the first-dollar exposure of \$10,000 per loan guarantee per calendar year and exceed the LLR are philanthropic guarantors responsible for the excess losses beyond those amounts covered by the first-dollar exposure and the LLR. MCE may, with the approval of the Board of Directors, replenish the LLR should it be diminished at a future date. In December 2021, MCE made the first draw on the SGB LLR in an amount of \$295,499 in connection with the default by an SGB that resulted in a loss of \$535,499. In September 2022, MCE made an additional draw on the SGB LLR in an amount of \$167,544 in connection with the default by an SGB that resulted in a loss of \$547,544. See "*Business – Loss History*". The remaining balance of \$536,957 is still held in the LLR. In September 2017, MCE attained loan guarantees from the United States Agency for International Development (USAID) for \$17,564,403. These loan guarantees are allocated up to \$500,000 per SGB loan with a 50% match to MCE's lending. As of December 2022, the guarantees have been 100% allocated to loans in the SGB portfolio. An additional allocation of \$20,000,000 has been approved with expected closing in Q4 2023.

In March 2020, MCE was selected to receive \$3.7 million in assets from the Deutsche Bank Microcredit Development Fund (DBMDF). This grant was earmarked for lending in the SGB portfolio. To leverage the grant, MCE uses the distribution as matching funds to attract additional guarantors. The grant will provide 50% (on

average) of the funds for each new SGB loan with the goal of matching the funds MCE raises based on its guarantee model.

Since MCE started operations in 2005, it has repaid all of its loans to its lenders in full and on time.

Direct Philanthropic Guarantors

One of MCE's lenders (First Republic Bank) requires that there be direct philanthropic guarantors of its loans to MCE. MCE cannot access this capital without such direct philanthropic guarantors. MCE works with philanthropic guarantors willing to serve as direct philanthropic guarantors to integrate their obligations as direct philanthropic guarantors with the Philanthropic Guarantee Program, keeping their total exposure to loss unchanged. The direct philanthropic guarantors play a helpful role in facilitating MCE's access to capital.

To qualify as a direct philanthropic guarantor, a philanthropic guarantor must submit to First Republic Bank certain documents, which may include recent tax returns, a recent bank or brokerage statement, and/or a short personal financial statement. Institutional philanthropic guarantors may be asked to provide standard organizational documents, such as by-laws or articles of incorporation. Once qualified as a direct philanthropic guarantor by a lender, such direct philanthropic guarantor signs an agreement with the lender for a guarantee amount of \$500,000 to back MCE's FSP portfolio. Direct philanthropic guarantors provide supporting documentation to MCE and the lender on an annual basis.

Once a philanthropic guarantor signs up as a direct philanthropic guarantor, such philanthropic guarantor's commitment under the philanthropic guarantee agreement backing MCE's lending is reduced by half (from \$1 million to \$500,000 for FSP guarantee units and from \$500,000 to \$250,000 for SGB guarantee units). The total exposure remains at \$1 million and \$500,000 for FSP units and SGB units, respectively.

MESA

In February 2023, MCE, in partnership with U.S. International Development Finance Corporation (USAID) and several other investors, and with fund-design support from USAID, officially launched MCE's Empowering Sustainable Agriculture Fund (MESA). MESA is targeting a total raise of approximately \$40,000,000 in senior and catalytic investments. MCE's MESA fund will provide transformative debt capital to gender-inclusive agribusinesses throughout their lifecycle, either through direct lending to "missing middle" enterprises or to financial services providers, partnering with these companies as they grow. The goal is to scale economic opportunities within local communities, enhance the climate resilience of smallholder farmers, and empower women throughout the agricultural sector in emerging markets. MCE is the sole managing member of MESA.

Due Diligence & Risk Management

We make loans to FSPs and SGBs in the developing world that we judge, after careful review, to be financially viable and creditworthy. All loans are approved by our FSP or SGB Loan Committee, as applicable, and all of the members of each committee are currently philanthropic guarantors. In addition, there are non-voting advisers, who are not philanthropic guarantors. While our standards for lending are subject to modification at any time in our sole discretion, our current lending policies are as follows:

Initial Screening

First, interested organizations must generally meet our initial screening criteria.

Potential FSP borrowers must generally:

- Serve at least 5,000 borrowers or have a minimum \$1 million gross loan portfolio; maintain portfolio-at-risk below 10%; be operationally self-sufficient or able to demonstrate a clear plan to achieve operational self-sufficiency; have independent audit reports covering at least the two most recent years; have a business plan with three years of financial projections; and have a credit rating or other similar external evaluation/recommendation.

- Serve a high percentage of individuals and families living in poverty; serve a high percentage of women; extend its operations to isolated rural communities; or operate or provide linkages to programs focused on financial literacy, health education, or business training, among others.

Potential SGB borrowers must generally:

- Have at least three years of operation; have sustainable sources of revenue, and be reasonably expected to be profitable or break-even within three to five years; be scalable, with a three-year business plan; have audited financial statements available for at least one year, with financial statements produced at least quarterly; and meet certain financial metrics.
- Impact one or more of the following sectors: agriculture value chain; water, waste, sanitation; clean energy; other non-financial services such as health and education; or bottom of pyramid financial institutions targeting SGBs.

Due Diligence Package

Second, an interested borrower completes and submits MCE's Initial Appraisal Package of basic information. At MCE's discretion, the organization then submits a Due Diligence Package. For FSPs, this includes extensive financial data; portfolio and client data; and institutional, human resource, and financial/risk management information. For SGBs, this includes an audit report, unaudited year-to-date financial statements, data on current outstanding debt, cash forecast for at least the next six months, number of employees and offices, description of main risks, institutional information such as affiliations, by-laws, legal registration, and social impact metrics.

Site Visit

Third, if MCE determines that the loan is worth pursuing, prior to the COVID-19 pandemic, a member of MCE's portfolio team typically would visit the organization in person to meet its leadership and clients, review its operations, confirm the accuracy of the submitted information, review processes and procedures, conduct random tests on the portfolio, meet with internal and external auditors, and meet with end beneficiaries. As a result of the COVID-19 pandemic, we ceased site visits, but resumed site visits during 2021 and after a brief period of limited in-person due diligence, have resumed our pre-COVID-19 site visit standards. See "*Risk Factors – Risks Relating to Our Activities – The COVID-19 pandemic is adversely affecting, and will likely continue to adversely affect, our business, financial condition, results of operations.*"

Loan Committees

Fourth, if the due diligence is successful, MCE's portfolio team drafts and submits a detailed loan memorandum to MCE's Loan Committee and MESA's Investment Committee, as applicable. The relevant Committee then approves, approves with modifications or rejects the proposed transaction. The Committees are composed primarily of Board members who are philanthropic guarantors and is supported by several expert advisers. MCE is considering offering the expert advisers membership on the Loan Committee, but the majority of each Loan Committee would continue to consist of philanthropic guarantors. The Loan Committees look carefully at the following variables.

- *Creditworthiness.* This includes the potential borrower's finances and portfolio (profitability, portfolio composition, growth, funding, and capital structure) and quantitative data (ratings, products, ownership, governance, management, internal and external audits, operations, MIS, human resources, and client protection principles).
- *Risk factors.* These include external factors (such as competition and market analysis, political and economic environment, currency, crime and violence, and over-indebtedness) and internal factors (such as potential conflict of interest or fraud, abnormal debt-to-equity ratios, operational risks, key employee risks, and high cost of funds).
- *Social Impact.* This includes the percentage of women clients or beneficiaries, the percentage of clients or beneficiaries in rural areas, the pro-poor nature of the organization, the existence and scope of any "Credit Plus" services (for FSP lending, such as health or business training), and the organization's overall dedication to a social mission. In addition, for SGB lending, we look for impact in one or more of the

following sectors: agriculture value chain; water, waste, and sanitation; clean energy; other non-financial services such as health and education; and bottom of pyramid financial institutions targeting SGBs.

Approval, Disbursement, and Monitoring

After approval and disbursement, MCE requires monthly or quarterly submission of financial statements from each of its FSP and SGB partners. MCE's portfolio managers also schedule quarterly monitoring calls with each client to discuss the organization's current status, challenges, and opportunities.

MCE lends no more than 15% of its portfolio in one country, with a management target of 10%, and no more than 10% of its gross lending capacity to any one borrowing institution, with a management target of 6%.

MCE monitors and engages with its portfolio organizations to minimize and resolve loan problems. Each quarter, MCE produces a Risk Management Report, which includes a Watch List and an Impaired List. Outstanding loans qualify for the Watch List when there are observable or anticipated out of the ordinary activities at the FSP or SGB (such as activities related to governance, portfolio quality, profitability, or political, macroeconomic or weather-related issues). Outstanding loans are placed on the Impaired List when the risk of some level of default is determined to be likely. Philanthropic guarantors and noteholders are regularly informed about the Watch and Impaired lists.

Portfolio Composition

As of December 31, 2022, MCE's active portfolio totaled \$64.5 million, representing 119 loans to 50 institutions (37 FSPs and 13 SGBs) in 28 countries. The portfolio at risk (PaR) greater than 30 days (i.e., the outstanding balance of all loans with payments in arrears beyond 30 days) was 5.62% for the FSP portfolio and 26.95% for the SGB portfolio. MCE's PaR greater than 90 days (i.e., the outstanding balance of all loans with payments in arrears beyond 90 days) was 5.61% for the FSP portfolio and 27.62% for the SGB portfolio. The share of hedged local currency loans represented 34% of the outstanding portfolio.

As of December 31, 2022, MCE has disbursed over \$291 million in loans from its inception. The average size of our loans is \$563,000 per loan and loan sizes have ranged from \$12,500 to \$4 million. From inception, MCE has extended loans to 160 institutions in 50 countries. More than \$219 million in loans have matured successfully.

Loss History

MCE has declared the following loans to be in default since January 1, 2021:

- In 2021, an FSP in Georgia defaulted on an MCE loan as a result of the inability of the FSP management to successfully implement a turnaround with market uncertainty due to the COVID-19 situation and the possibility of further lockdowns. MCE's Board of Directors declared a loss of \$349,050. Each of MCE's 127 philanthropic guarantors in the program at that time made a contribution of \$2,750 per unit to fully cover the defaulted amount.
- In 2021, an SGB in Sierra Leone defaulted on an MCE loan, as a result of the cancellation of the Purchase Orders backing MCE's loan. As a result, the company ceased operation. MCE's Board of Directors declared a loss of \$535,499. Each of MCE's 24 philanthropic guarantors in the program at that time made a contribution of \$10,000 per unit. Additionally, MCE drew \$295,499 from the SGB Loan Loss Reserve to fully cover the defaulted amount.
- In 2022, an FSP working globally defaulted on an MCE loan, as a result of management's consistent inability to execute on pipeline opportunities. MCE's Board of Directors declared a loss of \$2,807,665. Each of MCE's 120 philanthropic guarantors in the program at that time made a contribution of \$23,400 per unit, payable over the course of two to three years.
- In 2022, an SGB in Benin defaulted on an MCE loan, as a result of the company's decreased margins due to the cashew crisis of 2018-2019, further exacerbated by slowdowns during COVID-19 lockdowns. MCE's Board of Directors declared a loss of \$547,544. Each of MCE's 38 philanthropic guarantors in the program at that time made a contribution of \$10,000 per unit. Additionally, MCE drew \$167,544 from the SGB Loan Loss Reserve to fully cover the defaulted amount.

- In 2023, an SGB in Peru defaulted on an MCE loan, as a result of sustained negative financial performance and their bankruptcy filing in January 2023. MCE's Board of Directors declared a total loss of \$1,060,000, of which \$367,759 is covered by MCE's Philanthropic Guarantors. Each of MCE's 56 philanthropic guarantors in the program at that time is expected to contribute \$6,750 per unit.
- In 2023, In 2023, an SGB in Ethiopia defaulted on an MCE loan, as a result of the country deterioration, negative financial performance and a required change needed to their business model. MCE's Board of Directors declared a loss of \$271,293. Each of MCE's 46 philanthropic guarantors in the program at that time is expected to contribute \$1,530 per unit.
- In 2023, an SGB in Moldova defaulted on an MCE loan, as a result of weak financial performance, lack of strategic decisions due to shareholder tensions and limited visibility on the status of the operations. MCE's Board of Directors declared a loss of \$250,000, of which \$82,421 is covered by MCE's Philanthropic Guarantors. Each of MCE's 56 philanthropic guarantors in the program at that time is expected to make a contribution of \$1,475 per unit.

In each case, the philanthropic guarantors in the program at that time made their tax-deductible contributions in full and in a timely manner to fully cover the loss. Taking into account each of these seven defaults, the historic default rate is under three percent. This is calculated by dividing the total dollar value of the defaults by the total dollar value of the loans made by MCE. The historic default rate provides no assurance of what the default rate might be in the future.

From time to time, MCE is able to recover a portion of the amount owed on a defaulted loan after it has been declared in default, which partially offsets MCE's losses on such loans. For philanthropic guarantors that made contributions to cover the defaulted amounts, any amounts subsequently recovered by MCE are credited against future contributions by the philanthropic guarantors. In 2022, MCE recovered more than \$26,000 on loans previously declared in default and credited its philanthropic guarantors accordingly. There can be no assurances that MCE will be able to recover any portion of defaulted loans in the future.

MANAGEMENT

The table below sets forth the members of our Board of Directors and our key management as of the date of this Offering Memorandum.

Name	Position
Karen Keating Ansara	Director
John Ayliffe	Director
Dan Brunner	Director
Kevin Carnahan	Director
Jim Chu	Director
Jim Davidson	Director
Jay Dunn	Director
Gary M. Ford	Director
Leah Bradford Francis	Director
David Lambert	Director
Eric McCallum	Director
Justin Morales	Director
Kanini Mutooni	Director
Sayuri Sharper	Director
Meg Stallard	Director
Nancy Swanson	Director
Ayesha Wagle	Director
William G. Way	Director
Catherine Covington	Managing Director & Chief Business Development Officer
Natasha Goldstein	Interim Chief Financial Officer
Ginny Reyes Llamzon	General Counsel and Chief Operating Officer
Camilla Nestor	Chief Executive Officer
Elena Pons	Managing Director & Chief Investment Officer

Karen Keating Ansara. In 2008, Ms. Ansara co-founded and currently chairs the Steering Committee of New England International Donors (NEID). After the 2010 earthquake in Haiti, Ms. Ansara co-founded the five-year Haiti Fund at the Boston Foundation to support reconstruction and human rights in Haiti. In addition to making international grants via the Ansara Fund at the Boston Foundation, Ms. Ansara serves on the Advisory Board of the Institute for Justice and Democracy in Haiti, the Leadership Council of Oxfam America, the Steering Committee of the Opportunity Collaboration, and the Program Committee of The Philanthropy Workshop and the Board of Corporators of Wheelock College in Boston.

John Ayliffe. Mr. Ayliffe is a social impact investor. He is Chairman and Co-Founder of 1to4 Foundation and Founder & CEO of Swiss Idea Box. He is a Board Member of the For Foundation and Rotary Action Group for Microfinance & Community Development. Mr. Ayliffe is also Co-Founder and former Board Member and CEO of Precimed. Mr. Ayliffe lives in Switzerland.

Dan Brunner. Mr. Brunner is the former CEO of Affordable Health Care Concepts. He has also served as General Counsel for the California Governor's Office of Special Healthcare Negotiations and as the Executive Vice President at First Health Group Corp. Previously, Mr. Brunner acted as Director of the Legislative Office at the Western Center on Law & Poverty. Mr. Brunner is a Board Member of the University of California Davis Health System, Capital Public Radio, and Capital Stage.

Kevin Carnahan. Mr. Carnahan is an active impact investor and adviser to a number of non-profit and for profit firms. He has served as MCE's CFO numerous times, is the MCE Treasurer, chairs MCE's SGB Loan Committee and serves on MCE's FSP Loan Committee. Mr. Carnahan spent 30 years with Accenture, mainly in Europe and in global management roles, as a Senior Managing Partner. Additionally, he is active as a hands-on volunteer in his local community.

Jim Chu. Mr. Chu is a Silicon Valley entrepreneur and investor with over 25 years of experience in Information Technology and safe water in developing markets. The teams and companies Mr. Chu has led have generated over \$40 million of returns to shareholders and have prevented thousands of deaths from water borne diseases. Mr. Chu

started with international development in 2010 in Haiti, where he worked to provide safe water to underserved communities after the earthquake. dloHaiti, the social enterprise he founded, today provides safe water to over 150,000 Haitians while boosting incomes of hundreds of local merchants. dloHaiti was an MCE borrower. Mr. Chu's current efforts under UNTAPPED cover Sub Saharan Africa and the Caribbean, with the mission of making investing in safe water infrastructure in developing markets more attractive to commercial investors through smart water technology. UNTAPPED is headquartered in the USA, with offices in Mali, Kenya, and Haiti. Mr. Chu has undergraduate and graduate degrees from Stanford University and has run companies and teams in North America, South America, Europe, Africa, and Asia.

Jim Davidson. Mr. Davidson is an early-stage investor and adviser with more than 20 years of Internet technology experience. He was a senior leader at AOL where he served as CTO of DigitalCity, the internet's first hyper-local portal, and later as VP of Web Services and Publishing. Mr. Davidson is currently focused on early-stage impact-investing, providing capital and serving as adviser for companies that leverage technology to further their social-benefit and sustainability missions through his company PeakChange.

Jay Dunn. Mr. Dunn is Executive Director of the Dunn Family Charitable Foundation, a private foundation based in Massachusetts focused on poverty alleviation and social justice globally, and also Managing Director of DF Impact Capital which is a family office vehicle for making high impact investments. Mr. Dunn has over 30 years of experience in international finance, primarily private equity, venture capital, and project development, with a focus in Latin America. Mr. Dunn also serves and has served on corporate and non-profit Boards in the US, Latin America, and Africa. Mr. Dunn received an MA in Latin American Studies and International Economics from the Johns Hopkins University School of Advanced International Studies (SAIS) and a BA in International Politics and Economics from Middlebury College.

Gary M. Ford. Gary Ford is an attorney, executive, and impact investor who focuses on market-driven approaches to help people lift themselves out of poverty. He currently serves as Board Chair of MCE Social Capital. In addition, he serves on the Investment Advisory Committee for Sarona Frontier Markets Fund. Gary has served as ERISA Counsel to the Senate Committee on Labor and Human Resources, as General Counsel to the Federal Pension Benefit Guaranty Corporation, and as a Principal at Groom Law Group in Washington, D.C.

Leah Bradford Francis. Ms. Francis joined the Gates Foundation in 2020 with a focus on education. Prior to joining Gates, Ms. Francis was Managing Director at Synergos Advisory, leading their global social impact advisory practice and assisting clients such as – Bloomberg Philanthropies (health), Citi Foundation (global NGO capacity building), Gates Foundation (agriculture & financial inclusion), WalMart Foundation (agriculture), Conservation International (coffee), Unilever (various), Mondelez International (nutrition), Abbott (foundation operations), PepsiCo Foundation (water/nutrition), and Porticus (education). Ms. Francis has worked on projects in countries such as Bangladesh, Vietnam, Argentina, India, Tanzania, Ethiopia, South Africa, Namibia and Malawi. Prior to Synergos, Ms. Francis was President of the Kraft Foods Group Foundation, and led the company's philanthropic strategy in community partnerships, humanitarian aid and employee civic engagement with a focus on food access and nutrition. Ms. Francis philanthropy journey started at the Chicago Community Trust, where she oversaw investments in affordable housing, workforce development, community organizing, justice system reform and economic development. Over the years, Ms. Francis has served as a volunteer, board member and speaker at numerous organizations. Ms. Francis holds an MBA from the Kellogg School of Management at Northwestern University, an MPA from the Kennedy School of Government at Harvard University, and a BA in Sociology from the University of Virginia.

David Lambert. Mr. Lambert works for the US Blink Family Office in Los Gatos, CA. The family office works with other social organizations that have the same mission around the world. Currently, Mr. Lambert does work in the US and Central America. He is also very passionate about opportunities whether it's impact investments, supporting small entrepreneurs, and nonprofit entities. In addition, Mr. Lambert's passion is building community locally in Los Gatos, CA through events, leading by example, and creating positivity around building relationships with the community. He has a BA in Environmental Studies and a MS in nutrition.

Eric McCallum. Eric McCallum is Founder/President of Arctic Wire Rope & Supply in Alaska. He mentors and angel invests in startup companies within Alaska, in clean technology nationally and social enterprise internationally.

Justin Morales. Mr. Morales has an extensive background in investment ventures, and is currently a general partner in five oil and gas projects in Texas and Kansas. He is an owner of Keller Williams Realty in Northern Colorado and founded FundingForInventors.com, a company that provides the means for inventors to take their ideas and products to market.

Kanini Mutooni. Ms. Mutooni currently serves as Managing Director for the Draper Richards Kaplan Foundation in Nairobi and serves on the board of the UN Capital Development Fund. She brings a wealth of impact investing experience and regional expertise in East Africa. Prior to joining MCE, she was a Senior Advisor at the Toniic Impact Network and was the immediate former board chair at the Global Innovation Fund.

Sayuri Sharper. Ms. Sharper is a retired high-tech executive and business litigator. Ms. Sharper is passionate about promoting a better world and lending her expertise to nurture social entrepreneurs to provide scalable solutions to global problems. Ms. Sharper is a principal at KSF Impact, a private foundation that provides equity and debt financing for seed stage social enterprises. Ms. Sharper also mentors social entrepreneurs through MIT D-Lab Scale-Up program, MIT Solve, and Santa Clara University Global Social Benefit Institute (GSBI). Additionally, Ms. Sharper is a senior partner at Acumen, a global non-profit that invests in social enterprises to tackle poverty, and a member of Toniic, a global action community for impact investors. Ms. Sharper has a J.D. from Santa Clara University School of Law and a B.S./MSEE from MIT.

Meg Stallard. Ms. Stallard has been a community volunteer in Woodland and Yolo County for many years. Ms. Stallard served for 13 years (1991-2003) on the Woodland School Board and three on the statewide school boards association. Ms. Stallard served two years on the Yolo County Board of Education (2015-2016). Ms. Stallard has also served on a number of community nonprofit boards, including the Woodland Opera House, Yolo Basin Foundation, Cache Creek Conservancy, League of Women Voters, and the Woodland Swim Team. Ms. Stallard served on the Woodland Library Board and the board of the Woodland Shakespeare Club. Ms. Stallard is a longtime member of PEO, a philanthropic educational organization for women. Ms. Stallard has served in a leadership capacity in every organization she has been involved with. Ms. Stallard is an active member of her church and volunteers once a month at the Woodland Food Closet. Ms. Stallard is past president of the Cal Aggie Alumni Association at UC Davis and a past chair of the UC Davis Foundation Board of Trustees. Ms. Stallard was the founding chair of the Board of Advisors for the School of Education at UC Davis, where she served for 10 years. Ms. Stallard currently serves as chair of the Yolo Community Foundation board and on the board of the Sacramento Region Community Foundation.

Nancy Swanson. Ms. Swanson is a founding member and the executive director of Linked Foundation, a private foundation that invests in solutions that improve the health and economic self-reliance of women in Latin America and the United States. She served as board chair of the Eleos Foundation where she directed the foundation in investing in the developing world. Together with her team, she guided the collaboration of Eleos into Global Partnerships as the Social Venture Fund (SVF), which invests in social enterprises in East Africa. Prior to her decade of work in impact investing, she held senior roles in the private and entrepreneurial telecommunications sector in strategic sales, marketing, and new business development. Ms. Swanson also serves on the board of directors for Pro Mujer, Social Venture Fund, Leading from Within, and the Carpinteria Children's Project.

Ayesha Wagle. Ms. Wagle leads investment activities at Rippleworks, a private foundation that provides practical tools and investments for social entrepreneurs who are tackling the world's most challenging problems. Prior to Rippleworks, Ms. Wagle served as President of Komaza, a rapidly growing micro-forestry business in Kenya working to get smallholder farmers out of poverty. Komaza was until recently an MCE borrower. Before joining Komaza, Ms. Wagle worked in New York at Morgan Stanley in the Fixed Income Division. Ms. Wagle then spent five years managing the global loan portfolio at MCE. Ms. Wagle has a bachelor's degree in Economics and International Relations from the University of Pennsylvania and a master's degree from the Johns Hopkins School of Advanced International Studies.

William G. Way. Mr. Way is Former Managing Director, Accenture (postings in London, Tokyo and United States) and former Chief Operating Officer (*pro bono*), MCE Social Capital. Bill currently works with a portfolio of startup companies as a funder, board member and mentor in identifying and implementing business driven solutions to global poverty and health issues. Mr. Way is active in the community and is a current board member of Phoenix Art Museum (Past Chairman), Whitman College Board of Trustees (Chair Budget Committee), The Nature Conservancy, Marriot School of Business, Akili Dada, School of Life Project, the Asian Arts Council and ASU

Gammage Theatre. He also serves on the advisory board of two medium sized private equity funds, board of Everyone Counts and Smead Capital, a money manager and mutual fund.

Catherine Covington. Ms. Covington joined MCE in September 2017 and has spent most of her career in the fields of philanthropy and impact investing. Most recently, she was the Senior Manager, Client Engagement at RSF Social Finance. During her six years at RSF, she managed their donor advised fund program, played a lead role in developing strategy for investor cultivation and stewardship, managed and grew one of RSF's pooled PRI programs and co-launched a second portfolio, and led a successful fundraising campaign for a program focused on deploying multiple forms of capital in support of sustainable food systems. Earlier in her career, she worked with and advised public charities, private foundations and philanthropists while at the Tides Foundation, SunTrust Bank, and the Robert W. Woodruff Foundation. She received her B.S. in Business from the Georgia Institute of Technology (Georgia Tech).

Natasha Goldstein. Ms. Goldstein has 16 years of experience in impact investing, social entrepreneurship and investment banking. She was previously CFO at MCE from 2013 to 2017. In September 2017, Ms. Goldstein launched The Accountkeepers, a for-profit social enterprise technology-enabled accounting company, which was later acquired by venture-backed inDinero. From 2016 to 2017 she was also the Social Entrepreneur in Residence at UNC Chapel Hill. Prior to 2013, she started LIFT Investments, an impact investment fund based in Kenya and raised approximately \$100,000 in initial start-up capital from impact investors. Prior to this, she was an investment banker at UBS Investment Bank. Ms. Goldstein has a Bachelors of Commerce from Queen's University and an MPA from Columbia University.

Ginny Reyes Llamzon. Ms. Llamzon joined MCE's team as General Counsel in October 2021. She is an international finance lawyer who has worked in frontier markets for most of her career. She has advised on the structuring of a wide range of debt and equity products in diverse legal and regulatory environments in Asia, sub-Saharan Africa, and Central and South America. Prior to joining MCE, Ms. Llamzon worked at the Global Innovation Fund (GIF), where she provided transaction and regulatory advice in connection with GIF's risk capital and grants portfolio. She also worked at FMO, the Dutch development finance institution, where she was transaction counsel for their renewable energy and infrastructure transactions. Ms. Llamzon trained as a project finance attorney and previously worked for U.S. and U.K. law firms in Hong Kong and Singapore, and for a law firm in the Philippines.

Camilla Nestor. Ms. Nestor currently serves as CEO of MCE Social Capital. Over her two-decade career, Ms. Nestor has focused on strategies that improve the economic lives of people around the world. Prior to joining MCE, Ms. Nestor served as CEO of MIX, where she launched new strategic directions and worked to design and structure a merger with the Center for Financial Inclusion at Accion. Before that, in over a decade in leadership positions at Grameen Foundation, Ms. Nestor led global programs in financial inclusion, agriculture and health. Ms. Nestor built the organization's impact investing arm, placing debt, equity and guarantees that generated over \$250 million for financial service providers. Earlier in her career, Ms. Nestor worked at Citigroup executing debt financing for emerging markets firms, and spent four years working in Indonesia and the Balkans setting up microfinance institutions. Ms. Nestor serves as adjunct professor of financial inclusion at Columbia University, where she also received an MBA and Masters in International Affairs.

Elena Pons. Ms. Pons has more than 20 years of experience in debt investments. She previously worked at MCE from 2013 to 2020, managing impact portfolios in Latin America, Africa, and Asia. Prior to MCE, Ms. Pons worked as a commercial banker and independent consultant, specializing in impact investing, microenterprises, and social entrepreneurship. In 2011, she joined the boutique impact investing firm Sonen Capital. Most recently, Ms. Pons worked at Oryx Impact as an Investment Manager before returning to MCE in 2022. Ms. Pons has helped create courses on impact investing and social entrepreneurship with the ESADE Business School. She has both a bachelor's degree in Slavic Philology and a master's degree in Russian Studies from the Ludwig Maximilian University of Munich, and a Masters of Business Administration from ESADE Business School and Georgetown University.

RELATED PARTY TRANSACTIONS

From time to time, members of the Board of Directors provide loans to MCE. MCE believes that these transactions have been made on terms that are not less favorable to MCE than those that could be obtained from unrelated third parties. MCE currently has borrowings from the following members of the Board of Directors:

- Loan of \$250,000 from Mr. Ford to MCE, bearing interest at a rate of 1.75% *per annum* and due on February 28, 2024. This is a three-year note.
- Loan of \$3,000,000 from a foundation controlled by Ms. De Vere, bearing interest at a rate of 2.75% *per annum* and due on August 30, 2023. This is a five-year note.
- Loan of \$2,000,000 from a foundation controlled by Ms. De Vere, bearing interest at a rate of 2.75% *per annum* and due on January 30, 2025. This is a five-year note.
- Loan of \$100,000 from a foundation controlled by Mr. Dunn, bearing interest at a rate of 1.75% *per annum* and due on October 31, 2023. This is a three-year note.
- Loan of \$200,000 from Eric McCallum to MCE, bearing interest at a rate of 2.00% *per annum* and due on July 31, 2024. This is a three-year note.
- Loan of \$250,000 from Karen Keating to MCE, bearing interest at a rate of 2% *per annum* and due on February 28, 2026. This is a three-year note.

In addition to the loans described above, all but three of the members of our Board of Directors are philanthropic guarantors in our Philanthropic Guarantee Program. As a result, to the extent any of our directors purchases Notes in this offering, the director will be entitled to the incremental 25 basis points (0.25%) *per annum* interest rate on such Notes.

DESCRIPTION OF NOTES

The following summary description of the Notes is qualified in its entirety by reference to the applicable form of Note attached hereto as Annex A or Annex B.

The Offering

We are offering our Private Global Economic Opportunity Notes in four separate series: Series A, Series B and Series X. Notes may be offered from time to time over a period of years. There is no minimum amount of Notes that must be issued before any are issued, or any limit on the maximum amount of Notes that may be issued.

Form and Denomination

Notes will be issued only in definitive registered form, without interest coupons, in minimum denominations of \$100,000 and integral multiples of \$50,000 in excess thereof.

Maturity

The maturity date of each Note will be stated thereon. Within each series, the maturity dates of the Notes will vary.

Each Series A Notes will mature on the calendar month-end following (or that coincides with) the third anniversary of its issue date.

Each Series B Notes will mature on the calendar month-end following (or that coincides with) the fifth anniversary of its issue date.

Each Series X Notes will mature on the date set forth in the applicable Note.

Interest

The interest rate provided by the Notes may be lower than rates provided by other notes of comparable risk and duration. We are seeking to sell these Notes to investors who value the positive social impact that we believe is likely to be achieved through the loans to FSPs and SGBs that proceeds from these Notes would help to finance. Such investors may be willing to hold Notes with lower interest rates than would be the case if MCE were not perceived to generate positive social impact.

Series A Notes will bear interest at a rate of 0.00 to 3.00% *per annum*, as set forth in the applicable Note.

Series B Notes will bear interest at a rate of 0.00 to 3.50% *per annum*, as set forth in the applicable Note.

Each Series X Note will bear interest at the rate *per annum* set forth in the applicable Note.

A holder of Notes of any series who also participates as a philanthropic guarantor in the Philanthropic Guarantee Program will be paid an additional 25 basis points (0.25%) above the rate otherwise applicable to such series while such participation continues in accordance with the terms of such holder's philanthropic guarantee agreement.

Interest will accrue on the outstanding principal amount of each Note on a daily basis at 1/365th (or 1/366th in a leap year) of the applicable interest rate and will be payable annually in arrears on the anniversary of issuance, except that the final interest payment will not be paid on such anniversary but at maturity, to the holder in whose name the Note is registered.

Payments

If any interest or principal payment date falls on a day that is not a business day in the location of MCE's principal place of business, payment of interest or principal will be made on the next succeeding business day without any additional amount accrued. A "business day" is any day that is not a Saturday, Sunday or other day on which commercial banks are authorized or required by law to close in the location of MCE's principal place of business.

All payments of principal and interest will be made in U.S. dollars by, at MCE's election, check mailed to the address of the registered holder then appearing in MCE's record books or wire transfer (including ACH) to the bank account of the registered holder then appearing in MCE's record books.

Redemption of Notes at MCE's Option

Each Note may be redeemed in whole or in part at the option of MCE at any time at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the date of redemption. We are not required to redeem Notes on a *pro rata* basis. The Notes are not redeemable or re-purchasable at the option of the holder at any time.

Ranking and Seniority

Notes of each series will rank at the same level of seniority as Notes of each other series, and with all other unsecured and unsubordinated MCE debt.

The Notes will rank junior to our secured indebtedness, if any, to the extent of the value of the assets securing such secured indebtedness.

Additional or different terms applicable to Series X Notes

Each Series X Note may have such additional terms as are set forth in the applicable Note. In addition, any Series X Note may have terms that differ from the terms otherwise described in this Offering Memorandum. Series X Notes may vary between themselves as to tenor, interest rate and other terms.

Investors in Series X Notes are cautioned to review the form of Note carefully prior to investment in order to ascertain any additional or different terms from those described in this Offering Memorandum.

No Guarantee or Sinking Fund

No guarantee is being provided by any individual philanthropic guarantor or any other party to the holders of Notes with respect to MCE's obligations to the holders of Notes.

No sinking fund is being provided with respect to the Notes.

Events of Default and Remedies

An "Event of Default" means any of the following:

- (i) default in the payment of any principal on any Note of a series at the applicable maturity or on a date fixed for redemption of such Note or upon a declaration of acceleration as described below, and the continuance of such default for a period of at least 30 consecutive days; or
- (ii) default in the payment of any interest on any Note of a series when such interest becomes due and payable, and the continuance of such default for a period of at least 30 consecutive days; or
- (iii) the entry of an order for relief against MCE under the U.S. Bankruptcy Code by a court having jurisdiction in the premises or a decree or order by a court having jurisdiction in the premises adjudging MCE a bankrupt or insolvent under any other applicable federal or state law, or the entry of a decree or order approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of MCE under the U.S. Bankruptcy Code or any other applicable federal or state law; or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of MCE or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; or the consent by MCE to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the U.S. Bankruptcy Code or any other applicable federal or state law, or the consent by MCE to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of MCE or of any substantial part of its property, or the making by MCE of an assignment for the benefit of

creditors, or the admission by MCE in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by MCE in furtherance of any such action.

If an Event of Default of the type specified in (i) or (ii) above occurs and is continuing, then the holders of at least 50% of the aggregate principal amount of Notes of the applicable series may declare the principal amount of each Note of such series, together with any accrued and unpaid interest, to be due and payable immediately. If an Event of Default of the type specified in (iii) above occurs, the entire principal amount of Notes of all series, together with any accrued and unpaid interest, shall automatically, and without any declaration or other action on the part of any holder, become immediately due and payable in full.

Notwithstanding the foregoing, the right of any holder to receive payment of the principal amount, and interest on, such holder's Note on the maturity date and to institute suit for the enforcement of any such payment after the maturity date, shall not be impaired without the consent of such holder.

Amendments, Waivers and Modifications

Except as otherwise described herein, no amendment, waiver or other modification of a Note may be made without the prior written consent of MCE and either the holder of such Note or the holders of a majority of the aggregate principal amount of Notes of the applicable series. In no event will such an amendment, waiver or other modification be effective without the consent of the holder adversely affected, if it would (i) change or extend the maturity date or any interest payment date, (ii) reduce the principal amount of, or the rate of interest on, such holder's Note, (iii) change any place of payment where, or the currency in which, such holder's Note is payable, (iv) modify the provisions of such holder's Note with respect to its seniority or subordination, or (v) modify the amendments and waivers or Event of Default provisions of such holder's Note.

Notwithstanding the foregoing, no consent of any holder will be required for us to:

- (i) correct or supplement any provision of the Notes that is defective or inconsistent with any other provision, cure any ambiguity or omission, correct any mistake, or conform the Notes to this Offering Memorandum, or
- (ii) make any other change that does not materially adversely affect the rights of any holder.

In determining whether the holders of the requisite aggregate principal amount of the series of Notes have given any request, demand, authorization, direction, notice, consent or waiver, any Notes held or owned by MCE or any of its subsidiaries will be disregarded.

Transfer Restrictions

No holder of Notes may offer, sell, assign, pledge, hypothecate, dispose of, encumber or otherwise transfer any Note (or any interest therein) without the prior written consent of MCE, such consent to be granted or withheld in MCE's sole discretion. The Notes have not been registered under the Securities Act, state securities laws or the laws of any other jurisdiction and may not be transferred except as permitted under the Securities Act and applicable state securities laws, or pursuant to registration or exemption therefrom. Each Note will bear a legend to the foregoing effect. See "*Notice to Investors; Transfer Restrictions.*"

Governing Law

The Notes will be governed by the laws of the State of New York.

Settlement Method

Transactions in the Notes are settled with MCE.

Interest Payments and Tax Reporting

Investors will be provided with a Form 1099-INT in January of each year indicating the interest paid or otherwise required to be recognized on their investment in the prior year. *These investments are not deductible for federal income tax purposes, except potentially in the limited circumstances described in the second paragraph under*

"Certain U.S. Federal Income Tax Consequences – Tax Consequences to U.S. Holders – Payments of Interest." Federal and state tax is due on the interest earned on the Notes. Consult your tax adviser regarding the effect on your taxes, if any, of accepting a below-market rate of return on your investment. See "Certain U.S. Federal Income Tax Consequences."

No Trust Indenture

No trust indenture has been or will be established to provide for the repayment of the Notes and no trustee has been or will be appointed. Holders of Notes will therefore have none of the protections afforded by the Trust Indenture Act.

No Secondary Market

The nature of this offering does not afford the opportunity of a secondary market for the Notes. Consequently, investors should view the purchase of the Notes as an investment to be held to maturity (subject to our option to redeem) as they may not be able to sell any Notes, for emergency purposes or otherwise. See also "– *Transfer Restrictions*."

Who Can Invest?

The Notes are available for purchase only directly from MCE or through certain registered broker-dealers and are available only to "accredited investors" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The Notes are not being offered by any form of general solicitation or general advertising within the meaning of Regulation D except as permitted by Regulation D. The Notes will not be offered in any state or other jurisdiction in which registration or qualification is required but has not been made or obtained as of the offering date.

How to Invest

Prospective investors will be required to enter into a Private Global Economic Opportunity Note Subscription Agreement substantially in the form attached hereto as Annex C or Annex D, as applicable. Payment for the Notes will be processed through MCE. Investors must wire funds to an account designated by MCE.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES¹

The following are certain U.S. federal income tax consequences of owning and disposing of Notes (other than the Series X Notes) purchased in this offering at the “issue price,” which we assume will be the price indicated on the cover of this Offering Memorandum, and held as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, as well as differing tax consequences that may apply if you are, for instance:

- a financial institution;
- a regulated investment company;
- a dealer or trader in securities that uses a mark-to-market method of tax accounting;
- holding Notes as part of a “straddle” or integrated transaction;
- a U.S. Holder (as defined below) whose functional currency is not the U.S. dollar;
- a tax-exempt entity;
- a partnership for U.S. federal income tax purposes;
- a holder of a Note who also participates as a philanthropic guarantor in the Philanthropic Guarantee Program; or
- a person required for U.S. federal income tax purposes to conform the timing of income accruals with respect to the Notes to their financial statements under section 451 of the Internal Revenue Code of 1986, as amended (the “Code”).

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of your partners will generally depend on the status of the partners and your activities.

This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this Offering Memorandum may affect the tax consequences described herein. This summary does not address any aspect of state, local or non-U.S. taxation, or any taxes other than income taxes. You should consult your tax adviser with regard to any gift tax consequences resulting from the purchase of a Note with a below-market rate of interest, the application of the U.S. federal tax laws to your particular situation, and any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

Tax Consequences to U.S. Holders

This section applies to you if you are a U.S. Holder. You are a U.S. Holder if for U.S. federal income tax purposes you are a beneficial owner of a Note and are:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

¹ [NTD: DPW tax to update.]

Payments of Interest

As discussed above, although we are a charitable organization within the meaning of Section 501(c)(3) of the Code, except as described in the following paragraph, an investment in the Notes is not a donation to a charitable organization and is not deductible for income tax purposes. It is an investment.

We expect stated interest on a Note to be taxable to you as ordinary interest income at the time it accrues or is received, in accordance with your method of accounting for federal income tax purposes. In addition, special rules may apply if the interest rate on a Note is less than the "applicable Federal rate" (as described in section 1274(d) of the Code) in effect when the Note was issued. If (i) the below-market loan is in the nature of a gift (a "gift loan"), (ii) the gift loans outstanding between you and MCE at any point in the year exceed \$250,000, and (iii) you are not able to show that the Note's interest arrangements have no significant effect on your and MCE's tax liability, then you will be taxed on "forgone interest." Specifically, on the last day of each calendar year, you will be treated as (i) first transferring to MCE and (ii) then receiving from MCE a payment equal to the excess of (a) the amount of interest that would have been payable if interest on a Note accrued at the applicable Federal rate in effect when the Note was issued, over (b) the interest that was payable. The deemed payment from MCE to you will be treated as an interest payment taxable as ordinary income. Because MCE is a 501(c)(3) tax-exempt charitable organization, the deemed payment from you to MCE may be treated as a charitable contribution. In that event, depending on your circumstances and subject to certain limitations, you may be able to deduct some or all of this amount from your taxable income (potentially offsetting some or all of the deemed interest payment). If the below-market loan rules apply, you should consult your tax advisor regarding whether and to what extent a charitable contribution deduction is available to you.

Under temporary Treasury regulations, these rules regarding below-market loans will not apply (and payments of forgone interest from you to MCE and MCE to you will not be deemed to occur) if the amount of gift loans outstanding between you and MCE do not exceed \$250,000 at any point in the year, or if you are able to show that the Note's interest arrangements have no significant effect on your and MCE's tax liability. Factors taken into account in determining whether a Note's interest arrangements have a significant effect on tax liability include: whether items of income and deduction generated by the loan offset each other, the amount of such items, the cost to you of complying with the below-market interest rules if they apply, and any non-tax reasons for deciding to structure the transaction as a below-market loan rather than a market loan and a payment from you to MCE. You should consult your tax adviser regarding the special rules applicable to below-market loans, including whether an exception to those rules applies to your investment.

It is expected, and this discussion assumes, that the Notes will be issued without original issue discount for U.S. federal income tax purposes.

Sale or Other Taxable Disposition of the Notes

Upon the sale or other taxable disposition of a Note, we expect that you will recognize taxable gain or loss equal to the difference between the amount realized on the sale or other taxable disposition and your adjusted tax basis in the Note. Your adjusted tax basis in a Note will generally equal the cost of your Note. For these purposes, the amount realized does not include any amount attributable to accrued interest, which is treated as described under "*Payments of Interest*" above.

We expect that gain or loss realized on the sale or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the sale or other taxable disposition the Note has been held for more than one year. Long-term capital gains recognized by non-corporate taxpayers are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Tax Consequences to Non-U.S. Holders

This section applies to you if you are a Non-U.S. Holder. You are a Non-U.S. Holder if for U.S. federal income tax purposes you are a beneficial owner of a Note that is:

- a nonresident alien individual;
- a foreign corporation; or

- a foreign estate or trust.

You are not a Non-U.S. Holder if you are a nonresident alien individual present in the United States for 183 days or more in the taxable year of disposition, or if you are a former citizen or former resident of the United States, in either of which cases you should consult your tax adviser regarding the U.S. federal income tax consequences of owning or disposing of a Note.

Payments on the Notes

We expect payments of principal and interest on the Notes to not be subject to U.S. federal income or withholding tax, provided that, in the case of interest,

- you are not a controlled foreign corporation related, directly or indirectly, to MCE through stock ownership;
- you certify on a properly executed IRS Form W-8BEN, under penalties of perjury, that you are not a United States person; and
- it is not effectively connected with your conduct of a trade or business in the United States as described below.

If you cannot satisfy one of the first three requirements described above and interest on the Notes is not exempt from withholding because it is effectively connected with your conduct of a trade or business in the United States as described below, we intend to treat payments of interest on the Notes as subject to withholding tax at a rate of 30%, or the rate specified by an applicable treaty.

Sale or Other Taxable Disposition of the Notes

We expect that you will not be subject to U.S. federal income or withholding tax on gain realized on a sale, redemption or other taxable disposition of notes, unless the gain is effectively connected with your conduct of a trade or business in the United States as described below, although any amounts attributable to accrued interest will be treated as described above under “– *Payments on the Notes.*”

Effectively Connected Income

If interest or gain on a Note is effectively connected with your conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment or fixed base maintained by you), we expect you to generally be taxed in the same manner as a U.S. Holder, and to be exempt from the withholding tax on interest discussed above, although you will be required to provide a properly executed IRS Form W-8ECI in order to claim an exemption from withholding. You should consult your tax adviser with respect to other U.S. tax consequences of the ownership and disposition of Notes, including the possible imposition of a branch profits tax at a rate of 30% (or a lower treaty rate) if you are a corporation.

Backup Withholding and Information Reporting

If you are a U.S. Holder, information returns are required to be filed with the IRS in connection with payments on the Notes and proceeds received from a sale or other disposition of the Notes unless you are an exempt recipient. You may also be subject to backup withholding on these payments in respect of your Notes unless you provide your taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules or you provide proof of an applicable exemption.

If you are Non-U.S. Holder, information returns are required to be filed with the IRS in connection with payments of interest on the Notes. Unless you comply with certification procedures to establish that you are not a United States person, information returns may also be filed with the IRS in connection with the proceeds from a sale or other disposition of a Note. You may be subject to backup withholding on payments on the Notes or on the proceeds from a sale or other disposition of the Notes unless you comply with certification procedures to establish that you are not a United States person or otherwise establish an exemption. The certification procedures required to claim the exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid backup withholding as well.

Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

FATCA

Provisions commonly referred to as “FATCA” impose a withholding tax of 30% on payments of interest on the Notes made to “foreign financial institutions” (which is broadly defined for this purpose and in general includes investment vehicles) and certain other non-U.S. entities unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities) have been satisfied, or an exemption applies. If FATCA withholding is imposed, a beneficial owner that is not a foreign financial institution generally will be entitled to a refund of any amounts withheld by filing a U.S. federal income tax return (which may entail a significant administrative burden).

Although existing FATCA regulations would also impose withholding on payments of gross proceeds from the sale or other disposition (including a retirement or redemption) of the Notes, under proposed regulations (the preamble to which provides that taxpayers may rely on them pending finalization), no such withholding on gross proceeds would apply. Prospective investors should consult their tax advisors regarding the effects of FATCA on their investment in the Notes.

TRANSFER RESTRICTIONS; NOTICE TO INVESTORS

Because the restrictions described below will apply to the resale of the Notes, holders are advised to consult legal counsel prior to attempting any offer, resale, pledge or other transfer of the Notes or any interest therein.

No holder of Notes may offer, sell, assign, pledge, hypothecate, dispose of, encumber or otherwise transfer any Note (or any interest therein) without the prior written consent of MCE, such consent to be granted or withheld in MCE's sole discretion.

In addition, the Notes may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws, or pursuant to registration or exemption therefrom.

The Notes have not been, and will not be, registered under the Securities Act, state securities laws or the laws of any other jurisdiction and we do not intend to apply for listing of the Notes on any securities exchange. The Notes have no established trading market.

Because there are restrictions on your ability to transfer and assign the Notes and there is not expected to be any market for the Notes, the Notes should be viewed as an investment to be held to maturity.

Each Note will bear a legend to substantially the following effect:

THIS NOTE (AND ANY INTEREST HEREIN) MAY NOT BE OFFERED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, DISPOSED OF, ENCUMBERED OR OTHERWISE TRANSFERRED (COLLECTIVELY, A "TRANSFER") WITHOUT THE PRIOR WRITTEN CONSENT OF MCE SOCIAL CAPITAL (THE "ISSUER"), SUCH CONSENT TO BE GRANTED OR WITHHELD IN THE ISSUER'S SOLE DISCRETION. THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), NOR HAS IT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES OR "BLUE SKY" LAWS OF ANY STATE. NO TRANSFER OF THE NOTE (OR ANY INTEREST HEREIN) WILL BE PERMITTED UNLESS (A) APPROVED BY THE ISSUER AND (B) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT IS IN EFFECT AS TO SUCH TRANSFER, THE TRANSFER IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT, OR IN THE OPINION OF COUNSEL, REGISTRATION UNDER THE SECURITIES ACT IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE SECURITIES ACT AND WITH APPLICABLE STATE SECURITIES LAWS. THE HOLDER OF THIS NOTE SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF INVESTMENT IN THIS NOTE UNTIL MATURITY.

By agreeing to purchase a Note, each investor will be deemed to have represented to MCE that it is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act. In the case of an individual investor, this means that the investor is:

- (1) a director or executive officer of MCE;
- (2) a natural person whose net worth, either individually or jointly with the investor's spouse or spousal equivalent, excluding the value of the investor's primary residence, exceeds \$1,000,000;
- (3) a natural person who had an individual income in excess of \$200,000 in each of the last two years, or joint income with the investor's spouse or spousal equivalent in excess of \$300,000 in each of those years, and reasonably expects to reach the same income level in the current year; and/or
- (4) a natural person holding in good standing one or more professional certifications or designations or credentials from an accredited educational institution that the SEC has designated as qualifying an individual for accredited investor status.

In the case of an investor that is an entity, this means that the investor is one or more of the following:

- (1) a bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution pursuant to Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity;
- (2) a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934;
- (3) an investment adviser registered pursuant to Section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state;
- (4) an investment adviser relying on the exemption from registering with the SEC under section 203(l) or (m) of the Investment Advisers Act;
- (5) an insurance company as defined in Section 2(a)(13) of the Securities Act;
- (6) an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that act;
- (7) a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;
- (8) a Rural Business Investment Company as defined in Section 384A of the Consolidated Farm and Rural Development Act;
- (9) a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000;
- (10) an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- (11) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;
- (12) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, Massachusetts or similar business trust, partnership or limited liability company, not formed for the specific purpose of investing in the Notes, with total assets in excess of \$5,000,000;
- (13) a trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of investing in the Notes, whose decision related to receiving the Securities is directed by a sophisticated person who has such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks investing in the Notes;
- (14) an entity in which all of the equity owners qualify under any of items (1) through (13) above or the individual investor qualification standards set forth above;
- (15) an entity, of a type not listed under any of items (1) through (14) above, not formed for the specific purpose of acquiring the Notes, owning investments, as defined in Rule 2a51-1(b) under the Investment Company Act of 1940, in excess of \$5,000,000;
- (16) a family office, as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940: (i) with assets under management in excess of \$5,000,000, (ii) that is not formed for the specific purpose of acquiring the Notes and (iii) whose prospective investment is directed by a person who has knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the Notes; and/or

- (17) a family client, as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940, of a family office meeting the requirements in item (16) above and whose prospective investment in the Notes is directed by such family office pursuant to item (16)(iii) above.

In addition, by agreeing to purchase a Note, each investor will be deemed to have represented to MCE that:

- the investor understands that the Note has not been and will not be registered under the Securities Act, and has not been registered or qualified under any state securities or blue sky laws, based on reliance that the issuance of the Note is exempt from registration under Section 4(a)(2) of the Securities Act as not involving any public offering. The investor further acknowledges that MCE's reliance on such exemption is predicated, in part, on the representations set forth below made by the investor to MCE;
- the investor is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act;
- the investor is acquiring the Note solely for the investor's own account, for long-term investment purposes only, and not with an intent to sell, or for resale in connection with any distribution of the Note within the meaning of the Securities Act;
- in evaluating the merits and risks of an investment in the Note, the investor has relied upon the advice of the investor's legal counsel, tax advisers, and/or investment advisers to the extent that the investor has deemed necessary; the investor, either alone or together with its advisers in connection with evaluating the merits and risks of acquiring the Note, has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of acquiring the Note and is able to bear the economic risk of such acquisition, including the risk of a complete loss; and the investor has no need for liquidity in this investment;
- the investor has been given access to all books, records and other information of MCE, including this Offering Memorandum, that the investor has desired to review and analyze in connection with the investor's purchase of the Note;
- the investor is aware that an investment in securities of a nonprofit benefit corporation such as MCE is non-marketable, may be non-transferable and will require the investor's capital to be invested for an indefinite period of time that may extend to the maturity date, possibly without return;
- the investor understands that the Note is characterized as a "restricted security" under the federal securities laws since the Note is being acquired from MCE in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances, including the need to obtain MCE's consent, which may not be forthcoming. The investor represents that it has been informed of, and understands, the transferability restrictions applicable to the Notes;
- the investor understands that the investment evidenced by the Note is a debt investment, is unsecured, does not represent any equity or like interest in MCE or any interest convertible to such, and does not carry with it any voting or like rights; and
- the investor understands that he, she or it may not offer, sell, assign, pledge, hypothecate, dispose of, encumber or otherwise transfer the Note (or any interest therein) without the prior written consent of MCE, such consent to be granted or withheld in MCE's sole discretion, and that no representation has been made to the investor that MCE will grant any such consent, and that if such consent is granted, the Note may not be transferred except in minimum denominations of \$100,000 and integral multiples of \$50,000 in excess thereof.

PLAN OF DISTRIBUTION

The Notes are available for purchase only by “accredited investors” within the meaning of Rule 501(a) of Regulation D under the Securities Act. The Notes are not being offered by any form of general solicitation or general advertising within the meaning of Regulation D except as permitted by Regulation D. The Notes will not be offered in any state or other jurisdiction in which registration or qualification is required but has not been made or obtained as of the offering date.

MCE, as issuer of the Notes, serves as the distributor of the Notes, along with certain authorized broker-dealers. Proceeds from the sale of Notes will not be used to pay commissions or any other costs related to the sale of the Notes; all commissions or related costs will be paid from MCE’s operating budget and will not be charged to investors.

MCE may enter into various sales and compensation agreements authorizing participating broker-dealers to make Notes available for purchase by qualified investors in accordance with the terms and conditions of this Offering Memorandum. Prospective investors should call MCE to obtain a list of broker-dealers transacting the Notes. In their capacity under the sales and compensation agreement, broker-dealers have no authority to act as agents for MCE.

LEGAL MATTERS

Davis Polk & Wardwell LLP, New York, New York, has advised us in connection with this offering as to matters of New York law.

INDEPENDENT AUDITORS

Our financial statements for the years ended December 31, 2022 and December 31, 2021 included in this Offering Memorandum were audited by Moss Adams LLP, an independent registered public accounting firm, as stated in their reports included herein.

FINANCIAL STATEMENTS OF MCE SOCIAL CAPITAL

Financial Statements for the Year Ended December 31, 2023

With Comparative Columns for the Year Ended December 31, 2022

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Report of Independent Auditors

The Board of Directors
MCE Social Capital and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of MCE Social Capital and Subsidiary (MCE Social Capital) which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of MCE Social Capital as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MCE Social Capital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MCE Social Capital's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MCE Social Capital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MCE Social Capital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 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 consolidated 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 consolidated 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 April 26, 2023 on our consideration of MCE Social Capital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of MCE Social Capital's 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 MCE Social Capital's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Albuquerque, New Mexico
April 26, 2023

Consolidated Financial Statements

MCE Social Capital and Subsidiary
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 9,889,968	\$ 8,209,810
Cash designated for SGB Portfolio loan loss reserve (Note 1)	210,057	7,026
Restricted cash from Deutsche Bank MDF for SGB investments (Note 1)	<u>1,488,310</u>	<u>218,669</u>
Total Cash	11,588,335	8,435,505
Certificate of deposit designated for SGB Portfolio loan loss reserve (Note 1)	500,000	700,000
Interest receivable	597,011	796,594
Loans receivable from financial service providers, net (Note 6)	50,781,048	39,009,995
Loans receivable from small and growing businesses, net (Note 6)	7,186,436	9,687,871
Guarantor receivable (Note 7)	5,813,703	3,038,775
Derivative instruments (Note 4)	-	238,125
Investment in MFX Solutions, LLC (Note 1)	205,000	205,000
Other assets	<u>1,082,434</u>	<u>679,732</u>
TOTAL ASSETS	<u><u>\$ 77,753,967</u></u>	<u><u>\$ 62,791,597</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 12,050	\$ 2,608
Accrued liabilities	220,035	375,655
Interest payable	609,141	514,779
Notes payable, net (Note 8)	66,529,446	50,239,110
Participating share notes payable, net (Note 9)	1,436,951	1,753,047
Derivative instruments (Note 4)	<u>41,049</u>	<u>-</u>
Total liabilities	68,848,672	52,885,199
NET ASSETS		
Without donor restrictions (Note 11)	4,438,971	4,785,934
With donor restrictions (Note 12)	<u>4,466,324</u>	<u>5,120,464</u>
Total net assets	<u>8,905,295</u>	<u>9,906,398</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 77,753,967</u></u>	<u><u>\$ 62,791,597</u></u>

See accompanying notes.

MCE Social Capital and Subsidiary
Consolidated Statements of Activities
Years Ended December 31, 2022 and 2021

	Without Donor Restrictions			With Donor Restrictions			Years Ended	
	2022			2022			December 31,	
	FSP	SGB	Total	FSP	SGB	Total	2022	2021
OPERATING REVENUE AND SUPPORT								
Revenue from lending activities								
Interest income on loans	\$ 3,523,361	\$ 616,155	\$ 4,139,516	\$ -	\$ -	\$ -	\$ 4,139,516	\$ 3,694,539
Amortization of loan origination fee revenue	180,778	99,584	280,362	-	-	-	280,362	232,419
Imputed interest expense	(71,087)	(42,549)	(113,636)	-	-	-	(113,636)	(123,961)
Realized gain on derivative instruments	651,469	-	651,469	-	-	-	651,469	767,080
Realized foreign currency translation loss (Note 3)	(642,971)	101,070	(541,901)	-	-	-	(541,901)	(717,461)
Interest expense	(1,561,881)	(180,603)	(1,742,484)	-	-	-	(1,742,484)	(1,511,655)
Net revenue from lending activities	2,079,669	593,657	2,673,326	-	-	-	2,673,326	2,340,961
OTHER REVENUE AND SUPPORT								
Contributions and grants	405,032	171,842	576,874	128,615	25,673	154,288	731,162	641,899
Contributed services (Note 10)	136,834	54,008	190,842	-	-	-	190,842	193,065
Interest income	2,579	1,018	3,597	-	10,240	10,240	13,837	3,862
Net assets released from restrictions	62,584	26,685	89,269	(62,584)	(26,685)	(89,269)	-	-
Total other revenue and support	607,029	253,553	860,582	66,031	9,228	75,259	935,841	838,826
Total operating revenue and support	2,686,698	847,210	3,533,908	66,031	9,228	75,259	3,609,167	3,179,787
OPERATING EXPENSES								
Program services	1,761,885	936,664	2,698,549	-	-	-	2,698,549	2,016,264
Management and general	436,513	172,308	608,821	-	-	-	608,821	444,717
Fundraising	179,836	70,988	250,824	-	-	-	250,824	186,897
Total operating expenses	2,378,234	1,179,960	3,558,194	-	-	-	3,558,194	2,647,878
NON-OPERATING ACTIVITIES								
Unrealized foreign currency translation gains (losses) (Note 3)	49,011	23,017	72,028	-	-	-	72,028	(130,349)
Change in fair value of derivative instruments (Note 4)	(234,535)	(44,639)	(279,174)	-	-	-	(279,174)	(146,351)
Credit losses (Note 6)	(4,136,877)	(1,456,588)	(5,593,465)	-	-	-	(5,593,465)	(1,158,848)
Credit loss recoveries (Note 6)	965,628	8,889	974,517	-	-	-	974,517	405,064
Guarantor contributions (Note 7)	4,052,501	767,550	4,820,051	-	-	-	4,820,051	1,018,257
Loss on remeasurement of guarantor contributions (Note 7)	(905,233)	(140,800)	(1,046,033)	-	-	-	(1,046,033)	(606,837)
Net assets released from restrictions	-	729,399	729,399	-	(729,399)	(729,399)	-	-
Net change in non-operating activities	(209,505)	(113,172)	(322,677)	-	(729,399)	(729,399)	(1,052,076)	(619,064)
CHANGE IN NET ASSETS	98,959	(445,922)	(346,963)	66,031	(720,171)	(654,140)	(1,001,103)	(87,155)
NET ASSETS AT BEGINNING OF YEAR	5,438,421	(652,487)	4,785,934	1,253,534	3,866,930	5,120,464	9,906,398	9,993,553
NET ASSETS AT END OF YEAR	<u>\$ 5,537,380</u>	<u>\$ (1,098,409)</u>	<u>\$ 4,438,971</u>	<u>\$ 1,319,565</u>	<u>\$ 3,146,759</u>	<u>\$ 4,466,324</u>	<u>\$ 8,905,295</u>	<u>\$ 9,906,398</u>

See accompanying notes.

MCE Social Capital and Subsidiary
Consolidated Statements of Functional Expenses
Years Ended December 31, 2022 and 2021

	Program Services	Management and General	Fundraising	2022 Total	2021 Total
OPERATING EXPENSES					
Personnel	\$ 1,865,347	\$ 399,022	\$ 159,609	\$ 2,423,978	\$ 1,892,801
Strategic initiatives	184,253	70,867	28,347	283,467	142,063
Contributed services	158,817	16,950	15,075	190,842	193,065
Supplies, software licenses, and administration	96,514	36,359	14,544	147,417	58,993
Travel	120,996	9,292	3,717	134,005	17,737
Professional services	83,585	27,949	11,178	122,712	152,021
Miscellaneous	99,724	6,232	1,660	107,616	70,352
Insurance	26,369	38,355	15,342	80,066	30,994
Business development and guarantor outreach	62,944	3,795	1,352	68,091	89,852
Total operating expenses	2,698,549	608,821	250,824	3,558,194	2,647,878
LENDING ACTIVITY EXPENSES					
Interest expense	1,742,484	-	-	1,742,484	1,511,655
Imputed interest expense	113,636	-	-	113,636	123,961
Total lending activity expenses	1,856,120	-	-	1,856,120	1,635,616
TOTAL EXPENSES	\$ 4,554,669	\$ 608,821	\$ 250,824	\$ 5,414,314	\$ 4,283,494

See accompanying notes.

MCE Social Capital and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,001,103)	\$ (87,155)
Adjustments to reconcile change in net assets to cash from operating activities		
Contributed revenue from present value discount on low interest debt	(101,421)	-
Imputed interest expense	113,636	123,961
Financing cost amortization	125,955	60,115
Provision for estimated credit losses	5,593,465	1,158,848
Amortization of deferred loan origination fees	280,362	232,419
Unrealized loss on change in fair value of derivative instruments	279,174	146,351
Unrealized foreign currency translation (gain) loss	(72,028)	130,349
Changes in operating assets and liabilities		
Interest receivable	199,583	(280,412)
Guarantor receivable	(2,774,928)	(55,263)
Other assets	(402,702)	(253,586)
Accounts payable	9,442	2,420
Accrued liabilities	(155,620)	161,479
Interest payable	94,362	(59,854)
NET CASH FROM OPERATING ACTIVITIES	<u>2,188,177</u>	<u>1,279,672</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from certificate of deposit	200,000	295,000
Loans receivable repayments received	28,213,328	24,325,323
Loans receivable funded	<u>(43,284,745)</u>	<u>(25,069,796)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>(14,871,417)</u>	<u>(449,473)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(12,223,983)	(13,363,592)
Payments of loan fees	(77,833)	(88,000)
Proceeds from notes payable	<u>28,137,886</u>	<u>12,957,170</u>
NET CASH FROM FINANCING ACTIVITIES	<u>15,836,070</u>	<u>(494,422)</u>
CHANGE IN CASH AND CASH EQUIVALENTS, DESIGNATED CASH, AND RESTRICTED CASH	3,152,830	335,777
CASH AND CASH EQUIVALENTS, DESIGNATED CASH, AND RESTRICTED CASH beginning of year	<u>8,435,505</u>	<u>8,099,728</u>
CASH AND CASH EQUIVALENTS, DESIGNATED CASH, RESTRICTED CASH, end of year	<u>\$ 11,588,335</u>	<u>\$ 8,435,505</u>
SUPPLEMENTAL DISCLOSURES OF CASH INFORMATION		
Cash paid for interest	<u>\$ 1,648,122</u>	<u>\$ 1,511,655</u>

See accompanying notes.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 1 – Nature of Operations and Significant Accounting Policies

Nature of activities – MCE Social Capital (the Organization) is a California not-for-profit organization which offers an innovative approach to mobilize private capital to help the impoverished. The consolidated financial statements include the accounts of MCE Social Capital and MCE Social Capital's controlled subsidiary, MCE Social Capital Stichting, a Dutch Foundation. MCE Social Capital appoints members to the Board of Directors of MCE Social Capital Stichting. As MCE Social Capital also has an economic interest in this organization as such, it is consolidated with MCE Social Capital in the accompanying consolidated financial statements.

The Organization leverages private capital as collateral for loans to finance micro-businesses throughout the developing world. The Organization provides the following loan programs:

Financial Service Providers (FSP) – The Organization provides loans to financial service providers (FSPs). An FSP is an organization that provides finance services to self-employed, low-income entrepreneurs in both urban and rural areas who are not being served by mainstream financial providers. The core service of microfinance is the provision of microcredit, which is the extension of small loans to impoverished borrowers who typically lack collateral, steady employment, and a verifiable credit history.

Small and Growing Business Portfolio (SGB) – The Organization launched its Small and Growing Business (SGB) Portfolio to provide loans on flexible, customized terms and at affordable interest rates to SGBs. SGBs constitute the dominant form of job creation and entrepreneurial activity in the developing world. The SGB Portfolio will be diversified among the following sectors: agriculture value chain; water, waste and sanitation and clean energy; other nonfinancial services like health and education; and bottom-of-pyramid financial institutions targeting SGBs. Loans are in Sub-Saharan Africa, Latin America, and other emerging economies.

The Organization's principal financial partners are guarantors. Support is provided to the Organization by guarantors in the form of philanthropic guarantees providing two separate guarantor pools to make contributions towards covering loan losses, up to limits in the philanthropic guarantee agreement. The philanthropic guarantors are comprised of accredited individuals, foundations, and organizations or institutions. The Organization borrows money in order to lend to financial service providers and small and growing business in developing countries. Guarantors accept the risk of providing guarantees in exchange for achieving a social purpose and receive no compensation in exchange for their philanthropic guarantees.

Principles of consolidation – The accompanying consolidated financial statements include the accounts of MCE Social Capital and its subsidiary. Inter-entity transactions and balances have been eliminated in consolidation. The consolidated entity is referred to as the Organization in the notes to the consolidated financial statements.

Basis of presentation – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Net assets with donor restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as releases between the applicable classes of net assets.

Cash and cash equivalents, designated cash, restricted cash, and certificate of deposit – Cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less. The Organization maintains cash and cash equivalents and a certificate of deposit for the board designated purpose of funding an SGB portfolio loan loss reserve which is included in cash designated for SGB Portfolio loan loss reserve and an investment in certificate of deposit on the consolidated statements of financial position at December 31. The restricted cash is from the Deutsche Bank Microcredit Development Fund, Inc. (Deutsche Bank MDF) for SGB investments.

	2022	2021
Cash and cash equivalents	\$ 9,889,968	\$ 8,209,810
Cash and certificate of deposit designated for SGB Portfolio loan loss reserve	710,057	707,026
Restricted cash from Deutsche MDF for SGB Investments	1,488,310	218,669
Total cash and cash equivalents, designated cash, restricted cash, and certificate of deposit	<u>\$ 12,088,335</u>	<u>\$ 9,135,505</u>

Certificate of deposit – The investment is recorded at cost. The Organization maintains the certificate of deposit for the board-designated purpose of funding an SGB portfolio loan loss reserve which is separately presented on the consolidated statements of financial position. The balance is \$500,000 and \$700,000 as of December 31, 2022 and 2021, respectively. The certificate of deposit matures in 2023.

Investment in MFX Solutions, LLC – The Organization's investment in MFX Solutions, LLC is carried at cost. The cost of the Organization's investment totaled \$205,000 at both December 31, 2022 and 2021. The Organization did not identify any events or changes in circumstances that may have had a significant adverse effect on the value of those investments and, therefore, no impairment has been recorded for the years ended December 31, 2022 and 2021.

Accounting for derivative instruments – Derivative instruments are recorded in the consolidated statements of financial position at fair value and represent cross-currency interest rate swap agreements and forward contracts. Fair values for the Organization's derivative instruments are based on the present value of the expected future cash flows. Changes in fair value are recorded in the consolidated statements of activities as unrealized gains and losses. Realized gains and losses are recognized on the hedged activity as settlements occur.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Accounting for foreign currency denominated transactions – The books and records of the Organization are maintained in U.S. dollars. Transactions denominated in foreign currencies are translated into U.S. dollars at the consolidated statements of financial position date rate of exchange. Changes in foreign currency denominated transactions are recorded in the statement of activities in the period the change occurs.

Revenue recognition – Interest income is recognized as it accrues based upon rates in the underlying agreements. Contributions are recognized as revenue when they are unconditionally received or promised. Unconditional promises to give that are expected to be collected in future years are included in accounts receivable and discounted to present value based on estimated future cash flows. The discounts on those amounts are computed using appropriate interest rates applicable in the years in which the promises were received. Unconditional promises to give expected to be collected within one year are recorded at their net realizable value.

Other assets – Other assets consist primarily of prepaid expenses, refundable deposits, and accounts receivable.

Loans receivable – Loans receivable are stated at the amount management expects to collect of the outstanding balance. An allowance for credit losses, if required, is based on management's assessment of the current status of an individual loan that is anticipated to be partially or fully uncollectible. Amounts are included as past due if principal repayment has not been made in accordance with the latest amended loan agreements payment terms. Recoveries on loans are not added back into the allowance. See Note 6 for further description of the Organization's loan portfolio, the estimated allowance for credit losses, and past due loan amounts.

Guarantor receivable – Philanthropic guarantees are considered conditional promises to give until a default occurs or loan loss reserve is established with the Organization requiring payment from the pool of guarantors in accordance with the philanthropic guarantee agreement. At the time a loan impairment occurs, and the guarantor payment required can be reasonably estimated, the Organization considers the philanthropic guarantees to be unconditional promises to give and recognizes a contribution based on estimated losses. See Note 7 for further discussion of the guarantor receivables recorded at December 31, 2022 and 2021.

Deferred loan origination fees – Loan origination fees on loans are deferred and recognized as revenue over the contractual lives of the related loans. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Income taxes – The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBIT) would be taxable.

The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of December 31, 2022 and 2021, the Organization had no uncertain tax positions.

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Notes to Consolidated Financial Statements

Contributed services – The Organization receives a significant amount of donated professional services from executives and attorneys. Donated goods and services are recorded at fair market value at the date of receipt. Donated services are recorded only if specific professional expertise is provided or the services are for constructing a fixed asset, in accordance with generally accepted accounting principles in the United States (U.S. GAAP). See Note 10 for further discussion of contributed services recognized during the years ended December 31, 2022 and 2021.

Financing costs – Financing costs are recorded as a direct deduction to the related debt liability on the consolidated statements of financial position (see Note 8). Financing costs are amortized over the term of the applicable debt using the straight-line method. U.S. GAAP requires the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization of the financing costs are included as a component of interest expense in the consolidated statements of activities.

Allocation of functional expenses – The consolidated financial statements report contains certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include the expenses of the office of the CEO, compensation expenses of certain shared services staff, and contributed services. These expenditures are allocated based on a time study of where efforts are made.

Operating and nonoperating activities – All activities are considered operating except for unrealized gains and losses on foreign currency translation, unrealized gains and losses on derivative financial instruments, credit losses and recoveries, guarantor contributions, and related net asset releases.

Strategic initiatives – In 2021, the Organization's board approved a strategic plan to scale its impact and meet demand for the Organization's capital in the developing world. Recognizing the need to make internal investments in key areas such as systems and processes, communications, risk management, and skills development, the Organization launched a strategic fundraising campaign to fund the related operational and foundational expenses. The Organization generated 100% board participation in a successful matching grant campaign and raised \$460,000 for these important initiatives, in addition to \$200,000 received in grants from DAI Global LLC. The funds will be spent over the next two to three years. As of December 31, 2022 and 2021, strategic funds expended were \$283,467 and \$142,063, respectively.

Use of estimates – The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Upcoming accounting pronouncements

ASC 2016-13 – Financial Instruments – Credit Losses (Topic 326) (FASB CECL Model) – The pronouncement which creates a new credit impairment standard for financial assets measured at amortized cost and available for sale debt securities. The Accounting Standards Update (ASU) requires financial assets measured at amortized cost (including loans, trade receivables, and held-to maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the life of the asset, rather than incurred losses.

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Notes to Consolidated Financial Statements

Subsequently, the Financial Accounting Standards Board (FASB) has issued Codification Improvements to Topic 326, *Financial Instruments-Credit Losses*, making the ASU effective for fiscal years beginning after December 15, 2022. The Organization will be adopting the accounting pronouncement in 2023.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Organization's net assets or changes in net assets.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statements of financial position date but before the consolidated financial statements are issued or are available to be issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements.

The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before consolidated financial statements are available to be issued. The Organization has evaluated subsequent events through April 26, 2023, which is the date when the consolidated financial statements are available to be issued.

Note 2 – Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash, cash equivalents, designated cash, and loans receivable from FSP and SGB's. The Organization places its cash and cash equivalents with high credit quality financial institutions. At times, the account balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Loans receivable consist of loans made to FSPs and SGBs located in developing regions (presently, Latin America, Africa, Eastern Europe, and Southeast and Central Asia). The Organization's policy is to diversify loans across countries and geographic regions.

Cash, cash equivalents, and investments are exposed to interest rate, market, and credit risks. The Organization maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC) secures interest-bearing accounts in insured institutions up to \$250,000 per depositor. The Dutch Deposit Guarantee Scheme (DGS) secures account in insured institutions up to €100,000. The Organization had \$11,568,582 and \$8,600,212 in uninsured cash balances and investments as of December 31, 2022 and 2021, respectively. If any of the financial institutions with whom we do business were to be placed into receivership, we may be unable to access the cash we have on deposit with such institutions. If we are unable to access our cash and cash equivalents as needed, our financial position and ability to operate our business could be adversely affected.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 3 – Foreign Currency Translation

The Organization from time-to-time issues loans denominated in a foreign currency. Loans receivable denominated in foreign currencies are translated into U.S. dollars at the consolidated statements of financial position date rate of exchange. Loans denominated in foreign currencies accrue interest in USD at rates ranging from 5.00% to 10.10% annually and mature between February 2023 and December 2025. Unrealized foreign currency translation gain (losses) of \$72,028 and (\$130,349) were recognized during the years ended December 31, 2022 and 2021, respectively. Realized foreign currency translation loss of \$541,901 and \$717,461 were recognized for the years ended December 31, 2022 and 2021, respectively.

Note 4 – Derivative Instruments

To manage fluctuations of foreign currency values related to all loans denominated in foreign currencies, the Organization enters into cross-currency interest rate swap agreements and forward contracts, which mature in concert with the outstanding foreign currency denominated loans to FSP and SGB's. A currency swap is a foreign exchange agreement between two parties to exchange principal and fixed rate interest payments on a loan in one currency for principal and fixed rate interest payments on an equal loan in another currency. As a result of the derivative agreements, the Organization has reduced the risk of loan repayments falling short of expected amounts due to foreign exchange rate fluctuation. The Organization does not enter into derivative financial instrument agreements for trading or speculative purposes. The derivative instruments were recorded at their fair value. At December 31, 2022 and 2021, derivative instrument (liability) assets totaled (\$41,049) and \$238,125, respectively. The change in fair value of the derivative instrument was a loss of (\$279,174) and (\$146,351) as of December 31, 2022 and 2021, respectively. Embedded in the currency swap is a forward contract which creates the obligation for both parties to close the swap agreement at the agreed upon maturity date.

Note 5 – Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, GAAP defines a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation techniques – Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the information that market participants would utilize in pricing the asset or liability. Valuation techniques may include use of matrix pricing, discounted cash flow model and similar techniques.

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, 2022.

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Notes to Consolidated Financial Statements

Derivative instruments – Determined to be Level 3 and the value based on the present value of projected future cash flows given currency rates in effect as of a given measurement date.

Note 6 – Loans Receivable

Lending policy – The Organization’s lending policy gives priority to organizations that serve a high percentage of deeply impoverished individuals and families, serve a high percentage of women, extend operations to isolated rural communities, operate or provide linkages to comprehensive social service programs, such as women’s empowerment, financial literacy, health education, or services and business training for micro-entrepreneurs, and demonstrate a track record of lowering interest rates to impoverished client-borrowers. These loans mature at various times and are disbursed and repaid in either U.S. Dollars or a local foreign currency. Interest income is recognized when earned based on established rates.

The Organization assesses certain eligibility criteria to evaluate the creditworthiness of an FSP or SGB. These include quality and integrity of the management and Board of Directors, quality of the client-borrower loan portfolio, financial performance and prospects for growth, and stability of the political, economic, and legal environment of the country. Some of the specific financial qualifications for FSPs include: serve at least 5,000 borrowers or have a minimum US \$1,000,000 gross loan portfolio, maintain portfolio-at-risk (i.e., outstanding balance of all loans with payments in arrears beyond 30 days) below 10%, be operationally self-sufficient or demonstrate a clear plan to achieve operational self-sufficiency, provide independent audit reports covering at least the two most recent years, have a business plan with three years of financial projections or present a credit rating or other similar external evaluation/recommendation. The Organization prioritizes loans to FSP and SGB organizations that support both adaptation and mitigation approaches in response to climate change and environmental degradation.

The Organization loans money to FSPs at fixed interest rates ranging from 5.00% to 10.10%. In most cases, interest is payable quarterly until the loan is paid in full, principal payments commence 18 months after the disbursement date and are made semiannually in equal installments through the maturity date of the loan.

The Organization assesses certain eligibility criteria to evaluate the creditworthiness of an SGB. These include whether the SGB is a for-profit legal entity with at least three years of operations, positive equity with review of debt to equity and debt-service coverage ratios, sustainable and scalable sources of revenue greater than \$200,000 per year, providing audited financial statements for at least one-year, financial statements produced at least quarterly, and fewer than 250 employees.

The Organization loans money to SGBs at fixed interest rates ranging from 6.00% to 9.50%. For agricultural value chain loans, interest and principal are due in full in 12 months from the disbursement date. These loans are repaid through a third-party purchaser of the exported agricultural goods. For SGB business growth loans, terms range from two to four years, with interest due quarterly and principal payments commencing 18 months after disbursement in equal installments through the maturity of the loan.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Outstanding loans receivable – Loans receivable were as follows as of December 31:

A reconciliation of the provision for estimated credit losses is as follows as of December 31:

	2022			
	FSP	SGB	Total	2021 Total
Loans receivable	\$ 54,138,809	\$ 9,881,090	\$ 64,019,899	\$ 52,419,721
Less provision for estimated credit losses	(3,042,278)	(2,663,245)	(5,705,523)	(3,476,898)
Deferred loan fees	(315,483)	(31,409)	(346,892)	(244,957)
Loans receivable, net	<u>\$ 50,781,048</u>	<u>\$ 7,186,436</u>	<u>\$ 57,967,484</u>	<u>\$ 48,697,866</u>

	2022			
	FSP	SGB	Total	2021 Total
Provision for estimated credit losses, beginning balance	\$ 2,676,389	\$ 800,509	\$ 3,476,898	\$ 3,327,497
Direct write-downs	(3,770,988)	406,148	(3,364,840)	(1,009,447)
Provision for estimated credit losses	<u>4,136,877</u>	<u>1,456,588</u>	<u>5,593,465</u>	<u>1,158,848</u>
Provision for estimated credit losses, ending balance	<u>\$ 3,042,278</u>	<u>\$ 2,663,245</u>	<u>\$ 5,705,523</u>	<u>\$ 3,476,898</u>

Credit loss recoveries were \$974,517 and \$405,064 as of December 31, 2022 and 2021, respectively.

Maturities on loans receivable from FSPs and SGBs for the years subsequent to December 31, 2022, are as follows:

For the Years Ending December 31,	FSP	SGB	Total
2023	\$ 10,000,696	\$ 8,881,090	\$ 18,881,786
2024	16,573,099	500,000	17,073,099
2025	22,065,014	500,000	22,565,014
2026	5,000,000	-	5,000,000
2027	500,000	-	500,000
Total	<u>\$ 54,138,809</u>	<u>\$ 9,881,090</u>	<u>\$ 64,019,899</u>

Credit risk assessment – Management considers the specific operational and performance metrics and liquidity positions of each FSP and SGB on a quarterly basis to assess the client's credit risk. Based on the assessment of credit risk, the Organization may classify a loan as either being on the Watch List or Impaired List.

The Watch List includes loans that the portfolio management team identifies for regular, additional scrutiny based upon client, country, and other risk factors. Loans move on and off the Watch List as deemed appropriate by the investment management team. At the point a loan is identified for the Watch List, there is no potential loss that can be estimated. When a loan is anticipated to be a partial or full loss and management approves the loan for Impaired List designation, the loan moves from the Watch List to the Impaired List. No additional interest is accrued once a loan is assessed as fully impaired. Once a loan is added to the Impaired List, new guarantors who sign up after the impairment date are not responsible for losses on that loan.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

The outstanding loans receivable categorized by the Organization's credit risk rating were as follows:

	2022			2021 Total
	FSP	SGB	Total	
Watch list	\$ 17,877,310	\$ 1,251,453	\$ 19,128,763	\$ 8,244,564
Impaired list	3,878,844	1,294,740	5,173,584	3,476,898
Remaining loans	32,382,655	7,334,897	39,717,552	40,698,259
Total	<u>\$ 54,138,809</u>	<u>\$ 9,881,090</u>	<u>\$ 64,019,899</u>	<u>\$ 52,419,721</u>
Allowance related to impaired loans	<u>\$ 3,042,278</u>	<u>\$ 2,663,245</u>	<u>\$ 5,705,523</u>	<u>\$ 3,476,898</u>

The Organization estimates an allowance for credit losses based on the quarterly credit risk assessment performed as previously described. In most cases, a provision for estimated credit losses is only recorded at the point a loan is impaired. The provision for estimated credit losses was the result of impairments on outstanding loans receivable by three FSP and three SGB loans included on the impaired lists. There is at least a reasonable possibility that the recorded estimate will change by a material amount in the near term. The Organization does not accrue interest on impaired loans.

The following are the loans that are current and past due as of December 31:

	2022			2021 Total
	FSP	SGB	Total	
Current	\$ 54,006,576	\$ 8,488,817	\$ 62,495,393	\$ 42,754,250
1 to 89 days past due	110,226	-	110,226	6,310,807
90 to 179 days past due	22,007	653,320	675,327	535,865
Greater than 180 days past due	-	738,953	738,953	2,818,799
Total	<u>\$ 54,138,809</u>	<u>\$ 9,881,090</u>	<u>\$ 64,019,899</u>	<u>\$ 52,419,721</u>

Note 7 – Guarantor Model

The FSP and SGB portfolios are backed by separate pools of guarantors. Guarantors have entered into philanthropic guarantee agreements (the Agreements) with the Organization. By entering into the Agreements, the Organization has received conditional pledges from the guarantors in the case that a default occurs limiting the impact of a default on the Organization's financial position. At the time a credit loss occurs, and the guarantor payment required can be reasonably estimated, the Organization considers the philanthropic guarantees to be unconditional promises to give and recognizes a contribution. The Organization may charge carrying costs associated with loan defaults to the guarantor pool. Under the terms of the SGB Portfolio Agreement, guarantors are limited to calls of \$10,000 per guarantor unit per calendar year until the SGB loan loss reserve (Note 11) is depleted.

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Notes to Consolidated Financial Statements

During the year ended December 31, 2022, the Organization recognized credit losses on loans from three FSPs and two SGBs requiring the Organization to recognize guarantor contributions of \$4,820,051, which is reported as guarantor contributions on the consolidated statement of activities. During 2022, there was a release of restricted net assets from guarantor reserve contributions related to defaulted loans of \$89,269, which is reported in other revenue and support as net assets released from restriction in the consolidated statement of activities. In addition, the Organization received principal payments on loans that were previously impaired. As a result, a reduction to the guarantor receivable and loss on remeasurement of guarantor contributions of \$1,046,033 was recognized during the year ended December 31, 2022. Calls are expected to be made on the guarantors which total the net guarantor receivable of \$5,813,703.

During the year ended December 31, 2021, the Organization recognized credit losses on loans from one FSP and one SGB requiring the Organization to recognize guarantor contributions of \$1,018,257, which is reported as guarantor contributions on the consolidated statement of activities. During 2021, there was a release of restricted net assets from guarantor reserve contribution related to defaulted loans of \$28,390, which is reported in other revenue and support as net assets released from restriction in the consolidated statement of activities. In addition, the Organization received principal payments on loans that were previously impaired. As a result, a reduction to the guarantor receivable and loss on remeasurement of guarantor contributions of \$606,837 was recognized during the year ended December 31, 2021. Calls are expected to be made on the guarantors which total the net guarantor receivable of \$3,038,775.

The allowance for doubtful guarantor receivables is maintained at a level considered adequate to provide for potential uncollected guarantor receivables. There is currently no allowance accrued because the Organization's management believes the guarantor receivables at December 31, 2022 and 2021 are fully collectible.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 8 – Notes Payable

The Organization's notes payable are summarized as follows at December 31:

	<u>2022</u>	<u>2021</u>
Unsecured notes payable to First Republic Bank, with annual interest rates ranging from 4.00% to 5.12%, and guaranteed by individual guarantors. Monthly interest payments with semiannual principal payments. Maturity rates ranging through July 2025.	\$ 8,000,000	\$ 1,625,000
Unsecured notes payable to United States International Development Finance Corporation (formerly Overseas Private Investment Corporation (OPIC), with annual interest rates of 2.54% to 5.19% Quarterly interest payments and semi-annual principal payments. Maturity dates ranging through December 2025.	10,000,000	7,000,000
Unsecured note payable to RSF Social Finance, with interest rates of 1.00%. Quarterly interest payments with semi-annual principal payments. Matures in June 2023.	2,000,000	2,000,000
Unsecured privately placed notes, with annual interest rates ranging from 1.75% to 3.50%. Annual interest payments with principal due upon maturity. Maturity dates ranging through March 2029.	40,305,000	30,950,000
Noninterest bearing notes payable to individual guarantors including foundations. Principal due upon maturity dates ranging through March 2025.	1,000,000	3,500,000
Unsecured notes payable to Metropolitan Life Insurance Company, with annual interest rate of 6.50%. Quarterly interest payments with principal due upon maturity in December 2025.	5,000,000	5,000,000
Recoverable grants/loans from third parties will be paid back unless the Organization ceases operations or is unable to meet the obligations. Interest rates from 1.75% to 2.75%. Annual interest payments with payment due upon maturity. Maturity dates ranging through May 2028.	<u>350,000</u>	<u>350,000</u>
	66,655,000	50,425,000
Less unamortized financing costs	(48,480)	(96,602)
Less present value discount	<u>(77,074)</u>	<u>(89,288)</u>
Notes payable, net	<u>\$ 66,529,446</u>	<u>\$ 50,239,110</u>

Guarantors and private foundations have provided interest-free loans totaling \$1,000,000 and \$3,500,000 as of December 31, 2022 and 2021, respectively. The Organization recorded a loan discount using rates ranging from 3.00% to 4.00%. The loans are reported in the consolidated statements of financial position net of unamortized discount of \$77,074 and \$89,288 at December 31, 2022 and 2021, respectively. The discount on the loans is being amortized to imputed interest expense over the lives of the loans.

Certain notes payable require the Organization to comply with negative covenants, which the Organization is in compliance with at December 31, 2022.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Maturities of long-term notes for future years ending December 31 are as follows:

For the Years Ending December 31,

2023	\$ 18,130,000
2024	13,050,000
2025	31,765,000
2026	1,050,000
2027	2,200,000
Thereafter	<u>460,000</u>
Total	<u><u>\$ 66,655,000</u></u>

Note 9 – Participating Share Notes Payable

The Organization entered into notes payable with foundations for the purpose of participating in the funding of an identifiable loan receivable. The principal and interest on the note are only repayable from the proceeds of the capital invested. The notes have annual interest rate ranging from 5.00% to 7.50% and mature through October 2025. The participating share notes payable had an outstanding balance of \$1,436,951 and \$1,753,047 as of December 31, 2022 and 2021, respectively.

Maturities of participating share notes payable for future years ending December 31 are as follows:

For the Years Ending December 31,

2023	\$ 1,086,951
2024	200,000
2025	<u>150,000</u>
Total	<u><u>\$ 1,436,951</u></u>

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 10 – Contributed Services

The value of donated services included as contributions in the consolidated financial statements and the corresponding program service and management expenses for the year ended December 31, 2022, are as follows:

	Program Services	Management and General	Fundraising	Total Contributed Services
Officer services provided pro bono	\$ 13,125	\$ 3,750	\$ 1,875	\$ 18,750
Legal and professional services	145,692	13,200	13,200	172,092
Total	<u>\$ 158,817</u>	<u>\$ 16,950</u>	<u>\$ 15,075</u>	<u>\$ 190,842</u>

The value of donated services included as contributions in the consolidated financial statements and the corresponding program service and management expenses for the year ended December 31, 2021, are as follows:

	Program Services	Management and General	Fundraising	Total Contributed Services
Officer services provided pro bono	\$ 32,813	\$ 9,375	\$ 4,688	\$ 46,876
Legal and professional services	118,973	13,608	13,608	146,189
Total	<u>\$ 151,786</u>	<u>\$ 22,983</u>	<u>\$ 18,296</u>	<u>\$ 193,065</u>

Note 11 – Net Assets Without Donor Restrictions

Management and the Organization's Board of Directors has made specific designations of its net assets without donor restrictions as follows at December 31:

	2022	2021
Undesignated and available for operations	\$ 2,309,204	\$ 2,829,210
Board designated funds		
Operating reserve	901,139	765,695
SGB loan loss reserve	536,957	704,501
Interest income from Deutsche Bank MDF	91,566	53,838
Board/Guarantor matching grant	235,962	392,690
MESA investment funds	324,143	-
Permanent Fund to Alleviate Extreme Poverty and Frontier Fund	<u>40,000</u>	<u>40,000</u>
Total Without Donor Restrictions	<u>\$ 4,438,971</u>	<u>\$ 4,785,934</u>

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

The operating reserve is intended to cover three months of operating expenditures.

The SGB loan loss reserve is established to cover actual losses in the SGB portfolio and limit guarantor contributions at the election of the Organization.

The interest income from the Deutsche Bank MDF is intended to fund any liability that is not covered by the SGB guarantors.

The MESA Investment Funds are designated for funding MCE's \$1,000,000 debt investment in MESA, the new debt fund launching in February 2023.

The Permanent Fund to alleviate Extreme Poverty and Frontier Fund is intended to fund investments in small- and medium-sized enterprises spurring job creation in Sub-Saharan Africa and other challenging parts of the world.

Note 12 – Net Assets with Donor Restrictions

The Organization's net assets with donor restrictions are comprised of the following at December 31:

	2022	2021
Kore Fund	\$ 500,000	\$ 500,000
Hunter Douglas Microfinance Sustainability Fund	500,000	500,000
Permanent Fund to Alleviate Extreme Poverty	208,477	208,477
Frontier Fund	426,447	426,447
Guarantor reserves	143,562	108,878
Deutsche Bank MDF	2,610,764	3,287,374
Unamortized discount on long-term debt (Note 8)	77,074	89,288
	<hr/>	<hr/>
Total	<u>\$ 4,466,324</u>	<u>\$ 5,120,464</u>

Kore Fund – The Organization's Board of Directors (the Board) established the Kore Fund to provide a liquidity reserve. Any amount drawn from the Kore Fund must be used to guarantee short-term financing opportunities and must be reimbursed in full within 365 days. In view of the Board's role in setting the purpose of the Kore Fund, U.S. GAAP requires that donor contributions to the Kore Fund be presented as with donor restrictions.

Hunter Douglas Microfinance Sustainability Fund – The Hunter Douglas Microfinance Sustainability Fund (the Hunter Douglas Fund) is maintained as a revolving account to temporarily fund any of the Organization's liquidity demands when FSPs are temporarily late with payments as a result of challenges encountered by operating in a developing country. The Hunter Douglas Fund ensures the Organization can meet all of its obligations until payment is made.

Permanent Fund to Alleviate Extreme Poverty – The Permanent Fund to Alleviate Extreme Poverty (the Permanent Fund) directly supports microloans from tax-deductible contributions. Every gift to the Permanent Fund provides perpetual benefits. As loans are repaid, the money is loaned out in perpetuity.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Frontier Fund – The Frontier Fund is supported principally by grants and donations and fund investments in small- and medium-sized enterprises spurring job creation in Sub-Saharan Africa and FSPs operating in Sub-Saharan Africa and other challenging parts of the world.

Guarantor Reserves – Guarantor reserves represent contributions received from guarantors for the purpose of funding amounts due under future guarantor calls.

Deutsche Bank Microcredit Development Fund, Inc. – The Deutsche Bank Microcredit Development Fund, Inc. (Deutsche Bank MDF) supports loans to small and growing businesses in Africa and Latin America.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 13 – Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the consolidated statements of financial position date, reduced by amounts not available for general use within one year of the consolidated statements of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside by the governing board for loan loss and long-term investing reserves that could be drawn upon if the governing board approves that action.

	2022	2021
Cash and cash equivalents, designated cash and restricted cash	\$ 11,588,335	\$ 8,435,505
Certificate of deposit	500,000	700,000
Interest receivable	597,011	796,594
Loans receivable, net	57,967,484	48,697,866
Guarantor receivables	5,813,703	3,038,775
	<hr/>	<hr/>
Total financial assets	76,466,533	61,668,740
Loans receivable scheduled to be collected in more than one year	(45,138,113)	(15,093,714)
Guarantor receivables scheduled to be collected in more than one year	(3,982,059)	(2,519,447)
Donor-imposed restrictions		
Kore Fund	(500,000)	(500,000)
Hunter Douglas Microfinance Sustainability Fund	(500,000)	(500,000)
Permanent Fund to Alleviate Extreme Poverty	(208,477)	(208,477)
Frontier Fund	(426,447)	(426,447)
Deutsche Bank MDF	(2,610,764)	(3,287,374)
Board designations		
SGB loan loss reserve	(536,957)	(704,501)
Permanent Fund to Alleviate Extreme Poverty and Frontier Fund	(40,000)	(40,000)
Board/Guarantor matching grant	(235,962)	(392,690)
Interest income from Deutsche Bank MDF	(91,566)	(53,838)
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 22,196,188</u>	<u>\$ 37,942,252</u>

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has received funds from donors stipulated to be for the purposes of the Hunter Douglas Microfinance Sustainability Fund and Kore Fund. These funds are to be utilized to provide short-term liquidity to the Organization when loan receivable repayments are not remitted upon scheduled dates. In addition, the Organization has an operating reserve that had a balance of \$901,139 and \$765,695 at December 31, 2022 and 2021, respectively. This is a governing board-designated reserve with the objective of setting funds aside equal to three months of operating expenditures to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

Note 14 – Employee Retirement Plan

The Organization has a Savings Incentive Match Plan for Employees (SIMPLE) – IRA Plan. Eligible employees can elect to defer up to the maximum allowable subject to current regulatory limits. The Organization provides matching contributions of 100% of deferrals by each participating employee up to 3% of eligible compensation. The Organization's total retirement expense was \$44,838 and \$37,629 for the years ended December 31, 2022 and 2021, respectively.

Note 15 – Commitments and Contingencies

Grants and contracts require the fulfillment of certain conditions as set forth in the terms of the agreements and are subject to audit by the grantor. Failure to comply with the conditions of the agreements could result in the return of funds to the grantor. Although possible, management believes that it has complied with conditions of its grants and contracts and no significant liability, if any, will result from an audit.

The Organization is subject to litigation in the normal and ordinary course of business, which, in the opinion of management and based upon advice of counsel, would not have a material effect on its financial position or operations.

Note 16 – Related Parties

Certain unsecured notes payable by the Organization are held with the Organization's board members and other related parties with outstanding balances of approximately \$5,948,000 and \$4,600,000 as of both December 31, 2022 and 2021, respectively.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 17 – Subsequent Events

In February 2023, the Organization, in partnership with U.S. International Development Finance Corporation (USAID) and several other respected investors, and with fund-design support from USAID, officially launched MCE's Empowering Sustainable Agriculture Fund (MESA) with the first close of \$19,500,000. MESA expects a second close of similar size to follow later in 2023 for a total target raise of \$40,000,000 in senior and catalytic investments. Organization's MESA fund will provide transformative debt capital to gender-inclusive agribusinesses throughout their lifecycle, either through direct lending to "missing middle" enterprises or to financial services providers, partnering with these companies as they grow. The goal is to scale economic opportunities within local communities, enhance the climate resilience of smallholder farmers, and empower women throughout the agricultural sector in emerging markets.

Supplementary Information

MCE Social Capital and Subsidiary
Schedule of Expenditures for Federal Awards
December 31, 2022

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Award/Pass- Through Number</u>	<u>Loan and Loan Guarantees</u>	<u>Expenditures</u>	<u>Total Federal</u>
United States Agency for International Development:					
Loan Portfolio Guarantee Agreement	98.U01	099-DCA-17-017	\$ 2,071,875	\$ 4,828,961	\$ 6,900,836
Loan Guarantee Agreement	98.U02	521-DCA-15-041A	738,208	-	738,208
Total United States Agency for International Development			2,810,083	4,828,961	7,639,044
Total Federal Expenditures			<u>\$ 2,810,083</u>	<u>\$ 4,828,961</u>	<u>\$ 7,639,044</u>

See notes to schedule of expenditures of federal awards

MCE Social Capital and Subsidiary
Notes to Schedule of Expenditures of Federal Awards
December 31, 2022

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of MCE Social Capital (the Organization) under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, functional expenses or cash flows of the Organization.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Organization has not elected to use the de minimis indirect cost rate allowed under the Uniform Guidance as the Schedule only includes loan guarantees, which are not subject to indirect costs recoveries.

Note 3 – Loan Guarantees with Ongoing Compliance Requirements

The Organization has two loan guarantees from the United States Agency for International Development (USAID) with continuing compliance requirements. The agreements have compliance periods through September 2026 and September 2029 unless the guarantee is terminated at an earlier date by USAID or the Organization.

The Organization had the following loan guarantees outstanding at December 31, 2022:

<u>Program Title</u>	<u>Award Identifying Number</u>	<u>Assistance Listing Number</u>	<u>Amount Outstanding</u>
Loan Portfolio Guarantee Agreement	98.U01	099-DCA-17-017	\$ 6,225,346
Loan Guarantee Agreement	98.U02	521-DCA-15-041A	\$ 363,208

Report of Independent Auditors 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*

The Board of Directors
MCE Social Capital and Subsidiary

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 MCE Social Capital and Subsidiary (MCE Social Capital), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 26, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered MCE Social Capital's internal control over financial reporting (internal control) as a basis for designing 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 MCE Social Capital's internal control. Accordingly, we do not express an opinion on the effectiveness of MCE Social Capital'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MCE Social Capital's consolidated financial statements are free from 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 consolidated financial statements. 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 MCE Social Capital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCE Social Capital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico
April 26, 2023

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
MCE Social Capital and Subsidiary

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited MCE Social Capital and Subsidiary's (MCE Social Capital) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on MCE Social Capital's major federal program for the year ended December 31, 2022. MCE Social Capital major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, MCE Social Capital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MCE Social Capital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of MCE Social Capital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MCE Social Capital's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MCE Social Capital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MCE Social Capital's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MCE Social Capital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MCE Social Capital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 MCE Social Capital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Albuquerque, New Mexico
April 26, 2023

MCE Social Capital and Subsidiary
Schedule of Findings and Questioned Costs
December 31, 2022

Section I – Summary of Auditor's Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None reported

Noncompliance material to consolidated financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major federal programs and type of auditor's report issued on compliance for the major federal program:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for the Major Federal Program</i>
98.U01	Loan Portfolio Guarantee Agreement	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low risk auditee?

☐ Yes ☒ No

MCE Social Capital and Subsidiary
Schedule of Findings and Questioned Costs
December 31, 2022

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

Report of Independent Auditors

The Board of Directors
MCE Social Capital and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of MCE Social Capital and Subsidiary (MCE Social Capital) which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of MCE Social Capital as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in (*Government Auditing Standards*) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MCE Social Capital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MCE Social Capital's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MCE Social Capital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MCE Social Capital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 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 consolidated 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 consolidated financial statements as a whole.

Other Matter - Summarized Comparative Information

We have previously audited MCE Social Capital's 2020 financial statements, and our report dated April 27, 2021, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2022 on our consideration of MCE Social Capital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of MCE Social Capital's 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 MCE Social Capital's internal control over financial reporting and compliance.

The signature is written in a cursive, handwritten style. It reads "Mess Adams LLP". The letters are fluidly connected, with a prominent loop for the 'M' and a trailing flourish for the 'P'.

Albuquerque, New Mexico
April 26, 2022

MCE Social Capital and Subsidiary

Consolidated Statements of Financial Position

	December 31,	
	2021	2020
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 8,209,810	\$ 5,520,817
Cash designated for SGB Portfolio loan loss reserve (Note 1)	7,026	5,000
Restricted cash from Deutsche Bank MDF for SGB investments (Note 1)	218,669	2,573,911
Total Cash	8,435,505	8,099,728
Certificate of deposit designated for SGB Portfolio loan loss reserve (Note 1)	700,000	995,000
Interest receivable	796,594	516,182
Loans receivable from microfinance institutions, net (Note 6)	39,009,995	42,298,328
Loans receivable from small and growing businesses, net (Note 6)	9,687,871	7,176,681
Guarantor receivable (Note 7)	3,038,775	2,983,512
Derivative instruments (Note 4)	238,125	384,476
Investment in MFX Solutions, LLC (Note 1)	205,000	205,000
Other assets	679,732	426,146
TOTAL ASSETS	<u>\$ 62,791,597</u>	<u>\$ 63,085,053</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,608	\$ 188
Accrued liabilities	375,655	214,176
Interest payable	514,779	574,633
Notes payable, net (Note 8)	50,239,110	50,268,032
Participating share notes payable (Note 9)	1,753,047	2,034,471
Total liabilities	52,885,199	53,091,500
NET ASSETS		
Without donor restrictions (Note 12)	4,785,934	4,659,405
With donor restrictions (Note 13)	5,120,464	5,334,148
Total net assets	9,906,398	9,993,553
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 62,791,597</u>	<u>\$ 63,085,053</u>

See accompanying notes to these consolidated financial statements.

MCE Social Capital and Subsidiary Consolidated Statements of Activities

	Without Donor Restrictions			With Donor Restrictions			Years Ended December 31	
	2021			2021			2021	2020
	MFI	SGB	Total	MFI	SGB	Total		
OPERATING REVENUE AND SUPPORT								
Revenue from lending activities								
Interest income on loans	\$ 3,123,249	\$ 571,290	\$ 3,694,539	\$ -	\$ -	\$ -	\$ 3,694,539	\$ 4,093,720
Amortization of loan origination fee revenue	169,807	62,612	232,419	-	-	-	232,419	198,148
Imputed interest expense	(74,736)	(49,225)	(123,961)	-	-	-	(123,961)	(119,391)
Realized gain on derivative instruments	767,080	-	767,080	-	-	-	767,080	666,096
Realized foreign currency translation (loss) gain (Note 3)	(722,228)	4,767	(717,461)	-	-	-	(717,461)	(720,977)
Interest expense	(1,387,985)	(123,670)	(1,511,655)	-	-	-	(1,511,655)	(2,217,177)
Net revenue from lending activities	1,875,187	465,774	2,340,961	-	-	-	2,340,961	1,900,419
OTHER REVENUE AND SUPPORT								
Contributions and grants	403,219	160,247	563,466	78,433	-	78,433	641,899	4,016,083
Contributed services (Note 11)	138,157	54,908	193,065	-	-	-	193,065	260,682
Interest income	2,173	864	3,037	-	825	825	3,862	3,000
Net assets released from restrictions	28,390	-	28,390	(28,390)	-	(28,390)	-	-
Total other revenue and support	571,939	216,019	787,958	50,043	825	50,868	838,826	4,279,765
Total operating revenue and support	2,447,126	681,793	3,128,919	50,043	825	50,868	3,179,787	6,180,184
OPERATING EXPENSES								
Program services	1,322,133	694,131	2,016,264	-	-	-	2,016,264	1,720,419
Management and general	318,238	126,479	444,717	-	-	-	444,717	351,344
Fundraising	133,743	53,154	186,897	-	-	-	186,897	140,539
Total operating expenses	1,774,114	873,764	2,647,878	-	-	-	2,647,878	2,212,302
NON-OPERATING ACTIVITIES								
Unrealized foreign currency translation (losses) gains (Note 3)	(14,718)	(115,631)	(130,349)	-	-	-	(130,349)	247,779
Change in fair value of derivative instruments (Note 4)	(245,915)	99,564	(146,351)	-	-	-	(146,351)	13,299
Credit losses (Note 6)	(947,014)	(211,834)	(1,158,848)	-	-	-	(1,158,848)	(2,826,886)
Credit loss recoveries (Note 6)	405,064	-	405,064	-	-	-	405,064	148,154
Guarantor contributions (Note 7)	947,014	71,243	1,018,257	-	-	-	1,018,257	2,826,886
Loss on remeasurement of guarantor contributions (Note 7)	(346,226)	(260,611)	(606,837)	-	-	-	(606,837)	(145,212)
Net assets released from restrictions	-	264,552	264,552	-	(264,552)	(264,552)	-	-
Net change in non-operating activities	(201,795)	(152,717)	(354,512)	-	(264,552)	(264,552)	(619,064)	264,020
CHANGE IN NET ASSETS	471,217	(344,688)	126,529	50,043	(263,727)	(213,684)	(87,155)	4,231,902
NET ASSETS AT BEGINNING OF YEAR	4,967,204	(307,799)	4,659,405	1,203,491	4,130,657	5,334,148	9,993,553	5,761,651
NET ASSETS AT END OF YEAR	\$ 5,438,421	\$ (652,487)	\$ 4,785,934	\$ 1,253,534	\$ 3,866,930	\$ 5,120,464	\$ 9,906,398	\$ 9,993,553

See accompanying notes to these consolidated financial statements.

MCE Social Capital and Subsidiary
Consolidated Statements of Functional Expenses

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
OPERATING EXPENSES					
Personnel	\$ 1,459,270	\$ 309,665	\$ 123,866	\$ 1,892,801	\$ 1,552,777
Contributed services	151,787	22,983	18,295	193,065	260,682
Professional services	102,173	35,606	14,242	152,021	90,722
Strategic initiatives	92,342	35,515	14,206	142,063	-
Business development and guarantor outreach	87,976	1,342	534	89,852	35,966
Miscellaneous	45,729	17,588	7,035	70,352	128,674
Supplies, software licenses, and administration	39,215	14,127	5,651	58,993	88,005
Insurance	21,006	7,134	2,854	30,994	27,791
Travel	16,766	757	214	17,737	27,685
Total operating expenses	<u>2,016,264</u>	<u>444,717</u>	<u>186,897</u>	<u>2,647,878</u>	<u>2,212,302</u>
OPERATING REVENUE AND ACTIVITIES					
LENDING ACTIVITY EXPENSES					
Interest expense	1,511,655	-	-	1,511,655	2,217,177
Imputed interest expense	<u>123,961</u>	<u>-</u>	<u>-</u>	<u>123,961</u>	<u>119,391</u>
Total lending activity expenses	<u>1,635,616</u>	<u>-</u>	<u>-</u>	<u>1,635,616</u>	<u>2,336,568</u>
TOTAL EXPENSES	<u><u>\$ 3,651,880</u></u>	<u><u>\$ 444,717</u></u>	<u><u>\$ 186,897</u></u>	<u><u>\$ 4,283,494</u></u>	<u><u>\$ 4,548,870</u></u>

See accompanying notes to these consolidated financial statements.

MCE Social Capital and Subsidiary

Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (87,155)	\$ 4,231,902
Adjustments to reconcile change in net assets to cash provided by operating activities		
Imputed interest expense	123,961	119,391
Financing cost amortization	60,115	148,848
Provision for estimated credit losses	1,158,848	2,826,886
Amortization of deferred loan origination fees	(39,241)	(54,294)
Unrealized loss (gain) on change in fair value of derivative instruments	146,351	(13,299)
Unrealized foreign currency translation loss (gain)	130,349	(247,779)
(Increase) decrease in		
Interest receivable	(280,412)	230,262
Guarantor receivable	(55,263)	(2,598,582)
Other assets	(253,586)	13,733
Accounts payable	2,420	(4,547)
Accrued liabilities	161,479	120,692
Interest payable	(59,854)	27,473
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,008,012	4,800,686
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	-	(995,000)
Proceeds from certificate of deposit	295,000	-
Loans receivable repayments received	24,596,983	27,772,888
Loans receivable funded	(25,069,796)	(18,591,140)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(177,813)	8,186,748
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(13,363,592)	(25,833,333)
Payments of loan fees	(88,000)	(62,854)
Proceeds from notes payable	12,957,170	15,709,471
NET CASH USED IN FINANCING ACTIVITIES	(494,422)	(10,186,716)
CHANGE IN CASH AND CASH EQUIVALENTS, DESIGNATED CASH, AND RESTRICTED CASH	335,777	2,800,718
CASH AND CASH EQUIVALENTS, DESIGNATED CASH, AND RESTRICTED CASH beginning of year	8,099,728	5,299,010
CASH AND CASH EQUIVALENTS, DESIGNATED CASH, RESTRICTED CASH, end of year	\$ 8,435,505	\$ 8,099,728
SUPPLEMENTAL DISCLOSURES OF CASH INFORMATION		
Cash paid for interest	\$ 1,511,655	\$ 1,940,751

See accompanying notes to these consolidated financial statements.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 1 – Nature of Operations and Significant Accounting Policies

Nature of Activities

MCE Social Capital (the Organization) is a California not-for-profit organization which offers an innovative approach to mobilize private capital to help the impoverished. The consolidated financial statements include the accounts of MCE Social Capital and MCE Social Capital's controlled subsidiary, MCE Social Capital Stichting, a Dutch Foundation. MCE Social Capital appoints members to the Board of Directors of MCE Social Capital Stichting. As MCE Social Capital also has an economic interest in this organization as such, it is consolidated with MCE Social Capital in the accompanying consolidated financial statements.

The Organization leverages private capital as collateral for loans to finance micro-businesses throughout the developing world. The Organization provides the following loan programs:

Microfinance Institutions Portfolio (MFI) – The Organization provides loans to microfinance institutions (MFIs). An MFI is an organization that provides finance services to self-employed, low-income entrepreneurs in both urban and rural areas who are not being served by mainstream financial providers. The core service of microfinance is the provision of microcredit, which is the extension of small loans to impoverished borrowers who typically lack collateral, steady employment, and a verifiable credit history.

Small and Growing Business Portfolio (SGB) – The Organization launched its Small and Growing Business (SGB) Portfolio to provide loans on flexible, customized terms and at affordable interest rates to SGBs. SGBs constitute the dominant form of job creation and entrepreneurial activity in the developing world. The SGB Portfolio will be diversified among the following sectors: agriculture value chain; water, waste and sanitation and clean energy; other nonfinancial services like health and education; and bottom of pyramid financial institutions targeting SGBs. Loans will be in Sub-Saharan Africa, Latin America, and other emerging economies.

The Organization's principal financial partners are guarantors. Support is provided to the Organization by guarantors in the form of philanthropic guarantees providing two separate guarantor pools to make contributions towards covering loan losses, up to limits in the philanthropic guarantee agreement. The philanthropic guarantors are comprised of accredited individuals, foundations and organizations or institutions. The Organization borrows money in order to lend to microfinance institutions and small and growing business in developing countries. Guarantors accept the risk of providing guarantees in exchange for achieving a social purpose and receive no compensation in exchange for their philanthropic guarantees.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MCE Social Capital and its subsidiary. Inter-entity transactions and balances have been eliminated in consolidation. The consolidated entity is referred to as the Organization in the notes to the consolidated financial statements.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 1 – Nature of Operations and Significant Accounting Policies (continued)

Basis of Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as releases between the applicable classes of net assets.

Cash and Cash Equivalents, Designated Cash, Restricted Cash, and Certificate of Deposit

Cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less. The Organization maintains cash and cash equivalents and a certificate of deposit for the board designated purpose of funding an SGB portfolio loan loss reserve which is included in cash designated for SGB Portfolio loan loss reserve and an investment in certificate of deposit on the consolidated statements of financial position at December 31. The restricted cash is from the Deutsche Bank Microcredit Development Fund, Inc. (Deutsche Bank MDF) for SGB investments.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,209,810	\$ 5,520,817
Cash and certificate of deposit designated for SGB Portfolio loan loss reserve	707,026	1,000,000
Restricted cash from Deutsche MDF for SGB Investments	<u>218,669</u>	<u>2,573,911</u>
Total cash and cash equivalents, designated cash, restricted cash, and certificate of deposit	<u>\$ 9,135,505</u>	<u>\$ 9,094,728</u>

Certificate of Deposit

The investment is recorded at cost. The Organization maintains the certificate of deposit for the board-designated purpose of funding an SGB portfolio loan loss reserve which is separately presented on the consolidated statements of financial position. The balance is \$700,000 and \$995,000 as of December 31, 2021 and 2020, respectively. The certificate of deposit matures in 2022.

Investment in MFX Solutions, LLC

The Organization's investment in MFX Solutions, LLC is carried at cost. The cost of the Organization's investment totaled \$205,000 at both December 31, 2021 and 2020. The Organization did not identify any events or changes in circumstances that may have had a significant adverse effect on the value of those investments and, therefore, no impairment has been recorded for the years ended December 31, 2021 and 2020.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 1 – Nature of Operations and Significant Accounting Policies (continued)

Accounting for Derivative Instruments

Derivative instruments are recorded in the consolidated statements of financial position at fair value and represent cross-currency interest rate swap agreements and forward contracts. Fair values for the Organization's derivative instruments are based on the present value of the expected future cash flows. Changes in fair value are recorded in the consolidated statement of activities as unrealized gains and losses. Realized gains and losses are recognized on the hedged activity as settlements occur.

Accounting for Foreign Currency Denominated Transactions

The books and records of the Organization are maintained in U.S. dollars. Transactions denominated in foreign currencies are translated into U.S. dollars at the consolidated statements of financial position date rate of exchange. Changes in foreign currency denominated transactions are recorded in the statement of activities in the period the change occurs.

Revenue Recognition

Interest income is recognized as it accrues based upon rates in the underlying agreements. Contributions are recognized as revenue when they are unconditionally received or promised. Unconditional promises to give that are expected to be collected in future years are included in accounts receivable and discounted to present value based on estimated future cash flows. The discounts on those amounts are computed using appropriate interest rates applicable in the years in which the promises were received. Unconditional promises to give expected to be collected within one year are recorded at their net realizable value.

Other Assets

Other assets consist primarily of prepaid expenses and refundable deposits.

Loans Receivable

Loans receivable are stated at the amount management expects to collect of the outstanding balance. An allowance for credit losses, if required, is based on management's assessment of the current status of an individual loan that is anticipated to be partially or fully uncollectible. Amounts are included as past due if principal repayment has not been made in accordance with the latest amended loan agreements payment terms. See Note 6 for further description of the Organization's loan portfolio, the estimated allowance for credit losses, and past due loan amounts.

Guarantor Receivable

Philanthropic guarantees are considered conditional promises to give until a default occurs or loan loss reserve is established with the Organization requiring payment from the pool of guarantors in accordance with the philanthropic guarantee agreement. At the time a loan impairment occurs and the guarantor payment required can be reasonably estimated, the Organization considers the philanthropic guarantees to be unconditional promises to give and recognizes a contribution based on estimated losses. See Note 7 for further discussion of the guarantor receivables recorded at December 31, 2021 and 2020.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 1 – Nature of Operations and Significant Accounting Policies (continued)

Deferred Loan Origination Fees

Loan origination fees on loans are deferred and recognized as revenue over the contractual lives of the related loans. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBIT) would be taxable.

The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of December 31, 2021 and 2020, the Organization had no uncertain tax positions.

Contributed Services

The Organization receives a significant amount of donated professional services from executives and attorneys. Donated goods and services are recorded at fair market value at the date of receipt. Donated services are recorded only if specific professional expertise is provided or the services are for constructing a fixed asset, in accordance with generally accepted accounting principles in the United States (U.S. GAAP). See Note 11 for further discussion of contributed services recognized during the years ended December 31, 2021 and 2020.

Financing Costs

Financing costs are recorded as a direct deduction to the related debt liability on the consolidated statements of financial position (Note 8). Financing costs are amortized over the term of the applicable debt using the straight-line method. U.S. GAAP requires the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization of the financing costs are included as a component of interest expense in the consolidated statement of activities.

Allocation of Functional Expenses

The consolidated financial statements report contains certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include the expenses of the office of the CEO, compensation expenses of certain shared services staff, and contributed services. These expenditures are allocated based on a time study of where efforts are made.

Operating and Nonoperating Activities

All activities are considered operating except for unrealized gains and losses on foreign currency translation, unrealized gains and losses on derivative financial instruments, credit losses and recoveries, guarantor contributions, and related net asset releases.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 1 – Nature of Operations and Significant Accounting Policies (continued)

Strategic Initiatives

In 2021, The Organization's board approved a strategic plan to scale its impact and meet demand for the Organization's capital in the developing world. Recognizing the need to make internal investments in key areas such as systems and processes, communications, risk management, and skills development, The Organization launched a strategic fundraising campaign to fund the related operational and foundational expenses. The Organization generated 100% board participation in a successful matching grant campaign and raised \$460,000 for these important initiatives. The funds will be spent over the next 2-3 years.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Uncertainty

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. Subsequent to the declaration of a pandemic, governments worldwide have taken actions in response to the pandemic, which have range by jurisdiction, but are generally resulting in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. In 2021, the Organization began limited business travel, which has resulted in an improvement of analyzing performance and capabilities of present and potential clients. The extent of the impact of COVID-19 on the Organization's operational and financial performance will continue to depend on the recovery and continued measures put in place in the countries served by the Organization's customers and in those countries that provide a market for goods or material produced by the Organization's customers. The duration and intensity of the impact of the coronavirus and resulting impact to the Organization is unknown.

Upcoming Accounting Pronouncements

ASC 2016-13 – Financial Instruments – Credit Losses (Topic 326) (FASB CECL Model) – the pronouncement which creates a new credit impairment standard for financial assets measured at amortized cost and available for sale debt securities. The Accounting Standards Update (ASU) requires financial assets measured at amortized cost (including loans, trade receivables, and held-to maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the life of the asset, rather than incurred losses.

Subsequently, the Financial Accounting Standards Board (FASB) has issued Codification Improvements to Topic 326, *Financial Instruments-Credit Losses*, making the ASU effective for fiscal years beginning after December 15, 2022. The Organization does not intend to early adopt and in the early stages of implementation.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Organization's net assets or changes in net assets.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 1 – Nature of Operations and Significant Accounting Policies (continued)

Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statements of financial position date but before the consolidated financial statements are issued or are available to be issued. The Organization recognizes in the consolidated financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements.

The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before consolidated financial statements are available to be issued. The Organization has evaluated subsequent events through April 26, 2022, which is the date when the consolidated financial statements are available to be issued.

Note 2 – Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash, cash equivalents, designated cash and loans receivable from MFI and SGB's. The Organization places its cash and cash equivalents with high credit quality financial institutions. At times, the account balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Loans receivable consist of loans made to MFIs and SGBs located in developing regions (presently, Latin America, Africa, Eastern Europe, Southeast and Central Asia). The Organization's policy is to diversify loans across countries and geographic regions.

Note 3 – Foreign Currency Translation

The Organization from time to time issues loans denominated in a foreign currency. Loans receivable denominated in foreign currencies are translated into U.S. dollars at the consolidated statements of financial position date rate of exchange. Loans denominated in foreign currencies accrue interest at rates ranging from 5.25% to 12.00% annually and mature between January 2022 and April 2025. Unrealized foreign currency translation (losses) gains of (\$130,349) and \$247,779 were recognized during the years ended December 31, 2021 and 2020, respectively. Realized foreign currency translation loss of \$717,461 and \$720,977 were recognized for the years ended December 31, 2021 and 2020, respectively.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 4 – Derivative Instruments

To manage fluctuations of foreign currency values related to all loans denominated in foreign currencies, the Organization enters into cross-currency interest rate swap agreements and forward contracts, which mature in concert with the outstanding foreign currency denominated loans to MFI and SGB's. A currency swap is a foreign exchange agreement between two parties to exchange principal and fixed rate interest payments on a loan in one currency for principal and fixed rate interest payments on an equal loan in another currency. As a result of the derivative agreements, the Organization has reduced the risk of loan repayments falling short of expected amounts due to foreign exchange rate fluctuation. The Organization does not enter into derivative financial instrument agreements for trading or speculative purposes. The derivative instruments were recorded at their fair value. At December 31, 2021 and 2020, derivative instrument totaled \$238,125 and \$384,476, respectively. The change in fair value of the derivative instrument was a (loss) gain of (\$146,351) and \$13,299 as of December 31, 2021 and 2020, respectively. Embedded in the currency swap is a forward contract which creates the obligation for both parties to close the swap agreement at the agreed upon maturity date.

Note 5 – Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, GAAP defines a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the information that market participants would utilize in pricing the asset or liability. Valuation techniques may include use of matrix pricing, discounted cash flow model and similar techniques.

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, 2021.

Derivative Instruments – Determined to be Level 3 and the value based on the present value of projected future cash flows given currency rates in effect as of a given measurement date.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 6 – Loans Receivable

Lending Policy

The Organization's lending policy gives priority to organizations that serve a high percentage of deeply-impooverished individuals and families, serve a high percentage of women, extend operations to isolated rural communities, operate or provide linkages to comprehensive social service programs, such as women's empowerment, financial literacy, health education or services and business training for micro-entrepreneurs, and demonstrate a track record of lowering interest rates to impoverished client-borrowers. These loans mature at various times and are disbursed and repaid in either U.S. Dollars or a local foreign currency. Interest income is recognized when earned based on established rates.

The Organization assesses certain eligibility criteria to evaluate the creditworthiness of a MFI or SGB. These include quality and integrity of the management and Board of Directors, quality of the client-borrower loan portfolio, financial performance and prospects for growth, stability of the political, economic and legal environment of the country. Some of the specific financial qualifications for MFIs include: serve at least 5,000 borrowers or have a minimum US \$1,000,000 gross loan portfolio, maintain portfolio-at-risk (i.e., outstanding balance of all loans with payments in arrears beyond 30 days) below 10%, be operationally self-sufficient or demonstrate a clear plan to achieve operational self-sufficiency, provide independent audit reports covering at least the two most recent years, have a business plan with three years of financial projections or present a credit rating or other similar external evaluation/recommendation. The Organization prioritizes loans to MFI and SGB organizations that support both adaptation and mitigation approaches in response to climate change and environmental degradation.

The Organization loans money to MFIs at fixed interest rates ranging from 5.00% to 10.00%. In most cases, interest is payable quarterly until the loan is paid in full, principal payments commence 18 months after the disbursement date and are made semiannually in equal installments through the maturity date of the loan.

The Organization assesses certain eligibility criteria to evaluate the creditworthiness of an SGB. These include the SGB is a for-profit legal entity with at least 3 years of operations, positive equity with review of debt to equity and debt-service coverage ratios, sustainable and scalable sources of revenue greater than \$200,000 per year, provides audited financial statements for at least one year, financial statements produced at least quarterly, and fewer than 250 employees.

The Organization loans money to SGBs at fixed interest rates ranging from 5.00% to 15.00%. For agricultural value chain loans, interest and principal are due in full in 12 months from the disbursement date. These loans are repaid through a third-party purchaser of the exported agricultural goods. For SGB business growth loans, terms range from two to four years, with interest due quarterly and principal payments commencing 18 months after disbursement in equal installments through the maturity of the loan.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 6 – Loans Receivable (continued)

Outstanding Loans Receivable

Loans receivable were as follows as of December 31:

	2021			
	MFI	SGB	Total	2020 Total
Loans receivable	\$41,874,225	\$10,545,496	\$52,419,721	\$53,086,704
Less provision for estimated credit losses	(2,676,389)	(800,509)	(3,476,898)	(3,327,497)
Deferred loan costs	(187,841)	(57,116)	(244,957)	(284,198)
Loans receivable, net	<u>\$39,009,995</u>	<u>\$9,687,871</u>	<u>\$48,697,866</u>	<u>\$49,475,009</u>

A reconciliation of the provision for estimated credit losses is as follows as of December 31:

	2021			
	MFI	SGB	Total	2020 Total
Provision for estimated credit losses, beginning balance	\$2,307,559	\$1,019,938	\$3,327,497	\$792,702
Direct write-downs	(578,184)	(431,263)	(1,009,447)	(292,091)
Provision for estimated credit losses	<u>947,014</u>	<u>211,834</u>	<u>1,158,848</u>	<u>2,826,886</u>
Provision for estimated credit losses, ending balance	<u>\$2,676,389</u>	<u>\$800,509</u>	<u>\$3,476,898</u>	<u>\$3,327,497</u>

Credit loss recoveries were \$405,064 and \$148,154 as of December 31, 2021 and 2020, respectively.

Maturities on loans receivable from MFI's and SGB's for the years subsequent to December 31, 2021, are as follows:

	MFI	SGB	Total
<u>For the Years Ending December 31,</u>			
2022	\$30,630,511	\$6,695,496	\$37,326,007
2023	2,243,717	3,850,000	6,093,717
2024	8,499,997	-	8,499,997
2025	<u>500,000</u>	<u>-</u>	<u>500,000</u>
	<u>\$41,874,225</u>	<u>\$10,545,496</u>	<u>\$52,419,721</u>

Credit Risk Assessment

Management considers the specific operational and performance metrics and liquidity positions of each MFI and SGB on a quarterly basis to assess the client's credit risk. Based on the assessment of credit risk, the Organization may classify a loan as either being on the Watch List or Impaired List.

The Watch List includes loans that the portfolio management team identifies for regular, additional scrutiny, based upon client, country, and other risk factors. Loans move on and off the Watch List as deemed appropriate by the portfolio management team. At the point a loan is identified for the Watch List, there is no potential loss that can be estimated. When a loan is anticipated to be a partial or full loss and the Loan Committee approves the loan for Impaired List designation, the loan moves from the Watch List to the Impaired List. No additional interest is accrued once a loan is assessed as fully impaired. Once a loan is added to the Impaired List, new guarantors after the impairment date are not responsible for losses on that loan.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 6 – Loans Receivable (continued)

The outstanding loans receivable categorized by the Organization's credit risk rating were as follows:

	2021			2020 Total
	MFI	SGB	Total	
Watch list	\$ 4,500,000	\$ 3,744,564	\$ 8,244,564	\$ 7,250,000
Impaired list	2,676,389	800,509	3,476,898	3,327,497
Remaining loans	34,697,836	6,000,423	40,698,259	42,509,207
	<u>\$41,874,225</u>	<u>\$10,545,496</u>	<u>\$52,419,721</u>	<u>\$53,086,704</u>

The Organization estimates an allowance for credit losses based on the quarterly credit risk assessment performed as previously described. In most cases, a provision for estimated credit losses is only recorded at the point a loan is impaired. As of December 31, 2021, the Organization's provision for estimated credit losses for the MFI and SGB portfolios was \$2,676,389 and \$800,509, respectively. The unpaid principal balance of the loans with impairment as of December 31, 2021 in the MFI and SGB portfolios was \$5,449,471 and \$800,509, respectively. As of December 31, 2020, the Organization's provision for estimated credit losses for the MFI and SGB portfolios was \$2,307,559 and \$1,019,938, respectively. The unpaid principal balance of the loans with impairment as of December 31, 2020 in the MFI and SGB portfolios was \$4,064,620 and \$1,019,938, respectively. The provision for estimated credit losses was the result of impairments on outstanding loans receivable by three MFI and three SGB loans included on the impaired lists. There is at least a reasonable possibility that the recorded estimate will change by a material amount in the near term. The Organization does not accrue interest on impaired loans.

Past Due Loans

The following loans were past due as of December 31:

	2021			2020 Total
	MFI	SGB	Total	
0 to 89 days past due	\$39,074,754	\$ 9,990,303	\$49,065,057	\$51,152,146
90 to 179 days past due	500,000	35,865	535,865	64,558
Greater than 180 days past due	2,299,471	519,328	2,818,799	1,870,000
	<u>\$41,874,225</u>	<u>\$10,545,496</u>	<u>\$52,419,721</u>	<u>\$53,086,704</u>

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 7 – Guarantor Model

The MFI and SGB portfolios are backed by separate pools of guarantors. Guarantors have entered into philanthropic guarantee agreements (the Agreements) with the Organization. By entering into the Agreements, the Organization has received conditional pledges from the guarantors in the case that a default occurs limiting the impact of a default on the Organization's financial position. At the time a credit loss occurs and the guarantor payment required can be reasonably estimated, the Organization considers the philanthropic guarantees to be unconditional promises to give and recognizes a contribution. The Organization may charge carrying costs associated with loan defaults to the guarantor pool. Under the terms of the SGB Portfolio Agreement Guarantors are limited to calls of \$10,000 per guarantor unit per calendar year until the SGB loan loss reserve (Note 12) is depleted.

During the year ended December 31, 2021, the Organization recognized credit losses on loans from one MFI's and one SGB's requiring the Organization to recognize guarantor contributions and releases of restricted net assets from guarantor reserve contributions totaling \$1,018,257 and \$28,390, which are reported as guarantor contributions and nonoperating net assets released from restriction in the consolidated statement of activities for the year-end December 31, 2021. In addition, the Organization received principal payments on loans that were previously impaired. As a result, a reduction to the guarantor receivable and loss on remeasurement of guarantor contributions of \$606,837 was recognized during the year ended December 31, 2021. Calls are expected to be made on the guarantors which total the net guarantor receivable of \$3,038,775.

During the year ended December 31, 2020, the Organization recognized credit losses on loans from one MFI and two SGB's requiring the Organization to recognize guarantor contributions and releases of restricted net assets from guarantor reserve contributions totaling \$2,826,886 and \$1,184, respectively, which are reported as guarantor contributions and nonoperating net assets released from restriction in the consolidated statement of activities, respectively. In addition, the Organization received principal payments on loans that were previously impaired.

The allowance for doubtful guarantor receivables is maintained at a level considered adequate to provide for potential uncollected guarantor receivables. There is currently no allowance accrued because the Organization's management believes the guarantor receivables at December 31, 2021 and 2020 are fully collectible.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 8 – Notes Payable

The Organization's notes payable are summarized as follows at December 31:

	2021	2020
Unsecured notes payable to First Republic Bank, with annual interest rates ranging from 4.00% to 4.50%, and guaranteed by individual guarantors. Monthly interest payments with semiannual principal payments. Maturity rates ranging through December 2022.	\$ 1,625,000	\$ 5,775,000
Unsecured notes payable to United States International Development Finance Corporation (formerly Overseas Private Investment Corporation (OPIC)), with annual interest rates of 2.54% to 3.49% Quarterly interest payments and semi-annual principal payments. Maturity dates ranging through June 2025.	7,000,000	2,000,000
Unsecured note payable to RSF Social Finance, with interest rates ranging from 1.50% to 4.50%. Quarterly interest payments with semi-annual principal payments. A note payable renewed in March 2021 and matures in March 2022. A second note of \$1,000,000 was paid off during 2020.	2,000,000	2,000,000
Unsecured privately placed notes, with annual interest rates ranging from 1.75% to 3.50%. Annual interest payments with principal due upon maturity. Maturity dates ranging through February 2028.	30,950,000	31,975,000
Unsecured privately placed notes, with annual interest rates of 3.00%. Quarterly interest payments with principal due upon maturity. The loan was paid off in January 2021.	-	300,000
Noninterest bearing notes payable to individual guarantors including foundations. Principal due upon maturity dates ranging through October 2022.	3,500,000	3,500,000
Unsecured notes payable to Metropolitan Life Insurance Company, with annual interest rate of 3.59%. Quarterly interest payments with principal due upon maturity in November 2022.	5,000,000	5,000,000
Recoverable grants/loans from third parties will be paid back unless the Organization ceases operations or is unable to meet the obligations. Interest rates from 1.75% to 2.75%. Annual interest payments with payment due upon maturity. Maturity dates ranging through May 2028.	350,000	-
	50,425,000	50,550,000
Less unamortized financing costs	(96,602)	(68,719)
Less present value discount	(89,288)	(213,249)
Notes payable, net	<u>\$ 50,239,110</u>	<u>\$ 50,268,032</u>

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 8 – Notes Payable (continued)

Guarantors and private foundations have provided interest-free loans totaling \$3,500,000 at both December 31, 2021 and 2020. The Organization recorded a loan discount using rates ranging from 3.00% to 4.00%. The loans are reported in the consolidated statements of financial position net of unamortized discount of \$89,288 and \$213,249 at December 31, 2021 and 2020, respectively. The discount on the loans is being amortized to imputed interest expense over the lives of the loans.

Certain notes payable require the Organization to comply with negative covenants, which the Organization is in compliance with at December 31, 2021.

Maturities of long-term notes for future years ending December 31 are as follows:

For the Years Ending December 31,

2022	\$ 17,200,000
2023	14,530,000
2024	12,050,000
2025	4,155,000
2026	1,050,000
Thereafter	<u>1,440,000</u>
	<u><u>\$ 50,425,000</u></u>

Note 9 – Participating Share Notes Payable

The Organization entered into notes payable with foundations for the purpose of participating in the funding of an identifiable loan receivable. The principal and interest on the note are only repayable from the proceeds of the capital invested. The notes have annual interest rate ranging from 5.38% to 6.63% and mature through November 2023. The participating share notes payable had an outstanding balance of \$1,753,047 and \$2,034,471 as of December 31, 2021 and 2020, respectively.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 9 – Participating Share Notes Payable (continued)

Maturities of participating share notes payable for future years ending December 31 are as follows:

For the Years Ending December 31.

2022	\$ 1,365,547
2023	<u>387,500</u>
	<u><u>\$ 1,753,047</u></u>

Note 10 – Small Business Administration Paycheck Protection Program Loan

On April 25, 2020, the Organization received a Small Business Administration Paycheck Protection Program (SBA PPP) loan for \$207,500 for payroll and certain operating expenses realized in 2020. All conditions of the loan were substantially met and the loan was forgiven. The Organization recognized the \$207,500 as contribution revenue at December 31, 2020.

The Organization currently believes that its use of the loan proceeds met the conditions for forgiveness of the loan under the Small Business Administration's (SBA) safe harbor provisions for borrowers of less than \$2 million. A safe harbor applies to SBA's review of PPP loans for borrowers who, along with their affiliates, received PPP loans with an original principal amount of less than \$2 million. The SBA presumes the borrower's required certification concerning the necessity of the loan was made in good faith under the CARES Act, Section 1102 Lender agreement. Under the agreement, the SBA has five years to audit any applicant. The Organization, at the time of submitting its application, evaluated the economic uncertainty resulting from the COVID-19 pandemic and the potential impact of that uncertainty on the ongoing operations of the business. Based on the risk of the Organization having to limit or close its operations and unavailability of other sources of liquidity, it was determined that the loan request was necessary.

Note 11 – Contributed Services

The value of donated services included as contributions in the consolidated financial statements and the corresponding program service and management expenses for the year ended December 31, 2021, are as follows:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Contributed Services</u>
Officer services provided pro bono	\$ 32,813	\$ 9,375	\$ 4,688	\$ 46,876
Legal and professional services	<u>118,973</u>	<u>13,608</u>	<u>13,608</u>	<u>146,189</u>
	<u><u>\$ 151,786</u></u>	<u><u>\$ 22,983</u></u>	<u><u>\$ 18,296</u></u>	<u><u>\$ 193,065</u></u>

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 11 – Contributed Services (continued)

The value of donated services included as contributions in the consolidated financial statements and the corresponding program service and management expenses for the year ended December 31, 2020, are as follows:

	Program Services	Management and General	Fundraising	Total Contributed Services
Officer services provided pro bono	\$ 129,988	\$ 42,818	\$ 12,890	\$ 185,696
Legal and professional services	59,988	7,499	7,499	74,986
	<u>\$ 189,976</u>	<u>\$ 50,317</u>	<u>\$ 20,389</u>	<u>\$ 260,682</u>

Note 12 – Net Assets Without Donor Restrictions

Management and the Organization's Board of Directors has made specific designations of its net assets without donor restrictions as follows at December 31:

	2021	2020
Undesignated and available for operations	\$ 2,829,210	\$ 3,024,947
Board designated funds		
Operating reserve	765,695	583,992
SGB loan loss reserve	704,501	1,000,000
Interest income from Deutsche Bank MDF	53,838	10,466
Board/Guarantor matching grant	392,690	-
Permanent Fund to Alleviate Extreme Poverty and Frontier Fund	40,000	40,000
Total Without Donor Restrictions	<u>\$ 4,785,934</u>	<u>\$ 4,659,405</u>

The operating reserve is intended to cover three months of operating expenditures.

The SGB loan loss reserve is established to cover actual losses in the SGB portfolio and limit guarantor contributions at the election of the Organization.

The Permanent Fund to alleviate Extreme Poverty and Frontier Fund is intended to fund investments in small and medium sized enterprises spurring job creation in Sub-Saharan Africa and other challenging parts of the world.

The interest income from the Deutsche Bank MDF is intended to fund any liability that is not covered by the SGB guarantors.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 13 – Net Assets with Donor Restrictions

The Organization's net assets with donor restrictions are comprised of the following at December 31:

	2021	2020
Kore Fund	\$ 500,000	\$ 500,000
Hunter Douglas Microfinance Sustainability Fund	500,000	500,000
Permanent Fund to Alleviate Extreme Poverty	208,477	208,477
Frontier Fund	426,447	426,447
Guarantor reserves	108,878	58,835
Deutsche Bank MDF	3,287,373	3,427,139
Unamortized discount on long-term debt (Note 8)	89,289	213,250
	<u>\$ 5,120,464</u>	<u>\$ 5,334,148</u>

Kore Fund

The Organization's Board of Directors (the Board) established the Kore Fund to provide a liquidity reserve. Any amount drawn from the Kore Fund must be used to guarantee short-term financing opportunities and must be reimbursed in full within 365 days. In view of the Board's role in setting the purpose of the Kore Fund, U.S. GAAP requires that donor contributions to the Kore Fund be presented as with donor restrictions.

Hunter Douglas Microfinance Sustainability Fund

The Hunter Douglas Microfinance Sustainability Fund (the Hunter Douglas Fund) is maintained as a revolving account to temporarily fund any of the Organization's liquidity demands when MFIs are temporarily late with payments as a result of challenges encountered by operating in a developing country. The Hunter Douglas Fund ensures the Organization can meet all of its obligations until payment is made.

Permanent Fund to Alleviate Extreme Poverty

The Permanent Fund to Alleviate Extreme Poverty (the Permanent Fund) directly supports microloans from tax-deductible contributions. Every gift to the Permanent Fund provides perpetual benefits. As loans are repaid, the money is loaned out in perpetuity.

Frontier Fund

The Frontier Fund is supported principally by grants and donations and fund investments in Small and Medium Sized Enterprises spurring job creation in Sub-Saharan Africa and MFIs operating in Sub-Saharan Africa and other challenging parts of the world.

Guarantor Reserves

Guarantor reserves represent contributions received from guarantors for the purpose of funding amounts due under future guarantor calls.

Deutsche Bank Microcredit Development Fund, Inc.

The Deutsche Bank Microcredit Development Fund, Inc. (Deutsche Bank MDF) supports loans to small and growing businesses in Africa and Latin America.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 14 – Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the consolidated statements of financial position date, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside by the governing board for loan loss and long-term investing reserves that could be drawn upon if the governing board approves that action.

	2021	2020
Cash and cash equivalents,		
designated cash and restricted cash	\$ 8,435,505	\$ 8,099,728
Certificate of deposit	700,000	995,000
Interest receivable	796,594	516,182
Loans receivable, net	48,697,866	49,759,207
Guarantor receivables	3,038,775	2,983,512
	<hr/>	<hr/>
Total financial assets	61,668,740	62,353,629
Loans receivable scheduled to be collected in		
more than one year	(15,093,714)	(38,977,658)
Guarantor receivables scheduled to be collected in		
more than one year	(2,519,447)	(336,319)
Donor-imposed restrictions		
Kore Fund	(500,000)	(500,000)
Hunter Douglas Microfinance Sustainability Fund	(500,000)	(500,000)
Permanent Fund to Alleviate Extreme Poverty	(208,477)	(208,477)
Frontier Fund	(426,447)	(426,447)
Deutsche Bank MDF	(3,287,373)	(3,427,139)
Board designations		
SGB loan loss reserve	(704,501)	(1,000,000)
Permanent Fund to Alleviate Extreme Poverty		
and Frontier Fund	(40,000)	(40,000)
Board/Guarantor matching grant	(392,690)	-
Interest income from Deutsche Bank MDF	(53,838)	(10,466)
	<hr/>	<hr/>
Financial assets available to meet cash needs for		
general expenditures within one year	<u>\$ 37,942,253</u>	<u>\$ 16,927,123</u>

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 14 – Liquidity and Availability of Financial Assets (continued)

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has received funds from donors stipulated to be for the purposes of the Hunter Douglas Microfinance Sustainability Fund and Kore Fund. These funds are to be utilized to provide short term liquidity to the Organization when loan receivable repayments are not remitted upon scheduled dates. In addition, the Organization has an operating reserve that had a balance of \$765,695 and \$583,992 at December 31, 2021 and 2020, respectively. This is a governing board-designated reserve with the objective of setting funds aside equal to three months of operating expenditures to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

Note 15 – Employee Retirement Plan

The Organization has a Savings Incentive Match Plan for Employees (SIMPLE) – IRA Plan. Eligible employees can elect to defer up to the maximum allowable subject to current regulatory limits. The Organization provides matching contributions of 100% of deferrals by each participating employee up to 3% of eligible compensation. The Organization's total retirement expense was \$37,629 and \$30,103 for the years ended December 31, 2021 and 2020, respectively.

Note 16 – Commitments and Contingencies

Grants and contracts require the fulfillment of certain conditions as set forth in the terms of the agreements and are subject to audit by the grantor. Failure to comply with the conditions of the agreements could result in the return of funds to the grantor. Although possible, management believes that it has complied with conditions of its grants and contracts and no significant liability, if any, will result from an audit.

The Organization is subject to litigation in the normal and ordinary course of business, which, in the opinion of management and based upon advice of counsel, would not have a material effect on its financial position or operations.

Note 17 – Related Parties

Certain unsecured notes payable by the Organization are held with the Organization's board members and other related parties with outstanding balances of \$4,600,000 and \$4,959,471 as of both December 31, 2021 and 2020, respectively.

The Organization also received contributed services from the Organization's board members and other related parties totaling \$0 and \$113,582 for the years ending December 31, 2021 and 2020, respectively.

MCE Social Capital and Subsidiary

Notes to Consolidated Financial Statements

Note 18 – Subsequent Events

Subsequent to December 31, 2021, the Organization entered into unsecured privately placed notes payable ranging from \$100,000 to \$5,000,000, with annual interest rates ranging from 1.75% to 2.75%. The total of these unsecured privately placed notes is \$6,930,000. Annual interest payments with principal are due upon maturity. Maturity dates range through March 31, 2029.

Supplementary Information

MCE Social Capital and Subsidiary
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Award/Pass- Through Number</u>	<u>Loan and Loan Guarantees</u>	<u>Expenditures</u>	<u>Total Federal</u>
United States Agency for International Development:					
Loan Portfolio Guarantee Agreement	98.U01	099-DCA-17-017	\$ 1,643,750	\$ 825,000	\$ 2,468,750
Loan Guarantee Agreement	98.U02	521-DCA-15-041A	<u>738,208</u>	<u>-</u>	<u>738,208</u>
Total United States Agency for International Development			<u>2,381,958</u>	<u>825,000</u>	<u>3,206,958</u>
Total Federal Expenditures			<u>\$ 2,381,958</u>	<u>\$ 825,000</u>	<u>\$ 3,206,958</u>

See notes to schedule of expenditures of federal awards.

MCE Social Capital and Subsidiary
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of MCE Social Capital (the Organization) under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Organization has not elected to use the de minimis indirect cost rate allowed under the Uniform Guidance as the Schedule only includes loan guarantees, which are not subject to indirect costs recoveries.

Note 3 – Loan Guarantees with Ongoing Compliance Requirements

The Organization has two loan guarantees from the United States Agency for International Development (USAID) with continuing compliance requirements. The agreements have compliance periods through July 2022 and September 2029 unless the guarantee is terminated at an earlier date by USAID or the Organization.

The Organization had the following loan guarantees outstanding at December 31, 2021:

Program Title	Award Identifying Number	Assistance Listing Number	Amount Outstanding
Loan Portfolio Guarantee Agreement	98.U01	099-DCA-17-017	\$ 2,071,875
Loan Guarantee Agreement	98.U02	521-DCA-15-041A	\$ 738,208

Report of Independent Auditors 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*

The Board of Directors
MCE Social Capital and Subsidiary

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 MCE Social Capital and Subsidiary (MCE Social Capital), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MCE Social Capital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCE Social Capital's internal control. Accordingly, we do not express an opinion on the effectiveness of MCE Social Capital'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 MCE Social Capital'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MCE Social Capital's financial statements are free from 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 financial statements. 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 MCE Social Capital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCE Social Capital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mess Adams LLP". The script is cursive and fluid.

Albuquerque, New Mexico
April 26, 2022

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Director
MCE Social Capital and Subsidiary

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited MCE Social Capital and Subsidiary's (MCE Social Capital) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect of MCE Social Capital's major federal programs for the year ended December 31, 2021. MCE Social Capital's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, MCE Social Capital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MCE Social Capital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of MCE Social Capital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MCE Social Capital's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MCE Social Capital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MCE Social Capital's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MCE Social Capital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MCE Social Capital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 MCE Social Capital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Mess Adams LLP

Albuquerque, New Mexico
April 26, 2022

MCE Social Capital and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

Section I - Summary of Auditor's Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to consolidated financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major federal programs and type of auditor's report issued on compliance for the major federal program:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for the Major Federal Program</i>
98.U01	Loan Portfolio Guarantee Agreement	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

MCE Social Capital and Subsidiary
Schedule of Findings and Questioned Costs (continued)
For the Year Ended December 31, 2021

Section II - Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

[Annex A – Form of Series [A][B] Note]

THIS NOTE (AND ANY INTEREST HEREIN) MAY NOT BE OFFERED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, DISPOSED OF, ENCUMBERED OR OTHERWISE TRANSFERRED (COLLECTIVELY, A “TRANSFER”) WITHOUT THE PRIOR WRITTEN CONSENT OF MCE SOCIAL CAPITAL (THE “ISSUER”), SUCH CONSENT TO BE GRANTED OR WITHHELD IN THE ISSUER’S SOLE DISCRETION. THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), NOR HAS IT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES OR “BLUE SKY” LAWS OF ANY STATE. NO TRANSFER OF THE NOTE (OR ANY INTEREST HEREIN) WILL BE PERMITTED UNLESS (A) APPROVED BY THE ISSUER AND (B) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT IS IN EFFECT AS TO SUCH TRANSFER, THE TRANSFER IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT, OR IN THE OPINION OF COUNSEL, REGISTRATION UNDER THE SECURITIES ACT IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE SECURITIES ACT AND WITH APPLICABLE STATE SECURITIES LAWS. THE HOLDER OF THIS NOTE SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF INVESTMENT IN THIS NOTE UNTIL MATURITY.



**PRIVATE GLOBAL ECONOMIC OPPORTUNITY NOTE
SERIES [A] [B]**

Principal Amount: \$[principal amount].00

Issue Date: [issue date]

THIS PRIVATE GLOBAL ECONOMIC OPPORTUNITY NOTE, SERIES [A] [B] (this “Note”) has been issued by MCE Social Capital, a nonprofit public benefit corporation organized under the laws of the State of California and a federal income tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code (“Issuer”) to [full legal name of purchaser], the initial registered holder of this Note (together with any future registered holder hereof as permitted hereby and specified on the signature page hereof, “Noteholder”).

WHEREAS, Issuer wishes to induce Noteholder to make a long-term, interest-bearing debt investment which will assist Issuer in the funding of its programs;

NOW THEREFORE, Issuer agrees as follows:

1. MATURITY; INTEREST; MINIMUM DENOMINATIONS; RANKING.

(a) Issuer acknowledges receipt from Noteholder of the sum of \$[principal amount].00 ([principal amount written out] U.S. dollars). The outstanding principal amount hereof shall be payable to Noteholder on [maturity date] (the “Maturity Date”), subject to redemption at the option of Issuer as provided herein.

(b) Issuer agrees to pay interest on the outstanding principal amount to Noteholder at a rate of [X.XX%] *per annum* (as increased pursuant to the last sentence of this paragraph, if applicable) until the principal amount is paid in full. Interest shall be paid annually in arrears on the anniversary of the Issue Date set forth above, *provided* that the final interest payment date shall not be such anniversary immediately preceding the Maturity Date and instead shall be the Maturity Date. Interest will accrue on the outstanding principal amount hereof on a daily basis, including the Issue Date set forth above and excluding the date principal hereof is redeemed or repaid, at 1/365th of the applicable interest rate (or 1/366th if the interest payment date falls on February 29 or a February 29 has occurred since the preceding interest payment date or, in the case of the first interest payment date, since the Issue Date). The interest rate payable on this Note shall be increased by 0.25% *per annum* for any period of time during which Issuer and the current registered holder hereof are both parties to a valid and binding philanthropic guarantee agreement pursuant to which such current registered holder has agreed in writing to act as a philanthropic guarantor

of certain debt obligations owed to Issuer and such current registered holder is in full compliance with its obligations thereunder.

(c) All payments of principal and interest shall be made in U.S. dollars by, at Issuer's election, check mailed to the address of Noteholder then appearing in the record books of Issuer or wire transfer (including ACH) to the bank account of Noteholder then appearing in the record books of Issuer. If any interest or principal payment date falls on a day that is not a business day in the location of Issuer's principal place of business, payment of interest or principal will be made on the next succeeding business day without any additional amount accrued.

(d) This Note is issuable and transferable only in minimum denominations of \$100,000 and integral multiples of \$50,000 in excess thereof, and after any permitted transfer of any portion hereof by Noteholder, a minimum of \$100,000 principal amount must remain.

(e) This Note ranks *pari passu* with all of Issuer's issued and outstanding Private Global Economic Opportunity Notes of each series, and with all other unsecured and unsubordinated debt of Issuer.

2. NOTEHOLDER REPRESENTATIONS.

Noteholder shall be deemed by virtue of its acquisition of this Note to have represented, warranted, acknowledged and agreed to and with Issuer that:

(a) this Note has not been and will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**"), and has not been registered or qualified under any state securities or blue sky laws, based on reliance that the issuance of this Note is exempt from registration under Section 4(a)(2) of the Securities Act as not involving any public offering. Noteholder further acknowledges that Issuer's reliance on such exemption is predicated, in part, on the representations set forth below made by Noteholder to Issuer;

(b) Noteholder is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act;

(c) Noteholder is acquiring this Note solely for Noteholder's own account, for long-term investment purposes only, and not with an intent to sell, or for resale in connection with any distribution of this Note within the meaning of the Securities Act;

(d) In evaluating the merits and risks of an investment in the Note, Noteholder has relied upon the advice of Noteholder's legal counsel, tax advisers, and/or investment advisers to the extent that Noteholder has deemed necessary; Noteholder, either alone or together with its advisers in connection with evaluating the merits and risks of acquiring this Note, has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of acquiring this Note and is able to bear the economic risk of such acquisition, including the risk of a complete loss; and Noteholder has no need for liquidity in this Investment;

(e) Noteholder has been given access to all books, records and other information of Issuer, including Issuer's Offering Memorandum dated November 16, 2023 relating to the offering of the Note, that Noteholder has desired to review and analyze in connection with Noteholder's purchase of this Note;

(f) Noteholder is aware that an investment in securities of a nonprofit benefit corporation such as Issuer is non-marketable, may be non-transferable and will require Noteholder's capital to be invested for an indefinite period of time that may extend to the Maturity Date, possibly without return;

(g) Noteholder understands that this Note is characterized as a "restricted security" under the federal securities laws since this Note is being acquired from Issuer in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances, including the need to obtain Issuer's consent, which may not be forthcoming. Noteholder represents that Noteholder has been informed of, and understands, the transferability restrictions applicable to the Note;

(h) Noteholder understands that the Investment evidenced hereby is a debt investment, is unsecured, does not represent any equity or like interest in Issuer or any interest convertible to such, and does not carry with it any voting or like rights; and

(i) Noteholder understands that he, she or it may not offer, sell, assign, pledge, hypothecate, dispose of, encumber or otherwise transfer this Note (or any interest therein) without the prior written consent of Issuer, such consent to be granted or withheld in Issuer's sole discretion, and that no representation has been made to Noteholder that Issuer will grant any such consent, and that if such consent is granted, this Note may not be transferred except in minimum denominations of \$100,000 and integral multiples of \$50,000 in excess thereof.

3. TRANSFER.

(a) Except with the prior written consent of Issuer, such consent to be granted or withheld in Issuer's sole discretion, Noteholder may not transfer this Note or any interest herein.

(b) Noteholder shall give Issuer at least 30 days' prior written notice of any proposed transfer of this Note or any interest herein, which notice shall expressly offer to pay Issuer's reasonable legal expenses in connection with any such proposed transfer.

(c) Issuer may condition any consent to transfer this Note or any interest herein upon Noteholder's furnishing Issuer with a statement of the circumstances surrounding the proposed transfer, together with an opinion of counsel acceptable to Issuer that such transfer will not require registration under the Securities Act and will be in compliance with applicable state securities laws.

(d) This Note is transferable only in minimum denominations of \$100,000 and integral multiples of \$50,000 in excess thereof.

(e) Any attempted transfer of this Note or any interest herein in violation of this Section shall be void *ab initio* and of no effect and shall not be recognized by Issuer for any purpose.

4. REDEMPTION AT ISSUER'S OPTION.

This Note may be redeemed in whole or in part at the option of Issuer at any time at a redemption price equal to 100% of the principal amount hereof being redeemed plus accrued and unpaid interest thereon to the date of redemption. This Note is not redeemable or re-purchasable at the option of Noteholder at any time.

5. DEFAULTS AND REMEDIES.

An "**Event of Default**" means any of the following:

- (i) default in the payment of any principal on this Note or any other Note of the same series as this Note at the applicable maturity or on a date fixed for redemption of such Note or upon a declaration of acceleration as described below, and the continuance of such default for a period of at least 30 consecutive days; or
- (ii) default in the payment of any interest on this Note or any other Note of the same series as this Note when such interest becomes due and payable, and the continuance of such default for a period of at least 30 consecutive days; or
- (iii) the entry of an order for relief against Issuer under the U.S. Bankruptcy Code by a court having jurisdiction in the premises or a decree or order by a court having jurisdiction in the premises adjudging Issuer a bankrupt or insolvent under any other applicable federal or state law, or the entry of a decree or order approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of Issuer under the U.S. Bankruptcy Code or any other applicable federal or state law; or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of Issuer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or

order unstayed and in effect for a period of 90 consecutive days; or the consent by Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing by Issuer of a petition or answer or consent seeking reorganization or relief under the U.S. Bankruptcy Code or any other applicable federal or state law, or the consent by Issuer to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of Issuer or of any substantial part of its property, or the making by Issuer of an assignment for the benefit of creditors, or the admission by Issuer in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by Issuer in furtherance of any such action.

If an Event of Default of the type specified in clause (i) or (ii) above occurs and is continuing, then the registered holders of at least 50% of the aggregate principal amount of Notes of the same series as this Note may declare the principal amount of each Note of such series, including this Note, together with any accrued and unpaid interest, to be due and payable immediately. If an Event of Default of the type specified in clause (iii) above occurs, the entire principal amount of Notes of this series, including this Note, together with any accrued and unpaid interest, shall automatically, and without any declaration or other action on the part of any registered holder, become immediately due and payable in full.

Notwithstanding the foregoing, the right of Noteholder to receive payment of the principal amount, and interest on, this Note on the maturity date and to institute suit for the enforcement of any such payment after the maturity date, shall not be impaired without the consent of Noteholder.

6. NOTICES.

Except as and if otherwise provided herein, all notices, requests and demands to or upon the respective parties hereto shall be in writing and shall be deemed to have been given or made five business days after a record has been deposited in the mail, postage prepaid, or one business day after a record has been deposited with a recognized overnight courier, charges prepaid or to be billed to the sender, or on the day of delivery if delivered by hand with receipt acknowledged, in each case addressed or delivered if to Noteholder to the address thereof set forth on the signature page hereof, and if to Issuer to its principal place of business and to the attention of the Chief Financial Officer and Operations Manager, or to such other address or to the attention of such other person as may be hereafter designated in writing by the respective parties hereto by a notice in accord with this Section. Notification by e-mail that is acknowledged by the recipient of the e-mail shall be treated as a waiver by such recipient of the requirement that the notification be mailed, delivered by a recognized overnight courier or delivered by hand, and the notification shall be deemed to have been made on the date of the acknowledgement.

7. AMENDMENTS, WAIVERS AND MODIFICATIONS.

Except as otherwise described herein, no amendment, waiver or other modification of this Note may be made without the prior written consent of Issuer and either (x) Noteholder or (y) the registered holders of a majority of the aggregate principal amount of Notes of the same series as this Note. In no event will such an amendment, waiver or other modification be effective without the consent of Noteholder, if it would (i) change or extend the maturity date or any interest payment date hereof, (ii) reduce the principal amount of, or the rate of interest on, this Note, (iii) change any place of payment where, or the currency in which, this Note is payable, (iv) modify the provisions of this Note with respect to its seniority or subordination, or (v) modify Section 5 or this Section of this Note.

Notwithstanding the foregoing, no consent of Noteholder or any other registered holder of Notes of the same series as this Note will be required for Issuer to:

- (i) correct or supplement any provision of this Note that is defective or inconsistent with any other provision, cure any ambiguity or omission, correct any mistake, or conform this Note to the Offering Memorandum (including any applicable supplement thereto) of Issuer pursuant to which this Note was offered to the initial registered holder hereof, or
- (ii) make any other change that does not materially adversely affect the rights of Noteholder.

In determining whether the registered holders of the requisite aggregate principal amount of this series of Notes have given any request, demand, authorization, direction, notice, consent or waiver, any Notes held or owned by Issuer or any of its subsidiaries will be disregarded.

8. MISCELLANEOUS.

(a) This Note and any document or instrument executed in connection herewith shall be governed by and construed in accordance with the internal laws of, and shall be deemed to have been executed in, the State of New York.

(b) As used in this Note, unless otherwise specified: the term “**business day**” means any day that is not a Saturday, Sunday or other day on which commercial banks are authorized or required by law to close in the location of Issuer’s principal place of business; the term “**day**” means calendar day; the term “**including**” means including without limitation; the term “**transfer**,” when used with respect to this Note, means any offer, sale, assignment, pledge, hypothecation, disposal, encumbrance or other transfer of this Note or any interest herein; and terms such as “**herein**,” “**hereof**” and words of similar import refer to this Note as a whole. Unless the context requires otherwise, terms wherever used herein the singular shall include the plural and vice versa, and the use of one gender shall also denote the others. Captions herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof; and references herein to sections or provisions without reference to the document in which they are contained are references to this Note.

(c) Subject to the other terms and conditions hereof, this Note shall bind Issuer, its successors and assigns, and inure to the benefit of Noteholder and its successors, assigns and permitted transferees, except that Issuer may not transfer or assign any of its rights or interest hereunder without the prior written consent of Noteholder.

(d) THIS NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, Issuer has duly executed and delivered this Note as of the Issue Date first above written.

MCE SOCIAL CAPITAL

By: _____
Name: _____
Title: _____

RECORD OF REGISTERED HOLDERS

INITIAL REGISTERED HOLDER

Name:
Address for notices:
Facsimile:
Telephone:
Email:

***Wire
Instructions***

Beneficiary:
Account number:
Beneficiary address:
Bank name:
Bank address:
ABA routing no.:
Swift code:

TRANSFeree REGISTERED HOLDER*

Name:
Address for notices:
Facsimile:
Telephone:
Email:

***Wire
Instructions***

Beneficiary:
Account number:
Beneficiary address:
Bank name:
Bank address:
ABA routing no.:
Swift code:

* *Cross out preceding table. Attach additional pages if necessary.*

[Annex B – Form of Series X Note]

THIS NOTE (AND ANY INTEREST HEREIN) MAY NOT BE OFFERED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, DISPOSED OF, ENCUMBERED OR OTHERWISE TRANSFERRED (COLLECTIVELY, A “TRANSFER”) WITHOUT THE PRIOR WRITTEN CONSENT OF MCE SOCIAL CAPITAL (THE “ISSUER”), SUCH CONSENT TO BE GRANTED OR WITHHELD IN THE ISSUER’S SOLE DISCRETION. THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), NOR HAS IT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES OR “BLUE SKY” LAWS OF ANY STATE. NO TRANSFER OF THE NOTE (OR ANY INTEREST HEREIN) WILL BE PERMITTED UNLESS (A) APPROVED BY THE ISSUER AND (B) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT IS IN EFFECT AS TO SUCH TRANSFER, THE TRANSFER IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT, OR IN THE OPINION OF COUNSEL, REGISTRATION UNDER THE SECURITIES ACT IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE SECURITIES ACT AND WITH APPLICABLE STATE SECURITIES LAWS. THE HOLDER OF THIS NOTE SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF INVESTMENT IN THIS NOTE UNTIL MATURITY.



**PRIVATE GLOBAL ECONOMIC OPPORTUNITY NOTE
SERIES X**

Principal Amount: \$[*principal amount*].00

Issue Date: [*issue date*]

THIS PRIVATE GLOBAL ECONOMIC OPPORTUNITY NOTE, SERIES X (this “**Note**”) has been issued by MCE Social Capital, a nonprofit public benefit corporation organized under the laws of the State of California and a federal income tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code (“**Issuer**”) to [*full legal name of purchaser*], the initial registered holder of this Note (together with any future registered holder hereof as permitted hereby and specified on the signature page hereof, “**Noteholder**”).

WHEREAS, Issuer wishes to induce Noteholder to make a long-term, interest-bearing debt investment which will assist Issuer in the funding of its programs;

NOW THEREFORE, Issuer agrees as follows:

1. MATURITY; INTEREST; MINIMUM DENOMINATIONS; RANKING.

(a) Issuer acknowledges receipt from Noteholder of the sum of \$[*principal amount*].00 ([*principal amount written out*] U.S. dollars). The outstanding principal amount hereof shall be payable to Noteholder on [*maturity date*] (the “**Maturity Date**”), subject to redemption at the option of Issuer as provided herein.

(b) Issuer agrees to pay interest on the outstanding principal amount to Noteholder at a rate of [X.XX%] *per annum* (as increased pursuant to the last sentence of this paragraph, if applicable) until the principal amount is paid in full. Interest shall be paid annually in arrears on the anniversary of the Issue Date set forth above, *provided* that the final interest payment date shall not be such anniversary immediately preceding the Maturity Date and instead shall be the Maturity Date. Interest will accrue on the outstanding principal amount hereof on a daily basis, including the Issue Date set forth above and excluding the date principal hereof is redeemed or repaid, at 1/365th of the applicable interest rate (or 1/366th if the interest payment date falls on February 29 or a February 29 has occurred since the preceding interest payment date or, in the case of the first interest payment date, since the Issue Date). The interest rate payable on this Note shall be increased by 0.25% *per annum* for any period of time during which Issuer and the current registered holder hereof are both parties to a valid and binding philanthropic guarantee agreement pursuant to which such current registered holder has agreed in writing to act as a philanthropic guarantor

of certain debt obligations owed to Issuer and such current registered holder is in full compliance with its obligations thereunder.

(c) All payments of principal and interest shall be made in U.S. dollars by, at Issuer's election, check mailed to the address of Noteholder then appearing in the record books of Issuer or wire transfer (including ACH) to the bank account of Noteholder then appearing in the record books of Issuer. If any interest or principal payment date falls on a day that is not a business day in the location of Issuer's principal place of business, payment of interest or principal will be made on the next succeeding business day without any additional amount accrued.

(d) This Note is issuable and transferable only in minimum denominations of \$100,000 and integral multiples of \$50,000 in excess thereof, and after any permitted transfer of any portion hereof by Noteholder, a minimum of \$100,000 principal amount must remain.

(e) This Note ranks *pari passu* with all of Issuer's issued and outstanding Private Global Economic Opportunity Notes of each series, and with all other unsecured and unsubordinated debt of Issuer.

2. NOTEHOLDER REPRESENTATIONS.

Noteholder shall be deemed by virtue of its acquisition of this Note to have represented, warranted, acknowledged and agreed to and with Issuer that:

(a) this Note has not been and will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**"), and has not been registered or qualified under any state securities or blue sky laws, based on reliance that the issuance of this Note is exempt from registration under Section 4(a)(2) of the Securities Act as not involving any public offering. Noteholder further acknowledges that Issuer's reliance on such exemption is predicated, in part, on the representations set forth below made by Noteholder to Issuer;

(b) Noteholder is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act;

(c) Noteholder is acquiring this Note solely for Noteholder's own account, for long-term investment purposes only, and not with an intent to sell, or for resale in connection with any distribution of this Note within the meaning of the Securities Act;

(d) In evaluating the merits and risks of an investment in the Note, Noteholder has relied upon the advice of Noteholder's legal counsel, tax advisers, and/or investment advisers to the extent that Noteholder has deemed necessary; Noteholder, either alone or together with its advisers in connection with evaluating the merits and risks of acquiring this Note, has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of acquiring this Note and is able to bear the economic risk of such acquisition, including the risk of a complete loss; and Noteholder has no need for liquidity in this Investment;

(e) Noteholder has been given access to all books, records and other information of Issuer, including Issuer's Offering Memorandum dated November 16, 2023 relating to the offering of the Note, that Noteholder has desired to review and analyze in connection with Noteholder's purchase of this Note;

(f) Noteholder is aware that an investment in securities of a nonprofit benefit corporation such as Issuer is non-marketable, may be non-transferable and will require Noteholder's capital to be invested for an indefinite period of time that may extend to the Maturity Date, possibly without return;

(g) Noteholder understands that this Note is characterized as a "restricted security" under the federal securities laws since this Note is being acquired from Issuer in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances, including the need to obtain Issuer's consent, which may not be forthcoming. Noteholder represents that Noteholder has been informed of, and understands, the transferability restrictions applicable to the Note;

(h) Noteholder understands that the Investment evidenced hereby is a debt investment, is unsecured, does not represent any equity or like interest in Issuer or any interest convertible to such, and does not carry with it any voting or like rights; and

(i) Noteholder understands that he, she or it may not offer, sell, assign, pledge, hypothecate, dispose of, encumber or otherwise transfer this Note (or any interest therein) without the prior written consent of Issuer, such consent to be granted or withheld in Issuer's sole discretion, and that no representation has been made to Noteholder that Issuer will grant any such consent, and that if such consent is granted, this Note may not be transferred except in minimum denominations of \$100,000 and integral multiples of \$50,000 in excess thereof.

3. TRANSFER.

(a) Except with the prior written consent of Issuer, such consent to be granted or withheld in Issuer's sole discretion, Noteholder may not transfer this Note or any interest herein.

(b) Noteholder shall give Issuer at least 30 days' prior written notice of any proposed transfer of this Note or any interest herein, which notice shall expressly offer to pay Issuer's reasonable legal expenses in connection with any such proposed transfer.

(c) Issuer may condition any consent to transfer this Note or any interest herein upon Noteholder's furnishing Issuer with a statement of the circumstances surrounding the proposed transfer, together with an opinion of counsel acceptable to Issuer that such transfer will not require registration under the Securities Act and will be in compliance with applicable state securities laws.

(d) This Note is transferable only in minimum denominations of \$100,000 and integral multiples of \$50,000 in excess thereof.

(e) Any attempted transfer of this Note or any interest herein in violation of this Section shall be void *ab initio* and of no effect and shall not be recognized by Issuer for any purpose.

4. REDEMPTION AT ISSUER'S OPTION.

This Note may be redeemed in whole or in part at the option of Issuer at any time at a redemption price equal to 100% of the principal amount hereof being redeemed plus accrued and unpaid interest thereon to the date of redemption. This Note is not redeemable or re-purchasable at the option of Noteholder at any time.

5. DEFAULTS AND REMEDIES.

An "Event of Default" means any of the following:

- (i) default in the payment of any principal on this Note or any other Note of the same series as this Note at the applicable maturity or on a date fixed for redemption of such Note or upon a declaration of acceleration as described below, and the continuance of such default for a period of at least 30 consecutive days; or
- (ii) default in the payment of any interest on this Note or any other Note of the same series as this Note when such interest becomes due and payable, and the continuance of such default for a period of at least 30 consecutive days; or
- (iii) [default in the performance or breach of any covenant set forth in Section 9 hereof, and continuance of such default or breach for a period of 150 days after there has been given to Issuer by the registered holders of at least 50% of the aggregate principal amount of Notes of the same series as this Note, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or
- (iv) default by Issuer under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any debt for money borrowed by Issuer (or the

payment of which is guaranteed by Issuer) whether such debt or guarantee now exists, or is created after the issuance of this Note, which default (a) is caused by failure to pay principal of or premium, if any, or interest on such debt after giving effect to any grace period provided in such debt on the date of such default (a “**Payment Default**”) or (b) results in the acceleration of such debt prior to its express maturity and, in each case, the principal amount of any such debt, together with the principal amount of any other such debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals \$5.0 million (or the equivalent thereof at the time of determination) or more in the aggregate; or]

- (v) the entry of an order for relief against Issuer under the U.S. Bankruptcy Code by a court having jurisdiction in the premises or a decree or order by a court having jurisdiction in the premises adjudging Issuer a bankrupt or insolvent under any other applicable federal or state law, or the entry of a decree or order approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of Issuer under the U.S. Bankruptcy Code or any other applicable federal or state law; or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of Issuer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; or the consent by Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing by Issuer of a petition or answer or consent seeking reorganization or relief under the U.S. Bankruptcy Code or any other applicable federal or state law, or the consent by Issuer to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of Issuer or of any substantial part of its property, or the making by Issuer of an assignment for the benefit of creditors, or the admission by Issuer in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by Issuer in furtherance of any such action.

If an Event of Default of the type specified in clause [(i), (ii), (iii) or (iv)] above occurs and is continuing, then the registered holders of at least 50% of the aggregate principal amount of Notes of the same series as this Note may declare the principal amount of each Note of such series, including this Note, together with any accrued and unpaid interest, to be due and payable immediately. If an Event of Default of the type specified in clause [(v)] above occurs, the entire principal amount of Notes of this series, including this Note, together with any accrued and unpaid interest, shall automatically, and without any declaration or other action on the part of any registered holder, become immediately due and payable in full.

Notwithstanding the foregoing, the right of Noteholder to receive payment of the principal amount, and interest on, this Note on the maturity date and to institute suit for the enforcement of any such payment after the maturity date, shall not be impaired without the consent of Noteholder.

6. NOTICES.

Except as and if otherwise provided herein, all notices, requests and demands to or upon the respective parties hereto shall be in writing and shall be deemed to have been given or made five business days after a record has been deposited in the mail, postage prepaid, or one business day after a record has been deposited with a recognized overnight courier, charges prepaid or to be billed to the sender, or on the day of delivery if delivered by hand with receipt acknowledged, in each case addressed or delivered if to Noteholder to the address thereof set forth on the signature page hereof, and if to Issuer to its principal place of business and to the attention of the Chief Financial Officer and Operations Manager, or to such other address or to the attention of such other person as may be hereafter designated in writing by the respective parties hereto by a notice in accord with this Section. Notification by e-mail that is acknowledged by the recipient of the e-mail shall be treated as a waiver by such recipient of the requirement that the notification be mailed, delivered by a recognized overnight courier or delivered by hand, and the notification shall be deemed to have been made on the date of the acknowledgement.

7. AMENDMENTS, WAIVERS AND MODIFICATIONS.

Except as otherwise described herein, no amendment, waiver or other modification of this Note may be made without the prior written consent of Issuer and either (x) Noteholder or (y) the registered holders of a majority of the aggregate principal amount of Notes of the same series as this Note. In no event will such an amendment, waiver or other modification be effective without the consent of Noteholder, if it would (i) change or extend the

maturity date or any interest payment date hereof, (ii) reduce the principal amount of, or the rate of interest on, this Note, (iii) change any place of payment where, or the currency in which, this Note is payable, (iv) modify the provisions of this Note with respect to its seniority or subordination, or (v) modify Section 5 or this Section of this Note.

Notwithstanding the foregoing, no consent of Noteholder or any other registered holder of Notes of the same series as this Note will be required for Issuer to:

- (i) correct or supplement any provision of this Note that is defective or inconsistent with any other provision, cure any ambiguity or omission, correct any mistake, or conform this Note to the Offering Memorandum (including any applicable supplement thereto) of Issuer pursuant to which this Note was offered to the initial registered holder hereof, or
- (ii) make any other change that does not materially adversely affect the rights of Noteholder.

In determining whether the registered holders of the requisite aggregate principal amount of this series of Notes have given any request, demand, authorization, direction, notice, consent or waiver, any Notes held or owned by Issuer or any of its subsidiaries will be disregarded.

8. MISCELLANEOUS.

(a) This Note and any document or instrument executed in connection herewith shall be governed by and construed in accordance with the internal laws of, and shall be deemed to have been executed in, the State of New York.

(b) As used in this Note, unless otherwise specified: the term “**business day**” means any day that is not a Saturday, Sunday or other day on which commercial banks are authorized or required by law to close in the location of Issuer’s principal place of business; the term “**day**” means calendar day; the term “**including**” means including without limitation; the term “**transfer**,” when used with respect to this Note, means any offer, sale, assignment, pledge, hypothecation, disposal, encumbrance or other transfer of this Note or any interest herein; and terms such as “**herein**,” “**hereof**” and words of similar import refer to this Note as a whole. Unless the context requires otherwise, terms wherever used herein the singular shall include the plural and vice versa, and the use of one gender shall also denote the others. Captions herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof; and references herein to sections or provisions without reference to the document in which they are contained are references to this Note.

(c) Subject to the other terms and conditions hereof, this Note shall bind Issuer, its successors and assigns, and inure to the benefit of Noteholder and its successors, assigns and permitted transferees, except that Issuer may not transfer or assign any of its rights or interest hereunder without the prior written consent of Noteholder.

(d) **THIS NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

[9. ADDITIONAL TERMS APPLICABLE TO THIS SERIES X NOTE.

(a) Issuer hereby covenants that on each March 31, June 30, September 30 and December 31 until the principal amount hereof shall have been repaid in full:

- (i) the aggregate principal amount of loans to financial services providers (“**FSP Loans**”) then on Issuer’s consolidated balance sheet prepared in accordance with generally accepted accounting principles (the “**Balance Sheet**”), excluding the principal amount of any such FSP Loans recovered from guarantors under Issuer’s Philanthropic Guarantee Program, the principal amounts of which are more than 90 days past due, shall not exceed 7.5% of the aggregate principal amount of all FSP Loans then on the Balance Sheet;

- (ii) Issuer shall maintain a pool of guarantees under its Philanthropic Guarantee Program in an aggregate principal amount equal to at least 200% of each of (A) the aggregate principal amount of FSP Loans and (B) the aggregate principal amount of SGB Loans, in each case then on the Balance Sheet, but in each case excluding any FSP Loans or SGB Loans made by any subsidiary of the Issuer; and
- (iii) Issuer shall maintain cash and equivalents in an amount at least equal to the lesser of 5.0% of Issuer's total assets as reflected on the Balance Sheet and \$500,000.

(b) Issuer shall not, directly or indirectly, incur, suffer to exist or guarantee any indebtedness for borrowed money ("**Debt**"), secured by any lien, pledge, mortgage, security interest, deed of trust, charge, assignment, hypothecation, title retention, or other encumbrance on or with respect to, or any preferential arrangement having the practical effect of constituting a security interest with respect to the payment of any obligation with, or from the proceeds of, any asset or revenue of any kind (any such arrangement, a "**Lien**"), unless Issuer secures this Note equally and ratably with (or prior to) such secured Debt, so long as such secured Debt shall be so secured. This covenant will not, however, apply to (x) any Debt the aggregate principal amount of which does not exceed \$5.0 million or (y) Debt secured by:

- (i) tax, mechanic's, worker's or other like Liens arising by mandatory provision of law securing obligations incurred in the ordinary course of business that are not yet overdue or that are being contested or litigated in good faith;
- (ii) judgment or other similar Liens arising in connection with court proceedings, provided that (i) the execution or other enforcement of such Liens is effectively stayed, appropriate reserves have been established for the claims secured thereby, and such claims are being actively contested in good faith and by appropriate proceedings and (ii) such judgment or proceedings do not constitute or give rise to an Event of Default; and
- (iii) a cash collateral Lien to secure hedging arrangements, if any, in an amount not to exceed five percent (5%) of Issuer's total assets as measured under GAAP at the time such Lien is incurred.

(c) Within 30 days after the occurrence of any default under paragraphs (a) or (b) with respect to this Note, Issuer shall give each registered holder of Notes of the same series as this Note, including this Note, a written notice specifying such default, unless such default shall have been cured or waived.]

IN WITNESS WHEREOF, Issuer has duly executed and delivered this Note as of the Issue Date first above written.

MCE SOCIAL CAPITAL

By: _____
Name: _____
Title: _____

RECORD OF REGISTERED HOLDERS

INITIAL REGISTERED HOLDER

Name:
Address for notices:
Facsimile:
Telephone:
Email:

**Wire
Instructions**

Beneficiary:
Account number:
Beneficiary address:
Bank name:
Bank address:
ABA routing no.:
Swift code:

TRANSFeree REGISTERED HOLDER*

Name:
Address for notices:
Facsimile:
Telephone:
Email:

**Wire
Instructions**

Beneficiary:
Account number:
Beneficiary address:
Bank name:
Bank address:
ABA routing no.:
Swift code:

* Cross out preceding table. Attach additional pages if necessary.

[Annex C – Form of Series [A][B] Subscription Agreement]



**PRIVATE GLOBAL ECONOMIC OPPORTUNITY NOTE
SERIES [A] [B]**

SUBSCRIPTION AGREEMENT

THIS PRIVATE GLOBAL ECONOMIC OPPORTUNITY NOTE, SERIES [A] [B] SUBSCRIPTION AGREEMENT (this “**Agreement**”), dated as of the date set forth on the signature page hereof, is made and entered into by and between MCE SOCIAL CAPITAL, a nonprofit public benefit corporation organized under the laws of the State of California and a federal income tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code (“**Issuer**”), and the purchaser named on the signature page hereof (“**Purchaser**”).

WHEREAS, Issuer is issuing to Purchaser a Private Global Economic Opportunity Note, Series [A] [B] (the “**Note**”). The Note is one of a duly authorized series (“**Series**”) of securities of Issuer designated as a “Private Global Economic Opportunity Note, Series [A] [B]” with a maturity date (“**Maturity Date**”) specified on the signature page hereof (which may or may not be the same maturity date as any other security of the same Series). References herein to the “**Notes**” refer to the Note together with all the other notes of the same Series as may be issued and outstanding from time to time. Issuer agrees to issue to Purchaser the Note, and Purchaser agrees to purchase the Note, in accordance with and subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the above premises and the representations, warranties, covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Purchase and Sale of the Note.

1.1 The Note. Upon the terms and conditions contained herein, Issuer agrees to sell and issue to Purchaser, and Purchaser hereby purchases from Issuer, the Note(s) in the aggregate principal amount specified on the signature page hereof (which shall be in a minimum denomination of \$100,000 and integral multiples of \$50,000 in excess thereof).

1.2 Payment and Delivery. Upon execution of this Agreement, Purchaser shall deliver to Issuer an amount equal to the aggregate principal amount of the Note being subscribed for by Purchaser (the “**Purchase Price**”), such Purchase Price to be paid by wiring funds to the account designated by Issuer in Exhibit A hereto. Promptly following Purchaser’s payment, Issuer shall deliver to Purchaser a duly executed certificate representing the Note, with an Issue Date (as set forth in the Note) corresponding to the date Purchaser’s funds were received in Issuer’s bank account.

Section 2. Investment Representations. Purchaser acknowledges that the Note is not being registered under the Securities Act of 1933, as amended (the “**Securities Act**”), based, in part, on reliance that the issuance of the Note is exempt from registration under Section 3(a)(4) of the Securities Act and Rule 506 of Regulation D thereunder as not involving any public offering. Purchaser further acknowledges that Issuer’s reliance on such exemption is predicated, in part, on the representations set forth below, which are hereby made by Purchaser to Issuer:

(a) Purchaser is an “accredited investor” (“**Accredited Investor**”) within the meaning of Rule 501(a) of Regulation D under the Securities Act;

(b) Purchaser is acquiring the Note solely for Purchaser’s own account, for long-term investment purposes only, and not with an intent to sell, or for resale in connection with any distribution of the Note within the meaning of the Securities Act;

(c) In evaluating the merits and risks of an investment in the Note, Purchaser has relied upon the advice of Purchaser's legal counsel, tax advisers, and/or investment advisers to the extent that Purchaser has deemed necessary; Purchaser, either alone or together with its advisers in connection with evaluating the merits and risks of acquiring the Note, has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of acquiring the Note and is able to bear the economic risk of such acquisition, including the risk of a complete loss; and Purchaser has no need for liquidity in this Investment;

(d) Purchaser has been given access to all books, records and other information of Issuer, including Issuer's Offering Memorandum dated November 16, 2023 relating to the offering of the Note, that Purchaser has desired to review and analyze in connection with Purchaser's purchase of the Note;

(e) Purchaser is aware that an investment in securities of a nonprofit benefit corporation such as Issuer is non-marketable, may be non-transferable and will require Purchaser's capital to be invested for an indefinite period of time that may extend to the Maturity Date, possibly without return;

(f) Purchaser understands that the Note is characterized as a "restricted security" under the federal securities laws since the Note is being acquired from Issuer in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances, including the need to obtain Issuer's consent, which may not be forthcoming. Purchaser represents that Purchaser has been informed of, and understands, the transferability restrictions applicable to the Note;

(g) Purchaser understands that the Investment evidenced hereby is a debt investment, is unsecured, does not represent any equity or like interest in Issuer or any interest convertible to such, and does not carry with it any voting or like rights;

(h) Purchaser understands that he, she or it may not offer, sell, assign, pledge, hypothecate, dispose of, encumber or otherwise transfer the Note (or any interest therein) without the prior written consent of Issuer, such consent to be granted or withheld in Issuer's sole discretion, and that no representation has been made to Purchaser that Issuer will grant any such consent, and that if such consent is granted, the Note may not be transferred except in minimum denominations of \$100,000 and integral multiples of \$50,000 in excess thereof;

(i) At no time was an oral representation made to Purchaser relating to the purchase; and

(j) Purchaser has correctly and completely filled out and returned to Issuer either Form A or Form B attached to the Investor Suitability Questionnaire attached hereto as Exhibit B. All information and representations provided by Purchaser to Issuer for purposes of verifying Purchaser's Accredited Investor status are correct, complete and up-to-date, and do not omit any facts or other information known to Purchaser that would cause any such information to be inaccurate or misleading.

Section 3. Limitations on Transfer. Purchaser agrees not to offer, sell, assign, pledge, hypothecate, dispose of, encumber or otherwise transfer the Note or any interest therein except in accordance with the express terms set forth in the Note. Purchaser acknowledges that any attempted transfer in violation of this Section 3 or such terms of the Note shall be void *ab initio* and of no effect and shall not be recognized by Issuer for any purpose.

Section 4. Note Legend. Purchaser understands and acknowledges that the certificate evidencing the Note purchased by Purchaser hereunder shall bear, in addition to any other legends which may be required by applicable laws, the following legend:

THIS NOTE (AND ANY INTEREST HEREIN) MAY NOT BE OFFERED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, DISPOSED OF, ENCUMBERED OR OTHERWISE TRANSFERRED (COLLECTIVELY, A "TRANSFER") WITHOUT THE PRIOR WRITTEN CONSENT OF MCE SOCIAL CAPITAL (THE "ISSUER"), SUCH CONSENT TO BE GRANTED OR WITHHELD IN THE ISSUER'S SOLE DISCRETION. THIS NOTE HAS NOT BEEN

REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), NOR HAS IT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES OR “BLUE SKY” LAWS OF ANY STATE. NO TRANSFER OF THE NOTE (OR ANY INTEREST HEREIN) WILL BE PERMITTED UNLESS (A) APPROVED BY THE ISSUER AND (B) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT IS IN EFFECT AS TO SUCH TRANSFER, THE TRANSFER IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT, OR IN THE OPINION OF COUNSEL, REGISTRATION UNDER THE SECURITIES ACT IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE SECURITIES ACT AND WITH APPLICABLE STATE SECURITIES LAWS. THE HOLDER OF THIS NOTE SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF INVESTMENT IN THIS NOTE UNTIL MATURITY.

Section 5. Miscellaneous.

5.1 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall constitute one and the same agreement.

5.2 Notices. All notices, requests and demands to or upon the respective parties hereto shall be in writing and shall be deemed to have been given or made five business days after a record has been deposited in the mail, postage prepaid, or one business day after a record has been deposited with a recognized overnight courier, charges prepaid or to be billed to the sender, or on the day of delivery if delivered by hand with receipt acknowledged, in each case addressed or delivered if to Purchaser to the address thereof set forth on the signature page hereof, and if to Issuer to its principal place of business and to the attention of the Chief Financial Officer and Operations Manager, or to such other address or to the attention of such other person as may be hereafter designated in writing by the respective parties hereto by a notice in accord with this Section. Notification by e-mail that is acknowledged by the recipient of the e-mail shall be treated as a waiver by such recipient of the requirement that the notification be mailed, delivered by a recognized overnight courier or delivered by hand, and the notification shall be deemed to have been made on the date of the acknowledgement.

5.3 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of, and shall be deemed to have been executed in, the State of New York.

5.4 Assignments. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, subject to restrictions on transfers stated herein and in the Note. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either party without the prior written consent of the other.

5.5 Preference for Use of Proceeds. If Purchaser shall have indicated a preference as to how the net proceeds of the Note are to be targeted, Issuer may take such preference into account in deploying such net proceeds. However, Purchaser acknowledges that Issuer will not, and will not be obligated to, treat such net proceeds as restricted assets and Issuer will be under no obligation to deploy such net proceeds in accordance with Purchaser’s targeting preference. Purchaser acknowledges and agrees that Issuer will have complete discretion as to the deployment of all net proceeds from the Note.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of _____, 20__.

ISSUER:

MCE SOCIAL CAPITAL

By: _____
Name: _____
Title: _____
Address for notices: 5758 Geary Blvd., #261
San Francisco, CA 94121
Attention: Chief Financial Officer and Operations Manager
Facsimile: _____
Telephone: _____
Email: _____

PURCHASER:

[NAME OF PURCHASER]	
By:	_____
Name:	_____
Title:	_____
Address for notices:	_____
Facsimile:	_____
Telephone:	_____
Email:	_____
<i>Specified Terms of the Note</i>	
Principal Amount:	[principal amount]
Issue Date:	[issue date]
Maturity Date:	[maturity date]
<i>Wire Instructions for Payments Under the Note</i>	
Beneficiary:	_____
Account number:	_____
Beneficiary address:	_____
Bank name:	_____
Bank address:	_____
ABA routing no.:	_____
Swift code:	_____

WIRE INSTRUCTIONS

Beneficiary: MCE Social Capital
Account number: 325108024249
Beneficiary address: 5758 Geary Blvd., #261
San Francisco, CA 94121
Bank name: Bank of America
Bank address: 222 Broadway, New York, NY 10038
ABA routing no.: 121000358
Swift code: BOFAUS3N

[EXHIBIT B – INVESTOR SUITABILITY QUESTIONNAIRE]



INVESTOR SUITABILITY QUESTIONNAIRE

To: Prospective purchasers of Private Global Economic Opportunity Notes (the “**Notes**”) to be issued by MCE Social Capital (“**MCE**”)

Re: Accredited Investor Representation Letter and Supporting Documentation

The Notes are being issued only to “accredited investors” (“**Accredited Investors**”) as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”). The purpose of the attached Accredited Investor Representation Letter is to collect information from you to determine whether you are an Accredited Investor and otherwise meet the suitability criteria established by MCE for investing in the Notes. As part of verifying your status as an Accredited Investor and before MCE will issue Notes to you:

Either A or B:

- A. if the purchaser of the Notes is an individual, the purchaser must fully complete and sign the attached Accredited Investor Representation Letter for Individuals (Form A attached hereto);

or

- B. if the purchaser of the Notes is an entity, the purchaser must fully complete and sign the attached Accredited Investor Representation Letter for Entities (Form B attached hereto);

and, either C or D:

- C. the purchaser’s securities broker, investment adviser, lawyer (including in-house counsel, if applicable) or certified public accountant must fully complete and sign the attached Accredited Investor Status Verification Letter (Form C attached hereto);

or

- D. the purchaser must provide us with other documentation to support our reasonable determination of Accredited Investor status, such as:
1. if your Accredited Investor status is based on your income, providing us with any Internal Revenue Service form that reports your income for the two most recent years (including Form W-2, Form 1099, Schedule K-1 to Form 1065, and Form 1040) (NOTE: if you provide this form of verification to us, you must also provide us with a written representation that you have a reasonable expectation of reaching the same or greater income level during the current year); or
 2. if your Accredited Investor status is based on your net worth, providing us with one or more of the following types of documentation dated within the prior three months (NOTE: if you provide this form of verification to us, you must also provide us with a written representation that you have disclosed to us in writing all of your liabilities):
 - i. with respect to your assets: bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments, and appraisal reports issued by independent third parties; and
 - ii. with respect to your liabilities: a consumer report from at least one of the nationwide consumer reporting agencies.

Please understand that MCE may present the statements in the letters and required supporting documentation delivered by you or on your behalf to such parties as it deems appropriate to establish that the issuance of the Notes (a) is exempt from the registration requirements of the Securities Act and (b) meets the requirements of applicable state securities laws.

Please further understand that MCE will rely on your representations and other statements and documents included in the supporting documentation delivered by you or on your behalf in determining your status as an Accredited Investor, your suitability for investing in the Notes and whether to issue Notes to you.

MCE reserves the right, in its sole discretion, to verify your status as an Accredited Investor using any other methods that it may deem acceptable from time to time. However, you should not expect that MCE will accept any other such method. MCE may refuse to accept your request to purchase Notes for any reason or for no reason.

Completed questionnaires and documentation should be forwarded by mail or email to:

MCE Social Capital
5758 Geary Blvd., #261
San Francisco, CA 94121
Attention: [____]
Email: [____]

If you have any questions about this memorandum or its attachments, please contact [____] at MCE, telephone: [____], email: [____].

Very truly yours,

MCE SOCIAL CAPITAL

Accredited Investor Representation Letter for Individuals*(to be completed by the prospective purchaser)*

To: MCE Social Capital
 5758 Geary Blvd., #261
 San Francisco, CA 94121

Ladies and Gentlemen:

The undersigned is submitting the following Accredited Investor Representation Letter (the “**Letter**”) in connection with the issuance of Private Global Economic Opportunity Notes (the “**Notes**”) by MCE Social Capital (the “**Issuer**”). The undersigned understands that the Notes are being issued only to accredited investors (“**Accredited Investors**”) as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”).

I, _____ (print or type your complete name), hereby certify that the representations and responses below are true and accurate:

(a) I am (please check each category applicable to you):

- ☐ A director or executive officer of the Issuer.
- ☐ A natural person whose net worth, either individually or jointly with my spouse or spousal equivalent, excluding the value of my primary residence, exceeds \$1,000,000.

NOTE: In calculating your net worth:

- *Exclude* from your *assets* the value of your primary residence.
- *Exclude* from your *liabilities* debt secured by your primary residence (including first and second mortgages, equity lines, etc.) up to the estimated fair market value of your primary residence.
- *Include* in your *liabilities* debt secured by your primary residence in excess of the estimated fair market value of your primary residence.
- *Include* in your *liabilities* debt secured by your primary residence to the extent the amount of that debt has increased in the last 90 days (even if total secured debt is less than the estimated fair market value of your primary residence).

- ☐ A natural person who had an individual income in excess of \$200,000 in each of the last two years, or joint income with my spouse or spousal equivalent in excess of \$300,000 in each of the last two years, and I reasonably expect to reach the same income level in the current year.
- ☐ A natural person who holds in good standing one or more professional certifications or designations or credentials from an accredited educational institution that the Securities and Exchange Commission has designated as qualifying an individual for accredited investor status.

(b) I, either alone or together with my advisers in connection with evaluating the merits and risks of acquiring the Notes, have sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of acquiring the Notes and am able to bear the economic risk of such acquisition, including the risk of a complete loss. I have been furnished with a copy of the Issuer’s Offering Memorandum dated November 16, 2023 relating to the Notes.

I understand that the Notes have not been registered under the U.S. federal securities laws and may not be sold or otherwise transferred unless so registered or unless an exemption is available, and only with the Issuer's consent. I further understand that no representation is made as to the availability of any such registration or exemption.

- (c) If I have indicated above that I qualify as an Accredited Investor on the basis of my income (or my income together with that of my spouse), I hereby confirm to the Issuer that I have (and my spouse has, if applicable) a reasonable expectation of reaching the same or greater income level during the current year. If I have indicated above that I qualify as an Accredited Investor on the basis of my net worth (or my joint net worth together with that of my spouse), then unless I have provided the Issuer with an Accredited Investor Status Verification Letter duly completed by my lawyer, certified public accountant or registered investment adviser, I hereby confirm to the Issuer that I have disclosed to the Issuer in writing all of my liabilities (and my spouse's liabilities, if applicable).

[remainder of page intentionally left blank]

- (d) I have correctly and completely filled out this Accredited Investor Representation Letter. In addition, all information and representations provided by me to the Issuer for purposes of verifying my Accredited Investor status are correct, complete and up-to-date, and do not omit any facts or other information known to me that would cause any such information to be inaccurate or misleading.

NOTE: Each spouse must complete one of the following boxes if Notes will be jointly held. Otherwise, only the first box need be completed.

Date:	_____ , 20__
Name:	_____ (print or type your complete name)
Signature:	_____
Email:	_____
Telephone:	_____
Address:	_____ _____

Date:	_____ , 20__
Name:	_____ (print or type your complete name)
Signature:	_____
Email:	_____
Telephone:	_____
Address:	_____ _____

Accredited Investor Representation Letter for Entities*(to be completed by the prospective purchaser)*

To: MCE Social Capital
 5758 Geary Blvd., #261
 San Francisco, CA 94121

Ladies and Gentlemen:

The undersigned is submitting the following Accredited Investor Representation Letter (the “**Letter**”) in connection with the issuance of Private Global Economic Opportunity Notes (the “**Notes**”) by MCE Social Capital (the “**Issuer**”). The undersigned understands that the Notes are being issued only to accredited investors (“**Accredited Investors**”) as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”).

The undersigned, by its duly authorized director, officer, partner, member or trustee, hereby certifies to the Issuer that the representations and responses below are true and accurate:

(a) Indicate the form of entity of the undersigned:

- ☐ Limited partnership
- ☐ General partnership
- ☐ Corporation
- ☐ Revocable trust (identify each grantor and indicate under what circumstances the trust is revocable by the grantor):

(continue on a separate piece of paper if necessary)

- ☐ Other type of trust (indicate type of trust and, for trusts other than pension trusts, name the grantors and beneficiaries):

(continue on a separate piece of paper if necessary)

- ☐ Other form of organization (indicate form of organization):

(continue on a separate piece of paper if necessary)

(b) Indicate the approximate date the undersigned entity was formed:

- _____ , _____
- (c) In order for MCE Social Capital to issue the Notes in conformance with federal and state securities laws and regulations, the following information must be obtained regarding your investor status. Please initial each category applicable to you as an investor in the Notes.
- ☐ (1) A bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution pursuant to Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity.
 - ☐ (2) A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.
 - ☐ (3) An investment adviser registered pursuant to Section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state.
 - ☐ (4) An investment adviser relying on the exemption from registering with the Securities and Exchange Commission under section 203(l) or (m) of the Investment Advisers Act.
 - ☐ (5) An insurance company as defined in Section 2(a)(13) of the Securities Act.
 - ☐ (6) An investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that act.
 - ☐ (7) A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.
 - ☐ (8) A Rural Business Investment Company as defined in Section 384A of the Consolidated Farm and Rural Development Act.
 - ☐ (9) A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000.
 - ☐ (10) An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.
 - ☐ (11) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
 - ☐ (12) An organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, Massachusetts or similar business trust, partnership or limited liability company, not formed for the specific purpose of investing in the Notes, with total assets in excess of \$5,000,000.
 - ☐ (13) A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of investing in the Notes, whose decision related to investing in the Notes is directed by a sophisticated person who has such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks investing in the Notes.
 - ☐ (14) An entity in which all of the equity owners qualify under any of items (1) through (13) above or as some or all of the following:
 - ☐ (A) A director or executive officer of the Issuer.

- ☐ (B) An individual whose net worth, either individually or jointly with the individual's spouse, but excluding the value of the individual's primary residence, exceeds \$1,000,000, calculated in accordance with Rule 501(a)(5) of Regulation D under the Securities Act.
- ☐ (C) An individual whose income was in excess of \$200,000 in each of the last two years (or whose joint income with such individual's spouse was in excess of \$300,000 in each of those years) and who has a reasonable expectation of reaching the same income level in the current year.
- ☐ (D) An individual who holds in good standing one or more professional certifications or designations or credentials from an accredited educational institution that the Securities and Exchange Commission has designated as qualifying an individual for accredited investor status.

If the undersigned belongs to this investor category 14 only, list the equity owners of the undersigned, and the investor category which each such equity owner satisfies:

Name of Equity Owner	Category

(continue on a separate piece of paper if necessary)

- ☐ (15) An entity, of a type not listed under any of items (1) through (14) above, not formed for the specific purpose of acquiring the Notes, owning investments, as defined in Rule 2a51-1(b) under the Investment Company Act of 1940, in excess of \$5,000,000.
- ☐ (16) A family office, as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940: (i) with assets under management in excess of \$5,000,000, (ii) that is not formed for the specific purpose of acquiring the Notes and (iii) whose prospective investment is directed by a person who has knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the Notes.
- ☐ (17) A family client, as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940, of a family office meeting the requirements in item (16) above and whose prospective investment in the Notes is directed by such family office pursuant to item (16)(iii) above.

[remainder of page intentionally left blank]

- (d) The undersigned, either alone or together with its advisers in connection with evaluating the merits and risks of acquiring the Notes, has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of acquiring the Notes and is able to bear the economic risk of such acquisition, including the risk of a complete loss. The undersigned has been furnished with a copy of the Issuer's Offering Memorandum dated November 16, 2023 relating to the Notes. The undersigned understands that the Notes have not been registered under the U.S. federal securities laws and may not be sold or otherwise transferred unless so registered or unless an exemption is available, and only with the Issuer's consent. The undersigned further understands that no representation is made as to the availability of any such registration or exemption.
- (e) The undersigned has correctly and completely filled out this Accredited Investor Representation Letter. In addition, all information and representations provided by the undersigned to the Issuer for purposes of verifying the undersigned's Accredited Investor status are correct, complete and up-to-date, and do not omit any facts or other information known to the undersigned or its directors, officers, general partners, managing members or trustees that would cause any such information to be inaccurate or misleading.

Legal name of entity:		
By:	(signature)	
	Name:	
	Title:	
Email:		
Telephone:		
Address:		
Date:		

Accredited Investor Status Verification Letter

*(to be completed by a registered broker-dealer or investment adviser,
lawyer or certified public accountant)*

To: MCE Social Capital
5758 Geary Blvd., #261
San Francisco, CA 94121

Ladies and Gentlemen:

(type or print name of Prospective Investor) (the “**Prospective Investor**”),

has instructed the undersigned to contact you directly to verify the Prospective Investor’s status as an “accredited investor” (“**Accredited Investor**”) within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”) for purposes of confirming the Prospective Investor’s eligibility to participate in a private placement of debt securities (the “**Offering**”) by MCE Social Capital that is open only to Accredited Investors. With respect to the Prospective Investor, the undersigned hereby confirms to you that the undersigned is familiar with the financial position of the Prospective Investor and has taken reasonable steps to verify that the Prospective Investor is an Accredited Investor based on the Prospective Investor’s status as:

For individuals:

(check as many as apply)

- ☐ (A) A director or executive officer of MCE Social Capital.
- ☐ (B) An individual whose net worth, either individually or jointly with the individual’s spouse or spousal equivalent, but excluding the value of the individual’s primary residence, exceeds \$1,000,000, calculated in accordance with Rule 501(a)(5) of Regulation D under the Securities Act.
- ☐ (C) An individual whose income was in excess of \$200,000 in each of the last two years (or whose joint income with such individual’s spouse or spousal equivalent was in excess of \$300,000 in each of those years) and who has a reasonable expectation of reaching the same income level in the current year.
- ☐ (D) An individual who holds in good standing one or more professional certifications or designations or credentials from an accredited educational institution that the Securities and Exchange Commission has designated as qualifying an individual for accredited investor status.

For entities:

(check as many as apply)

- ☐ (1) A bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution pursuant to Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity.
- ☐ (2) A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.
- ☐ (3) An investment adviser registered pursuant to Section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state.

- ☐ (4) An investment adviser relying on the exemption from registering with the Securities and Exchange Commission under section 203(l) or (m) of the Investment Advisers Act.
- ☐ (5) An insurance company as defined in Section 2(a)(13) of the Securities Act.
- ☐ (6) An investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that act.
- ☐ (7) A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.
- ☐ (8) A Rural Business Investment Company as defined in Section 384A of the Consolidated Farm and Rural Development Act.
- ☐ (9) A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000.
- ☐ (10) An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.
- ☐ (11) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- ☐ (12) An organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, Massachusetts or similar business trust, partnership or limited liability company, not formed for the specific purpose of investing in the Notes, with total assets in excess of \$5,000,000.
- ☐ (13) A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of investing in the Notes, whose decision related to investing in the Notes is directed by a sophisticated person who has such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks investing in the Notes.
- ☐ (14) An entity in which all of the equity owners qualify under any of items (1) through (13) above, or meet one, two or all of the standards for individuals set forth in items (A), (B), (C) and (D) above. If the Prospective Investor belongs to this investor category only, list the equity owners of the Prospective Investor, and the investor category which each such equity owner satisfies:

Name of Equity Owner	Category

(continue on a separate piece of paper if necessary)

- ☐ (15) An entity, of a type not listed under any of items (1) through (14) above, not formed for the specific purpose of acquiring the Notes, owning investments, as defined in Rule 2a51-1(b) under the Investment Company Act of 1940, in excess of \$5,000,000.
- ☐ (16) A family office, as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940: (i) with assets under management in excess of \$5,000,000, (ii) that is not formed for the specific purpose of acquiring the Notes and (iii) whose prospective investment is directed by a person who has knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the Notes.
- ☐ (17) A family client, as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940, of a family office meeting the requirements in item (16) above and whose prospective investment in the Notes is directed by such family office pursuant to item (16)(iii) above.

The undersigned confirms to you that the undersigned is:

(check as many as apply)

- ☐ a broker-dealer registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934.
- ☐ an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.
- ☐ a licensed attorney who is in good standing under the laws of the jurisdictions in which he or she is admitted to practice law.
- ☐ a certified public accountant duly registered and in good standing under the laws of his or her place of residence or principal office.

The undersigned acknowledges that you will rely on this letter in determining the Prospective Investor's eligibility to participate in the Offering, and that you may provide this letter or a copy hereof to any relevant regulatory authority in connection therewith, and the undersigned hereby consents thereto.

Sincerely,	
<i>(signature)</i>	
<i>(type or print the following:)</i>	
Name:	
Title:	
Name of firm:	
Email:	
Telephone:	
Address:	
Date:	
	<i>(provide date as of which determinations set forth above were made)</i>
cc: _____	
<i>(type or print name of Prospective Investor)</i>	

[Annex D – Form of Series X Subscription Agreement]



**PRIVATE GLOBAL ECONOMIC OPPORTUNITY NOTE
SERIES X**

SUBSCRIPTION AGREEMENT

THIS PRIVATE GLOBAL ECONOMIC OPPORTUNITY NOTE, SERIES X SUBSCRIPTION AGREEMENT (this “**Agreement**”), dated as of the date set forth on the signature page hereof, is made and entered into by and between MCE SOCIAL CAPITAL, a nonprofit public benefit corporation organized under the laws of the State of California and a federal income tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code (“**Issuer**”), and the purchaser named on the signature page hereof (“**Purchaser**”).

WHEREAS, Issuer is issuing to Purchaser one or more Private Global Economic Opportunity Notes, Series X (the “**Note(s)**”). Each Note is one of a duly authorized series (“**Series**”) of securities of Issuer designated as a “Private Global Economic Opportunity Note, Series X” with a maturity date (“**Maturity Date**”) specified in the applicable Draw Request (as defined below) (which may or may not be the same maturity date as any other security of the same Series). References herein to the “**Notes**” refer to the Note(s) together with all the other notes of the same Series as may be issued and outstanding from time to time. Issuer agrees to issue to Purchaser the Note(s), and Purchaser agrees to purchase the Note(s), in accordance with and subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the above premises and the representations, warranties, covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Purchase and Sale of the Note(s).

1.1 The Note(s). Upon the terms and conditions contained herein, Issuer agrees to sell and issue to Purchaser, and Purchaser hereby purchases from Issuer, the Note(s) in the aggregate principal amount specified on the signature page hereof (which shall be in a minimum denomination of \$100,000 and integral multiples of \$50,000 in excess thereof).

1.2 Payment and Delivery. [Upon execution of this Agreement, Purchaser shall deliver to Issuer an amount equal to the aggregate principal amount of the Note being subscribed for by Purchaser (the “**Purchase Price**”), such Purchase Price to be paid by wiring funds to the account designated by Issuer in Exhibit A hereto. Promptly following Purchaser’s payment, Issuer shall deliver to Purchaser a duly executed certificate representing the Note, with an Issue Date (as set forth in the Note) corresponding to the date Purchaser’s funds were received in Issuer’s bank account.] / [At any time during the 90 calendar days following the execution date of this Agreement, the Issuer, in its sole discretion, may deliver to Purchaser a written notice that Issuer desires to issue a Note to the Purchaser in substantially the form attached as Exhibit C hereto (a “**Draw Request**”) in an amount that shall not exceed the aggregate principal amount specified on the signature page hereof when aggregated with any prior Draw Request, provided that Issuer may make no more than two Draw Requests pursuant to this Agreement. Upon the Purchaser’s receipt of a Draw Request, Purchaser shall deliver to Issuer an amount equal to the aggregate principal amount of the Note being subscribed for by Purchaser as specified in the Draw Request (the “**Purchase Price**”) within 5 business days following receipt of the Draw Request, such Purchase Price to be paid by wiring funds to the account designated by Issuer in Exhibit A hereto. Promptly following Purchaser’s payment, Issuer shall deliver to Purchaser a duly executed certificate representing the Note, with an Issue Date (as set forth in the Note) corresponding to the date Purchaser’s funds were received in Issuer’s bank account.]

Section 2. Investment Representations. Purchaser acknowledges that the Note(s) are not being registered under the Securities Act of 1933, as amended (the “**Securities Act**”), based, in part, on reliance that the

issuance of the Note(s) is exempt from registration under Section 3(a)(4) of the Securities Act and Rule 506 of Regulation D thereunder as not involving any public offering. Purchaser further acknowledges that Issuer's reliance on such exemption is predicated, in part, on the representations set forth below, which are hereby made by Purchaser to Issuer:

(a) Purchaser is an "accredited investor" ("**Accredited Investor**") within the meaning of Rule 501(a) of Regulation D under the Securities Act;

(b) Purchaser is acquiring the Note(s) solely for Purchaser's own account, for long-term investment purposes only, and not with an intent to sell, or for resale in connection with any distribution of the Note(s) within the meaning of the Securities Act;

(c) In evaluating the merits and risks of an investment in the Note(s), Purchaser has relied upon the advice of Purchaser's legal counsel, tax advisers, and/or investment advisers to the extent that Purchaser has deemed necessary; Purchaser, either alone or together with its advisers in connection with evaluating the merits and risks of acquiring the Note(s), has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of acquiring the Note(s) and is able to bear the economic risk of such acquisition, including the risk of a complete loss; and Purchaser has no need for liquidity in this Investment;

(d) Purchaser has been given access to all books, records and other information of Issuer, including Issuer's Offering Memorandum dated November 16, 2023 relating to the offering of the Note(s), that Purchaser has desired to review and analyze in connection with Purchaser's purchase of the Note(s);

(e) Purchaser is aware that an investment in securities of a nonprofit benefit corporation such as Issuer is non-marketable, may be non-transferable and will require Purchaser's capital to be invested for an indefinite period of time that may extend to the Maturity Date(s), possibly without return;

(f) Purchaser understands that each Note is characterized as a "restricted security" under the federal securities laws since each Note is being acquired from Issuer in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances, including the need to obtain Issuer's consent, which may not be forthcoming. Purchaser represents that Purchaser has been informed of, and understands, the transferability restrictions applicable to the Note(s);

(g) Purchaser understands that the Investment evidenced hereby is a debt investment, is unsecured, does not represent any equity or like interest in Issuer or any interest convertible to such, and does not carry with it any voting or like rights;

(h) Purchaser understands that he, she or it may not offer, sell, assign, pledge, hypothecate, dispose of, encumber or otherwise transfer the Note(s) (or any interest therein) without the prior written consent of Issuer, such consent to be granted or withheld in Issuer's sole discretion, and that no representation has been made to Purchaser that Issuer will grant any such consent, and that if such consent is granted, the Note(s) may not be transferred except in minimum denominations of \$100,000 and integral multiples of \$50,000 in excess thereof;

(i) At no time was an oral representation made to Purchaser relating to the purchase; and

(j) Purchaser has correctly and completely filled out and returned to Issuer either Form A or Form B attached to the Investor Suitability Questionnaire attached hereto as Exhibit B. All information and representations provided by Purchaser to Issuer for purposes of verifying Purchaser's Accredited Investor status are correct, complete and up-to-date, and do not omit any facts or other information known to Purchaser that would cause any such information to be inaccurate or misleading.

Section 3. Limitations on Transfer. Purchaser agrees not to offer, sell, assign, pledge, hypothecate, dispose of, encumber or otherwise transfer any Note or any interest therein except in accordance with the express

terms set forth in such Note. Purchaser acknowledges that any attempted transfer in violation of this Section 3 or such terms of a Note shall be void *ab initio* and of no effect and shall not be recognized by Issuer for any purpose.

Section 4. Note Legend. Purchaser understands and acknowledges that the certificate evidencing each Note purchased by Purchaser hereunder shall bear, in addition to any other legends which may be required by applicable laws, the following legend:

THIS NOTE (AND ANY INTEREST HEREIN) MAY NOT BE OFFERED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, DISPOSED OF, ENCUMBERED OR OTHERWISE TRANSFERRED (COLLECTIVELY, A “TRANSFER”) WITHOUT THE PRIOR WRITTEN CONSENT OF MCE SOCIAL CAPITAL (THE “ISSUER”), SUCH CONSENT TO BE GRANTED OR WITHHELD IN THE ISSUER’S SOLE DISCRETION. THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), NOR HAS IT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES OR “BLUE SKY” LAWS OF ANY STATE. NO TRANSFER OF THE NOTE (OR ANY INTEREST HEREIN) WILL BE PERMITTED UNLESS (A) APPROVED BY THE ISSUER AND (B) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT IS IN EFFECT AS TO SUCH TRANSFER, THE TRANSFER IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT, OR IN THE OPINION OF COUNSEL, REGISTRATION UNDER THE SECURITIES ACT IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE SECURITIES ACT AND WITH APPLICABLE STATE SECURITIES LAWS. THE HOLDER OF THIS NOTE SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF INVESTMENT IN THIS NOTE UNTIL MATURITY.

Section 5. Miscellaneous.

5.1 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall constitute one and the same agreement.

5.2 Notices. All notices, requests and demands to or upon the respective parties hereto shall be in writing and shall be deemed to have been given or made five business days after a record has been deposited in the mail, postage prepaid, or one business day after a record has been deposited with a recognized overnight courier, charges prepaid or to be billed to the sender, or on the day of delivery if delivered by hand with receipt acknowledged, in each case addressed or delivered if to Purchaser to the address thereof set forth on the signature page hereof, and if to Issuer to its principal place of business and to the attention of the Chief Financial Officer and Operations Manager, or to such other address or to the attention of such other person as may be hereafter designated in writing by the respective parties hereto by a notice in accord with this Section. Notification by e-mail that is acknowledged by the recipient of the e-mail shall be treated as a waiver by such recipient of the requirement that the notification be mailed, delivered by a recognized overnight courier or delivered by hand, and the notification shall be deemed to have been made on the date of the acknowledgement.

5.3 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of, and shall be deemed to have been executed in, the State of New York.

5.4 Assignments. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, subject to restrictions on transfers stated herein and in any Note. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either party without the prior written consent of the other.

5.5 Preference for Use of Proceeds. If Purchaser shall have indicated a preference as to how the net proceeds of the Note(s) are to be targeted, Issuer may take such preference into account in deploying such net proceeds. However, Purchaser acknowledges that Issuer will not, and will not be obligated to, treat such net proceeds as restricted assets and Issuer will be under no obligation to deploy such net proceeds in accordance with Purchaser’s targeting preference. Purchaser acknowledges and agrees that Issuer will have complete discretion as to the deployment of all net proceeds from the Note(s).

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of _____, 20__.

ISSUER:

MCE SOCIAL CAPITAL

By: _____
Name: _____
Title: _____
Address for notices: 5758 Geary Blvd., #261
San Francisco, CA 94121
Attention: Chief Financial Officer and Operations Manager
Facsimile: _____
Telephone: _____
Email: _____

PURCHASER:

[NAME OF PURCHASER]	
By:	_____
Name:	_____
Title:	_____
Address for notices:	_____
Facsimile:	_____
Telephone:	_____
Email:	_____
<i>Specified Terms of the Note</i>	
Aggregate Principal Amount:	[principal amount]
Issue Date:	[issue date]/[As specified in Draw Request]
Maturity Date:	[maturity date]/[As specified in Draw Request]
<i>Wire Instructions for Payments Under the Note</i>	
Beneficiary:	_____
Account number:	_____
Beneficiary address:	_____
Bank name:	_____
Bank address:	_____
ABA routing no.:	_____
Swift code:	_____

WIRE INSTRUCTIONS

Beneficiary: MCE Social Capital
Account number: 325108024249
Beneficiary address: 5758 Geary Blvd., #261
San Francisco, CA 94121
Bank name: Bank of America
Bank address: 222 Broadway, New York, NY 10038
ABA routing no.: 121000358
Swift code: BOFAUS3N

[EXHIBIT B – INVESTOR SUITABILITY QUESTIONNAIRE]



INVESTOR SUITABILITY QUESTIONNAIRE

To: Prospective purchasers of Private Global Economic Opportunity Notes (the “**Notes**”) to be issued by MCE Social Capital (“**MCE**”)

Re: Accredited Investor Representation Letter and Supporting Documentation

The Notes are being issued only to “accredited investors” (“**Accredited Investors**”) as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”). The purpose of the attached Accredited Investor Representation Letter is to collect information from you to determine whether you are an Accredited Investor and otherwise meet the suitability criteria established by MCE for investing in the Notes. As part of verifying your status as an Accredited Investor and before MCE will issue Notes to you:

Either A or B:

- A. if the purchaser of the Notes is an individual, the purchaser must fully complete and sign the attached Accredited Investor Representation Letter for Individuals (Form A attached hereto);

or

- B. if the purchaser of the Notes is an entity, the purchaser must fully complete and sign the attached Accredited Investor Representation Letter for Entities (Form B attached hereto);

and, either C or D:

- C. the purchaser’s securities broker, investment adviser, lawyer (including in-house counsel, if applicable) or certified public accountant must fully complete and sign the attached Accredited Investor Status Verification Letter (Form C attached hereto);

or

- D. the purchaser must provide us with other documentation to support our reasonable determination of Accredited Investor status, such as:
1. if your Accredited Investor status is based on your income, providing us with any Internal Revenue Service form that reports your income for the two most recent years (including Form W-2, Form 1099, Schedule K-1 to Form 1065, and Form 1040) (NOTE: if you provide this form of verification to us, you must also provide us with a written representation that you have a reasonable expectation of reaching the same or greater income level during the current year); or
 2. if your Accredited Investor status is based on your net worth, providing us with one or more of the following types of documentation dated within the prior three months (NOTE: if you provide this form of verification to us, you must also provide us with a written representation that you have disclosed to us in writing all of your liabilities):
 - i. with respect to your assets: bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments, and appraisal reports issued by independent third parties; and
 - ii. with respect to your liabilities: a consumer report from at least one of the nationwide consumer reporting agencies.

Please understand that MCE may present the statements in the letters and required supporting documentation delivered by you or on your behalf to such parties as it deems appropriate to establish that the issuance of the Notes (a) is exempt from the registration requirements of the Securities Act and (b) meets the requirements of applicable state securities laws.

Please further understand that MCE will rely on your representations and other statements and documents included in the supporting documentation delivered by you or on your behalf in determining your status as an Accredited Investor, your suitability for investing in the Notes and whether to issue Notes to you.

MCE reserves the right, in its sole discretion, to verify your status as an Accredited Investor using any other methods that it may deem acceptable from time to time. However, you should not expect that MCE will accept any other such method. MCE may refuse to accept your request to purchase Notes for any reason or for no reason.

Completed questionnaires and documentation should be forwarded by mail or email to:

MCE Social Capital
5758 Geary Blvd., #261
San Francisco, CA 94121
Attention: [_____]
Email: [_____]

If you have any questions about this memorandum or its attachments, please contact [_____] at MCE, telephone: [_____] , email: [_____].

Very truly yours,

MCE SOCIAL CAPITAL

Accredited Investor Representation Letter for Individuals*(to be completed by the prospective purchaser)*

To: MCE Social Capital
 5758 Geary Blvd., #261
 San Francisco, CA 94121

Ladies and Gentlemen:

The undersigned is submitting the following Accredited Investor Representation Letter (the “**Letter**”) in connection with the issuance of Private Global Economic Opportunity Notes (the “**Notes**”) by MCE Social Capital (the “**Issuer**”). The undersigned understands that the Notes are being issued only to accredited investors (“**Accredited Investors**”) as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”).

I, _____ (print or type your complete name), hereby certify that the representations and responses below are true and accurate:

(a) I am (please check each category applicable to you):

- ☐ A director or executive officer of the Issuer.
- ☐ A natural person whose net worth, either individually or jointly with my spouse or spousal equivalent, excluding the value of my primary residence, exceeds \$1,000,000.

NOTE: In calculating your net worth:

- *Exclude* from your *assets* the value of your primary residence.
- *Exclude* from your *liabilities* debt secured by your primary residence (including first and second mortgages, equity lines, etc.) up to the estimated fair market value of your primary residence.
- *Include* in your *liabilities* debt secured by your primary residence in excess of the estimated fair market value of your primary residence.
- *Include* in your *liabilities* debt secured by your primary residence to the extent the amount of that debt has increased in the last 90 days (even if total secured debt is less than the estimated fair market value of your primary residence).

- ☐ A natural person who had an individual income in excess of \$200,000 in each of the last two years, or joint income with my spouse or spousal equivalent in excess of \$300,000 in each of the last two years, and I reasonably expect to reach the same income level in the current year.
- ☐ A natural person who holds in good standing one or more professional certifications or designations or credentials from an accredited educational institution that the Securities and Exchange Commission has designated as qualifying an individual for accredited investor status.

(b) I, either alone or together with my advisers in connection with evaluating the merits and risks of acquiring the Notes, have sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of acquiring the Notes and am able to bear the economic risk of such acquisition, including the risk of a complete loss. I have been furnished with a copy of the Issuer’s Offering Memorandum dated November 16, 2023 relating to the Notes.

I understand that the Notes have not been registered under the U.S. federal securities laws and may not be sold or otherwise transferred unless so registered or unless an exemption is available, and only with the Issuer's consent. I further understand that no representation is made as to the availability of any such registration or exemption.

- (c) If I have indicated above that I qualify as an Accredited Investor on the basis of my income (or my income together with that of my spouse), I hereby confirm to the Issuer that I have (and my spouse has, if applicable) a reasonable expectation of reaching the same or greater income level during the current year. If I have indicated above that I qualify as an Accredited Investor on the basis of my net worth (or my joint net worth together with that of my spouse), then unless I have provided the Issuer with an Accredited Investor Status Verification Letter duly completed by my lawyer, certified public accountant or registered investment adviser, I hereby confirm to the Issuer that I have disclosed to the Issuer in writing all of my liabilities (and my spouse's liabilities, if applicable).

[remainder of page intentionally left blank]

- (d) I have correctly and completely filled out this Accredited Investor Representation Letter. In addition, all information and representations provided by me to the Issuer for purposes of verifying my Accredited Investor status are correct, complete and up-to-date, and do not omit any facts or other information known to me that would cause any such information to be inaccurate or misleading.

NOTE: Each spouse must complete one of the following boxes if Notes will be jointly held. Otherwise, only the first box need be completed.

Date:	_____ , 20__
Name:	_____ <i>(print or type your complete name)</i>
Signature:	_____
Email:	_____
Telephone:	_____
Address:	_____ _____

Date:	_____ , 20__
Name:	_____ <i>(print or type your complete name)</i>
Signature:	_____
Email:	_____
Telephone:	_____
Address:	_____ _____

Accredited Investor Representation Letter for Entities*(to be completed by the prospective purchaser)*

To: MCE Social Capital
 5758 Geary Blvd., #261
 San Francisco, CA 94121

Ladies and Gentlemen:

The undersigned is submitting the following Accredited Investor Representation Letter (the “**Letter**”) in connection with the issuance of Private Global Economic Opportunity Notes (the “**Notes**”) by MCE Social Capital (the “**Issuer**”). The undersigned understands that the Notes are being issued only to accredited investors (“**Accredited Investors**”) as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”).

The undersigned, by its duly authorized director, officer, partner, member or trustee, hereby certifies to the Issuer that the representations and responses below are true and accurate:

(a) Indicate the form of entity of the undersigned:

- ☐ Limited partnership
- ☐ General partnership
- ☐ Corporation
- ☐ Revocable trust (identify each grantor and indicate under what circumstances the trust is revocable by the grantor):

(continue on a separate piece of paper if necessary)

- ☐ Other type of trust (indicate type of trust and, for trusts other than pension trusts, name the grantors and beneficiaries):

(continue on a separate piece of paper if necessary)

- ☐ Other form of organization (indicate form of organization):

(continue on a separate piece of paper if necessary)

(b) Indicate the approximate date the undersigned entity was formed:

- _____ , _____
- (c) In order for MCE Social Capital to issue the Notes in conformance with federal and state securities laws and regulations, the following information must be obtained regarding your investor status. Please initial each category applicable to you as an investor in the Notes.
- ☐ (1) A bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution pursuant to Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity.
 - ☐ (2) A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.
 - ☐ (3) An investment adviser registered pursuant to Section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state.
 - ☐ (4) An investment adviser relying on the exemption from registering with the Securities and Exchange Commission under section 203(l) or (m) of the Investment Advisers Act.
 - ☐ (5) An insurance company as defined in Section 2(a)(13) of the Securities Act.
 - ☐ (6) An investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that act.
 - ☐ (7) A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.
 - ☐ (8) A Rural Business Investment Company as defined in Section 384A of the Consolidated Farm and Rural Development Act.
 - ☐ (9) A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000.
 - ☐ (10) An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.
 - ☐ (11) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
 - ☐ (12) An organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, Massachusetts or similar business trust, partnership or limited liability company, not formed for the specific purpose of investing in the Notes, with total assets in excess of \$5,000,000.
 - ☐ (13) A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of investing in the Notes, whose decision related to investing in the Notes is directed by a sophisticated person who has such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks investing in the Notes.
 - ☐ (14) An entity in which all of the equity owners qualify under any of items (1) through (13) above or as some or all of the following:
 - ☐ (A) A director or executive officer of the Issuer.

- ☐ (B) An individual whose net worth, either individually or jointly with the individual's spouse, but excluding the value of the individual's primary residence, exceeds \$1,000,000, calculated in accordance with Rule 501(a)(5) of Regulation D under the Securities Act.
- ☐ (C) An individual whose income was in excess of \$200,000 in each of the last two years (or whose joint income with such individual's spouse was in excess of \$300,000 in each of those years) and who has a reasonable expectation of reaching the same income level in the current year.
- ☐ (D) An individual who holds in good standing one or more professional certifications or designations or credentials from an accredited educational institution that the Securities and Exchange Commission has designated as qualifying an individual for accredited investor status.

If the undersigned belongs to this investor category 14 only, list the equity owners of the undersigned, and the investor category which each such equity owner satisfies:

Name of Equity Owner	Category

(continue on a separate piece of paper if necessary)

- ☐ (15) An entity, of a type not listed under any of items (1) through (14) above, not formed for the specific purpose of acquiring the Notes, owning investments, as defined in Rule 2a51-1(b) under the Investment Company Act of 1940, in excess of \$5,000,000.
- ☐ (16) A family office, as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940: (i) with assets under management in excess of \$5,000,000, (ii) that is not formed for the specific purpose of acquiring the Notes and (iii) whose prospective investment is directed by a person who has knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the Notes.
- ☐ (17) A family client, as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940, of a family office meeting the requirements in item (16) above and whose prospective investment in the Notes is directed by such family office pursuant to item (16)(iii) above.

[remainder of page intentionally left blank]

- (d) The undersigned, either alone or together with its advisers in connection with evaluating the merits and risks of acquiring the Notes, has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of acquiring the Notes and is able to bear the economic risk of such acquisition, including the risk of a complete loss. The undersigned has been furnished with a copy of the Issuer's Offering Memorandum dated November 16, 2023 relating to the Notes. The undersigned understands that the Notes have not been registered under the U.S. federal securities laws and may not be sold or otherwise transferred unless so registered or unless an exemption is available, and only with the Issuer's consent. The undersigned further understands that no representation is made as to the availability of any such registration or exemption.
- (e) The undersigned has correctly and completely filled out this Accredited Investor Representation Letter. In addition, all information and representations provided by the undersigned to the Issuer for purposes of verifying the undersigned's Accredited Investor status are correct, complete and up-to-date, and do not omit any facts or other information known to the undersigned or its directors, officers, general partners, managing members or trustees that would cause any such information to be inaccurate or misleading.

Legal name of entity:		
By:	(signature)	
	Name:	
	Title:	
Email:		
Telephone:		
Address:		
Date:		

Accredited Investor Status Verification Letter

*(to be completed by a registered broker-dealer or investment adviser,
lawyer or certified public accountant)*

To: MCE Social Capital
5758 Geary Blvd., #261
San Francisco, CA 94121

Ladies and Gentlemen:

(type or print name of Prospective Investor) (the “**Prospective Investor**”),

has instructed the undersigned to contact you directly to verify the Prospective Investor’s status as an “accredited investor” (“**Accredited Investor**”) within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”) for purposes of confirming the Prospective Investor’s eligibility to participate in a private placement of debt securities (the “**Offering**”) by MCE Social Capital that is open only to Accredited Investors. With respect to the Prospective Investor, the undersigned hereby confirms to you that the undersigned is familiar with the financial position of the Prospective Investor and has taken reasonable steps to verify that the Prospective Investor is an Accredited Investor based on the Prospective Investor’s status as:

For individuals:

(check as many as apply)

- ☐ (A) A director or executive officer of MCE Social Capital.
- ☐ (B) An individual whose net worth, either individually or jointly with the individual’s spouse or spousal equivalent, but excluding the value of the individual’s primary residence, exceeds \$1,000,000, calculated in accordance with Rule 501(a)(5) of Regulation D under the Securities Act.
- ☐ (C) An individual whose income was in excess of \$200,000 in each of the last two years (or whose joint income with such individual’s spouse or spousal equivalent was in excess of \$300,000 in each of those years) and who has a reasonable expectation of reaching the same income level in the current year.
- ☐ (D) An individual who holds in good standing one or more professional certifications or designations or credentials from an accredited educational institution that the Securities and Exchange Commission has designated as qualifying an individual for accredited investor status.

For entities:

(check as many as apply)

- ☐ (1) A bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution pursuant to Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity.
- ☐ (2) A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.
- ☐ (3) An investment adviser registered pursuant to Section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state.

- ☐ (4) An investment adviser relying on the exemption from registering with the Securities and Exchange Commission under section 203(l) or (m) of the Investment Advisers Act.
- ☐ (5) An insurance company as defined in Section 2(a)(13) of the Securities Act.
- ☐ (6) An investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that act.
- ☐ (7) A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.
- ☐ (8) A Rural Business Investment Company as defined in Section 384A of the Consolidated Farm and Rural Development Act.
- ☐ (9) A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000.
- ☐ (10) An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.
- ☐ (11) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- ☐ (12) An organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, Massachusetts or similar business trust, partnership or limited liability company, not formed for the specific purpose of investing in the Notes, with total assets in excess of \$5,000,000.
- ☐ (13) A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of investing in the Notes, whose decision related to investing in the Notes is directed by a sophisticated person who has such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks investing in the Notes.
- ☐ (14) An entity in which all of the equity owners qualify under any of items (1) through (13) above, or meet one, two or all of the standards for individuals set forth in items (A), (B), (C) and (D) above. If the Prospective Investor belongs to this investor category only, list the equity owners of the Prospective Investor, and the investor category which each such equity owner satisfies:

Name of Equity Owner	Category

(continue on a separate piece of paper if necessary)

- ☐ (15) An entity, of a type not listed under any of items (1) through (14) above, not formed for the specific purpose of acquiring the Notes, owning investments, as defined in Rule 2a51-1(b) under the Investment Company Act of 1940, in excess of \$5,000,000.
- ☐ (16) A family office, as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940: (i) with assets under management in excess of \$5,000,000, (ii) that is not formed for the specific purpose of acquiring the Notes and (iii) whose prospective investment is directed by a person who has knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the Notes.
- ☐ (17) A family client, as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940, of a family office meeting the requirements in item (16) above and whose prospective investment in the Notes is directed by such family office pursuant to item (16)(iii) above.

The undersigned confirms to you that the undersigned is:

(check as many as apply)

- ☐ a broker-dealer registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934.
- ☐ an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.
- ☐ a licensed attorney who is in good standing under the laws of the jurisdictions in which he or she is admitted to practice law.
- ☐ a certified public accountant duly registered and in good standing under the laws of his or her place of residence or principal office.

The undersigned acknowledges that you will rely on this letter in determining the Prospective Investor's eligibility to participate in the Offering, and that you may provide this letter or a copy hereof to any relevant regulatory authority in connection therewith, and the undersigned hereby consents thereto.

Sincerely,	
<i>(signature)</i>	
<i>(type or print the following:)</i>	
Name:	
Title:	
Name of firm:	
Email:	
Telephone:	
Address:	
Date:	
	<i>(provide date as of which determinations set forth above were made)</i>
cc: _____	
<i>(type or print name of Prospective Investor)</i>	

[EXHIBIT C – FORM OF DRAW REQUEST]



SERIES X DRAW REQUEST

Date: [Insert date]

To: [Name of Purchaser] (“**Purchaser**”)

Re: Series X Draw Request

Pursuant to Section 1.2 of the Private Global Economic Opportunity Note, Series X Subscription Agreement dated [insert date] between MCE Social Capital (“**Issuer**”) and Purchaser (the “**Agreement**”), Issuer hereby makes a Draw Request (as such term is defined in the Agreement) to Purchaser for the issuance of a Series X Note with a principal amount of \$[insert amount], an interest rate of [insert rate] *per annum* and a term of [insert number] of years (the “**Note**”). As required by Section 1.2 of the Agreement, Purchaser shall deliver to Issuer an amount equal to the principal amount of the Note (the “**Purchase Price**”) within 5 business days of the date of this Draw Request, such Purchase Price to be paid by wiring funds to the account designated by Issuer in Exhibit A of the Agreement. Promptly following Purchaser’s payment, Issuer shall deliver to Purchaser a duly executed certificate representing the Note, with an Issue Date (as set forth in the Note) corresponding to the date Purchaser’s funds were received in Issuer’s bank account and a maturity date corresponding to the date that is [insert number] years following the Issue Date.

If you have any questions about this Draw Request, please contact [_____] at MCE Social Capital, telephone: [_____] , email: [_____].

Very truly yours,

MCE SOCIAL CAPITAL



**Private Global Economic Opportunity Notes
Series A, Series B & Series X**

**Offering Memorandum
Dated November 16, 2023**
