Small Business Investment Corporation

FINANCIAL STATEMENTS

June 30, 2013 and 2012

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PulakosCPAs
Performance Matters

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Small Business Investment Corporation

We have audited the accompanying financial statements of Small Business Investment Corporation, also known as the New Mexico Small Business Investment Corporation (NMSBIC), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NMSBIC as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Investments

As discussed in Note 1 and Note 6, these financial statements include investments in partnerships valued by the general partner of each partnership in the absence of readily ascertainable market values. At June 30, 2013 and 2012, that portion of NMSBIC's investments was $15,652,588 and $12,455,423, respectively, which represents 44% and 35% of NMSBIC's net assets at those dates. Because of the inherent uncertainty of valuation of these investments, the estimate by each general partner of these values may differ significantly from values that would have been used had a ready market for those investments existed, and the difference could be material. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of activity of debt cooperative agreements and the schedule of activity of equity cooperative agreements on pages 15 and 16 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Pulakos CPAs, PC

September 20, 2013

Pulakos CPAs, PC

Small Business Investment Corporation

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

Assets

	2013	2012
Current assets		
Cash and cash equivalents	$ 6,219,243	$ 1,096,079
Certificates of deposit	4,004,808	12,520,678
Interest and dividends receivable	630	9,522
Prepaid expenses	3,923	10,359
Debt funding receivable	874,466	95,609
Total current assets	11,103,070	13,732,247
Equity investments in New Mexico entities	15,652,588	12,455,423
Cooperative loan agreements, net of allowance for losses	9,113,189	9,233,802
	$ 35,868,847	$ 35,421,472

Liabilities and Net Assets

	2013	2012
Current liabilities		
Capital calls payable	$ 120,000	$ -
Debt funding payable	-	161,520
Total current liabilities	120,000	161,520
Temporarily restricted net assets	35,748,847	35,259,952
	$ 35,868,847	$ 35,421,472

Small Business Investment Corporation

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support:						
Interest and dividend income	$ -	$ 272,284	$ 272,284	$ -	$ 265,351	$ 265,351
Realized loss on investments	-	(509,721)	(509,721)	-	(4,842)	(4,842)
Investment valuation adjustments	-	1,294,652	1,294,652	-	(1,019,181)	(1,019,181)
Net assets released from restrictions	568,320	(568,320)	-	700,038	(700,038)	-
Total revenues and other support	568,320	488,895	1,057,215	700,038	(1,458,710)	(758,672)
Expenses:						
Program services						
Equity investment management and operating fees	228,121	-	228,121	323,696	-	323,696
Provision for loan losses	101,807	-	101,807	108,984	-	108,984
Other program services	117,469	-	117,469	122,161	-	122,161
Total program services	447,397	-	447,397	554,841	-	554,841
Management and general	120,923	-	120,923	145,197	-	145,197
Total expenses	568,320	-	568,320	700,038	-	700,038
Change in net assets	-	488,895	488,895	-	(1,458,710)	(1,458,710)
Net assets at beginning of year	-	35,259,952	35,259,952	-	36,718,662	36,718,662
Net assets at end of year	$ -	$ 35,748,847	$ 35,748,847	$ -	$ 35,259,952	$ 35,259,952

See Notes to Financial Statements and Independent Auditors' Report.

Small Business Investment Corporation

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 488,895	$ (1,458,710)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Provision for loan losses	101,807	108,984
Net (gain) loss on investments and investment fees	(556,809)	1,347,719
Changes in operating assets and liabilities		
Interest and dividends receivable	8,892	(8,256)
Debt funding receivable	(778,857)	361,886
Prepaid expenses	6,436	1,586
Debt funding payable	(161,520)	161,520
Capital call payable	120,000	-
Cash (used) provided by operating activities	(771,156)	514,729
Cash flows from investing activities:		
Maturity of certificates of deposit	8,515,870	2,278,346
Investments in New Mexico entities	(2,621,550)	(2,664,361)
Cash provided (used) by investing activities	5,894,320	(386,015)
Change in cash and cash equivalents	5,123,164	128,714
Cash and cash equivalents, beginning of year	1,096,079	967,365
Cash and cash equivalents, end of year	$ 6,219,243	$ 1,096,079

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Small Business Investment Corporation, also known as the New Mexico Small Business Investment Corporation (NMSBIC), is a nonprofit, independent, public corporation established by the New Mexico Small Business Investment Act, §58-29-1 et. Seq., NMSA1978, as amended (the Act). NMSBIC was formed to create new job opportunities by making equity investments in land, buildings or infrastructure for facilities to support new or expanding businesses in the State of New Mexico and to otherwise make debt investments and equity investments to create new job opportunities to support new or expanding businesses. NMSBIC's sole funding source is the New Mexico Severance Tax Permanent Fund.

NMSBIC seeks to establish programmatic, contractual relationships with existing and newly created providers of financial services to efficiently and effectively deliver capital for the purpose of creating new job opportunities and economic growth in the State of New Mexico. NMSBIC accomplishes this by providing capital for equity investments or loans for land, buildings or infrastructure to support new or expanded businesses, or equity investments or loans to New Mexico small businesses, to help support economic growth and job creation, and to otherwise enhance economic development objectives of the State of New Mexico.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The most significant estimates involve the fair value of debt and equity securities. Because of inherent uncertainty in valuing these investments, the estimated fair value may differ from the values that would have been used had a ready market for the investments existed.

Income Taxes

NMSBIC is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(4) of the Internal Revenue Code. NMSBIC has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Currently, the 2010, 2011 and 2012 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. Management believes that the activities of NMSBIC are within their tax-exempt purpose, and that there are no uncertain tax positions.

Cash Equivalents

Cash and cash equivalents at June 30, 2013 and 2012, consist of demand deposit accounts and money market deposit accounts held at New Mexico branches of state and national banks.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

NMSBIC reports gains and losses on investments in the Statements of Activities and Changes in Net Assets as increases or decreases in temporarily restricted net assets unless their use is permanently restricted by explicit donor stipulations or by law.

For purposes of making equity investments in accordance with the Act, NMSBIC enters into limited partnership agreements (Cooperative Agreements) as a limited partner. Investments are carried at market value as determined in good faith by the general partner of each such limited partnership, in accordance with Cooperative Agreements. The general partners of these limited partnerships determine market value based upon fair value of the underlying investments of the limited partnerships, as there is no ready market for these investments. Realized gains and losses are recorded on a specific identification method upon the sale or write off of investment assets of the limited partnerships. Investment valuation adjustments are determined by general partners based on an increase or impairment in value in underlying investments during the investment-holding period. Management and operating fees of equity investments are determined by the general partners in accordance with the Cooperative Agreements and are reflected as a decrease in partner capital accounts.

A loan receivable is considered to be past due if any portion of the receivable balance is unpaid and outstanding for more than one month. For the years ended June 30, 2013 and 2012, allowances have been established for loan losses incurred as a result of debt investments made under Cooperative Agreements are as follows:

	2013	2012
Allowance for loan losses, beginning	$ 195,710	$ 196,189
Loan losses incurred in current period	(37,083)	(109,463)
Provision for loan losses	101,807	108,984
Allowance for loan losses, ending	$ 260,434	$ 195,710

Certificates of deposit are carried at their face value.

NMSBIC may only make debt and equity investments in New Mexico businesses and in accordance with restrictions imposed by the Act.

Net Asset Classifications

NMSBIC classifies net assets and revenues, expenses, gains and losses based on the existence, or absence, of donor-imposed restrictions. Unrestricted net assets have no donor-imposed restrictions. Revenues that are donor restricted are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Other Program Services

Other program services are comprised of an allocation of management and general expenses directly related to delivery of program services.

Fair Value Measurements

Accounting Standards Codification Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical investments that NMSBIC has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, inputs other than observable quoted prices, or inputs derived principally from or corroborated by observable market data by correlation or other means.

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

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

Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, payables, and other liabilities approximate fair value due to the short maturity periods of these instruments.

Financial Statement Presentation

Certain reclassifications were made to the 2012 financial statements to conform with the 2013 presentation.

Subsequent Events

NMSBIC has evaluated all events occurring subsequent to June 30, 2013 and through September 20, 2013, which is the date that the financial statements were issued, and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

NOTE 2 – CONCENTRATIONS

Concentration of Funding

NMSBIC receives 100% of its funding from the New Mexico Severance Tax Permanent Fund.

Concentration of Credit Risk

NMSBIC maintains its cash and cash equivalent balances in New Mexico branches of state and national financial institutions. The amounts on deposit with these financial institutions are insured by the Federal Deposit Insurance Corporation, are 100% collateralized by government-backed securities, or are 100% secured by a letter of credit from the Federal Home Loan Bank of Cincinnati. In 2011, NMSBIC had placed Certificates of Deposit into a CDARS® program where certificate of deposits were placed with a number of FDIC-insured depository institutions in amounts fully insured by the FDIC. In 2012, these CDARS® accounts were transferred into CDs that are 100% collateralized by government-backed securities. NMSBIC has not experienced, and believes it is not exposed, to significant credit risk from these deposits.

NMSBIC enters into Cooperative Agreements with parties that have demonstrated the ability to provide business assistance to new and expanding businesses and that are primarily engaged in the business of providing business services and debt and equity capital to new and expanding businesses. Under Cooperative Agreements with lenders, the lenders use their own funds and funds provided by NMSBIC to make loans to new and expanding businesses. Concentrations of credit risk arise from a number of loans made by such third parties utilizing NMSBIC funds to start up businesses. The lenders with which NMSBIC has entered into Cooperative Agreements have discretion as to whether or not to require, and the amount of, collateral taken, on the loans.

NOTE 3 – FAIR VALUE MEASUREMENT

The following table presents the fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2013:

Assets at Fair Value

Description	Total	Level 1	Level 2	Level 3
Cooperative loan agreements	$ 9,113,189	$ -	$ 9,113,189	$ -
Equity investments in New Mexico entities	15,652,588	-	-	15,652,588
Certificates of deposit	4,004,808	-	4,004,808	-
	$ 28,770,585	$ -	$ 13,117,997	$ 15,652,588

NOTE 3 – FAIR VALUE MEASUREMENT - CONTINUED

The following table presents the fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2012:

Assets at Fair Value

Description	Total	Level 1	Level 2	Level 3
Cooperative loan agreements	$ 9,233,802	$ -	$ 9,233,802	$ -
Equity investments in New Mexico entities	12,455,423	-	-	12,455,423
Certificates of deposit	12,520,678	-	12,520,678	-
	$ 34,209,903	$ -	$ 21,754,480	$ 12,455,423

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used.

Cooperative loan agreements: Valued at the net asset value of debt investment at year-end.

Equity investments in New Mexico entities: Valued at market value as determined in good faith by the general partner of each such limited partnership.

Certificates of Deposit: Valued at face value plus accrued earnings, which approximate fair value.

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

Level 3 Investments

The following tables present NMSBIC's activities for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2013 and 2012:

	2013	2012
Balance, beginning of year	$ 12,455,423	$ 11,568,599
Total gains or losses (realized/unrealized) included in earnings	784,930	(1,024,023)
Operating expenses and management fees	(228,121)	(323,696)
Purchases and settlements, net	2,640,356	2,234,543
Balance, end of year	$ 15,652,588	$ 12,455,423

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for funding debt or equity investments in accordance with the Act.

Temporarily restricted net assets are restricted for the following purposes:

	2013	2012
Cumulative severance tax permanent fund capital contributions	$ 47,042,781	$ 47,042,781
Cumulative expenses in excess of other revenues	(11,293,934)	(11,782,829)
	$ 35,748,847	$ 35,259,952

Temporarily restricted net assets were released as follows:

	2013	2012
Satisfaction of purpose restrictions	$ 568,320	$ 700,038

NOTE 5 – STATE INVESTMENT OFFICER COMMITMENT

Prior to July 1, 2007, Section 7-27-5.15 NMSA 1978 required that the State Investment Officer make a commitment to NMSBIC pursuant to the Act to invest three-fourths of one percent of the market value of the New Mexico Severance Tax Permanent Fund. If at any time the commitment fell below that level, further commitments must be made until the invested capital is equal to three-fourths one percent of the market value of the fund. Effective July 1, 2007, the commitment was increased to one percent. However, during fiscal years 2013 and 2012, no funding was received from the State Investment Officer due to the net market value of the New Mexico Severance Tax Permanent Fund.

NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES

Cooperative Loan Agreements

NMSBIC is party to two loan participation Cooperative Agreements with New Mexico non-profit corporations (ACCION and WESST Corp.). Under these agreements, NMSBIC has made capital commitments to provide revolving funding for loans to be made by these corporations to New Mexico small businesses. For each loan made, these corporations provide 25% of the funding and NMSBIC provides the remaining 75%, and NMSBIC shares in the 75% of loan losses and recoveries. The terms, pricing, and size of any loan are subject to the discretion of these corporations. These corporations make non-traditional loans. Collateral for the loans may also be non-traditional, or in some cases no collateral at all.

NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES - CONTINUED

Cooperative Loan Agreements - Continued

The loans are considered risky and may have a higher rate of default than traditional loans. Loan amounts made under the program are limited under the agreements. These corporations undertake good faith efforts to make loans outside the Albuquerque metropolitan area. Loans are serviced by these corporations, with monthly reports and principal and interest remittances provided to NMSBIC. NMSBIC's agreements with these corporations have no maturity date, but may be terminated by either party upon ninety days written notice, with any loans outstanding at the time of termination handled in the ordinary course of business until the loans are collected or written off. During the years ended June 30, 2013 and 2012, $77,793 and $65,587, respectively, of interest income was recognized related to these investments. See supplementary schedules for detail on these agreements.

NMSBIC is party to a revolving loan Cooperative Agreement with a New Mexico nonprofit corporation (NM Community Development Loan Fund). Under this agreement, NMSBIC provides a revolving loan to this corporation, which in turn is fully collateralized by pledged loans. Certain delinquent loans are not eligible to be used as collateral. NMSBIC does not share in any loan losses or recoveries. The agreement includes other provisions under which the corporation has agreed to:

- Pledge other loans and cash as additional collateral
- Maintain certain levels of liquidity, leverage, and net assets
- Limit the maximum loan size under the program
- Diversify sources of funding
- Restrict loan modifications on nonperforming loans
- Undertake good faith efforts to make loans outside the Albuquerque metropolitan area

Loans are serviced by the corporation, with quarterly reports and principal and interest remittances provided to NMSBIC. The outstanding principal balance of the revolving loan matures as follows:

Years ending June 30:	Amount
2018	$ 5,500,000
2020	2,000,000
2022	1,000,000

NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES - CONTINUED

Cooperative Loan Agreements - Continued

During the years ended June 30, 2013 and 2012, $148,836 and $169,349 of interest income was recognized related to this investment. During the year ended June 30, 2012, NMSBIC recognized a loan recovery of $2,739 from the corporation related to a prior agreement that was terminated in 2007. See supplementary schedules for detail on this agreement.

Equity Cooperative Agreements

NMSBIC is party to several Subscription Agreements and Limited Partnership Agreements under which it has acquired interests during calendar years from 2004 to 2009 as a limited partner in various limited partnerships. Under these agreements, NMSBIC has made capital contribution commitments to provide funding to these limited partnerships to be used for debt or equity investments made in New Mexico small businesses. The limited partnerships have termination dates through 2019. Under the terms of the limited partnership agreements, the partnerships may be extended to dates that range from 2014 to 2022. See supplementary schedules for detail on these agreements. In November 2012 the NM Growth Fund I closed down per the terms of the equity cooperative agreement. The final cash was distributed to partners during 2013.

NOTE 7 – CAPITAL COMMITMENTS

At June 30, 2013, NMSBIC had committed approximately $37,175,000 of capital through its various Debt and Equity Agreements, of which $32,265,914 has been called, leaving a remaining commitment of $4,909,086. NMSBIC has approximately $6,219,000 of cash-on-hand to immediately handle capital calls. Additionally, NMSBIC has staggered the maturity dates of its four certificates of deposit such that $1,000,000 matures every 90 days. NMSBIC's investment policy allows for capital commitments in excess of capital.

NOTE 7 – CAPITAL COMMITMENTS – CONTINUED

The following table presents capital commitments for each Debt and Equity Agreement as of June 30, 2013:

	Loan and Equity Capital Commitments	Outstanding Loan Balance, Life-to-Date Equity Capital Funded	Remaining Loan and Equity Capital Commitments
Debt Cooperative Agreements			
1. ACCION	$ 3,500,000	$ 3,186,554	$ 313,446
2. NMCDLF	8,500,000	6,118,196	2,381,804
3. WESST CORP	375,000	68,873	306,127
	12,375,000	9,373,623	3,001,377
Equity Cooperative Agreements			
1. Flywheel	1,500,000	1,500,000	-
2. NMGF I	-	Investment Closed in 2012	
3. NMCCF	7,000,000	6,376,954	623,046
4. Verge 1	1,800,000	1,800,000	-
5. Verge 1.5	3,000,000	3,000,000	-
6. NM Gap Fund I	2,000,000	2,000,000	-
7. NMGF II	3,500,000	2,987,837	512,163
8. NM Mezzanine Fund	3,000,000	2,385,000	615,000
9. Verge II	3,000,000	2,842,500	157,500
	24,800,000	22,892,291	1,907,709
	$ 37,175,000	$ 32,265,914	$ 4,909,086

SUPPLEMENTARY SCHEDULES

Small Business Investment Corporation

SCHEDULE OF ACTIVITY OF DEBT COOPERATIVE AGREEMENTS

Years Ended June 30, 2013 and 2012

	Loan Commitments	Beginning Gross Loan Balance	Loan Funding Net of Repayments	Loan Recovery (Loss), Realized	Ending Gross Loan Balance	Allowance for Loan Losses	Ending Net Loan Balance
For the year ended June 30, 2013							
1. ACCION	$ 3,500,000	$ 2,396,356	$ 827,281	$ (37,083)	$ 3,186,554	$ (254,924)	$ 2,931,630
2. NMCDLF	8,500,000	6,983,125	(864,929)	-	6,118,196	-	6,118,196
3. WESST CORP	375,000	50,031	18,842	-	68,873	(5,510)	63,363
	$ 12,375,000	$ 9,429,512	$ (18,806)	$ (37,083)	$ 9,373,623	$ (260,434)	$ 9,113,189
For the year ended June 30, 2012							
1. ACCION	$ 3,500,000	$ 2,356,644	$ 144,594	$ (104,882)	$ 2,396,356	$ (191,708)	$ 2,204,648
2. NMCDLF	8,500,000	6,656,796	323,590	2,739	6,983,125	-	6,983,125
3. WESST CORP	375,000	95,717	(38,366)	(7,320)	50,031	(4,002)	46,029
	$ 12,375,000	$ 9,109,157	$ 429,818	$ (109,463)	$ 9,429,512	$ (195,710)	$ 9,233,802

See Independent Auditors' Report.

Small Business Investment Corporation

SCHEDULE OF ACTIVITY OF EQUITY COOPERATIVE AGREEMENTS

Years Ended June 30, 2013 and 2012

	Investment Capital Commitments	Beginning Investment Fair Value	Cumulative Capital Calls and Redemptions	Realized Gain (Loss) on Investments	Investment Valuation Adjustments	Operating Expenses and Management Fees	Ending Investment Fair Value
For the year ended June 30, 2013							
1. Flywheel	$ 1,500,000	$ 461,001	$ -	$ -	$ -	$ (31,934)	$ 429,067
2. NMGF I	-	3,729	(2,842)	-	-	(887)	-
3. NMCCF	7,000,000	3,417,050	261,672	-	111,664	(93,224)	3,697,162
4. Verge 1	1,800,000	1,467,244	99,000	-	83,286	(29,921)	1,619,609
5. Verge 1.5	3,000,000	2,420,923	225,000	-	121,378	(52,300)	2,715,001
6. NM Gap Fund I	2,000,000	1,215,632	(64,658)	-	787,498	24,138	1,962,610
7. NMGF II	3,500,000	907,380	13,208	(509,721)	-	(7,251)	403,616
8. NM Mezzanine Fund	3,000,000	886,568	953,976	-	-	12,432	1,852,976
9. Verge 2	3,000,000	1,675,896	1,155,000	-	190,825	(49,174)	2,972,547
	$ 24,800,000	$ 12,455,423	$ 2,640,356	$ (509,721)	$ 1,294,651	$ (228,121)	$ 15,652,588
For the year ended June 30, 2012							
1. Flywheel	$ 1,500,000	$ 584,144	$ -	$ -	$ (90,042)	$ (33,101)	$ 461,001
2. NMGF I	7,500,000	43,411	10,311	(46,136)	-	(3,857)	3,729
3. NMCCF	7,000,000	3,422,107	490,585	191,126	(621,161)	(65,607)	3,417,050
4. Verge 1	1,800,000	1,659,144	63,001	-	(228,044)	(26,857)	1,467,244
5. Verge 1.5	3,000,000	2,510,966	90,000	-	(146,475)	(33,568)	2,420,923
6. NM Gap Fund I	2,000,000	1,435,114	-	(65,789)	(146,612)	(7,081)	1,215,632
7. NMGF II	3,500,000	968,606	62,825	(84,043)	-	(40,008)	907,380
8. NM Mezzanine Fund	3,000,000	241,882	690,000	-	-	(45,314)	886,568
9. Verge 2	3,000,000	703,225	827,821	-	213,153	(68,303)	1,675,896
	$ 32,300,000	$ 11,568,599	$ 2,234,543	$ (4,842)	$ (1,019,181)	$ (323,696)	$ 12,455,423

See Independent Auditors' Report.