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

Term and interest rate per annum .................................................. Series A:
1.75% Notes due in Three Years
Series B:
2.25% Notes due in Five Years
Series C:
2.75% Notes due in Seven Years
Series X:
Tenor and interest rate as set forth in the applicable Note

Additional interest per annum 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 microfinance institutions (MFIs) 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 1.75% per annum with a term of approximately three years from the issue date, Series B Notes bearing interest at a rate of 2.25% per annum with a term of approximately five years from the issue date, Series C Notes bearing interest at a rate of 2.75% per annum with a term of approximately seven 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 Note. The maturity date of each Note will be stated thereon.

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.

Offering Memorandum Dated November 22, 2021
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 repurchaseable at the option of the holder at any time.

Tax considerations. Investment in the Notes is not a charitable donation and is not deductible for 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).

(end of cover page)
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<td></td>
</tr>
<tr>
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<td></td>
</tr>
</tbody>
</table>

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. Investors are cautioned not to rely on any information not expressly set forth in this Offering Memorandum and any supplement hereto. 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, MFIs) and to small and growing businesses (together, SGBs). An MFI 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 MFIs 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 MFIs 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 2020, 2019 and 2018, losses totaling $0.2 million, $0.2 million and $0.5 million, respectively, were allocated to the MFI pool, and in 2020, 2019 and 2018, losses totaling $0.15 million, $0.5 million and $0.2 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 MFI 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 form of Note attached hereto as Annex A.

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 .................................................................

Private Global Economic Opportunity Notes.

Notes will be offered in four separate series: Series A Notes, Series B Notes, Series C Notes and Series X Notes.

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.

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

Series A Notes will bear interest at a rate of 1.75% per annum, Series B Notes will bear interest at a rate of 2.25% per annum and Series C Notes will bear interest at a rate of 2.75% per annum. 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.
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 MFIs 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

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.

Redemption at the option of MCE

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.

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.

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 MFIs and SGBs around the world.

Governing law

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

Investor qualifications

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:

- 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.

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.

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 B.

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.”

Tax considerations............................................

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.

Investment in the Notes is not a charitable donation and is not deductible for 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.

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 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.

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.

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.

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.”

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

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, 2020 and 2019, 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.”

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td><strong>Statement of Unrestricted Activities Data</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating revenue and support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from lending activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income on loans</td>
<td>$4,094</td>
<td>$4,200</td>
</tr>
<tr>
<td>Amortization of loan origination fee revenue</td>
<td>198</td>
<td>179</td>
</tr>
<tr>
<td>Imputed interest expense</td>
<td>(119)</td>
<td>(116)</td>
</tr>
<tr>
<td>Realized (losses) gains on swap transactions</td>
<td>666</td>
<td>(575)</td>
</tr>
<tr>
<td>Realized foreign currency translation gains</td>
<td>(721)</td>
<td>917</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(2,217)</td>
<td>(2,433)</td>
</tr>
<tr>
<td><strong>Net revenue from lending activities</strong></td>
<td>$1,900</td>
<td>$2,184</td>
</tr>
<tr>
<td><strong>Other revenue and support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions and grants</td>
<td>344</td>
<td>235</td>
</tr>
<tr>
<td>Contributed services</td>
<td>261</td>
<td>550</td>
</tr>
<tr>
<td>Interest income</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Other income</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>364</td>
<td>116</td>
</tr>
<tr>
<td><strong>Total released from restrictions</strong></td>
<td>$2,872</td>
<td>$3,092</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>1,720</td>
<td>1,991</td>
</tr>
<tr>
<td>Management and general</td>
<td>351</td>
<td>335</td>
</tr>
<tr>
<td>Fundraising</td>
<td>141</td>
<td>108</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$2,212</td>
<td>$2,434</td>
</tr>
<tr>
<td><strong>Change in net assets from operating activities</strong></td>
<td>$660</td>
<td>$658</td>
</tr>
<tr>
<td><strong>Nonoperating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized foreign currency translation gains (losses)</td>
<td>248</td>
<td>(210)</td>
</tr>
<tr>
<td>Change in fair value of derivative instruments</td>
<td>13</td>
<td>(73)</td>
</tr>
<tr>
<td>Credit losses</td>
<td>(2,827)</td>
<td>(767)</td>
</tr>
<tr>
<td>Credit loss recoveries</td>
<td>148</td>
<td>787</td>
</tr>
<tr>
<td>Guarantor contributions</td>
<td>2,827</td>
<td>752</td>
</tr>
<tr>
<td>Loss on remeasurement of guarantor contributions</td>
<td>(145)</td>
<td>(534)</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td><strong>Change in net assets from nonoperating activities</strong></td>
<td>(265)</td>
<td>(30)</td>
</tr>
<tr>
<td><strong>Total change in unrestricted net assets</strong></td>
<td>$925</td>
<td>$627</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Our statements of unrestricted activities contained in our audited financial statements as of and for the years ended December 31, 2020 and 2019 included elsewhere herein contain a breakdown of activities by MFIs and SGBs.
STATEMENT OF FINANCIAL POSITION DATA

Assets

Cash and cash equivalents ........................................ $ 5,521 $ 4,299
Cash held for SGB Portfolio loan loss reserve .................. 5 1,000
Restricted cash from Deutsche Bank MDF for SGB investments 2,574 —
Certificate of deposit designated for SGB Portfolio loan loss reserve 995 —
Interest receivable .................................................. 516 746
Loans receivable from microfinance institutions, net ............. 42,530 56,524
Loans receivable from small and growing businesses, net .......... 7,229 4,996
Guarantor receivables .............................................. 2,984 4,996
Derivative instruments(1) ........................................... 384 371
Investment in MFX Solutions, LLC ......................... 205 205
Other assets .......................................................... 426 440
Total assets .................................................................. 63,369 68,967

Liabilities

Accounts payable ...................................................... 0.2 5
Accrued liabilities ..................................................... 214 93
Interest payable ......................................................... 575 547
Line of credit .............................................................. — —
Notes payable ........................................................... 50,268 61,746
Participating share note payable ................................. 2,034 475
Deferred loan origination fees ..................................... 284 338
Total liabilities .......................................................... 53,376 63,205

Net assets

Without donor restrictions(2) .................................... 4,659 3,734
With donor restrictions(3) ........................................ 5,334 2,028
Total net assets .......................................................... 9,994 5,762
Total liabilities and net assets ................................. 63,369 68,967

STATEMENT OF CASH Flows DATA

Net cash provided by operating activities ..................... $ 4,801 $ 2,442
Net cash provided by (used in) investing activities ......... 8,187 (2,708)
Net cash used in financing activities ............................. (10,187) (905)
Change in cash and cash equivalents .......................... (2,801) (1,170)

(1) Amounts previously reported separately as derivative instrument assets and liabilities are now reported as a derivative instrument net asset amount.

(2) Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions.

(3) Amounts previously reported as temporarily restricted net assets and permanently restricted net assets, as applicable, are now reported as net assets with donor restrictions.
**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**

The COVID-19 pandemic is adversely affecting, and will likely continue to adversely affect, our business, financial condition, results of operations.

The COVID-19 pandemic has negatively impacted the U.S. and global economy; disrupted U.S. and global supply chains; lowered equity market valuations; created significant volatility and disruption in financial markets; resulted in ratings downgrades, credit deterioration, and defaults in many industries; increased demands on capital and liquidity; and increased unemployment levels and decreased consumer confidence. In addition, the COVID-19 pandemic has 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 MFIs, SGBs and philanthropic guarantors are located. The spread of the COVID-19 pandemic continues to be unpredictable around the world, and we cannot predict whether and to what extent it will continue to affect the U.S. and global economy.

In response to the COVID-19 pandemic, we have restructured more than $5.3 million in principal amount of loans to extend the maturities of certain loans by three to 12 months. We have experienced one non-performing loan, to EFTA, as result of the COVID-19 pandemic, and additional loans may become non-performing in the future as a result of the COVID-19 pandemic. While our loans are guaranteed by our philanthropic guarantors, the COVID-19 pandemic 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. As a result of the COVID-19 pandemic, we have experienced, and will likely continue to experience, a lower than anticipated rate of growth in the size of our MFI loan portfolio. In addition, if the financial condition of our philanthropic guarantors are negatively affected by the COVID-19 pandemic, 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, 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 MFI 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. 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.

While our employees generally worked remotely even prior to the COVID-19 pandemic, we are currently engaging in very limited site visits to perform due diligence on prospective borrowers and are instead predominantly performing due diligence virtually, which has slowed down and may continue to slow down our ability to extend new loans and which might adversely affect the quality of our due diligence, increasing risks of future defaults. We expect to continue performing due diligence virtually in most cases for as long as travel restrictions imposed as a result of the COVID-19 pandemic are in place, and we may be required to discontinue our recent resumption of any site visits.
Governmental authorities have taken significant measures to provide economic assistance to individual households and businesses, stabilize the markets, and support economic growth. The continuing success of these measures is unknown, and they may not be sufficient to fully mitigate the continuing and possibly changing negative impact of the COVID-19 pandemic. The length of the COVID-19 pandemic and the effectiveness of the measures being put in place to address it are unknown. The extent to which the COVID-19 pandemic further impacts our business, financial condition, and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the COVID-19 pandemic, the direct and indirect impact of the COVID-19 pandemic on MFIs, SGBs and guarantors, and actions taken by governmental authorities and other third parties in response to the COVID-19 pandemic.

**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 MFIs 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 MFI 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 MFI, it could substantially impair the MFI’s ability to make payments to MCE. If a number of MFIs 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 MFIs and SGBs may adversely impact our ability to pay principal and interest on the Notes.**

The MFIs 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 MFI 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 MFIs and SGBs may rely on grants and contributions to sustain their operations.

Some of our MFI 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 MFI and SGB borrowers to a number of risks and uncertainties. If our MFI 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.

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

Lending to MFIs and SGBs in developing countries involves a number of other risks in addition to those discussed above, including:

- The impact of the COVID-19 pandemic and measures taken by government authorities in response to the COVID-19 pandemic, which has negatively impacted the global economy and resulted in the closure of many businesses, and may directly and indirectly impair the ability of an MFI or SGB to pay its obligations to us;
- Risks associated with political, regulatory, economic and fiscal uncertainty, including the risk of nationalization or expropriation of an MFI’s or SGB’s assets, risks of war and revolution, and risks of natural events;
- High rates of inflation and/or currency devaluation, which may reduce the ability of an MFI or SGB borrower to pay back U.S. dollar-denominated obligations to MCE, and which may be exacerbated by the volatility in financial markets caused by the COVID-19 pandemic;
- 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 MFIs and SGBs are located, which could directly or indirectly impair the ability of an MFI or SGB to pay its obligations to us;
- Turmoil and hostilities in the Middle East, including Syria, North Africa, 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 MFIs in regions dependent on agricultural production or the production of other commodities, making their ability to repay their obligations to an MFI 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 MFI’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 MFI’s or SGB’s information technology, internet, network access or other voice or data communications systems or services.

Lending to MFIs involves a number of other additional risks, including:
Government actions in developing countries that could limit the ability of an MFI 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 MFIs 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.

We may choose not to pursue remedies against a defaulting MFI 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 MFI or SGB for a number of reasons, including if we believe that the MFI 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 MFIs or SGBs or to take legal action against any MFI 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 MFIs and SGBs.

We lend money directly and indirectly to MFIs 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 MFIs 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 MFI or SGB or if any of our agreements with any MFI 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 MFIs 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 MFIs 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, 2020, 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 Chief Financial Officer, the Chief Business Development Officer and the General Counsel. 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 substantial 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 MFIs 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.

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

Receipts due to us from MFIs 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 MFIs 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 MFI 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 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.

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 MFIs 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 MFIs 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 tax purposes; 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, an investment in the Notes is not a donation to a charitable organization and is not tax deductible. It is an investment. Interest paid or accrued on the Notes 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 tax-deductible. The purchase of the Notes should in no way be understood as a charitable donation. Holders of Notes will not receive any tax deductions from our operations, and, in general, all interest will be taxable income to the holders when received by them in cash 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 microfinance institutions (MFIs) and to small and growing businesses (SGBs) around the world. MFIs 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, MFIs) and to small and growing businesses (together, SGBs). An MFI 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 MFIs 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 the amount of their guarantee. Guarantees are standardized at $1,000,000 for micro-finance lending and at $500,000 for small business lending. Losses are shared equally among guarantors within the respective guarantee pools for micro-finance and small business lending.

MCE’s philanthropic guarantors are comprised of individuals and foundations 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:

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. These amounts were previously reported as unrestricted net assets.

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. These amounts were previously reported as temporarily restricted net assets and permanently restricted net assets, respectively.

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 temporary 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 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, 2020, the balance of the certificate of deposit is $995,000. The certificate of deposit matures in 2021.

**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 2019 and 2020.

**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 on 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.

**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 and, therefore, there is no provision for income taxes. In addition, MCE qualifies for the charitable contribution deduction under Section 170 of the Internal Revenue 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.

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. In 2019 and 2020, 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.

**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. 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 and other activities 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.

**Use of Estimates** – MCE’s consolidated financials 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.

**Reclassifications of Prior Year Balances** – In 2019, we changed our presentation of unrealized foreign currency translation losses in our consolidated statement of cash flows. In connection with such change, certain amounts from 2018 were reclassified from unrealized foreign currency translation losses to loans receivable repayments received. We did not make corresponding changes to any amounts recorded in years prior to 2018.

**Uncertainty** – On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic. Subsequent to the declaration of a pandemic, governments worldwide have taken actions in response to the COVID-19 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 2020, the impact to MCE resulted in eliminating all nonessential business travel, making it more difficult to assess the performance and capabilities of present and potential clients. The extent of the impact of COVID-19 on MCE’s operational and financial performance will continue to depend on the duration and spread of the outbreak, the continued measures to combat the spread of the outbreak put in place in the countries served by MCE’s customers and in those countries that provide a market for goods or material produced by MCE’s customer. The duration and intensity of the impact of COVID-19 and resulting impact to MCE is unknown.

**Accounting Pronouncements Adopted** – The Financial Accounting Standards Board issued Accounting Standards Update 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This Accounting Standards Update provides clarification in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. MCE applied Accounting Standards Update 2018-18 using the modified retrospective method. However, the adoption of the new standard did not have a significant effect on earnings or on the timing of MCE’s most significant types of transactions, but had an impact on the classification between grant and contribution revenue. In review of the prior year grants and contributions, the balances were not material and MCE did not adopt the standard. MCE has decided to adopt the standard in 2020 due to material contributions.

**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 27, 2021, which is the date when the consolidated financial statements were available to be issued.

**Activities for 2020 Compared to 2019**

**Revenue From Lending Activities**

Net revenue from lending activities was $1,900,419 in 2020, compared to $2,183,772 in 2019, a decrease of $283,353 or approximately 13%. This decrease is primarily related to a the economic slowdown during the COVID-19 pandemic and the resulting decrease in new loans in the MFI portfolio.
Net revenue from lending activities is gross revenue from lending activities net of interest expense as well as, less significantly, imputed interest expense and gains and losses on swap transactions. Interest expense in 2020 was $2,217,177, compared to $2,433,356 in 2019, a decrease of $216,179, or approximately 10%, primarily related to reduced need for borrowings in relation to decrease in new MFI loans. Currency losses were $720,977 in 2020, compared to currency gains of $917,112 in 2019. These currency losses were partially offset by gains generated by swap transactions of $666,096 in 2020, compared to losses of $575,353 in 2019.

Other Revenue and Support

For 2020, contributions and grants totaled $343,944, compared to $234,622 in 2019, an increase of $109,322, or approximately 47%. For 2020, contribution and grants consisted primarily of a restricted grant from the Deutsche Bank MDF for SGB investments. For 2019, contributions and grants consisted primarily of milestone payments from USAID for the PACE grant received by MCE.

Contributed services were $260,682 in 2020, compared to $550,378 for the previous year, a decrease of $289,696, or approximately 53%, primarily related to reduced legal representation on new loan agreements with MCE lenders.

Operating Expenses

For 2020, MCE’s total operating expenses were $2,212,302. Of this amount, $1,720,419 represented program expenses, $351,344 represented management and general expenses and $140,539 represented fundraising expenses. For 2019, MCE’s total operating expenses were $2,434,033. Of this amount, $1,990,878 represented program expenses, $334,806 represented management and general expenses and $108,349 represented fundraising expenses. The decrease in total operating expenses was due to decreased travel expenses after the COVID-19 pandemic related travel shutdowns.

Change in Net Assets

Overall, the change in net assets for 2020 was $925,338 versus $627,224 for the same period in 2019, an increase of $298,114.

Liquidity and Capital Resources

MCE’s principal source of liquidity is its borrowing, the proceeds from which are used to fund its lending to MFIs 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 during 2021 and for at least the first half of 2022.

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, 2020.

**Sources**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Republic Bank</td>
<td>$5,775,000</td>
</tr>
<tr>
<td>OPIC</td>
<td>2,000,000</td>
</tr>
<tr>
<td>RSF Social Foundation</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Metropolitan Life Insurance Company</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Private Notes and Loans</td>
<td>35,775,000</td>
</tr>
<tr>
<td>Grant Funding</td>
<td>1,759,544</td>
</tr>
<tr>
<td>Participation Agreements</td>
<td>1,249,971</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$53,559,515</strong></td>
</tr>
</tbody>
</table>

**Uses**

<table>
<thead>
<tr>
<th>Use</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFI lending</td>
<td>$44,837,705</td>
</tr>
<tr>
<td>SGB Lending</td>
<td>8,248,999</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$53,086,704</strong></td>
</tr>
</tbody>
</table>

**Cash Flows**

In 2020, operating activities provided $4.8 million, compared to $2.4 million provided by operating activities in 2019 primarily as a result of the Deutsche MDF grant that MCE was awarded to help grow the SGB portfolio. Investing activities provided $8.2 million in 2020, compared to $2.7 million used by investing activities in 2019. This $10.9 million increase in cash provided by investing activities was primarily the result of payments received from borrowers exceeding disbursements. Financing activities used $10.2 million in 2020, compared to $0.9 million provided by financing activities in 2019, as a result of paying down debt in excess of borrowings. As a result, from December 31, 2019 to December 31, 2020, cash and cash equivalents increased from $5.3 million to $8.1 million.

In 2019, operating activities provided $2.4 million, compared to $1.9 million provided by operating activities in 2018 as a result of increases in the guarantor receivables and the fair value of MCE’s derivative instruments. Investing activities used $2.7 million in 2019, compared to $6.5 million used by investing activities in 2018. This $3.8 million decrease in cash used in investing activities was primarily the result of a reduction in the amount of new loans made in 2019 as compared to 2018. Financing activities provided $0.9 million in 2019, compared to $3.7 million provided by financing activities in 2018, as a result of a reduction in notes receivable due to the reduction in the amount of new loans made in 2019. As a result, from December 31, 2018 to December 31, 2019, cash and cash equivalents decreased from $6.5 million to $5.3 million.

In 2019, we changed our presentation of unrealized foreign currency translation losses in our consolidated statement of cash flows and reclassified certain amounts recorded in 2018 from unrealized foreign currency translation losses to loans receivable repayments received.
Contractual Payables and Receivables

The table below summarizes MCE’s contractual payment obligations as of December 31, 2020. See Note 8 to our financial statements as of and for the year ended December 31, 2020 included elsewhere herein.

<table>
<thead>
<tr>
<th>Due by MCE</th>
<th>Within 1 Year</th>
<th>In 2-3 Years</th>
<th>In 4-5 Years</th>
<th>In More Than 5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPIC notes</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>RSF Social Finance note</td>
<td>2,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FRB notes</td>
<td>4,150,000</td>
<td>1,625,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Metlife notes</td>
<td>-</td>
<td>5,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Privately placed notes</td>
<td>5,000,000</td>
<td>14,380,000</td>
<td>9,055,000</td>
<td>1,390,000</td>
</tr>
<tr>
<td>Notes payable to philanthropic guarantors</td>
<td>500,000</td>
<td>3,450,000</td>
<td>2,000,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,650,000</strong></td>
<td><strong>$25,455,000</strong></td>
<td><strong>$11,055,000</strong></td>
<td><strong>$1,390,000</strong></td>
</tr>
</tbody>
</table>

The table below summarizes MCE’s contractual receivables as of December 31, 2020. See Note 6 to our financial statements as of and for the year ended December 31, 2020 included elsewhere herein.

<table>
<thead>
<tr>
<th>Due to MCE</th>
<th>Within 1 Year</th>
<th>In 1-3 Years</th>
<th>In 4-5 Years</th>
<th>In More Than 5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFI lending</td>
<td>$21,276,581</td>
<td>$21,550,175</td>
<td>$1,000,000</td>
<td></td>
</tr>
<tr>
<td>SGB lending</td>
<td>3,329,809</td>
<td>3,867,103</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$24,606,390</strong></td>
<td><strong>$25,417,278</strong></td>
<td><strong>$1,000,000</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>

Risk Analysis

Portfolio at Risk / Hedging

As of December 31, 2020, MCE’s active portfolio totaled $53.5 million, representing 114 loans to 52 institutions (39 MFIs and 13 SGBs) in 32 countries. The portfolio at risk (PaR) greater than thirty days (i.e., the outstanding balance of all loans with payments in arrears beyond 30 days) was 5.09% for the MFI portfolio and 12.9% for the SGB portfolio. MCE’s PaR greater than ninety days (i.e., the outstanding balance of all loans with payments in arrears beyond 90 days) was 5.09% for the MFI portfolio and 12.5% for the SGB portfolio. The share of hedged local currency loans represented 28% of the outstanding portfolio.

Watch List & Impaired List

As of April 30, 2021, there were six MCE clients on MCE’s Watch List. Clients move on and off the Watch List, including being escalated to the Impairment List. As of April 30, 2021, MCE had five MCE client 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 three MFIs on MCE’s Watch List:

- EFTA (Tanzania) – since Q1 2021; amount owed to MCE: $1.86 million
- Advans (Myanmar) – since Q1 2021; amount owed to MCE: $1.0 million
- Proximity (Myanmar) – since Q1 2021; amount owed to MCE: $1.5 million

There are three SGBs on MCE’s Watch List:

- Comaco (Zambia) – since Q1 2021; amount owed to MCE: $2.0 million
- Prograin Organic (Moldova) – since Q1 2021; amount owed to MCE: $1.25 million
- PFG (Ethiopia) – since Q2 2021; amount owed to MCE: $0.5 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 MFIs on MCE’s Impairment List:

- Sunfunder (Global) – since Q4 2020; amount owed to MCE: $2.65 million, MCE partially impaired the loan for $0.8 million
- Georgian Credit (Georgia) – since Q4 2020; amount owed to MCE: $0.36 million
- Finca Zambia (Zambia) – since Q4 2020; amount owed to MCE: $0.96 million

There are two SGBs on MCE’s Impairment List.

- Sierra Agra (Sierra Leone) – since Q4 2019; amount owed to MCE: $0.5 million
- Tolaro (Benin) – since Q4 2020; amount owed to MCE: $0.5 million

On October 20, 2020, one MFI was declared by the Board of MCE to be in default. This was formerly on the Impaired List.

- NPFC (Philippines): MCE’s Board of Directors classified NPFC as impaired as of April 30, 2020 for the following reasons: (1) unsuccessful turnaround of the institution due to an inability to secure additional capital; (2) inability of NPFC’s management to control the portfolio at risk for its borrowers; and (3) MCE collected 80% of the principal and the organization started winding down. The amount of the default is $0.02 million.

**Interest Rate Risk**

All of MCE’s loans to MFIs 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 MFI 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 MFIs and SGBs in developing countries increases the risk that macroeconomic and geopolitical volatility and uncertainty will negatively impact the MFIs 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, MFIs) and to small and growing businesses (SGBs). An MFI 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 MFIs 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 MFIs 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 2020, 2019 and 2018, losses totaling $0.2 million, $0.2 million and $0.5 million, respectively, were allocated to the MFI pool, and in 2020, 2019 and 2018, losses totaling $0.15 million, $0.5 million and $0.2 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 MFI 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 April 30, 2021, there were a total of 130 MFI philanthropic guarantee units, representing $130 million in guaranteed capital. Of these, 13 guarantees are scheduled to withdraw within 18 months. An MFI guarantee unit is $1 million.
As of April 30, 2021, there were a total of 42 SGB philanthropic guarantee units, representing $21 million in guaranteed capital. Of these, one guarantee is 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. 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 MFIs and SGBs, usually by traveling to the developing world to identify creditworthy MFIs 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). When they do, MCE reduces their obligations under the guarantee agreements by half, to $500,000 in the case of agreements in the MFI pool and to $250,000 in the case of agreements in the SGB pool, but the total of their obligations under the direct guarantee and the philanthropic guarantee agreement remains at $1 million and $500,000 in the respective pools.

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 meet its obligation under the philanthropic guarantee agreement.

**MCE Lending**

After completing a rigorous due diligence process, we make loans to select MFIs and SGBs. MCE’s MFI or SGB Loan Committee, Board committees made up of philanthropic guarantors, approves each loan to an MFI 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, 2020, more than 98.4%, (dollar-weighted). If an MFI 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 MFI 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 MFI program, MCE has adopted a similar policy to allow a philanthropic guarantor in the MFI program or his or her executor to terminate a guarantee ninety 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.

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 MFI 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 MFI guarantee units and from $500,000 to $250,000 for SGB guarantee units). The total exposure remains at $1 million and $500,000 for MFI units and SGB units, respectively.

**Due Diligence & Risk Management**

We make loans to MFIs and SGBs in the developing world that we judge, after careful review, to be financially viable and creditworthy. All loans are approved by our MFI 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 MFI 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 3-5 years; be scalable, with a three-year business plan; have audited financial statements available for at least 1 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 MFIs, 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 we have recently resumed site visits on a very limited basis. We expect to continue performing due diligence virtually primarily for as long as travel restrictions imposed as a result of the COVID-19 pandemic are in place. 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 MFI or SGB Loan Committee, as applicable. The relevant Loan Committee then approves, approves with modifications or rejects the proposed transaction. The Loan 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 MFI 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 MFI 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 MFI 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, 2020, MCE’s active portfolio totaled $53.5 million, representing 114 loans to 52 institutions (39 MFIs and 13 SGBs) in 32 countries. The portfolio at risk (PaR) greater than thirty days (i.e., the outstanding balance of all loans with payments in arrears beyond 30 days) was 5.09% for the MFI portfolio and 12.9% for the SGB portfolio. MCE’s PaR greater than ninety days (i.e., the outstanding balance of all loans with payments in arrears beyond 90 days) was 5.09% for the MFI portfolio and 12.5% for the SGB portfolio. The share of hedged local currency loans represented 28% of the outstanding portfolio.

As of December 31, 2020, MCE has disbursed over $228 million in loans from its inception. The average size of our loans is $602,000 per loan and loan sizes have ranged from $40,000 to $4 million. From inception, MCE has extended loans to 133 institutions in 48 countries. More than $165 million in loans have matured successfully.

Loss History

MCE has declared the following loans to be in default since January 1, 2019:

- In 2019, an MFI in Poland defaulted on an MCE loan, as the result of a challenging regulatory environment and a reduction of activity in its principal market, which is relatively narrow. MCE’s Board of Directors declared $540,770 of the loan in default. Each of the MCE’s 112 philanthropic guarantors in the program at that time made a contribution of $4,828 per unit to fully cover the defaulted amount.

- In 2019, an MFI in Armenia defaulted on an MCE loan, as the result of lower demand for agricultural products from Armenia, the industry in which most of the MFI’s clients operate. This lower demand was primarily a result of the 2014-2015 commodity crisis and the sanctions placed on Russia in recent years, where the majority of the demand comes from. MCE’s Board of Directors declared $334,127 of the loan in default. Each of the MCE’s 122 philanthropic guarantors in the program at that time made a contribution of $2,739 per unit to fully cover the defaulted amount.

- In 2019, an SGB in Burkina Faso defaulted on an MCE loan, as the result of cash flow issues due to lower than expected production yields, production delays due to old machinery that needed to be replaced and payment delays from its own clients. MCE’s Board of Directors declared $156,754 of the loan in default. Each of the MCE’s 20 philanthropic guarantors in the program at that time made a contribution of $7,838 per unit to fully cover the defaulted amount.

- In 2020, an SGB in Kenya defaulted on an MCE loan, as a result of increased import duties for cookstoves from 10% to 35%, resulting in a significant cost increase for the company. As a result, the operations have been wound down. MCE’s Board of Directors declared $101,410 of the loan in default. Each of the MCE’s 22 philanthropic guarantors in the program at that time made a contribution of $4,600 per unit to fully cover the defaulted amount.

- In 2020, an SGB in Cote d’Ivoire defaulted on an MCE loan, as a result of an unfavorable 2018 season (high buying prices) and cash constraints facing the company. MCE’s Board of Directors declared $43,753 of the loan in default. Each of the MCE’s 24 philanthropic guarantors in the program at that time made a contribution of $1,800 per unit to fully cover the defaulted amount.

- In 2020, an MFI in the Philippines defaulted on an MCE loan, as a result of its inability to secure additional necessary capital and control the portfolio at risk for its borrowers. As a result, operations have been wound down. MCE’s Board of Directors declared a loss of $202,500. Each of MCE’s 121 philanthropic guarantors in the program at that time made a contribution of $1,675 per unit to fully cover the defaulted amount.

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 six defaults, the historic default rate is under two 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 2020, MCE recovered more than $126,000 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 or Directors and our key management as of the date of this Offering Memorandum.

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<tr>
<th>Name</th>
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<td>Karen Keating Ansara</td>
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<td>John Ayliffe</td>
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<td>Dan Brunner</td>
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<td>Kevin Carnahan</td>
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<td>Jim Chu</td>
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<td>Laura De Vere</td>
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<td>Jay Dunn</td>
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<td>Gary M. Ford</td>
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<td>Leah Bradford Francis</td>
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<td>Eric McCallum</td>
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<td>Justin Morales</td>
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<td>Kanini Mutooni</td>
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<td>Sayuri Sharper</td>
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<td>Meg Stallard</td>
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<td>Nancy Swanson</td>
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<td>Ayesha Wagle</td>
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<td>William G. Way</td>
<td>Director</td>
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<tr>
<td>Pierre Berard</td>
<td>Managing Director &amp; Chief Investment Officer</td>
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<tr>
<td>Catherine Covington</td>
<td>Managing Director &amp; Chief Business Development Officer</td>
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<td>Camilla Nestor</td>
<td>Chief Executive Officer</td>
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<tr>
<td>Ginny Reyes Llamzon</td>
<td>General Counsel</td>
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<tr>
<td>Wendy Turman</td>
<td>Managing Director &amp; Chief Financial Officer</td>
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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 MFI 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.

Laura De Vere. Ms. De Vere is a seasoned and experienced social impact investor. She has served and is currently serving on several social impact boards. She launched The Social Capital Foundation, the mission of which is to reduce global poverty and inequality in a sustainable manner through the creation of opportunities and to encourage self-reliance for individuals and communities in the broadest sense of the word and to cooperate with and support other social organizations that pursue the same objectives. Ms. De Vere’s involvement in locations such as Tanzania, Kenya, Rwanda, Uganda, Vietnam, Central America and the United Kingdom provides her with keen operational insights in an international context. In her business career, Ms. De Vere was the General Manager USA for Bibit Global Payment systems and a Managing Director for one of the Specialists on the NYSE. Her education and experience have been in finance/economics and business development.

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.

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.

Pierre Berard. Mr. Berard has more than 15 years’ experience in investing, finance, and international development. He joined MCE in 2010 as Portfolio Manager and, in August 2013, was promoted to lead MCE’s portfolio team as Director of Portfolio Management. Prior to MCE, Mr. Berard worked with the Grassroots Business Fund based out of Dar es Salaam, Tanzania, where he structured equity and debt financing and designed technical assistance program for SMEs in East Africa. He also served as an Investment Officer at the IFC/World Bank and managed the debt restructuring of two clients in Kenya and Tanzania. In 2007, he spent time in Africa working with a microfinance bank in Rwanda where he helped to secure funding and launch new products. Before shifting to a career in international development, Mr. Berard was a lead finance consultant for Hewlett-Packard, working on large IT outsourcing transactions in Europe and the U.S. He earned a M.A. in International Economics and International Development from the Johns Hopkins University School of Advanced International Studies (SAIS) and a degree in Business Administration from Euromed Marseille, France. Mr. Berard speaks English, French and Spanish.

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).

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.

Wendy Turman. Prior to joining MCE in June 2017, Ms. Turman was an EPM solution strategy and implementation consultant. She spent seven years in non-profit financial management and operations as the Director of Finance at the Association of Schools and Programs of Public Health (ASPPH) and CFO of the Tug McGraw Foundation. Earlier in her career, Ms. Turman was the Senior Vice President at the Philadelphia Industrial Development Corporation (PIDC), where she oversaw the loan portfolio and economic development lending to businesses and non-profits throughout Philadelphia. She began her career as a financial adviser to state and local governments, specializing in the structuring and sale of municipal debt and pooled bond financing programs. She served as the Treasurer of the Financial and Technical Assistance Center in Philadelphia and was a regular guest speaker at the University of Pennsylvania on Urban Economic Development Financing Strategies.
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 Ms. Ansara to MCE, bearing interest at a rate of 2.25% per annum and due on February 28, 2023. This is a three-year note.

- 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 $100,000 from a foundation controlled by Mr. Dunn, bearing interest at a rate of 1.75% per annum and due on June 30, 2022. 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 form of Note attached hereto as Annex A.

The Offering

We are offering our Private Global Economic Opportunity Notes in four separate series: Series A, Series B, Series C 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 C Notes will mature on the calendar month-end following (or that coincides with) the seventh 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 MFIs 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 1.75% per annum.

Series B Notes will bear interest at a rate of 2.25% per annum.

Series C Notes will bear interest at a rate of 2.75% per annum.

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 tax deductable. 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 B. 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 CONSEQUENCES

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 the application of the U.S. federal tax laws to your particular situation, as well as 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.

**Payments of Interest**

As discussed above, although we are a charitable organization within the meaning of Section 501(c)(3) of the Code, an investment in the Notes is not a donation to a charitable organization and is not tax deductible. 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. 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 HEREBIN) 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 HEREBIN) 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 year ended December 31, 2020 included in this Offering Memorandum were audited by Moss Adams LLP, an independent registered public accounting firm, as stated in their reports included herein.

Our financial statements for the two years ended December 31, 2019 included in this Offering Memorandum were audited by Clark Nuber P.S., Certified Public Accountants, as stated in their reports included herein.
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MCE SOCIAL CAPITAL

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MCE SOCIAL CAPITAL AND SUBSIDIARY

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Report of Independent Auditors

The Board of Directors
MCE Social Capital and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of MCE Social Capital and Subsidiary (Organization), which comprise the consolidated statement of financial position as of December 31, 2020 and the related consolidated statements of activities without donor restrictions, changes in net assets, functional expenses, and cash flows for the year 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MCE Social Capital and Subsidiary as of December 31, 2020, and its changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

In our opinion, the summarized comparative information presented here in as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As described in Note 1 of the financial statements, the Organization adopted Accounting Standards Update 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, during the year ended December 31, 2020. Our opinion is not modified with respect to this matter.

Other Matters – 2019 Consolidated Financial Statements

The consolidated financial statements of MCE Social Capital and Subsidiaries as of and for the year ended December 31, 2019 were audited by other auditors whose report, dated March 25, 2020, expressed an unmodified opinion on those statements.

Other Matters – Other 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.
Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Microfinance Institutions Portfolio (MFI) and Small and Growing Business Portfolio (SGB) columns on page 5 are presented for purposes of additional analysis and are 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 27, 2021, on our consideration of the Organization’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 to solely 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 the Organization’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 the Organization’s internal control over financial reporting and compliance.

Albuquerque, New Mexico
April 27, 2021
MCE Social Capital and Subsidiary  
Consolidated Statements of Financial Position  

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>December 31,</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$5,520,817</td>
<td>$4,299,010</td>
<td></td>
</tr>
<tr>
<td>Cash designated for SGB Portfolio loan loss reserve (Note 1)</td>
<td>5,000</td>
<td>1,000,000</td>
<td></td>
</tr>
<tr>
<td>Restricted cash from Deutsche Bank MDF for SGB investments (Note 1)</td>
<td>2,573,911</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Certificate of deposit designated for SGB Portfolio loan loss reserve (Note 1)</td>
<td>995,000</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Interest receivable</td>
<td>516,182</td>
<td>746,444</td>
<td></td>
</tr>
<tr>
<td>Loans receivable from microfinance institutions, net (Note 6)</td>
<td>42,530,146</td>
<td>56,524,396</td>
<td></td>
</tr>
<tr>
<td>Loans receivable from small and growing businesses, net (Note 6)</td>
<td>7,229,061</td>
<td>4,995,666</td>
<td></td>
</tr>
<tr>
<td>Guarantor receivable (Note 7)</td>
<td>2,983,512</td>
<td>384,930</td>
<td></td>
</tr>
<tr>
<td>Derivative instruments (Note 4)</td>
<td>384,476</td>
<td>371,177</td>
<td></td>
</tr>
<tr>
<td>Investment in MFX Solutions, LLC (Note 1)</td>
<td>205,000</td>
<td>205,000</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>426,146</td>
<td>439,879</td>
<td></td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$63,369,251</td>
<td>$68,966,502</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$188</td>
<td>$4,735</td>
<td></td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>214,176</td>
<td>93,484</td>
<td></td>
</tr>
<tr>
<td>Interest payable</td>
<td>574,633</td>
<td>547,160</td>
<td></td>
</tr>
<tr>
<td>Notes payable, net (Note 8)</td>
<td>50,268,032</td>
<td>61,745,980</td>
<td></td>
</tr>
<tr>
<td>Participating share note payable (Note 9)</td>
<td>2,034,471</td>
<td>475,000</td>
<td></td>
</tr>
<tr>
<td>Deferred loan origination fees</td>
<td>284,198</td>
<td>338,492</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>53,375,698</td>
<td>63,204,851</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions (Note 12)</td>
<td>4,659,405</td>
<td>3,734,067</td>
<td></td>
</tr>
<tr>
<td>With donor restrictions (Note 13)</td>
<td>5,334,148</td>
<td>2,027,584</td>
<td></td>
</tr>
<tr>
<td>Total net assets</td>
<td>9,993,553</td>
<td>5,761,651</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL LIABILITIES AND NET ASSETS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$63,369,251</td>
<td>$68,966,502</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to these consolidated financial statements.
See accompanying notes to these consolidated financial statements.
<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS, January 1, 2019</strong></td>
<td>$ 3,106,843</td>
<td>$ 2,035,555</td>
<td>$ 5,142,398</td>
</tr>
<tr>
<td>Change in net assets without donor restrictions</td>
<td>627,224</td>
<td>-</td>
<td>627,224</td>
</tr>
<tr>
<td>Contributed revenue from present value discount on low interest debt (Note 8)</td>
<td>-</td>
<td>85,966</td>
<td>85,966</td>
</tr>
<tr>
<td>Guarantor contributions for reserve</td>
<td>-</td>
<td>37,500</td>
<td>37,500</td>
</tr>
<tr>
<td>Net assets released from restrictions, operating activities</td>
<td>-</td>
<td>(116,359)</td>
<td>(116,359)</td>
</tr>
<tr>
<td>Net assets released from restrictions, non-operating activities</td>
<td>-</td>
<td>(15,078)</td>
<td>(15,078)</td>
</tr>
<tr>
<td><strong>Total change in net assets</strong></td>
<td>627,224</td>
<td>(7,971)</td>
<td>619,253</td>
</tr>
<tr>
<td><strong>NET ASSETS, December 31, 2019</strong></td>
<td>3,734,067</td>
<td>2,027,584</td>
<td>5,761,651</td>
</tr>
<tr>
<td>Change in net assets without donor restrictions</td>
<td>925,338</td>
<td>-</td>
<td>925,338</td>
</tr>
<tr>
<td>Contributions and grants</td>
<td>-</td>
<td>3,672,139</td>
<td>3,672,139</td>
</tr>
<tr>
<td>Net assets released from restriction, operating activities</td>
<td>-</td>
<td>(364,391)</td>
<td>(364,391)</td>
</tr>
<tr>
<td>Net assets released from restriction, non-operating activities</td>
<td>-</td>
<td>(1,184)</td>
<td>(1,184)</td>
</tr>
<tr>
<td><strong>Total change in net assets</strong></td>
<td>925,338</td>
<td>3,306,564</td>
<td>4,231,902</td>
</tr>
<tr>
<td><strong>NET ASSETS, December 31, 2020</strong></td>
<td>$ 4,659,405</td>
<td>$ 5,334,148</td>
<td>$ 9,993,553</td>
</tr>
</tbody>
</table>

See accompanying notes to these consolidated financial statements.
### MCE Social Capital and Subsidiary
#### Consolidated Statements of Functional Expenses

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<tr>
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<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>2020 Total</th>
<th>2019 Total</th>
</tr>
</thead>
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<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>$ 1,248,815</td>
<td>$ 217,115</td>
<td>$ 86,847</td>
<td>$ 1,552,777</td>
<td>$ 1,301,096</td>
</tr>
<tr>
<td>Contributed services</td>
<td>189,976</td>
<td>50,317</td>
<td>20,389</td>
<td>260,682</td>
<td>550,378</td>
</tr>
<tr>
<td>Professional services</td>
<td>61,571</td>
<td>20,822</td>
<td>8,329</td>
<td>90,722</td>
<td>197,355</td>
</tr>
<tr>
<td>Business development and guarantor outreach</td>
<td>32,477</td>
<td>2,616</td>
<td>873</td>
<td>35,966</td>
<td>85,228</td>
</tr>
<tr>
<td>Travel</td>
<td>26,867</td>
<td>648</td>
<td>170</td>
<td>27,685</td>
<td>134,234</td>
</tr>
<tr>
<td>Supplies, software licenses, and administration</td>
<td>58,175</td>
<td>21,307</td>
<td>8,523</td>
<td>88,005</td>
<td>99,043</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>83,636</td>
<td>32,170</td>
<td>12,868</td>
<td>128,674</td>
<td>40,693</td>
</tr>
<tr>
<td>Insurance</td>
<td>18,902</td>
<td>6,349</td>
<td>2,540</td>
<td>27,791</td>
<td>26,006</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$ 1,720,419</td>
<td>$ 351,344</td>
<td>$ 140,539</td>
<td>$ 2,212,302</td>
<td>$ 2,434,033</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING REVENUE AND ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LENDING ACTIVITY EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>2,217,177</td>
<td>-</td>
<td>-</td>
<td>2,217,177</td>
<td>2,433,356</td>
</tr>
<tr>
<td>Imputed interest expense</td>
<td>119,391</td>
<td>-</td>
<td>-</td>
<td>119,391</td>
<td>116,359</td>
</tr>
<tr>
<td><strong>Total lending activity expenses</strong></td>
<td>2,336,568</td>
<td>-</td>
<td>-</td>
<td>2,336,568</td>
<td>2,549,715</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$ 4,056,987</td>
<td>$ 351,344</td>
<td>$ 140,539</td>
<td>$ 4,548,870</td>
<td>$ 4,983,748</td>
</tr>
</tbody>
</table>

See accompanying notes to these consolidated financial statements.
MCE Social Capital and Subsidiary  
Consolidated Statements of Cash Flows

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>$ 4,231,902</td>
<td>$ 619,253</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed revenue from present value discount on low interest debt</td>
<td>-</td>
<td>(85,966)</td>
</tr>
<tr>
<td>Imputed interest expense</td>
<td>119,391</td>
<td>116,359</td>
</tr>
<tr>
<td>Financing cost amortization</td>
<td>148,848</td>
<td>95,681</td>
</tr>
<tr>
<td>Provision for estimated credit losses</td>
<td>2,826,886</td>
<td>696,747</td>
</tr>
<tr>
<td>Unrealized (gain) loss on change in fair value of derivative instruments</td>
<td>(13,299)</td>
<td>73,256</td>
</tr>
<tr>
<td>Unrealized foreign currency translation (gain) loss</td>
<td>(247,779)</td>
<td>210,429</td>
</tr>
<tr>
<td>(Increase) decrease in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest receivable</td>
<td>230,262</td>
<td>(62,243)</td>
</tr>
<tr>
<td>Guarantor receivables</td>
<td>(2,598,582)</td>
<td>752,037</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>-</td>
<td>75,000</td>
</tr>
<tr>
<td>Other assets</td>
<td>13,733</td>
<td>(208,434)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(4,547)</td>
<td>(4,162)</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>120,692</td>
<td>32,470</td>
</tr>
<tr>
<td>Interest payable</td>
<td>27,473</td>
<td>84,707</td>
</tr>
<tr>
<td>Deferred loan origination fees</td>
<td>(54,294)</td>
<td>47,136</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY OPERATING ACTIVITIES</strong></td>
<td>4,800,686</td>
<td>2,442,270</td>
</tr>
</tbody>
</table>

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                           |       |       |
| Purchase of certificate of deposit | (995,000) | - |
| Loans receivable repayments received | 27,772,888 | 23,135,135 |
| Loans receivable funded | (18,591,140) | (25,842,675) |
| **NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES** | 8,186,748 | (2,707,540) |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|                           |       |       |
| Principal payments on notes payable | (25,833,333) | (26,442,495) |
| Payments of loan fees            | (62,854) | (37,482) |
| Proceeds from notes payable      | 15,709,471 | 25,575,000 |
| **NET CASH USED IN FINANCING ACTIVITIES** | (10,186,716) | (904,977) |

**CHANGE IN CASH AND CASH EQUIVALENTS, DESIGNATED CASH, AND RESTRICTED CASH**

|                           |       |       |
|                           | 2,800,718 | (1,170,247) |

**CASH AND CASH EQUIVALENTS, DESIGNATED CASH, AND RESTRICTED CASH beginning of year**

|                           |       |       |
|                           | 5,299,010 | 6,469,257 |

**CASH AND CASH EQUIVALENTS, DESIGNATED CASH, RESTRICTED CASH, end of year**

|                           | $ 8,099,728 | $ 5,299,010 |

**SUPPLEMENTAL DISCLOSURES OF CASH INFORMATION**

|                           |       |       |
| Cash paid for interest    | $ 1,940,751 | $ 2,252,968 |

See accompanying notes to these 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.
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 MDF for SGB investments.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$5,520,817</td>
<td>$4,299,010</td>
</tr>
<tr>
<td>Cash and certificate of deposit designated for SGB Portfolio loan loss reserve</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Restricted cash from Deutsche MDF for SGB Investments</td>
<td>2,573,911</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents, designated cash, restricted cash, and certificate of deposit</strong></td>
<td><strong>$9,094,728</strong></td>
<td><strong>$5,299,010</strong></td>
</tr>
</tbody>
</table>

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 $995,000 as of December 31, 2020. The certificate of deposit matures in 2021.

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, 2020 and 2019. 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, 2020 and 2019.
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 Receivables
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, 2020 and 2019.
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, 2020 and 2019, 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, 2020 and 2019.

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

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, a 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. As of December 31, 2020, the impact to the Organization resulted in eliminating all non-essential business travel, making it more difficult to assess the performance and capabilities of present and potential clients. The extend of the impact of COVID-19 on the Organization’s operational and financial performance will continue to depend on the duration and spread of the outbreak, the continued measures to combat the spread of the outbreak put in place in the countries served by Organization’s customers and in those countries that provide a market for goods or material produced by the Organization’s customer. 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. Management is currently evaluating the impact of this new guidance on its consolidated financial statements.

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.

Accounting Pronouncements Adopted
The FASB issued Accounting Standards Update 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This ASU provides clarification in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The Organization applied 2018-18 using the modified retrospective method. However, the adoption of the new standard did not have a significant effect on earnings or on the timing of the Organizations’ most significant types of transactions, but had an impact on the classification between grant and contribution revenue. In review of the prior year grants and contributions, the balances were not material and the Organization did not adopt the standard. The Organization has decided to adopt the standard in 2020 due to material contributions.
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 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 27, 2021, 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 microfinance institutions. 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 4.79% to 24.18% annually and mature between March 2021 and January 2025. Unrealized foreign currency translation gains (losses) of $247,779 and $(210,429) were recognized during the years ended December 31, 2020 and 2019, respectively. Realized foreign currency translation (loss) gains of $(720,977) and $917,112 were recognized for the years ended December 31, 2020 and 2019, 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 microfinance institutions. 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, 2020 and 2019, derivative instrument totaled $384,476 and $371,177, respectively. The change in fair value of the derivative instrument was a gain (loss) of $13,299 and $(73,256) as of December 31, 2020 and 2019, 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 assumptions 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, 2020.

*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 a microfinance institution. 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 loans money to MFIs at fixed interest rates ranging from 4.79% to 24.18%. 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 5.50% 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 3rd party purchaser of the exported agricultural goods. For SGB business growth loans, terms range from 2 to 4 years, with interest due quarterly and principal payments commencing 18 months after disbursement in equal installments through the maturity of the loan.

Outstanding Loans Receivable
Loan receivables were as follows as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>Total</th>
<th>2019 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SGB</td>
<td>MFI</td>
<td></td>
</tr>
<tr>
<td>Loans receivable</td>
<td>$ 8,248,999</td>
<td>$ 44,837,705</td>
<td>$ 53,086,704</td>
</tr>
<tr>
<td>Less provision for estimated credit losses</td>
<td>(1,019,937)</td>
<td>(2,307,560)</td>
<td>(3,327,497)</td>
</tr>
<tr>
<td>Loss receivable, net</td>
<td>$ 7,229,062</td>
<td>$ 42,530,145</td>
<td>$ 49,759,207</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 62,312,764</td>
</tr>
<tr>
<td></td>
<td>(792,702)</td>
</tr>
<tr>
<td></td>
<td>$ 61,520,062</td>
</tr>
</tbody>
</table>
Note 6 – Loans Receivable (continued)

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

<table>
<thead>
<tr>
<th></th>
<th>SGB</th>
<th>MFI</th>
<th>Total</th>
<th>2019 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for estimated credit losses, beginning balance</td>
<td>$634,345</td>
<td>$158,357</td>
<td>$792,702</td>
<td>$1,129,426</td>
</tr>
<tr>
<td>Direct write-downs</td>
<td>(133,735)</td>
<td>(158,356)</td>
<td>(292,091)</td>
<td>(1,033,471)</td>
</tr>
<tr>
<td>Provision for estimated credit losses</td>
<td>519,327</td>
<td>2,307,559</td>
<td>2,826,886</td>
<td>696,747</td>
</tr>
<tr>
<td>Provision for estimated credit losses, ending balance</td>
<td>$1,019,937</td>
<td>$2,307,560</td>
<td>$3,327,497</td>
<td>$792,702</td>
</tr>
</tbody>
</table>

Maturities on loan receivables from microfinance institutions and SGB’s for the years subsequent to December 31, 2020, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>SGB</th>
<th>MFI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the Years Ending December 31.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$1,565,558</td>
<td>$12,543,488</td>
<td>$14,109,046</td>
</tr>
<tr>
<td>2022</td>
<td>4,308,441</td>
<td>22,557,116</td>
<td>26,865,557</td>
</tr>
<tr>
<td>2023</td>
<td>2,375,000</td>
<td>8,737,101</td>
<td>11,112,101</td>
</tr>
<tr>
<td>2024</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2025</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

$8,248,999 | $44,837,705 | $53,086,704 |

Credit Risk Assessment
Management considers the specific operational and performance metrics and liquidity positions of each MFI on a quarterly basis to assess the MFIs’ 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.
Note 6 – Loans Receivable (continued)

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SGB</td>
<td>MFI</td>
</tr>
<tr>
<td>Watch list</td>
<td>$2,750,000</td>
<td>$4,500,000</td>
</tr>
<tr>
<td>Impaired list</td>
<td>934,558</td>
<td>4,150,000</td>
</tr>
<tr>
<td>Remaining loans</td>
<td>4,564,441</td>
<td>36,187,705</td>
</tr>
<tr>
<td></td>
<td>$8,248,999</td>
<td>$44,837,705</td>
</tr>
</tbody>
</table>

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, 2020 and 2019, the Organization’s provision for estimated credit losses was $3,327,497 and $792,702, respectively. The provision for estimated credit losses was the result of impairments on outstanding loans receivable by three MFI’s and two SGB’s included on the watch and 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:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SGB</td>
<td>MFI</td>
</tr>
<tr>
<td>0 to 89 days past due</td>
<td>$7,314,441</td>
<td>$43,837,705</td>
</tr>
<tr>
<td>90 to 179 days past due</td>
<td>64,558</td>
<td>-</td>
</tr>
<tr>
<td>Greater than 180 days past due</td>
<td>870,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td></td>
<td>$8,248,999</td>
<td>$44,837,705</td>
</tr>
</tbody>
</table>
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. Amounts called in excess of the initial contribution limit would be funded by the Organization’s SGB loan loss reserve (Note 12) until the reserve is depleted.

During the year ended December 31, 2020, the Organization recognized credit losses on loans from three MFI’s 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, 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, 2020. 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 $145,212 was recognized during the year ended December 31, 2020. Calls are expected to be made on the guarantors which total the net guarantor receivable of $2,983,512.

During the year ended December 31, 2019, 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 $752,388 and $15,078, 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, 2020 and 2019 are fully collectible.
Note 8 – Notes Payable

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

<table>
<thead>
<tr>
<th>Notes Payable</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured notes payable to First Republic Bank, with annual interest rates</td>
<td>$ 5,775,000</td>
<td>$ 14,050,000</td>
</tr>
<tr>
<td>ranging from 4.00% to 4.86%, and guaranteed by individual guarantors.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly interest payments with semiannual principal payments. Maturity rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ranging through December 2022.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured notes payable to Calvert Social; Investment Foundation, Inc., with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>annual interest rates of 4.25%, with quarterly interest payments. The note</td>
<td></td>
<td></td>
</tr>
<tr>
<td>payable was paid in full during 2020.</td>
<td>-</td>
<td>1,450,000</td>
</tr>
<tr>
<td>Unsecured notes payable to United States International Development Finance</td>
<td>2,000,000</td>
<td>3,950,000</td>
</tr>
<tr>
<td>Corporation (formally Overseas Private Investment Corporation (OPIC)), with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>annual interest rates of 3.49% Quarterly interest payments and semi-annual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>principal payments. The note matures in December 2022.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured note payable to RSF Social Finance, with interest rates ranging</td>
<td>2,000,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>from 1.50% to 4.50%. Quarterly interest payments with semi-annual principal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>payments. A note payable renewed in March 2021 and matures in March 2022.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A second note of $1,000,000 was paid off during 2020.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured privately placed notes, with annual interest rates ranging from</td>
<td>31,975,000</td>
<td>22,250,000</td>
</tr>
<tr>
<td>1.75% to 3.50%. Annual interest payments with principal due upon maturity.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maturity dates ranging through July 2027.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured privately placed notes, with annual interest rates of 3.00%.</td>
<td>300,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Quarterly interest payments with principal due upon maturity. The loan was</td>
<td></td>
<td></td>
</tr>
<tr>
<td>paid off in January 2021.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured privately placed note, with annual interest rate of 4.65%. Monthly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>interest and principal payments. The note payable was paid in full during</td>
<td>-</td>
<td>233,333</td>
</tr>
<tr>
<td>2020.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noninterest bearing notes payable to individual guarantors including</td>
<td>3,500,000</td>
<td>3,500,000</td>
</tr>
<tr>
<td>foundations. Principal due upon maturity dates ranging through October 2022.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Note 8 – Notes Payable (continued)

Unsecured notes payable to Proparco Lending, with annual interest rates ranging from 5.59% to 5.86%. Semi-annual interest and principal payments. The note payable was paid in full during 2020.

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.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>payable to Proparco</td>
<td></td>
<td>8,000,000</td>
</tr>
<tr>
<td>Lending</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>50,550,000</td>
<td>62,233,333</td>
</tr>
<tr>
<td>Less unamortized</td>
<td></td>
<td></td>
</tr>
<tr>
<td>financing costs</td>
<td>(68,719)</td>
<td>(154,713)</td>
</tr>
<tr>
<td>Less present value</td>
<td>(213,249)</td>
<td>(332,640)</td>
</tr>
<tr>
<td>discount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable, net</td>
<td>$ 50,268,032</td>
<td>$ 61,745,980</td>
</tr>
</tbody>
</table>

Guarantors and private foundations have provided interest-free loans totaling $3,500,000 at both December 31, 2020 and 2019. The Organization recorded a loan discount using rates ranging from 3.0% to 4.0%. The loans are reported in the consolidated statements of financial position net of unamortized discount of $213,249 and $332,640 at December 31, 2020 and 2019, 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, 2020.

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

For the Years Ending December 31,

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$10,650,000</td>
</tr>
<tr>
<td>2022</td>
<td>16,125,000</td>
</tr>
<tr>
<td>2023</td>
<td>11,380,000</td>
</tr>
<tr>
<td>2024</td>
<td>7,400,000</td>
</tr>
<tr>
<td>2025</td>
<td>3,656,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,340,000</td>
</tr>
</tbody>
</table>

$50,550,000

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 10% and mature through November 2023. The participating share note payable had an outstanding balance of $2,034,471 and $475,000 as of December 31, 2020 and 2019, respectively.
Note 9 – Participating Share Notes Payable (continued)

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

<table>
<thead>
<tr>
<th>For the Years Ending December 31.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$ 820,853</td>
</tr>
<tr>
<td>2022</td>
<td>951,118</td>
</tr>
<tr>
<td>2023</td>
<td>262,500</td>
</tr>
<tr>
<td></td>
<td>$2,034,471</td>
</tr>
</tbody>
</table>

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, 2020, are as follows:

<table>
<thead>
<tr>
<th>Total Contributed Services</th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officer services provided pro bono</td>
<td>$129,988</td>
<td>$42,818</td>
<td>$12,890</td>
</tr>
<tr>
<td>Legal and professional services</td>
<td>59,988</td>
<td>7,499</td>
<td>7,499</td>
</tr>
<tr>
<td></td>
<td>$189,976</td>
<td>$50,317</td>
<td>$20,389</td>
</tr>
</tbody>
</table>
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, 2019, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total Contributed Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officer services provided pro bono</td>
<td>187,077</td>
<td>52,635</td>
<td>8,077</td>
<td>247,789</td>
</tr>
<tr>
<td>Legal and professional services</td>
<td>272,794</td>
<td>29,795</td>
<td>-</td>
<td>302,589</td>
</tr>
<tr>
<td></td>
<td><strong>459,871</strong></td>
<td><strong>82,430</strong></td>
<td><strong>8,077</strong></td>
<td><strong>550,378</strong></td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesignated and available for operations</td>
<td>$3,024,947</td>
<td>$2,097,024</td>
</tr>
<tr>
<td>Board designated funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating reserve</td>
<td>583,992</td>
<td>597,043</td>
</tr>
<tr>
<td>SGB loan loss reserve</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Interest income from Deutsche Bank MDF</td>
<td>10,466</td>
<td>-</td>
</tr>
<tr>
<td>Permanent Fund to Alleviate Extreme Poverty and Frontier Fund</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Total Without Donor Restrictions</td>
<td>$4,659,405</td>
<td>$3,734,067</td>
</tr>
</tbody>
</table>

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.
Note 13 – Net Assets with Donor Restrictions

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

<table>
<thead>
<tr>
<th>Fund</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kore Fund</td>
<td>$ 500,000</td>
<td>$ 500,000</td>
</tr>
<tr>
<td>Hunter Douglas Microfinance Sustainability Fund</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Permanent Fund to Alleviate Extreme Poverty</td>
<td>208,477</td>
<td>208,477</td>
</tr>
<tr>
<td>Frontier Fund</td>
<td>426,447</td>
<td>426,447</td>
</tr>
<tr>
<td>Guarantor reserves</td>
<td>58,835</td>
<td>60,020</td>
</tr>
<tr>
<td>Deutsche Bank MDF</td>
<td>3,427,139</td>
<td>-</td>
</tr>
<tr>
<td>Unamortized discount on long-term debt (Note 8)</td>
<td>213,250</td>
<td>332,640</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 5,334,148</strong></td>
<td><strong>$ 2,027,584</strong></td>
</tr>
</tbody>
</table>

**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.

**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.

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>designated cash and restricted cash</td>
<td>$ 8,099,728</td>
<td>$ 5,299,010</td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td>995,000</td>
<td>-</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>516,182</td>
<td>746,444</td>
</tr>
<tr>
<td>Loans receivable, net</td>
<td>49,759,207</td>
<td>61,520,062</td>
</tr>
<tr>
<td>Guarantor receivables (Note 7)</td>
<td>2,983,512</td>
<td>384,930</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>62,353,629</td>
<td>67,950,446</td>
</tr>
</tbody>
</table>

Loans receivables scheduled to be collected in more than one year

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(38,977,658)</td>
<td>(36,932,699)</td>
</tr>
</tbody>
</table>

Guarantor receivables scheduled to be collected in more than one year

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(336,319)</td>
<td>(94,930)</td>
</tr>
</tbody>
</table>

Donor-imposed restrictions

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kore Fund</td>
<td>(500,000)</td>
<td>(500,000)</td>
</tr>
<tr>
<td>Hunter Douglas Microfinance Sustainability Fund</td>
<td>(500,000)</td>
<td>(500,000)</td>
</tr>
<tr>
<td>Permanent Fund to Alleviate Extreme Poverty</td>
<td>(208,477)</td>
<td>(208,477)</td>
</tr>
<tr>
<td>Frontier Fund</td>
<td>(426,447)</td>
<td>(426,447)</td>
</tr>
<tr>
<td>Deutsche Bank MDF</td>
<td>(3,427,139)</td>
<td>-</td>
</tr>
</tbody>
</table>

Board designations

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGB loan loss reserve</td>
<td>(1,000,000)</td>
<td>(1,000,000)</td>
</tr>
<tr>
<td>Permanent Fund to Alleviate Extreme Poverty and Frontier Fund</td>
<td>(40,000)</td>
<td>(40,000)</td>
</tr>
<tr>
<td>Interest income from Deutsche Bank MDF</td>
<td>(10,466)</td>
<td>-</td>
</tr>
</tbody>
</table>

Financial assets available to meet cash needs for general expenditures within one year

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$16,927,123</td>
<td>$28,247,893</td>
</tr>
</tbody>
</table>
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 $583,992 and $597,043 at December 31, 2020 and 2019, 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 $30,103 and $25,673 for the years ended December 31, 2020 and 2019, 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 $4,959,471 and $4,000,000 as of both December 31, 2020 and 2019, respectively.

The Organization also received contributed services from the Organization’s board members and other related parties totaling $113,582 and $191,538 for the years ending December 31, 2020 and 2019, respectively.
MCE Social Capital and Subsidiary  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Award/Pass-Through Number</th>
<th>Loan and Guarantees</th>
<th>Expenditures</th>
<th>Total Federal</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Agency for International Development:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Portfolio Guarantee Agreement</td>
<td>98.U01</td>
<td>099-DCA-17-017</td>
<td>$ 1,231,250</td>
<td>$ 487,500</td>
<td>$ 1,718,750</td>
</tr>
<tr>
<td>Loan Guarantee Agreement</td>
<td>98.U02</td>
<td>521-DCA-15-041A</td>
<td>375,000</td>
<td>363,208</td>
<td>738,208</td>
</tr>
<tr>
<td><strong>Total United States Agency for International Development</strong></td>
<td></td>
<td></td>
<td><strong>1,606,250</strong></td>
<td><strong>850,708</strong></td>
<td><strong>2,456,958</strong></td>
</tr>
<tr>
<td><strong>Total Federal Expenditures</strong></td>
<td></td>
<td></td>
<td><strong>1,606,250</strong></td>
<td><strong>850,708</strong></td>
<td><strong>2,456,958</strong></td>
</tr>
</tbody>
</table>

See notes to schedule of expenditures of federal awards
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, 2020. 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 allowance 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 – Loans 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, 2020:

<table>
<thead>
<tr>
<th>Program Title</th>
<th>Award Identifying Number</th>
<th>CFDA Number</th>
<th>Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Portfolio Guarantee Agreement</td>
<td>98.U01</td>
<td>099-DCA-17-017</td>
<td>$ 1,643,750</td>
</tr>
<tr>
<td>Loan Guarantee Agreement</td>
<td>98.U02</td>
<td>521-DCA-15-041A</td>
<td>$ 738,208</td>
</tr>
</tbody>
</table>
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 (the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities without donor restrictions, changes in net assets, functional expenses and cash flow for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’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 the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of Organization’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 may exist that have not been identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization’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 the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albuquerque, New Mexico
April 27, 2021
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

We have audited MCE Social Capital and Subsidiary’s (the Organization) compliance with the types of compliance requirements described 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, 2020. 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.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, MCE Social Capital and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.
Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Albuquerque, New Mexico
April 27, 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:

<table>
<thead>
<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
<th>Type of Auditor’s Report Issued on Compliance for the Major Federal Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>98.U01</td>
<td>Loan Portfolio Guarantee Agreement</td>
<td>Unmodified</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? □ Yes ☑ No
Section II - Financial Statement Findings

No matters reported

Section III – Federal Aware Findings and Questioned Costs

No matters reported
[Annex A – Form of 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] [C] [X]

Principal Amount: $[principal amount].00 Issue Date: [issue date]

THIS PRIVATE GLOBAL ECONOMIC OPPORTUNITY NOTE, SERIES [A] [B] [C] [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 [1.75%] [2.25%] [2.75%] [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 22, 2021 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 thirty (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]
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,
ine 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 microfinance institutions ("MFI 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 MFI 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 MFI 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 MFI Loans and (B) the aggregate principal amount of SGB Loans, in each case then on the Balance Sheet; 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: ________________________________

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**RECORD OF REGISTERED HOLDERS**

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* Cross out preceding table. Attach additional pages if necessary.
[Annex B – Form of Subscription Agreement]
PRIVATE GLOBAL ECONOMIC OPPORTUNITY NOTE
SERIES [A] [B] [C] [X]

SUBSCRIPTION AGREEMENT

THIS PRIVATE GLOBAL ECONOMIC OPPORTUNITY NOTE, SERIES [A] [B] [C] [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 a Private Global Economic Opportunity Note, Series [A] [B] [C] [X] (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] [C] [X]” 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 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 22, 2021 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: 

*Specified Terms of the Note*

- Principal Amount: [principal amount]
- Issue Date: [issue date]
- Maturity Date: [maturity date]

*Wire Instructions for Payments Under the Note*

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

Beneficiary:  MCE Social Capital
Account number:  80000122367
Beneficiary address:  5758 Geary Blvd., #261
                     San Francisco, CA 94121
Bank name:  First Republic Bank
Bank address:  111 Pine St., San Francisco, CA 94111
ABA routing no.:  321081669
Swift code:  FRBBUS6S
[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);

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);

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
Form A

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 22, 2021 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.

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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:

<table>
<thead>
<tr>
<th>Name of Equity Owner</th>
<th>Category</th>
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Form B – Accredited Investor Representation Letter for Entities  
page 3
<table>
<thead>
<tr>
<th>Name of Equity Owner</th>
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(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 22, 2021 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.

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<th>Legal name of entity:</th>
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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:

________________________________________________________ (the “Prospective Investor”),
(type or print name of 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:

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☐ (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)


☐ 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.

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<th>(signature)</th>
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<td>cc:</td>
<td>(type or print name of Prospective Investor)</td>
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</tbody>
</table>
Private Global Economic Opportunity Notes
Series A, Series B, Series C & Series X

Offering Memorandum
Dated November 22, 2021