

BIZCAPITAL BIDCO II, L.L.C.
REPORTS REQUIRED BY
FLORIDA SINGLE AUDIT ACT

For the year ended December 31, 2013

BIZCAPITAL BIDCO II, L.L.C.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

To the Members of
BIZCAPITAL BIDCO II, L.L.C.:

Report on Compliance for Each Major State Project

We have audited the compliance of BIZCAPITAL BIDCO II, L.L.C. (the "Company") with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Company's major State projects for the year ended December 31, 2013. The Company's major State projects are 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 the requirements of laws, regulations, contracts, and grants applicable to its major State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's compliance 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 and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, 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 State project occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination on the Company's compliance with those requirements.

Opinion on Each Major State Project

In our opinion, the Company complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended, December 31, 2013.

Report on Internal Control Over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, 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 the Company'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 State project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or as combination of deficiencies, in internal control over compliance with the type of compliance requirement of a State project 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, as defined above. 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 results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Novogradac & Company LLP

Cleveland, Ohio
April 24, 2014



To the Members of
BIZCAPITAL BIDCO II, L.L.C.:

We have audited the financial statements of BIZCAPITAL BIDCO II, L.L.C. (the "Company"), as of and for the fiscal year ended December 31, 2013, and have issued our report thereon dated March 29, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. We have issued our Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance Required by Chapter 10.650, Rules of the Auditor General, and Schedule of Findings and Questioned Costs – State Projects. Disclosures in those reports and schedule, which are dated April 24, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter noncompliance with provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and the Company's management and is not intended to be and should not be used by anyone other than these specified parties.

Novogradac & Company LLP

Cleveland, Ohio
April 24, 2014

BIZCAPITAL BIDCO II, L.L.C.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS

Fiscal Year Ended December 31, 2013

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unqualified opinion on the Company’s basic financial statements.
2. No significant deficiencies in internal control were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Company were disclosed during the audit.
4. No significant deficiencies in internal control over a major State project were reported in the Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General.
5. The auditor’s report on compliance with requirements that could have a direct and material effect on each major State project for the Company expresses an unqualified opinion.
6. Our audit disclosed no findings required to be reported related to State projects required to be disclosed under Chapter 10.656, Rules of the Auditor General.

The projects tested as major projects included the following:

<u>State Project</u>	<u>State CSFA No.</u>	<u>Year</u>
Department of Economic Opportunity	40.020	2013

7. The threshold for distinguishing Type A and Type B projects was \$500,000 for major State projects.

B. FINDINGS – FINANCIAL STATEMENTS

There are no findings to the Company’s financial statements as of December 31, 2013.

BIZCAPITAL BIDCO II, L.L.C.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS (CONTINUED)

Fiscal Year Ended December 31, 2013

C. FINDINGS AND QUESTIONED COSTS –MAJOR STATE PROJECTS

There are no findings or questioned costs relating to the Florida Department of Economic Opportunity and their regulations over the state New Markets Development Program and the Department of Financial Services' State Projects Compliance Supplement.

D. OTHER ISSUES

The Supplemental Reports do not include the Summary Schedule of Prior Audit Findings because there were no prior audit findings related to State Projects and no Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

BIZCAPITAL BIDCO II, L.L.C.
SCHEDULE OF EXPENDITURES AND STATE FINANCIAL ASSISTANCE

Fiscal Year End December 31, 2013

<u>STATE AGENCY</u>	<u>State CSFA</u>	<u>Grant Number</u>	<u>Project Expenditures</u>
Department of Economic Opportunity			
<u>Direct Projects</u>			
Florida New Markets Development Program			
Qualified Low-Income Community Investment	40.020	N/A	<u>\$ 12,355,957</u>
			<u>\$ 12,355,957</u>

Pursuant to the State of Florida New Markets Tax Credit statute (the "Florida Statute"), the Company applied for and received the authority to issue up to \$12,400,000 in Florida qualified equity investments ("Florida QEIs") in 2009. Under the Florida Statute, the Company's Members will be allowed to claim Florida new markets tax credits ("Florida NMTCs") over seven periods spanning six years and one day for any equity investment made by such Member that is designated as a Florida QEI within the meaning of the Florida Statute and has at least 85% of its cash purchase price used by the issuer to make qualified low-income community investments ("Florida QLICs"). Pursuant to the Company's approval from the State of Florida on November 23, 2009, to issue up to \$12,400,000 of Florida QEIs, the Company designated the capital contributions received by the Preferred Unit Holder in the amount of \$12,400,000 as Florida QEIs. During 2010, the Company made loans to Advanced Footcare, Tropical Imports, Litmark and Harvill's Produce in the amount of \$12,152,700 that are intended to qualify as Florida QLICs. Since 2010, the Company received principal payments on certain loans and redeployed the required amounts to make additional Florida QLICs within 12 months of receipt. As of December 31, 2013, \$12,355,957 constitutes Florida QLICs.

BIZCAPITAL BIDCO II, L.L.C.

Financial Statements

December 31, 2013 and 2012

with Report of Independent Auditors

BIZCAPITAL BIDCO II, L.L.C.

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December 31, 2013 and 2012

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Report of Independent Auditors

To the Members of
BIZCAPITAL BIDCO II, L.L.C.:

Report on the Financial Statements

We have audited the accompanying financial statements of BIZCAPITAL BIDCO II, L.L.C., a Louisiana limited liability company, which comprise the statement of assets, liabilities and members' capital, including the schedule of investments, as of December 31, 2013, and the related statements of operations, changes in members' capital 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BIZCAPITAL BIDCO II, L.L.C., a Louisiana limited liability company, as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of BIZCAPITAL BIDCO II, L.L.C. as of December 31, 2012 were audited by other auditors whose report dated March 15, 2013, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Detailed Statement of Changes in Members' Capital is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Emphasis-of-matter

As discussed in Note 2, the Company's financial statements include certain nonmarketable investments valued at \$1,096,792 at December 31, 2013, whose values have been estimated by the Board of Directors in the absence of readily ascertainable market values. We have reviewed the procedures employed by the Board of Directors and have inspected underlying documentation, and, in the circumstances, we believe the procedures are reasonable and the documentation appropriate. However, because of the uncertainty inherent in any valuation, the estimated values may differ from the values that would have been used had a ready market for the securities existed, and the difference (increasing or decreasing the values assigned) could be material. Our opinion is not modified with respect to that matter.

Novogradac & Company LLP

Cleveland, Ohio
March 29, 2014

BIZCAPITAL BIDCO II, L.L.C.
Statements of Assets, Liabilities and Members' Capital
December 31, 2013 and 2012

	2013	2012
Assets		
Investments in other businesses, at estimated fair value (cost of \$732,835 and \$750,775, respectively)	\$ 796,782	\$ 1,017,982
Investments in other businesses, less allowance for loan losses of \$137,272 and \$162,163, respectively	206,866	326,362
Investments in qualified low-income community businesses, less allowance for loan losses of \$11,358,337 and \$10,525,072, respectively	107,078,573	114,403,037
Investments in community development entities and related investment funds	300,010	300,010
Cash and cash equivalents	18,143,909	15,301,164
Accounts receivable	11,184	100,000
Foreclosure cost reimbursement	348,289	168,582
Accrued interest receivable	1,020,488	1,339,749
Notes receivable	4,837,446	4,500,000
Deferred loan costs, net of accumulated amortization of \$154,883 and \$116,377 respectively	517,498	552,338
Total assets	<u>\$ 133,261,045</u>	<u>\$ 138,009,224</u>
Liabilities and Members' Capital		
Accounts payable	\$ 41,310	\$ 51,162
Escrowed funds	39,609	140,375
Due to related parties	510,061	294,163
Total liabilities	590,980	485,700
Members' capital	132,670,065	137,523,524
Total liabilities and members' capital	<u>\$ 133,261,045</u>	<u>\$ 138,009,224</u>

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

BIZCAPITAL BIDCO II, L.L.C.
Schedule of Investments
December 31, 2013

	Number of Shares	Principal or Basis	Estimated Fair Value
Other businesses, at estimated fair value			
Nonmarketable investments ⁽¹⁾			
Real Estate			
Advantage Capital Historic Assets, L.L.C. ⁽²⁾ - Membership Interest, 4.21%	N/A	\$ -	\$ 7,344
Technology			
Selltis, L.L.C. - Class B Participating Units	938,407	703,246	757,564
Selltis, L.L.C. - Class B Participating Preferred Units	39,483	29,589	31,874
		<u>732,835</u>	<u>789,438</u>
		<u>\$ 732,835</u>	<u>\$ 796,782</u>
Investments in community development entities and related investment funds			
Nonmarketable investments ⁽¹⁾			
Advantage Capital Community Development Fund XIV, L.L.C. ⁽²⁾ - Common Units	10	\$ 300,010	\$ 300,010

⁽¹⁾ The headquarters of the above investments are in the United States.

⁽²⁾ This entity is affiliated with the general partner.

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

BIZCAPITAL BIDCO II, L.L.C.
Schedule of Investments
December 31, 2013

	Interest Rate	Maturity Date	Outstanding Balance
Other businesses			
Small business loans			
Bayou Country, Inc.	3.25%	12/17/13	\$ 37,292
Blue Alligator Designs, L.L.C.	5.50%	06/15/14	9,121
Cameron Properties, L.L.C.	6.00%	02/21/26	36,969
City Street Solutions, Inc.	6.00%	09/01/13	6,343
Clean Rite Technologies, Inc.	6.00%	11/09/26	33,921
L&M Traffic, Inc.	11.00%	02/16/29	18,868
QPL, Inc.	4.75%	04/25/21	170,998
The Safety Training Center and Consulting Services, Inc.	6.00%	05/03/20	19,700
Serra, L.L.C.	6.00%	10/15/13	3,543
Taylor Restorations, L.L.C.	6.00%	02/28/13	7,383
Allowance for loan loss			(137,272)
			<u>\$ 206,866</u>

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

BIZCAPITAL BIDCO II, L.L.C.
Schedule of Investments
December 31, 2013

	Interest Rate	Maturity Date	Outstanding Balance
Qualified low-income community businesses			
Small business loans			
1031 Lynch Street Properties, L.L.C.	5.00%	06/26/28	\$ 656,346
ABCs of Learning and Growing, Inc.	5.42%	03/30/37	560,961
Advanced Footcare, Inc.	6.50%	11/01/20	868,271
Anderson Retail, Inc.	5.17%	03/14/33	2,481,479
Apparel Unlimited, Inc.	4.02%	09/29/32	720,436
Ardoin Holding Group, L.L.C.	4.67%	10/05/28	541,026
Ashi Hotels, L.L.C.	4.78%	03/24/36	208,085
Austin A. Layne Mortuary, Inc.	3.02%	12/02/35	2,509,465
Bayou Country, Inc.	0.00%	12/23/37	2,366,330
Belladoggie, Inc.	4.68%	07/09/30	1,558,589
Belladoggie, Inc.	5.17%	11/01/15	525,514
Belladoggie, Inc.	5.27%	06/01/13	335,000
Bennett & Sons Machine and Supply Company, Inc.	5.00%	04/29/17	135,618
Bud Electronic Supply Co.	4.92%	08/18/20	596,640
Capturion Network, L.L.C.	4.67%	09/18/16	965,432
Cattlemen's Custom Meats, Inc.	4.02%	08/20/35	1,917,809
Civil Design, Inc.	6.00%	10/12/22	79,518
Civil Design, Inc.	3.25%	10/12/22	240,896
CMC-Missouri, L.L.C.	3.18%	06/30/12	247,247
CMC-Missouri, L.L.C.	3.18%	06/30/12	148,361
CMC-Missouri, L.L.C.	17.00%	06/30/12	150,111
Conn Education, Inc.	3.48%	12/20/23	504,000
Crake Industries, Inc.	5.17%	12/07/24	823,957
DBGoldenberg Enterprises, L.L.C.	4.75%	02/22/35	60,708
Educationem Consulendis Enterprises, Inc.	4.02%	08/16/33	308,081
Educationem Consulendis Enterprises, Inc.	1.00%	08/16/14	39,919
First Look Wholesale Lab, Inc.	6.01%	11/18/25	1,765,499

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

BIZCAPITAL BIDCO II, L.L.C.
Schedule of Investments
December 31, 2013

	Interest Rate	Maturity Date	Outstanding Balance
Qualified low-income community businesses			
Small business loans, cont.			
Game Equipment, L.L.C.	3.75%	07/01/28	\$ 2,045,016
Game Equipment, L.L.C.	3.67%	12/01/21	872,713
Gateway Technology Solutions, L.L.C.	3.92%	06/02/20	1,192,570
GFA Decorative Trade Services, Inc.	5.00%	02/28/14	2,637,660
GFA Decorative Trade Services, Inc.	5.00%	02/28/14	790,390
Golden Chair, Inc.	4.93%	12/14/25	1,283,637
Green Wizard Tire Recyclers, L.L.C.	13.00%	11/27/15	110,000
Kennedy & Crause, Inc.	4.02%	11/30/35	2,590,643
Harvill's Produce Company, Inc.	3.92%	12/07/35	4,142,056
Inscerco Manufacturing, Inc.	4.02%	12/17/25	1,434,199
Inscerco Manufacturing, Inc.	4.92%	12/17/30	601,970
International Cruise Food and Hotel Suppliers, Inc.	4.02%	03/28/22	2,216,387
J.M.K., Inc.	4.02%	12/22/35	1,271,233
Klein Investments, L.L.C.	4.25%	05/12/32	408,827
Klein Investments, L.L.C.	4.25%	11/21/19	181,046
Lake Montessori by Weston, Inc.	4.67%	06/21/36	1,783,316
The Lead Group, L.L.C.	2.88%	12/31/13	33,184
The Lead Group, L.L.C.	5.27%	01/13/37	2,311,211
Litmark, Inc.	4.02%	10/27/25	351,532
Litmark, Inc.	4.02%	10/01/35	752,257
Louisiana Elastomer, L.L.C.	5.27%	05/11/21	1,829,435
Louisiana Elastomer, L.L.C.	10.00%	05/31/14	1,457,876
Louisiana Elastomer, L.L.C.	5.00%	03/20/25	6,379,172
MidAmerica Brick & Structural Clay Products, L.L.C.	5.03%	05/22/22	1,255,538
Mississippi Laundry Services, L.L.C.	1.00%	06/18/14	51,438
Mississippi Laundry Services, L.L.C.	4.02%	12/18/31	916,562
MJM Properties, L.L.C.	3.02%	10/18/35	1,688,389

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

BIZCAPITAL BIDCO II, L.L.C.
Schedule of Investments
December 31, 2013

	Interest Rate	Maturity Date	Outstanding Balance
Qualified low-income community businesses			
Small business loans, cont.			
Moran Printing, Inc.	4.10%	11/03/35	\$ 1,870,188
Moran Printing, Inc.	4.02%	11/19/20	2,309,008
Morehouse Parish Hospital	7.50%	09/26/37	1,503,585
Native American Maintenance Services, Inc.	5.00%	04/29/17	313,983
New Age Steel, L.L.C.	5.02%	01/27/29	852,796
North Cypress Fitness Studio, L.L.C.	3.67%	06/14/18	2,634,000
North Cypress Fitness Studio, L.L.C.	1.00%	07/02/14	2,328,877
North Cypress Fitness Studio, L.L.C.	5.17%	07/02/33	721,123
Odom Industries, Inc.	5.02%	12/27/29	473,385
Old South Brick & Supply Co.	4.75%	10/01/29	1,436,033
Omni Commercial Properties, L.L.C.	4.25%	12/15/22	1,603,621
Oswalt Bioenergy Company, L.L.C.	3.25%	12/18/22	3,057,987
Parish Truck Sales, Inc.	3.25%	11/08/36	2,405,536
Parish Truck Sales, Inc.	1.00%	07/11/14	1,225,000
PCSE OPCO, L.L.C.	6.00%	10/26/19	1,250,000
PCSE OPCO, L.L.C.	4.50%	10/01/23	747,600
PCSE OPCO, L.L.C.	4.50%	10/01/23	296,548
PCSE OPCO, L.L.C.	4.50%	10/01/23	249,200
PCSE OPCO, L.L.C.	4.50%	10/01/23	249,200
PCSE OPCO, L.L.C.	4.50%	10/01/23	249,200
PCSE OPCO, L.L.C.	4.50%	10/01/23	249,200
PCSE OPCO, L.L.C.	4.50%	10/01/23	249,200
PCSE OPCO, L.L.C.	4.50%	10/01/23	201,852
Pearl River Glass Studio, Inc.	4.17%	07/23/32	963,883
Producers' Choice Soy Energy, L.L.C.	9.00%	07/10/15	756,342
RJB Properties, L.L.C.	4.25%	07/29/31	650,286
S&N Airoflo, Inc.	4.02%	09/15/25	1,401,976

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

BIZCAPITAL BIDCO II, L.L.C.
Schedule of Investments
December 31, 2013

	Interest Rate	Maturity Date	Outstanding Balance
Qualified low-income community businesses			
Small business loans, cont.			
Sanderson Plumbing Products, Inc.	5.17%	06/20/22	\$ 1,887,967
Sandip, L.L.C.	4.02%	12/30/35	1,139,730
SMI Companies, Inc.	3.50%	05/01/27	5,739,098
Solaplast, L.L.C.	5.00%	01/26/14	512,462
Solaplast, L.L.C.	5.00%	01/26/14	358,724
Steel Rebar Manufacturing, L.L.C.	1.00%	12/18/14	765,000
Summers Holdings, L.L.C.	3.02%	04/15/21	586,703
Sun-Pine Corporation, Ltd.	4.47%	08/30/27	3,335,493
Sunset Cleaners & Laundry, L.L.C.	5.27%	02/28/31	1,079,153
Tams of Kenner, Inc.	6.82%	12/01/34	3,009,938
Thiel Tool & Engineering Company, Inc.	5.92%	11/06/20	1,199,854
Thiel Tool & Engineering Company, Inc.	4.02%	03/31/36	1,511,660
United States Dinnerware, Inc.	5.17%	03/28/31	1,669,956
United States Dinnerware, Inc.	5.17%	01/12/20	399,860
USA Technologies, Inc.	3.92%	05/27/20	620,932
USA Technologies, Inc.	4.02%	03/09/22	510,872
Venture, Inc.	6.50%	12/30/16	777,882
Venture, Inc.	3.67%	12/30/21	1,178,462
Allowance for loan loss			(11,358,337)
			<u>\$ 107,078,573</u>

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

BIZCAPITAL BIDCO II, L.L.C.
Schedule of Investments
December 31, 2012

	Number of Shares	Basis	Estimated Fair Value
Other businesses, at estimated fair value			
Nonmarketable investments ⁽¹⁾			
Real Estate			
Advantage Capital Historic Assets, L.L.C. ⁽²⁾ - Membership Interest, 4.21%	N/A	\$ 17,940	\$ 169,367
Technology			
Selltis, L.L.C. ⁽³⁾ - Class B Participating Units	938,407	703,246	814,351
Selltis, L.L.C. ⁽³⁾ - Class B Participating Preferred Units	39,483	29,589	34,264
		<u>732,835</u>	<u>848,615</u>
		<u>\$ 750,775</u>	<u>\$ 1,017,982</u>
Investments in community development entities and related investment funds			
Nonmarketable investments ⁽¹⁾			
Advantage Capital Community Development Fund XIV, L.L.C. ⁽²⁾ - Common Units	10	\$ 300,010	\$ 300,010

⁽¹⁾ The headquarters of the above investments are in the United States.

⁽²⁾ This entity is affiliated with the Company.

⁽³⁾ Members of the Company's affiliates currently serve on the Board of Directors of this entity.

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

BIZCAPITAL BIDCO II, L.L.C.
Schedule of Investments
December 31, 2012

	Interest Rate	Maturity Date	Outstanding Balance
Other businesses			
Small business loans			
Bayou Country, Inc.	3.25%	12/17/13	\$ 37,292
Blue Alligator Designs, L.L.C.	5.50%	06/15/14	20,333
The Cao Family, Inc.	11.00%	02/20/17	29,063
Cameron Properties, L.L.C.	6.00%	02/21/26	43,125
City Street Solutions, Inc.	6.00%	09/01/13	6,342
Clean Rite Technologies, Inc.	6.00%	11/09/26	35,608
Confederate Motor Company, Inc.	6.00%	08/12/13	927
L&M Traffic, Inc.	11.00%	02/18/14	5,632
L&M Traffic, Inc.	11.00%	02/16/29	21,645
Master Kevin, Inc.	8.50%	02/02/12	22,897
QPL, Inc.	4.75%	04/25/21	170,998
The Safety Training Center and Consulting Services, Inc.	6.00%	05/03/20	22,101
Scandinavia, Inc.	5.00%	01/15/14	61,636
Serra, L.L.C.	6.00%	10/15/13	3,543
Taylor Restorations, L.L.C.	6.00%	02/28/13	7,383
Allowance for loan loss			(162,163)
			<u>\$ 326,362</u>

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

BIZCAPITAL BIDCO II, L.L.C.
Schedule of Investments
December 31, 2012

	Interest Rate	Maturity Date	Outstanding Balance
Qualified low-income community businesses			
Small business loans			
1031 Lynch Street Properties, L.L.C.	5.00%	06/26/28	\$ 656,346
1552 South 7th, L.L.C. / Civil Design, Inc.	6.00%	10/12/22	81,000
1552 South 7th, L.L.C. / Civil Design, Inc.	3.25%	10/12/22	247,000
ABCs of Learning and Growing, Inc.	5.47%	03/30/37	573,150
Advanced Footcare, Inc.	6.50%	11/01/20	885,055
Advantage Aero, Inc.	5.00%	04/04/14	257,490
Advantage Aero, Inc.	5.22%	09/01/16	760,192
Alta Max, L.L.C.	5.91%	04/28/33	1,773,338
Apparel Unlimited, Inc.	4.07%	09/29/32	746,046
American Truss, L.L.C.	5.21%	01/13/18	160,800
American Truss, L.L.C.	4.75%	03/31/29	123,839
American Truss, L.L.C.	4.75%	03/31/29	365,561
Ardoin Holding Group, L.L.C.	4.72%	10/05/28	553,147
Ashi Hotels, L.L.C.	4.81%	03/24/36	213,320
Austin A. Layne Mortuary, Inc.	3.07%	12/02/35	2,587,318
Bayou Country, Inc.	6.19%	12/23/37	2,406,853
Belladoggie, Inc.	4.71%	07/09/30	1,558,589
Belladoggie, Inc.	5.22%	11/01/15	525,514
Belladoggie, Inc.	5.32%	06/01/13	335,000
Bennett & Sons Machine and Supply Company, Inc.	5.00%	04/29/17	187,983
Bud Electronic Supply Co.	4.97%	08/18/20	670,903
Capturion Network, L.L.C.	4.72%	09/18/16	1,330,195
Cattlemen's Custom Meats, Inc.	4.07%	08/20/35	1,989,403
CMC-Missouri, L.L.C.	3.21%	06/30/12	247,247
CMC-Missouri, L.L.C.	3.21%	06/30/12	148,360
CMC-Missouri, L.L.C.	17.00%	06/30/12	150,111
Crake Industries, Inc.	5.22%	12/07/24	876,890

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

BIZCAPITAL BIDCO II, L.L.C.
Schedule of Investments
December 31, 2012

	Interest Rate	Maturity Date	Outstanding Balance
Qualified low-income community businesses			
Small business loans, cont.			
DBGoldenberg Enterprises, L.L.C.	4.75%	02/22/35	\$ 62,387
The Donor Tree, L.L.C.	4.07%	09/28/18	359,060
First Look Wholesale Lab, Inc.	6.01%	11/18/25	1,863,987
Game Equipment, L.L.C.	3.75%	07/01/28	2,148,691
Game Equipment, L.L.C.	3.72%	12/01/21	783,896
Gateway Technology Solutions, L.L.C.	3.97%	06/02/20	1,351,203
GFA Decorative Trade Services, Inc.	9.00%	12/13/12	2,671,784
GFA Decorative Trade Services, Inc.	9.00%	12/13/12	791,640
Golden Chair, Inc.	4.96%	12/14/25	1,361,030
Kennedy & Crause, Inc.	4.07%	11/30/35	2,664,334
Harvill's Produce Company, Inc.	4.85%	12/07/35	4,275,000
Hogan's Grocery, L.L.C.	6.75%	08/21/16	50,717
Hogan's Grocery, L.L.C.	6.75%	08/21/31	40,868
Inscerco Manufacturing, Inc.	4.07%	12/17/25	1,525,352
Inscerco Manufacturing, Inc.	4.97%	12/17/30	622,895
International Cruise Food and Hotel Suppliers, Inc.	4.07%	03/28/22	2,439,698
J.M.K., Inc.	4.07%	12/22/35	1,307,040
Klein Investments, L.L.C.	4.25%	05/12/32	423,471
Klein Investments, L.L.C.	4.25%	11/21/19	220,730
Lake Montessori by Weston, Inc.	4.72%	06/21/36	1,803,613
The Lead Group, L.L.C.	2.88%	12/31/13	49,284
The Lead Group, L.L.C.	5.32%	01/13/37	2,311,211
Litmark, Inc.	4.07%	10/27/25	366,025
Litmark, Inc.	4.07%	10/01/35	765,206
Louisiana Elastomer, L.L.C.	5.32%	05/11/21	1,829,435
Louisiana Elastomer, L.L.C.	10.00%	05/31/13	1,277,282
Louisiana Elastomer, L.L.C.	5.00%	03/20/25	6,390,986

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

BIZCAPITAL BIDCO II, L.L.C.
Schedule of Investments
December 31, 2012

	Interest Rate	Maturity Date	Outstanding Balance
Qualified low-income community businesses			
Small business loans, cont.			
MidAmerica Brick & Structural Clay Products, L.L.C.	5.06%	05/22/22	\$ 1,784,450
Mississippi Laundry Services, L.L.C	1.00%	12/18/13	682,162
Mississippi Laundry Services, L.L.C	4.09%	12/18/31	285,838
MJM Properties, L.L.C.	3.07%	10/18/35	1,742,816
Moran Printing, Inc.	4.11%	11/03/35	1,922,909
Moran Printing, Inc.	4.07%	11/19/20	2,594,228
Morehouse Parish Hospital	7.50%	09/26/37	1,523,256
Morvant's Surgical Garments, Inc.	5.00%	12/31/20	189,590
Native American Maintenance Services, Inc.	5.00%	04/29/17	396,129
New Age Steel, L.L.C.	5.07%	01/27/29	1,171,900
North Cypress Fitness Studio, L.L.C.	3.72%	06/14/18	2,466,313
Odom Industries, Inc.	5.07%	12/27/29	492,416
Old South Brick & Supply Co.	4.75%	10/01/29	1,495,690
Omni Commercial Properties, L.L.C	4.25%	12/15/22	1,612,955
Oswalt Bioenergy Company, L.L.C.	3.25%	12/18/22	3,318,336
Parish Truck Sales, Inc.	3.25%	11/08/36	2,475,521
PCSE OPCO, L.L.C.	6.00%	10/26/19	1,250,000
PCSE OPCO, L.L.C.	7.25%	10/01/23	747,600
PCSE OPCO, L.L.C.	7.25%	10/01/23	296,548
PCSE OPCO, L.L.C.	7.25%	10/01/23	249,200
PCSE OPCO, L.L.C.	7.25%	10/01/23	249,200
PCSE OPCO, L.L.C.	7.25%	10/01/23	249,200
PCSE OPCO, L.L.C.	7.25%	10/01/23	249,200
PCSE OPCO, L.L.C.	7.25%	10/01/23	249,200
PCSE OPCO, L.L.C.	7.25%	10/01/23	201,852
Peachtree Columbus II, L.L.C.	4.72%	04/01/37	4,821,488
Pearl River Glass Studio, Inc.	1.00%	06/12/13	561,087
Pearl River Glass Studio, Inc.	4.22%	07/23/32	414,649
RJB Properties, L.L.C.	4.25%	07/29/31	674,461

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

BIZCAPITAL BIDCO II, L.L.C.
Schedule of Investments
December 31, 2012

	Interest Rate	Maturity Date	Outstanding Balance
Qualified low-income community businesses			
Small business loans, cont.			
Roberts Orpheum Theatre, L.L.C.	1.82%	06/01/12	\$ 1,799,373
S&N Airoflo, Inc.	4.07%	09/15/25	1,494,338
Sanderson Plumbing Products, Inc.	5.22%	06/20/22	2,000,000
Sandip, L.L.C.	4.07%	12/30/35	1,171,970
SMI Companies, Inc.	3.61%	05/01/27	6,467,394
Summers Holdings, L.L.C.	3.07%	04/15/21	613,194
Sun-Pine Corporation, Ltd.	4.52%	08/30/27	3,100,000
Sunset Cleaners & Laundry, L.L.C.	5.32%	02/28/31	1,099,285
Tams of Kenner, Inc.	6.82%	12/01/34	3,074,075
Thiel Tool & Engineering Company, Inc.	5.97%	11/06/20	1,337,640
Thiel Tool & Engineering Company, Inc.	4.07%	03/31/36	1,553,712
United States Dinnerware, Inc.	5.22%	03/28/31	1,729,779
United States Dinnerware, Inc.	5.22%	01/12/20	455,167
USA Technologies, Inc.	3.97%	05/27/20	704,863
USA Technologies, Inc.	4.07%	03/09/22	560,299
Venture, Inc.	6.50%	12/30/16	814,567
Venture, Inc.	3.72%	12/30/21	1,303,637
Xiolink, L.L.C.	3.25%	01/01/18	1,113,146
Allowance for loan loss			<u>(10,525,072)</u>
			<u>\$ 114,403,037</u>

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

BIZCAPITAL BIDCO II, L.L.C.
Statements of Operations
Years Ended December 31, 2013 and 2012

	2013	2012
Investment income		
Interest	\$ 4,791,817	\$ 5,668,451
Fee and other income	332,328	119,489
	<u>5,124,145</u>	<u>5,787,940</u>
Expenses		
Amortization of deferred costs	38,506	41,035
Loan foreclosure costs	38,632	317,652
Professional fees	37,899	114,362
Provision for loan loss reserves	3,047,518	1,917,913
Other	465,833	497,590
	<u>3,628,388</u>	<u>2,888,552</u>
Total expenses	<u>3,628,388</u>	<u>2,888,552</u>
Net investment income	<u>1,495,757</u>	<u>2,899,388</u>
Realized and unrealized loss on investments		
Net realized loss on investments	(154,134)	-
Change in unrealized depreciation of investments	(59,184)	(911,101)
	<u>(213,318)</u>	<u>(911,101)</u>
Net loss on investments	<u>(213,318)</u>	<u>(911,101)</u>
Net increase in members' capital resulting from operations	<u>\$ 1,282,439</u>	<u>\$ 1,988,287</u>

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

BIZCAPITAL BIDCO II, L.L.C.
Statements of Changes in Members' Capital
Years Ended December 31, 2013 and 2012

	Junior Preferred Members	Series QEI Series I Preferred Members	Total
Balance as of January 1, 2012	\$ 11,724,067	\$ 129,547,129	\$ 141,271,196
Members' contributions	300,000	-	300,000
Members' distributions	(1,805,959)	-	(1,805,959)
QEI members' distributions	-	(4,230,000)	(4,230,000)
Net investment income	111,191	2,788,197	2,899,388
Change in unrealized depreciation of investments	(911,100)	-	(911,100)
Balance as of December 31, 2012	9,418,199	128,105,326	137,523,525
Members' distributions	(1,999,899)	-	(1,999,899)
QEI members' distributions	-	(4,136,000)	(4,136,000)
Net investment income	52,091	1,443,666	1,495,757
Net realized loss on investments	5,703	(159,837)	(154,134)
Change in unrealized depreciation of investments	(59,184)	-	(59,184)
Balance as of December 31, 2013	\$ 7,416,910	\$ 125,253,155	\$ 132,670,065

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

BIZCAPITAL BIDCO II, L.L.C.
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Net increase in members' capital resulting from operations	\$ 1,282,439	\$ 1,988,287
Adjustments to reconcile net increase in members' capital resulting from operations to net cash provided by operating activities		
Net realized loss on investments	154,134	-
Net unrealized depreciation of investments	59,184	911,101
Provision for loan loss	3,047,518	1,917,913
Amortization of deferred costs	38,506	41,035
Purchases of investments in community development entities and related investment funds	-	(300,000)
Proceeds from sale of commercial real estate	113,164	-
Principal payments received on loans made to other businesses	117,908	632,589
Issuance of loans to qualified low-income community businesses	(12,072,017)	(18,409,457)
Principal payments received on loans made to qualified low-income community businesses	16,717,864	16,560,193
Cash received from affiliate distributions	167,720	104,951
Payment of loan costs	(3,666)	(86,119)
Escrowed funds	(100,766)	78,079
Changes in accounts affecting operations		
Accounts receivable	(11,184)	(76,677)
Foreclosure cost reimbursement	(179,707)	351,510
Notes receivable	(337,446)	-
Accrued interest receivable	(221,053)	(457,767)
Accounts payable	(9,852)	8,106
Due to related parties	215,898	(1,637,536)
Net cash provided by operating activities	<u>8,978,644</u>	<u>1,626,208</u>
Cash flows from financing activities		
Members' contributions	-	300,000
Members' distributions	(6,135,899)	(6,035,959)
Net cash used in financing activities	<u>(6,135,899)</u>	<u>(5,735,959)</u>
Net increase (decrease) in cash and cash equivalents	2,842,745	(4,109,751)
Cash and cash equivalents		
Beginning of year	<u>15,301,164</u>	<u>19,410,915</u>
End of year	<u>\$ 18,143,909</u>	<u>\$ 15,301,164</u>
Supplemental disclosure of noncash operating activities		
Exchange of interest receivable for investment in qualified low-income community businesses	\$ 188,681	\$ 107,917
Write off of investments in other businesses	\$ 26,481	\$ 499,125
Write off of interest receivable for investment in qualified low-income community businesses	\$ 335,397	\$ 16,169
Write off of interest receivable for investment in other businesses	\$ 16,236	\$ -
Write off of investments in qualified low-income community businesses	\$ 1,761,033	\$ 1,868,274
Write off of escrow receivable for investments in qualified low-income community businesses	\$ 100,000	\$ -

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

BIZCAPITAL BIDCO II, L.L.C.

Notes to Financial Statements

Years Ended December 31, 2013 and 2012

1. Organization

BIZCAPITAL BIDCO II, L.L.C. (the "Company") was organized as a Louisiana Limited Liability Company and registered with the Secretary of State on December 17, 2004. On June 30, 2005, the Company merged with BIZCAPITAL BIDCO II, Inc. (the "Corporation"), which was originally formed as a Louisiana corporation on January 12, 1994 and registered with the Secretary of State on January 14, 1994. The Corporation had been licensed as a "Business and Industrial Development Corporation" ("BIDCO") under Louisiana Revised Statutes Title 51, Chapter 39-A, Section 2386 through 2396. On October 11, 2005, the Louisiana Office of Financial Institutions approved the transfer of the Certificate of Authority as a BIDCO under Louisiana Revised Statutes Title 51, Chapter 39-A, Section 2386 through 2396 by operation of the merger to the Company, effective June 30, 2005. On January 27, 2005, the Company received notice of its certification as a Community Development Entity ("CDE") from the Community Development Financial Institutions Fund of the United States Department of Treasury. The Company is partly owned by Advantage Capital Partners IX, Limited Partnership (the "Parent").

The Company, as a BIDCO, is a financial advisor, investor and lender to small-to-medium size businesses through participation in the United States Small Business Administration ("SBA") guaranteed loan program.

The Company, as a CDE, intends to make capital or equity investments in, or loans to, qualified active low-income community businesses (as defined in Internal Revenue Code Section 45D) and to provide financial counseling and other services to low-income communities and low-income persons by advising as to the organization or operation of trades and businesses.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Investment Income and Expense Recognition

Investment income and operating expenses are recognized on an accrual basis.

Cash Equivalents

Cash equivalents are comprised of highly liquid money market funds or securities with original maturity dates of less than three months. Cash in banks may at times exceed federally insured limits.

Deferred Loan Costs

Deferred loan costs are being amortized using the effective interest method over the respective terms of the underlying loans.

Loan Fees and Commissions

Loan servicing fees are recognized as income at the time cash is received. Commissions received for placing small business loans with permanent investors are recognized as income when the commitment from the permanent investor has been accepted by the borrower, or the Company has no remaining significant obligations for performance.

BIZCAPITAL BIDCO II, L.L.C.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012

Investments

The Company is limited to making investments in the following:

- **Marketable Securities**
 - Interest earned on marketable securities is accrued on a monthly basis. Accordingly, a receivable is recorded for any accrued but unpaid interest as of the last day of any calendar month.
 - Marketable securities are valued by the street counterparties (banks/brokers) serving as liquidity providers supported by a letter of credit or liquidity support agreement, as quoted market prices are unobservable. These investments are primarily comprised of municipal bonds and municipal auction rate securities.
- **Other Qualified Businesses**
 - Investments in businesses are considered to be nonmarketable investments until the time they are registered for public sale. Factors considered in evaluating individual investments include the purchase cost, prices of recent significant private placements of investments of the same issuer, changes in the financial condition and prospects of the issuer, and estimates of liquidation value. The cost basis is determined by specific identification. Investments in other businesses, in the amounts of \$796,782 and \$1,017,982 at December 31, 2013 and 2012, respectively, are carried at estimated fair value as determined by the Company's Board of Directors. Because of the inherent uncertainty of valuation of nonmarketable investments, those estimated values may differ significantly from values that would have been used had a ready market for the investments existed, and the differences could be material.
 - The Company's investments in other businesses include small business loans that are stated at the principal amounts outstanding, less the allowance for loan losses. Small business loans are considered to be impaired when, in management's opinion, it is probable that all amounts due in accordance with the contractual terms will not be collected. The allowance for loan losses is maintained to provide for probable credit losses related to specifically-identified loans and for losses inherent in the loan portfolio that have been incurred as of the balance sheet date. The allowance for loan losses is based on management's estimate of probable credit losses inherent in the investment portfolio; actual credit losses may vary from the current estimate.
 - Investments in other businesses are valued based on available information utilizing both quantitative and qualitative factors. Quantitative criteria include values calculated from recent rounds of financing, market approaches used to value investments through comparable industry transactions and/or relevant performance multiples, discounted cash flow valuations, net assets valuations, and industry-specific benchmarking, where appropriate. Qualitative criteria include the financial health and specific prospects of the investment.
- **Qualified Low-Income Community Businesses**
 - The Company's investments in qualified low-income community businesses and other nonmarketable investments represent small business loans that are stated at the principal amounts outstanding, less the allowance for loan losses. Small business loans

BIZCAPITAL BIDCO II, L.L.C.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012

are considered to be impaired when, in management's opinion, it is probable that all amounts due in accordance with the contractual terms will not be collected. The allowance for loan losses is maintained to provide for probable credit losses related to specifically-identified loans and for losses inherent in the loan portfolio that have been incurred as of the balance sheet date. The allowance for loan losses is based on management's estimate of probable credit losses inherent in the investment portfolio; actual credit losses may vary from the current estimate.

- Investments in qualified low-income businesses are valued based on available information utilizing both quantitative and qualitative factors. Quantitative criteria include values calculated from recent rounds of financing, market approaches used to value investments through comparable industry transactions and/or relevant performance multiples, discounted cash flow valuations, net assets valuations, and industry-specific benchmarking, where appropriate. Qualitative criteria include the financial health and specific prospects of the investment. Each qualified business is assigned to an investment professional who is responsible for providing a quarterly report on the company which is presented to the Company's investment committee for review and discussion. The quarterly reports are then submitted to senior investment personnel for final approval.
- The Company has determined that the qualified low-income businesses are variable interest entities and the Company is not the primary beneficiary. As a result, the Company is not required to consolidate its investments in the qualified low-income businesses. This conclusion was based on the determination that the Company does not have the power to direct the activities that most significantly impact the qualified low-income businesses' economic performance. The Company's maximum exposure to loss as a result of its involvement with the investments remains limited to the Company's investment balances. During the years ended December 31, 2013 and 2012, the Company provided no explicit or implicit financial or other support to the qualified low-income businesses that was not previously contractually required or intended.

Income Taxes

In accordance with the Internal Revenue Code, the Company's net income or loss is included in the taxable income of the respective members. For income tax purposes, income or loss is recognized in accordance with the provisions of the Internal Revenue Code, which may differ from GAAP. The income, gains, losses, deductions and credits of the Company for federal, state and local income tax purposes are allocated in the same manner as the corresponding items are allocated for financial statement purposes.

The Company adopted the authoritative guidance on accounting for and disclosure of uncertainty in tax positions (Financial Accounting Standards Board- Accounting Standards Codification 740) on January 1, 2009, which required the Company to determine whether a tax position of the Company is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company has determined that there was no effect on the financial statements from the Company's adoption of this authoritative guidance.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state, local

BIZCAPITAL BIDCO II, L.L.C.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012

and foreign jurisdictions, where applicable. As of December 31, 2013, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2010 forward (with limited exceptions). Any interest or penalties assessed to the Company are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Subsequent Events

The Company has evaluated subsequent events through March 29, 2014, the date on which the financial statements presented herein, for the period ended December 31, 2013, noting no such events have occurred.

3. Fair Value Measurement

Accounting Standards Codification No. 820 "Fair Value Measurements and Disclosures" ("ASC 820") establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3 Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Company's perceived risk of that investment.

A significant portion of the Company's investments has been classified within Level 3 as they have unobservable inputs since they trade infrequently or not at all. Level 3 investments include common and preferred equity securities, corporate debt, warrants, and other privately issued securities. When observable prices are not available for these securities, the Company uses one or more valuation techniques (e.g., the market approach, the income approach, or the cost

BIZCAPITAL BIDCO II, L.L.C.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012

approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the Company in estimating the value of Level 3 investments include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Company in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the Company due to the lack of observable inputs may significantly impact the resulting fair value and, therefore, the Company's results of operations.

The following tables present financial assets and liabilities measured at fair value on a recurring basis at December 31, 2013 and 2012, respectively:

<u>Fair Value Measurements at Reporting Date Using</u>				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2013
Assets				
Investments in qualified businesses				
Corporate debt	\$ -	\$ -	\$ -	\$ -
Common stock/units	-	-	-	-
Preferred stock/units	-	-	31,874	31,874
Other	-	-	764,908	764,908
Investments in community development entities and related investment funds				
Common stock/units	-	-	300,010	300,010
Total assets at fair value	\$ -	\$ -	\$ 1,096,792	\$ 1,096,792

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Fair Value Measurements at Reporting Date Using

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2012
Assets				
Investments in qualified businesses				
Corporate debt	\$ -	\$ -	\$ -	\$ -
Common stock/units	-	-	-	-
Preferred stock/units	-	-	34,264	34,264
Other	-	-	983,718	983,718
Investments in community development entities and related investment funds				
Common stock/units	-	-	300,010	300,010
Total assets at fair value	\$ -	\$ -	\$ 1,317,992	\$ 1,317,992

There were no transfers between Level 1 and Level 2 investments during fiscal years 2013 and 2012. All unrealized gains (losses) are recorded within the statements of operations.

The tables below include a rollforward of the balance sheet amounts for the years ended December 31, 2013 and 2012 (including the change in fair value), for financial instruments classified by the Company within Level 3 of the valuation hierarchy. When a determination is made to classify a financial instrument within Level 3, the determination is based upon the significance of the unobservable parameters to the overall fair value measurement. However, fair value estimates of Level 3 financial instruments typically consider, in addition to the unobservable or Level 3 inputs, observable inputs (that is, inputs that are actively quoted and can be validated to external sources); accordingly, the gains and losses in the table below include changes in fair value due, in part, to observable factors that are part of the valuation methodology.

Fair Value Measurements Using Significant Unobservable Inputs

	Fair Value, December 31, 2012	Total realized gains (losses)	Total unrealized gains (losses) ⁽²⁾	Purchases	Sales	Issuances ⁽¹⁾	Settlements	Fair Value, December 31, 2013
Assets								
Investments in qualified businesses								
Corporate debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common stock/units	-	-	-	-	-	-	-	-
Preferred stock/units	34,264	-	(2,390)	-	-	-	-	31,874
Other	983,718	1,309	(141,996)	-	(78,123)	-	-	764,908
Investments in community development entities and related investment funds								
Common stock/units	300,010	-	-	-	-	-	-	300,010
Total assets at fair value	\$ 1,317,992	\$ 1,309	\$ (144,386)	\$ -	\$ (78,123)	\$ -	\$ -	\$ 1,086,792

⁽¹⁾ Issuances include capitalized interest.

⁽²⁾ The total change in unrealized gains (losses) included in the statement of operations attributable to level 3 investments still held at 12/31/13.

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Fair Value Measurements Using Significant Unobservable Inputs								
	Fair Value, December 31, 2011	Total realized gains (losses)	Total unrealized gains (losses) ⁽²⁾	Purchases	Sales	Issuances ⁽¹⁾	Settlements	Fair Value, December 31, 2012
Assets								
Investments in qualified businesses								
Corporate debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common stock/units	-	-	-	-	-	-	-	-
Preferred stock/units	71,581	-	(37,317)	-	-	-	-	34,264
Other	1,962,453	-	(873,784)	-	(104,951)	-	-	983,718
Investments in community development entities and related investment funds								
Common stock/units	10	-	-	300,000	-	-	-	300,010
Total assets at fair value	\$ 2,034,044	\$ -	\$ (911,101)	\$ 300,000	\$ (104,951)	\$ -	\$ -	\$ 1,317,992

⁽¹⁾ Issuances include capitalized interest.

⁽²⁾ The total change in unrealized gains (losses) included in the statement of operations attributable to level 3 investments still held at 12/31/12.

There were no quantitative inputs and assumptions used for items categorized in Level 3 of the fair value hierarchy as of December 31, 2013. Level 3 investments of \$1,096,792 include investments for which fair value is based on unobservable inputs that are not developed by the general partner such as investments for which fair value is determined using recent rounds of financing, without adjustment or net realizable value.

4. Transactions Involving Affiliates

On October 25, 2005, Advantage Capital Small Business Investment Partners, L.L.C. ("ACSBIP") made a capital contribution of \$1,405,000 in the Company in exchange for 1,405 Senior QEI Series I Preferred Units ("Series I Preferred Units") of the Company. On February 15, 2006, ACSBIP made an additional capital contribution in the amount of \$10,000,000 in exchange for an additional 10,000 Series I Preferred Units. In 2007, ACSBIP made additional capital contributions totaling \$20,595,000 in exchange for an additional 20,595 Series I Preferred Units. On December 27, 2007, Advantage Capital Small Business Investment Partners II, L.L.C. ("ACSBIP II") made a capital contribution of \$10,000,000 in the Company in exchange for 10,000 Series I Preferred Units of the Company. In 2008, ACSBIP II made additional capital contributions totaling \$29,600,000 in exchange for an additional 29,600 Series I Preferred Units. In 2009, ACSBIP II made a capital contribution of \$8,600,000 in the Company in exchange for 8,600 Series I Preferred Units of the Company. In December 2009, Advantage Capital Small Business Investment Partners V, L.L.C. ("ACSBIP V") made capital contributions totaling \$57,500,000 in the Company in exchange for 57,500 Series I Preferred Units of the Company. The Series I Preferred Units are entitled to a quarterly preferred return equal to the London Interbank Offered Rate ("LIBOR") plus 3.25% through and including June 1, 2007 and the LIBOR rate plus 2.75% for each period thereafter on a percentage of capital contributions made by the holders of the Series I Preferred Units that have not been returned to such holder. The Series I Preferred Units are also entitled to 10% of income realized by the Company from the assets purchased with the proceeds of the issuance of the Series I Preferred Units (the "Series I Assets"), which is in addition to income necessary to produce the preferred return. Distributions of \$4,136,000 and \$4,230,000 were made to the Series I Preferred Unit holders during 2013 and 2012, respectively. The Company's operating agreement contains provisions that limit the Company's ability to make distributions to other members until the holders of the Series I Preferred Units have received at least the preferred return due through the date of the distribution. Distributions from cash generated by the Series I Assets will be first distributed to the Series I Preferred Unit holders until the full minimum return due is paid and the capital contributions have been returned and then split 90% to the Company's common unit holders and 10% to the holders of the Series I Preferred Units.

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On December 14, 2009, Advantage Capital State Tax Credit Investor II, L.L.C. ("ACSTCI II") made a capital contribution of \$7,000,000 in the Company in exchange for 7,000 Junior Preferred Units of the Company. ACSTCI II is entitled to an annual priority return equal to 20% of its outstanding capital balance.

On February 25, 2011, Advantage Capital NMTC Investor III, L.L.C. and Advantage Capital NMTC Investor IV, L.L.C. made capital contributions of \$500,000 and \$750,000 in the Company in exchange for 500 and 750 Junior Preferred Units, respectively. On October 24, 2012, Advantage Capital NMTC Investor III, L.L.C. made an additional capital contribution of \$300,000 to the Company in exchange for 300 Junior Preferred Units. The Company's Sixth Amended and Restated Operating Agreement, Sections 7.1(b) and 7.2(b), dated December 14, 2009, authorizes the company to issue up to 20,000 Junior Preferred Units, with the consent of the holders of a majority of the Company's Common Units and Junior Preferred Units.

5. New Markets Tax Credits

Pursuant to the Allocation Agreement between Advantage Capital Community Development Fund, L.L.C. ("ACCDF") and the Community Development Financial Institutions Fund (the "CDFI Fund") of the United States Department of Treasury dated December 24, 2003 (the "2003 Allocation Agreement"), ACCDF was allocated the authority to issue \$110 million of qualified equity investments. Equity investments will be designated as a qualified equity investment if they meet the requirements of Internal Revenue Section 45D and Treasury Regulation Section 1.45D-1. ACCDF has sub-allocated \$1,405,000 of new markets tax credit allocation to the Company. Certain of the Company's members will be allowed to claim new markets tax credits ("Tax Credits") over seven periods spanning six years and a day for any equity investment made by a member that is designated a qualified equity investment ("QEI") by the Company. The Company designated ACSBIP's \$1,405,000 equity investment in the Company as a QEI under the 2003 Allocation Agreement.

Pursuant to the allocation agreement between ACCDF and the CDFI Fund of the United States Department of Treasury dated January 18, 2006, as amended (the "January 2006 Allocation Agreement"), ACCDF was allocated the authority to issue \$50 million of qualified equity investments as described above. ACCDF has sub-allocated \$30,595,000 of new markets tax credit allocation to the Company. Certain of the Company's members will be allowed to claim Tax Credits over seven periods spanning six years and a day for any equity investment made by a member that is designated a QEI by the Company. The Company designated ACSBIP's equity investments of \$10,000,000 in 2006 and \$20,595,000 in 2007 as QEIs under the January 2006 Allocation Agreement.

Pursuant to the allocation agreement between ACCDF and the CDFI Fund of the United States Department of Treasury dated December 13, 2006 (the "December 2006 Allocation Agreement"), ACCDF was allocated the authority to issue \$70 million of qualified equity investments as described above. ACCDF has sub-allocated \$36,000,000 of new markets tax credit allocation to the Company. Certain of the Company's members will be allowed to claim Tax Credits over seven periods spanning six years and a day for any equity investment made by a member that is designated a QEI by the Company. The Company designated ACSBIP II's equity investment of \$10,000,000 in 2007, \$18,000,000 in 2008, and \$1,300,000 in 2009, as well as ACSBIP V's equity investment of \$6,700,000 in 2009, as QEIs under the December 2006 Allocation Agreement.

Pursuant to the allocation agreement between ACCDF and the CDFI Fund of the United States Department of Treasury dated February 15, 2008 (the "February 2008 Allocation Agreement"),

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ACCDF was allocated the authority to issue \$28 million of qualified equity investments as described above. ACCDF has sub-allocated \$21,600,000 of new markets tax credit allocation to the Company. Certain of the Company's members will be allowed to claim Tax Credits over seven periods spanning six years and a day for any equity investment made by a member that is designated a QEI by the Company. The Company designated ACSBIP II's equity investment of \$5,700,000 in 2008 and \$6,000,000 in 2009, as well as ACSBIP V's equity investment of \$9,900,000 in 2009, as QEIs under the February 2008 Allocation Agreement.

Pursuant to the allocation agreement between ACCDF and the CDFI Fund of the United States Department of Treasury dated December 17, 2008 (the "December 2008 Allocation Agreement"), ACCDF was allocated the authority to issue \$60 million of qualified equity investments as described above. ACCDF has sub-allocated \$24,600,000 of new markets tax credit allocation to the Company. Certain of the Company's members will be allowed to claim Tax Credits over seven periods spanning six years and a day for any equity investment made by a member that is designated a QEI by the Company. The Company designated ACSBIP II's equity investment of \$5,900,000 in 2008 and \$1,300,000 in 2009, as well as ACSBIP V's equity investment of \$17,400,000 in 2009, as QEIs under the December 2008 Allocation Agreement.

Pursuant to the allocation agreement between ACCDF and the CDFI Fund of the United States Department of Treasury dated November 24, 2009 (the "2009 Allocation Agreement"), ACCDF was allocated the authority to issue \$70 million of qualified equity investments as described above. ACCDF has sub-allocated \$23,500,000 of new markets tax credit allocation to the Company. Certain of the Company's members will be allowed to claim Tax Credits over seven periods spanning six years and a day for any equity investment made by a member that is designated a QEI by the Company. The Company designated ACSBIP V's equity investment of \$23,500,000 in 2009 as a QEI under the 2009 Allocation Agreement.

In order to qualify for the Tax Credits, ACCDF and the Company must comply with requirements of Internal Revenue Section 45D and Treasury Regulation Section 1.45D-1 during the seven-period credit period. Failure to comply with the requirements could result in the recapture of Tax Credits that have been previously claimed, as well as the loss of any future Tax Credits. The three events that will cause recapture are: (1) the Company ceases to be a CDE; (2) the Company fails to ensure that for each annual period in the seven-period credit period, at least 85% of the qualified equity investments received by the Company are continuously invested in qualified low-income community investments (which may include 5% of the qualified equity investments received to be held as reserves); and (3) the investment is redeemed by the CDE. Failure of the Company to meet any of the above requirements may cause the Company to be in default of the allocation agreements referenced above.

The Company's board of managers has established an advisory board to provide insight and guidance for the Company's activities ("Advisory Board"). The Advisory Board will also ensure that the Company maintains accountability to the residents of the particular low-income communities in accordance with Internal Revenue Code Section 45D(c)(1)(B). The Advisory Board and the committees will establish procedures by which they will solicit feedback from the residents of the low-income communities that they represent as to the investment and training needs of those particular low-income communities and the success of the Company in addressing such needs. The Advisory Board shall organize such information for presentation to the board of managers and will use it to generate suggestions and guidance to, in turn, be used by the Company.

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6. Allowance for Loan Losses

The allowance for loan losses reflects an adjustment to the value of the total loan portfolio for inherent credit losses. Changes in the allowance for loan losses are charged or credited to the provision for loan losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance through a reduction of charge-offs.

The allowance for loan losses is prepared and reviewed on a quarterly basis. The Company uses a system including loan grades and specific allocations to the allowance for loan losses. The loan grading system is based on the loan review analysis performed by the Company's credit department. Each quarter, loan reviews are performed on all credits within the portfolio. Loan grades are determined through consideration of cash flow analysis, key credit quality ratios, collateral, payment history, and guarantor evaluation. Allowances for impaired loans are generally determined based on collateral values, guarantee payments, insurance proceeds, and borrower payments. Due to the nature of loans issued, modifications to credit terms may not be permitted. The Company can grant payment deferrals to borrowers with consent of the government guaranteeing agency, however, these deferrals are considered inconsequential.

An analysis of the allowance for loan losses is as follows for the years ending December 31, 2013 and 2012:

	2013	2012
Balance, beginning of the year	\$ 10,687,235	\$ 11,152,890
Provision for loan loss reserves	3,047,518	1,917,913
Loans charged off, net	<u>(2,239,144)</u>	<u>(2,383,568)</u>
Balance, end of year	<u>\$ 11,495,609</u>	<u>\$ 10,687,235</u>

The following table presents an aging of past due loans and related accrued interest:

	2013	2012
Loans past due		
Current	\$ 101,965,906	\$ 108,178,827
1-30 days	3,095,279	4,610,536
31-60 days	665,467	-
61-90 days	-	-
> 90 days	<u>13,054,396</u>	<u>12,627,271</u>
	<u>\$ 118,781,048</u>	<u>\$ 125,416,634</u>
 Loans > 90 days past due and still accruing interest	 <u>\$ 13,054,396</u>	 <u>\$ 12,627,271</u>

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to contractual terms of the loans. Impaired loans include loans that are in nonaccrual status, or are past due 90 days or more and still accruing interest. The Company does not accrue interest income on impaired loans unless the loan is adequately secured and in the process of collection. For nonaccrual loans, the Company applies cash receipts against the outstanding principal balance.

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Impaired loan information is shown in the following table. Loans past due 90 days or more and still accruing interest are adequately secured and in the process of collection:

	2013	2012
Nonaccrual loans	\$ 14,113,236	\$ 5,923,581
Accruing loans 90 days or more past due	13,054,396	12,627,271
	<u>\$ 27,167,632</u>	<u>\$ 18,550,852</u>
Average recorded investment in impaired loans	<u>\$ 15,482,561</u>	<u>\$ 8,458,946</u>

The following table presents information on impaired loans and related amounts in the allowance for loan losses:

	2013	2012
Carrying amount	\$ 27,167,632	\$ 18,550,852
Unpaid principal	27,167,632	18,550,852
Allowance for loan losses	4,155,897	2,092,396
Interest income recognized	352,111	712,972

There were no impaired loans for which there was no allowance for loan losses as of December 31, 2013 and 2012.

7. Related Party Transactions

Management fees are paid to the Parent at the discretion of the Board of Directors. However, with respect to funds raised pursuant to the issuance of the Series I Preferred Units, no management fee may be charged. No fees were paid in 2013 or 2012.

The Company had four notes receivable from related parties in the amounts of \$367,446, \$1,500,000, \$1,470,000 and \$1,500,000 as of December 31, 2013. The note in the amount of \$367,476 was issued in April 2013 and is scheduled to mature on January 6, 2014. The note bears interest at a rate of 5.0% per year. The latter notes receivable were issued in September 2011 and are scheduled to mature on September 26, 2018, September 29, 2018, and October 10, 2017, respectively. The notes bear interest at a rate of 1.0% per year. The Company recorded interest income of \$69,942 for the year ended December 31, 2013.

The Company had three notes receivable from related parties in the amounts of \$1,500,000 each as of December 31, 2012. The notes receivable were issued in September 2011 and are scheduled to mature on September 26, 2018, September 29, 2018, and October 10, 2017, respectively. The notes bear interest at a rate of 1.0% per year. The Company recorded interest income of \$38,125 for the year ended December 31, 2012.

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The following amounts were due to related parties at December 31, 2013 and 2012:

	2013	2012
Advantage Capital Management Corporation	\$ 152,425	\$ 98,368
Advantage Capital Partners XI, L.P.	-	(2,001)
BIZCAPITAL BIDCO I, L.L.C.	284,400	124,640
Advantage Capital Community Development Fund, L.L.C.	24,231	24,270
Advantage Capital Community Development Fund XIV, L.L.C.	41,760	41,760
Midwest Community Development Fund I, L.L.C.	5,751	6,032
Advantage Capital Community Development Fund Mississippi II, L.L.C.	1,494	1,094
	<u>\$ 510,061</u>	<u>\$ 294,163</u>

These amounts result from professional and other fees incurred during the normal course of business as well as represent payments collected on behalf of the various related parties.

SUPPLEMENTARY INFORMATION

BIZCAPITAL BIDCO II, L.L.C.
Detailed Schedule of Changes in Members' Capital
Years Ended December 31, 2013 and 2012

Appendix I

Detailed Schedule of Changes in Members' Capital

The table below presents additional information about the Common Unit Members, Junior Preferred Members and Senior QEI Series I Preferred Members included in the Statements of Members' Capital for the years ended December 31, 2013 and December 31, 2012:

	Junior Preferred Members				Senior QEI Series I Preferred Members			Total
	Advantage Capital Partners IX, L.P.	Advantage Capital State Tax Credit Investor II, L.L.C.	Advantage Capital NMTC Investor III, L.L.C.	Advantage Capital NMTC Investor IV, L.L.C.	Advantage Capital Small Business Investment Partners, L.L.C.	Advantage Capital Small Business Investment Partners II, L.L.C.	Advantage Capital Small Business Investment Partners V, L.L.C.	
Balance as of January 1, 2012	\$ 5,100,923	\$ 5,375,006	\$ 499,255	\$ 748,883	\$ 29,123,654	\$ 45,673,708	\$ 54,749,767	\$ 141,271,196
Members' contributions	-	-	300,000	-	-	-	-	300,000
Members' distributions	-	-	(994,795)	(811,164)	-	-	-	(1,805,959)
Transfer of equity	-	(471,704)	195,540	276,164	-	-	-	-
QEI members' distributions	-	-	-	-	(983,300)	(1,480,600)	(1,766,100)	(4,230,000)
Net investment income	55,508	53,356	-	2,327	647,977	975,869	1,164,351	2,899,388
Change in unrealized depreciation of investments	(454,825)	(437,204)	-	(19,071)	-	-	-	(911,100)
Balance as of December 31, 2012	4,701,606	4,519,454	-	197,139	28,788,331	45,168,977	54,148,018	137,523,525
Members' distributions	-	(1,773,000)	-	(226,899)	-	-	-	(1,999,899)
Transfer of equity	-	(29,760)	-	29,760	-	-	-	-
QEI members' distributions	-	-	-	-	(977,000)	(1,393,000)	(1,766,000)	(4,136,000)
Net investment income	33,014	19,077	-	-	335,508	505,283	602,875	1,495,757
Net realized loss on investments	3,614	2,089	-	-	(37,146)	(55,943)	(66,748)	(154,134)
Change in unrealized depreciation of investments	(37,510)	(21,674)	-	-	-	-	-	(59,184)
Balance as of December 31, 2013	\$ 4,700,724	\$ 2,716,186	\$ -	\$ -	\$ 28,109,693	\$ 44,225,317	\$ 52,918,145	\$ 132,670,065