DEAR FRIENDS & SUPPORTERS,

Pathway Lending is in the business of “making more possible.” We deliver industry-leading results to make more possible for our clients, stakeholders, and investors. We do this every single day, one relationship at a time.

Making more possible for our clients: In 2016, we enhanced our ability to connect clients with relevant financial and educational solutions to address capital access issues and improve bankability. Our resource improvements were well received, with 82% of our clients receiving technical or financial education, 32% acquiring multiple loans, and 15% of loan clients making referrals. We ended the year with more than $38.1MM in client loan originations, a historically low loan loss rate of -0.17%, and 31 client graduations to traditional banks.

Making more possible for our stakeholders: We always work closely with public and private partners to thoughtfully expand our capacity to serve small businesses. In 2016 we not only expanded partnerships and programs, but we also expanded geographies to include Appalachian Alabama through a partnership with the State of Alabama and the Appalachian Regional Commission. While Tennessee will always be our home, these new partnerships make more possible for businesses throughout Alabama as well as Tennessee.

Making more possible for our investors: I’d be remiss not to highlight that we ended 2016 with over $118MM in total assets, an increase of $28.5MM over 2015. Those additional dollars are working hard in the form of loans to client businesses that create positive community impacts. As an example, every $1 loaned through our Tennessee Rural Opportunity Fund, which is celebrating its 10th anniversary in 2017, returned $3 in economic impacts to the state while also generating strong returns to our investing bank partners.

With a solid foundation, continued focus on strategic partnerships, and investments in staff and infrastructure, we are well positioned for growth in the years ahead. I am proud of our team’s accomplishments and I am excited for the opportunities that are ahead. To our clients, friends, partners, and investors, I want to thank you for helping us to make more possible.

Clint Gwin
President, Pathway Lending

Thank you to all of the organizations that have shown their commitment to Tennessee’s communities by partnering with Pathway Lending in 2016. Your support is greatly appreciated.

BOARD OF DIRECTORS
DAVID BEREZOV, CHAIRMAN
Associate Professor of the Practice of Engineering Management, Vanderbilt University School of Engineering

TOM HUNTER, VICE CHAIRMAN
Owner, American Heritage Trees

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Vice President for Public Service, University of Tennessee

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Senior Vice President – General Counsel & Corporate Secretary, Meharry Medical College

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CEO, MIG Steel Fabrication

CINDY HERRON
Vice President EnergyRight and Renewable Solutions, Tennessee Valley Authority

SAM HOWARD
Chairman, Phoenix Holdings, Inc.

KELLY MAGILL
Owner/CEO, KVG Studios

HUGH QUEENER
Chief Administrative Officer, Pinnacle Bank

FOUNDATIONS & PUBLIC STAKEHOLDERS:
• Alabama Department of Economic & Community Affairs
• Appalachian Regional Commission
• Bank of America Charitable Foundation
• Community Development Financial Institutions Fund (US Department of Treasury)
• Foundation For The Carolinas (Bank of America)
• Joe C. Davis Foundation
• Metropolitan Development & Housing Agency (Nashville, TN)
• Metropolitan Government of Nashville & Davidson County
• Regions Foundation
• Tennessee Bankers Association
• Tennessee Department of Economic & Community Development
• Tennessee Department of Environment & Conservation
• Tennessee Department of Revenue
• Tennessee Department of Treasury Small and Minority-Owned Business Assistance Program
• Tennessee Housing Development Agency
• Tennessee Valley Authority
• University of Tennessee
• US Department of Agriculture
• US Small Business Administration

PRIVATE STAKEHOLDERS:
• Appalachian Community Capital
• Bank of America
• Bank of Bartlett
• Capital Bank
• CapStar Bank
• CB&S Bank
• Centennial Bank
• Citizens Bank (Carthage)
• Citizens Bank (Elizabethton)
• Commercial Bank and Trust
• Community Bank & Trust
• Decatur County Bank
• F&M Bank (Clarksville)
• Farmers Bank
• First Advantage Bank
• First Community Bank of East TN
• First National Bank of Oneida
• First Tennessee Bank
• FirstBank
• Home Trust Bank
• INSBANK
• Legends Bank
• Macon Bank and Trust Company
• McKenzie Banking Company
• Paragon Bank
• Peoples Bank
• Pinnacle Bank
• Regions Bank
• Reliant Bank
• Renasant Bank
• Simmons Bank
• Tennessee Bank & Trust
• Tennessee State Bank
• The Bank of Nashville (A Division of Synovus)
• TNBANK
• TriStar Bank
• Truston Trust
• US Bank
• Wayne County Bank
• Wells Fargo Bank
• Wilson Bank & Trust
TARGET MARKETS: Pathway Lending, a certified Community Development Financial Institution, serves businesses throughout Tennessee and Alabama, but focuses its activities on underserved Target Markets that include businesses located in Qualified Investment Areas (as defined by low-income census tracts, poverty rates, and unemployment statistics) and African-American owned businesses.

The mission of Pathway Lending is to provide lending solutions and educational services that support the development, growth, and preservation of underserved small businesses, affordable housing, and sustainable communities.

LENDING IMPACTS

- **153** number of loans made in 2016
- **62%** # of loans in Target Market
- **79%** $ of loans in Target Market
- **$38.1MM** amount of loans made in 2016

LENDING ACTIVITY BY PRODUCT TYPE

- **ACQUISITION**: 7.5%
- **BUNDLE**: 9%
- **EQUIPMENT**: 4.6%
- **LINE OF CREDIT**: 15.9%
- **MICRO**: 1.7%
- **REAL ESTATE**: 11.6%
- **WORKING CAPITAL**: 24.3%
- **MULTI-FAMILY**: 14.2%
- **ENERGY EFFICIENCY**: 11%

DETAIL: ENERGY EFFICIENCY LENDING

- **BUILDING RETROFIT**: 6.2%
- **LIGHTING**: 52.5%
- **BUNDLE**: 23.0%
- **RENEWABLES**: 13.7%
- **HVAC**: 4.6%

CLIENT IMPACTS

- **3,255** total hours
- **270h** group training pre-loan clients
- **571h** loan clients
- **2,414h** business advisory services

BUSINESS ADVISORY SERVICES

2016

- **586** jobs in Target Market
- **640** jobs created
- **2,732** total jobs impacted in Tennessee & Alabama

JOB IMPACTS 2016

TOP 10 INDUSTRY SEGMENTS SERVED

- **Real Estate, Rental, & Leasing**: 28.2%
- **Manufacturing**: 19.5%
- **Other Services (Except Public Administration)**: 10.4%
- **Educational Services**: 8.3%
- **Accommodation & Food Services**: 7.5%
- **Health Care and Social Assistance**: 5.2%
- **Retail Trade**: 5.1%
- **Construction**: 4.8%
- **Professional, Scientific, and Technical Services**: 3.7%
- **Wholesale Trade**: 3.1%

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Lorenzo Myrick wrote the business plan for a staffing company for a friend, but after looking at the numbers, he realized the opportunity in front of him. He left his job in corporate finance to launch APS Facility Maintenance.

**MAKING MORE POSSIBLE: BUILDING CONFIDENCE TO BID FOR BIG PROJECTS**

“I started this business with a cell phone and a briefcase,” says Myrick. The business soon evolved, expanding services from staffing to include full-service facility maintenance and landscaping. Despite this growth, Myrick found the lag between project and payment hamstringed his ability to bid on new and larger projects.

With the help of Pathway Lending, APS secured two loans and a line of credit to invest in technology, improve business practices, and be more competitive when bidding for new contracts.

“We won three contracts right after we secured our line of credit with Pathway Lending. It gave us the confidence to bid differently because we know someone has our back,” said Myrick. “Other funders wanted to put us in a box and didn’t take the time to understand our business model, but Pathway did. We’re not out here by ourselves – we have someone to lean on.”

Myrick credits his success to not being afraid to ask for help or to call on mentors. “We are no-nonsense, straight to the point, and give our employees the tools they need to be successful for us – which happen to be the tools they need to be successful in life,” says Myrick. “Their success is our success.”

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**client profile:**

**APS FACILITY MAINTENANCE**

**SUGAR MAMA’S BAKERY**

After years of frequenting the local farmers market, Hannah McConnell turned her lifelong passion for baking into a home-based business and opened a booth for “Sugar Mama’s” on Market Square.

From there, McConnell sold baked goods at special events hosted by local craft breweries. Blame it on the honey cookies, but Sugar Mama’s quickly found success. Instead of making the jump to wholesale, McConnell decided to open a retail bakery.

“Staying involved in the community and watching people enjoy what I make is the best part of what I do,” says McConnell. “I couldn’t give that up.” Their time selling at local breweries had instilled a love for local beer, so they decided to serve craft beer alongside baked goods.

Hannah attended workshops and received one-on-one coaching at the SBDC in Knoxville. When she was ready to fund her new venture, they sent her to Pathway Lending. “From the start we liked Pathway and their performance record,” says McConnell. “They make things so easy for small business owners.”

Their $20,000 microloan covered build-out costs like a new grease trap, ventilation hood, sink, and other general expenses like ingredients, paint, and furniture.

“As a female business owner, it’s important to stand your ground,” says McConnell. “When most people come in, they don’t guess that I am the owner – they assume I’m just another girl working the bar. But I did the homework and all the research. I have eight employees and I run a successful business. Trust me, I know my stuff.”

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**MAKING MORE POSSIBLE: TAKING A HOME-BASED BUSINESS TO MAIN STREET MAINSTAY**
True entrepreneurial spirit can be seen in Horace Burks, a man who started in business at the age of 13. Originally known as F&W Amusement Company, Fixtur-World was founded more than 70 years ago by Fred Burks, and his son Horace has been managing the daily operations since its incorporation in 1979.

Fixtur-World designs, manufactures, constructs, and installs primarily food service facilities for hospitals, universities, manufacturing plants and professional sports stadiums. While the company has customers around the world, all aspects of the design and manufacturing process happen in their newly upgraded and expanded Tennessee facilities. Their pieces can be seen in high profile places like the World Trade Center Memorial and Yankee Stadium in New York, and locally at Tennessee Tech in Cookeville and Presbyterian College in South Carolina, as well as countless hospitals across the country.

“It’s a thrill to see products being made right here in Baxter, Tennessee getting installed across the country,” says Burks. “During the recession, rural areas like ours lost about a quarter of their manufacturing jobs, but we’ve been blessed by partners at the State, the Tennessee Bankers Association, and Pathway Lending. They’ve brought so many resources together to help us not only stay in business, but to grow.”

With the help of a working capital and real estate loan from Pathway Lending, Fixtur-World moved their company operations into a new, larger building in 2016, securing 115 jobs and adding 15 additional jobs in the rural town.

“People who are in business for themselves often find themselves swinging out there on a grapevine – it’s just you and your wife and your family,” says Burks. “Encouragement is one of the most valuable commodities there is, and we found encouragement in droves with Pathway Lending.”

MAKING MORE POSSIBLE: BUILDING FUTURE GROWTH ON A LONG HISTORY OF SUCCESS
client profile:
FENDER BENDER REPAIR CENTER

Miguel “Mike” Saavedra’s passion for cars comes from a childhood spent “wrenching” with his stepdad in the garage. Growing up in Los Angeles, Saavedra faced the misconception that as a Latino, he’d never rise above the station of laborer. “That was a problem for me,” says Saavedra. “I didn’t want to work for anyone else and accept that status quo. Instead at 25 years old, I decided to go into business for myself, work hard, and I haven’t looked back since.”

MAKING MORE POSSIBLE: PUTTING ENTREPRENEUR IN EXPRESS LANE TO SUCCESS

Looking for a better future for their boys, Saavedra and his wife, Patty, moved to Franklin 11 years ago, where they found an old garage. “It was probably the last building in Franklin with a gravel lot and lead paint,” says Saavedra. “But we had a vision for it.”

Stepping inside Fender Bender is a unique experience that takes you back in time; with antique metal signs and nostalgic touches, it’s easy to forget you’re in a body shop. Plus, their new business model is popular with clients. Their Franklin location now serves as a drive-through storefront with an express lane for estimates, while the South Nashville shop is where all the mechanic magic is done.

“The national auto repair chains launched these pristine, modern storefronts, and we have to compete with that,” says Saavedra. “As a small business owner, you have to think outside the box, so we’ve created this unique and unforgettable brand that’s focused on a positive client experience.”

When it came time to expand their business and open a second location in South Nashville, Saavedra’s accountant sent him to Pathway Lending. “It’s been pain-free, stress-free and worry-free,” says Saavedra. “Their team knows business.” Since working with Pathway Lending, Saavedra has added two new bays to their Nashville shop, completely remodeled the Franklin shop, found new ways to minimize expenses to maximize profits, and increased his focus on developing employees by launching a technician training center.

“I’m trying to be a good steward of everything God has given us,” says Saavedra. With three kids, six employees, two locations, hundreds of customers, and growth on the horizon, Saavedra is well suited to that stewardship role.

client profile:
SPROCKET THERAPY SOLUTIONS

When Natalie Udwin and Barb Talbert moved to Nashville four years ago, the occupational clinic they envisioned didn’t exist. “My parents were small business owners, my grandparents were small business owners,” says Udwin. “So I’ve always had the mindset that if it doesn’t exist, you build it. So we built Sprocket Therapy Solutions.”

Sprocket is a full-service, outpatient speech and occupational therapy clinic that serves children and adults to improve functional life skills. They address coordination and do everything they can to challenge their patients: obstacle courses, cooking classes, and so much more. Udwin says, “We want each patient to be able to live independently in whatever situation they are in, and be able to problem-solve their way out if they be uncomfortable.”

They were hugely successful and quickly outgrew their first space in East Nashville. But growth proved challenging as both founders carried student loan debt, making it difficult to secure a loan from a traditional lender. Pathway Lending looked beyond the numbers and saw the opportunity for this small, scalable business.

“Pathway was and is a beacon of hope for us,” says Talbert. “We had been trying for so long to expand, but couldn’t secure funding until we found Pathway Lending.”

Sprocket has since doubled their space, doubled their staff, and doubled their case load. “It’s been a dream come true,” says Talbert.

“We see ourselves as educators – if we can’t teach what we know, than what we know just stays here, and that doesn’t help anybody,” says Udwin. “We want to educate the entire community and help every person who comes to see us.”

MAKING MORE POSSIBLE: DOUBLING THE BUSINESS (AND THEN SOME)
client profile:
CROWN COLLEGE

The Crown College of the Bible is a private, nonprofit Christian college located in East Tennessee with an enrollment of more than 800 students in various fields of study in their School of Ministry, School of Education, School of Business, Graduate School and Seminary, and Crown School of Trades and Technology.

Crown College opened its doors in 1991 in rural Powell, Tennessee. With extensive growth came the need for a larger physical space, and in 2004 the school expanded to a former Levi Strauss manufacturing facility just down the road. Constructed in the 1970s, it was well-built, but not energy efficient.

Dr. Charles Prescott, Chief Financial Officer and Dean of the School of Business for Crown Graduate School, learned about Pathway Lending’s Energy Efficiency Loan Program and saw it as an opportunity to invest in long-term energy and financial savings. He has since enlisted Pathway Lending for several building upgrades.

“We’re charged with being good stewards of all we are given,” says Prescott. “We’re proud to offer our students state-of-the-art classrooms and educational facilities, and these upgrades are part of that.”

Crown College used Pathway Lending loans to upgrade several hundred interior and exterior lights, install water conservation measures, and upgrade HVAC and building controls systems. The majority of their 200,000 square foot facility has been thoroughly upgraded to keep students and faculty comfortable while generating long-term utility cost savings.

“We’ve changed out more than 700 bulbs at this point,” says head of maintenance Steve Kirby. “We went from 150-watt halogen bulbs to 17-watt LED bulbs, so the energy savings add up quickly. We’re already planning our next project with Pathway.”
# INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income Loans</td>
<td>$4,120,297</td>
<td>$2,978,372</td>
<td>$1,141,925</td>
<td>38.3%</td>
</tr>
<tr>
<td>Interest Income Deposits</td>
<td>97,455</td>
<td>61,640</td>
<td>$35,815</td>
<td>58.1%</td>
</tr>
<tr>
<td>Financing Fees and Charges</td>
<td>455,667</td>
<td>223,351</td>
<td>$232,316</td>
<td>104.0%</td>
</tr>
<tr>
<td>Management Fees</td>
<td>149,576</td>
<td>287,258</td>
<td>$(137,682)</td>
<td>-47.9%</td>
</tr>
<tr>
<td><strong>TOTAL Interest and Program Service Revenue</strong></td>
<td>4,822,995</td>
<td>3,550,621</td>
<td>$1,272,374</td>
<td>35.8%</td>
</tr>
<tr>
<td>Grant Revenue to Support Program Services</td>
<td>1,433,077</td>
<td>692,843</td>
<td>$740,234</td>
<td>106.8%</td>
</tr>
<tr>
<td><strong>TOTAL Program Related Income</strong></td>
<td>6,256,072</td>
<td>4,243,464</td>
<td>$2,012,608</td>
<td>47.4%</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>(1,186,067)</td>
<td>(982,874)</td>
<td>$(203,193)</td>
<td>20.7%</td>
</tr>
<tr>
<td><strong>Net Earned Income</strong></td>
<td>5,070,005</td>
<td>3,260,590</td>
<td>$1,809,415</td>
<td>55.5%</td>
</tr>
<tr>
<td>Provision for Loan Losses</td>
<td>(1,041,400)</td>
<td>(1,075,329)</td>
<td>$(33,929)</td>
<td>-3.2%</td>
</tr>
<tr>
<td><strong>TOTAL PROGRAM SERVICES EXPENSES</strong></td>
<td>3,873,646</td>
<td>3,483,115</td>
<td>$390,531</td>
<td>11.2%</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>2,407,000</td>
<td>2,040,710</td>
<td>$366,290</td>
<td>17.9%</td>
</tr>
<tr>
<td>Professional Services</td>
<td>292,542</td>
<td>317,864</td>
<td>$(25,322)</td>
<td>-8.0%</td>
</tr>
<tr>
<td>Travel</td>
<td>116,674</td>
<td>107,321</td>
<td>$9,353</td>
<td>8.7%</td>
</tr>
<tr>
<td>Marketing</td>
<td>3,893</td>
<td>4,780</td>
<td>$(887)</td>
<td>-18.6%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>74,597</td>
<td>71,725</td>
<td>$2,872</td>
<td>4.0%</td>
</tr>
<tr>
<td>Other Program Expenses</td>
<td>978,940</td>
<td>940,715</td>
<td>$38,225</td>
<td>4.1%</td>
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<td><strong>SUPPORT SERVICES EXPENSES</strong></td>
<td>520,756</td>
<td>554,359</td>
<td>$(33,603)</td>
<td>-6.1%</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>460,489</td>
<td>415,116</td>
<td>$45,373</td>
<td>10.9%</td>
</tr>
<tr>
<td>Professional Services</td>
<td>13,458</td>
<td>26,722</td>
<td>$(13,264)</td>
<td>-49.6%</td>
</tr>
<tr>
<td>Other Support Expenses</td>
<td>39,427</td>
<td>97,295</td>
<td>$(57,868)</td>
<td>-59.5%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>7,382</td>
<td>15,225</td>
<td>$(7,844)</td>
<td>-51.5%</td>
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<tr>
<td>Contributed Loan Capital</td>
<td>40,000</td>
<td>2,532,954</td>
<td>$(2,492,954)</td>
<td>-98.4%</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>$(325,797)</td>
<td>$680,741</td>
<td>$(1,006,538)</td>
<td>-147.9%</td>
</tr>
</tbody>
</table>

# BALANCE SHEET

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<thead>
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<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$1,624,991</td>
<td>$2,006,843</td>
<td>$(381,852)</td>
<td>-19.0%</td>
</tr>
<tr>
<td>Restricted Cash - Lending</td>
<td>35,290,530</td>
<td>27,114,714</td>
<td>$8,175,816</td>
<td>30.2%</td>
</tr>
<tr>
<td>Restricted Cash - Loan Loss Reserves</td>
<td>4,703,179</td>
<td>3,566,136</td>
<td>$1,137,043</td>
<td>31.9%</td>
</tr>
<tr>
<td>Total Cash</td>
<td>41,618,700</td>
<td>32,687,693</td>
<td>$8,931,007</td>
<td>27.3%</td>
</tr>
<tr>
<td>Loans Outstanding</td>
<td>78,066,687</td>
<td>57,728,426</td>
<td>$20,338,261</td>
<td>35.2%</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>(4,450,606)</td>
<td>(3,280,174)</td>
<td>$(1,170,432)</td>
<td>35.7%</td>
</tr>
<tr>
<td><strong>Net Loans</strong></td>
<td>73,616,081</td>
<td>54,448,252</td>
<td>$19,167,829</td>
<td>35.2%</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$118,072,452</td>
<td>$89,555,683</td>
<td>$28,516,769</td>
<td>31.8%</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$93,000</td>
<td>$74,873</td>
<td>$18,127</td>
<td>24.2%</td>
</tr>
<tr>
<td>Interest Payable</td>
<td>496,392</td>
<td>430,228</td>
<td>$66,164</td>
<td>15.4%</td>
</tr>
<tr>
<td>Lines of Credit Payable</td>
<td>20,500,000</td>
<td>14,000,000</td>
<td>$6,500,000</td>
<td>46.4%</td>
</tr>
<tr>
<td>Mortgage Payable</td>
<td>1,058,557</td>
<td>1,172,989</td>
<td>$(114,432)</td>
<td>-9.8%</td>
</tr>
<tr>
<td>Notes Payable (Program Borrowings)</td>
<td>16,098,353</td>
<td>14,779,784</td>
<td>$3,118,569</td>
<td>8.9%</td>
</tr>
<tr>
<td>Notes Payable (Program EQ2)</td>
<td>56,047,718</td>
<td>35,578,788</td>
<td>$20,468,930</td>
<td>57.5%</td>
</tr>
<tr>
<td>Other Deferred Revenue</td>
<td>289,181</td>
<td>222,294</td>
<td>$66,887</td>
<td>30.1%</td>
</tr>
<tr>
<td>Funds Managed for Third Parties</td>
<td>106,484</td>
<td>106,484</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>717,030</td>
<td>498,709</td>
<td>$218,321</td>
<td>260.8%</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$95,406,715</td>
<td>$66,564,149</td>
<td>$28,842,566</td>
<td>43.3%</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$22,205,958</td>
<td>$22,453,102</td>
<td>$(247,144)</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Temporarily Restricted</td>
<td>459,779</td>
<td>338,432</td>
<td>$(121,347)</td>
<td>-36.0%</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS AND LIABILITIES</strong></td>
<td>$118,072,452</td>
<td>$89,555,683</td>
<td>$28,516,769</td>
<td>31.8%</td>
</tr>
</tbody>
</table>

# OUTSTANDING PORTFOLIO COMPOSITION

<table>
<thead>
<tr>
<th>TOTAL PORTFOLIO O/S (12/31/16)</th>
<th>$78,066,687</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Loans (&gt;$50,000) (39%)</td>
<td></td>
</tr>
<tr>
<td>Commercial Real Estate Loans (39%)</td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency Loans (13%)</td>
<td></td>
</tr>
<tr>
<td>Multi-Family Loans (6%)</td>
<td></td>
</tr>
<tr>
<td>Micro Loans (3%)</td>
<td></td>
</tr>
</tbody>
</table>

# RATIOS

<table>
<thead>
<tr>
<th>Ratio</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets/Total Assets</td>
<td>19.20%</td>
<td>25.67%</td>
</tr>
<tr>
<td>Allowance for Loan Losses/Total Loans</td>
<td>5.70%</td>
<td>5.68%</td>
</tr>
<tr>
<td>Delinquencies &gt; 90 days</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Net Loan Losses/Outstanding Loans</td>
<td>-0.17%</td>
<td>0.03%</td>
</tr>
<tr>
<td>Earned Income/Program Expense</td>
<td>103%</td>
<td>77%</td>
</tr>
<tr>
<td>Deployment Ratio</td>
<td>69%</td>
<td>68%</td>
</tr>
<tr>
<td>Staffing Level</td>
<td>24</td>
<td>21</td>
</tr>
</tbody>
</table>

# OUTSTANDING PERCENTAGE ASSETS

<table>
<thead>
<tr>
<th>2016 PERCENTAGE ASSETS</th>
<th>2016 FINANCIALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Commercial Loans</td>
<td>Total Loans O/S</td>
</tr>
<tr>
<td>% Commercial Real Estate Loans</td>
<td>Total Program Debt</td>
</tr>
<tr>
<td>% Energy Efficiency Loans</td>
<td>Total Net Assets</td>
</tr>
<tr>
<td>% Multi-Family Loans</td>
<td>Total Assets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2016 FINANCIALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Loans O/S</td>
</tr>
<tr>
<td>$78,066,687</td>
</tr>
</tbody>
</table>
DEAR FRIENDS & SUPPORTERS,

Every day Pathway WBC meets clients who are ready to make more possible; whether that’s taking the leap into entrepreneurship or weighing big opportunities to grow their business. It’s our job to help them to make more possible for their businesses, their families, their communities, and their futures.

Making more possible through programming: Last year our team fundamentally changed the way we approach education. We focused primarily on building deeper, more enduring relationships with our clients. In 2016, we restructured our classroom experience around stage of business to deliver the most relevant information to put entrepreneurs on a clear pathway to success. Part of the programming restructure included the creation of the Pathway Cohorts. These Cohorts give clients a built-in community of peers and advisors, and fosters the accountability so many entrepreneurs crave.

Making more possible through partnerships: Just like our clients, we’re not in this alone. Last year we saw success through a number of amazing partnerships. From our work with Beech Creek Ministries and the Nashville MDHA to AARP, we built partnerships that helped us reach new communities and deliver stronger programming and events like our inaugural “Toast to Success.”

Making more possible through people: In 2016 we grew the Pathway WBC staff with the addition of WBC Director Leslie Hayes and Business Advisory Services Specialist Phyllicia Coleman. This allowed us to adopt an “advisor mindset” where we focused outward on the client and their highest-level goals. It worked! We saw a 62% increase in clients served (991 in total) and delivered more than 5,600 hours of coaching and advisory services.

It is our steadfast belief that a high quality business education should not only be career changing, but life changing as well. Our team works hard to change individual lives and communities for the better through the platform of entrepreneurship.

Thanks for your ongoing support as Pathway WBC works to improve access to education for all entrepreneurs. Thank you for advocating for our work and helping support pathways to personal and professional success through business education.

Amy Bunton
President, Pathway WBC

PATHWAY WBC BOARD OF ADVISORS

<table>
<thead>
<tr>
<th>JOY JOHNSON</th>
<th>Tennessee Department of Transportation</th>
<th>Entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>KELLEY KEE</td>
<td>Senior Vice President, Business Banking Sales</td>
<td>Executive, Regions Bank</td>
</tr>
<tr>
<td>JOAN LAGRASSE</td>
<td>Owner &amp; General Manager, Imagen, LLC</td>
<td></td>
</tr>
<tr>
<td>KELLY MAGILL</td>
<td>Owner, KGV Studios</td>
<td></td>
</tr>
<tr>
<td>CECE MCCORMICK-MOORE</td>
<td>Co-Founder, Sweet CeCe’s Frozen Yogurt &amp; Treats</td>
<td>Owner, The Dixie Drip</td>
</tr>
<tr>
<td>JANET MILLER</td>
<td>CEO &amp; Market Leader, Colliers International</td>
<td></td>
</tr>
</tbody>
</table>

Thank you to all of the organizations that have shown their commitment to Tennessee’s entrepreneurs by partnering with Pathway WBC in 2016. Your support is greatly appreciated.

STAKEHOLDERS:

- AARP Foundation
- AWAKE - Advocates for Women’s & Kids Equality
- Bank of America
- Bank of America Charitable Foundation
- Bradley
- Bunker Labs
- City National Bank
- Coherent Counsel, LLC
- DevDigital
- DVL Seigenthaler
- Events By Heller
- First Tennessee Bank Foundation
- Fifth Third Bank
- The Gabriel Institute
- Geny Insurance Group, LLC
- ICF Tennessee
- INSBANK
- Joe C. Davis Foundation
- Johnny Cash Museum
- k2forma, Inc
- KraffCPAs, PLLC
- Launch Tennessee
- LIMC
- The Memorial Foundation
- Metropolitan Development & Housing Agency (Nashville, TN)
- Nashville Chamber of Commerce, Business Studio
- Nashville Food Project
- Nashville NAVBO
- Pilgrim Consulting
- Pinnacle Bank
- Regions Bank
- Regions Foundation
- TekLinks
- Tennessee Chamber of Commerce & Industry
- Tennessee Department of Economic & Community Development
- Tennessee Valley Authority
- Terry Humphrey, LLC
- Signs First
- SKANSKA
- US Bank
- US Small Business Administration
- UT Center for Industrial Services
- UT Institute for Public Service
- Vaco
- Wells Fargo Foundation
- Western Express
- The Women’s Advantage
- The Women’s Fund at The Community Foundation of Middle Tennessee
- Women in Technology of Tennessee
Above Moderate Income: 43%
Moderate Income: 29%
Extremely Low Income: 15%
Low Income: 9%
Very Low Income: 4%

White: 52%
Black: 38%
Hispanic: 8%
Asian: 2%
Native American: 1%

New businesses launched: 45
Client financing secured: $1.86 MM
Education sessions held: 169
Mentoring hours: 5.6K

Top Business / Industry Segments Served:
- Educational Services: 17%
- Arts, Entertainment and Recreation: 12%
- Retail Trade: 12%
- Health Care and Social Assistance: 10%
- Professional, Scientific, and Technical Services: 10%
- Information: 4%
- Manufacturing: 4%
- Wholesale Trade: 3%
- Construction: 2%
relationships have always been important to Jacqueline Hayes, who credits strong women in her life for making her dream of small business ownership possible. As immediate past president of NAWBO Nashville, Hayes champions women who lift each other up and hold each other to their best work. “Every woman deserves a seat at the table,” says Hayes. “But then it’s our responsibility to save a spot for the next woman in line.”

Early on, Hayes realized she had a natural talent for sales and marketing. “I think I’ve been successful because for me, marketing has never been transactional,” says Hayes. “It’s always been based on relationships.”

Prior to owning her own business, Hayes regularly shared insights through her blog, Crayons & Marketers. Appropriately enough, it was a fellow female entrepreneur who encouraged Hayes to turn that blog into a full-time business.

Crayons & Marketers, now a full-service marketing and branding company, provides consulting, planning, and outsourced marketing support for medium-sized businesses and established nonprofits. “We don’t just review marketing stats when I meet with clients. We’re looking at sales and revenue and always keep in mind that the marketing we do is the means to sales. It requires a well thought-out strategy and voice that is unique to each client.”

Hayes recently graduated from Pathway WBC’s twelve-month Guide Cohort, a peer-based program featuring curriculum from The Woman’s Advantage.

“We laughed, cried, and held one another accountable. But at the end of the day, we helped one another iron out the wrinkles in our business,” says Hayes. “I learned there are women out there who want other women to succeed. It’s a phenomenal support system.”

Hayes is now more productive and focused, having prioritized those tasks that truly affect the bottom line. The knowledge gained through Pathway WBC’s Guide Cohort has helped her grow her business by 23% over the previous year, and reinforced that she has a seat at the table.
After 20 years as a Registered Nurse, with the last six as a Family Nurse Practitioner, Angela Evans was ready to make a bigger impact in her community. By merging her love of investigating with her expert knowledge of medicine, Evans set out to become "the Nancy Drew of insurance fraud" and the idea for Overbrook Medical Legal Consultants was born.

"According to the FBI, health care fraud costs our country an estimated $80 billion dollars each year, and that affects each and every one of us. As nurses, we have an ethical duty to protect and advocate for our patients," says Evans. "When I realized the impact that medical fraud was having on our country, I knew I had to do something. I like to think that at Overbrook we are doing our part in this war against fraud by investigating what I refer to as the 'ethically challenged,' whether that be an individual, a provider, or a hospital system."

Evans joined Pathway WBC, and with the help of mentors, staff, and her peer working group, she was able to successfully purchase an existing medical fraud company. By narrowing Overbrook's services to only fraud investigation, she's seen tremendous growth. Within six months Overbrook has expanded from a spare bedroom to a 1,200 square-foot office, has brought on five employees, has experienced 1,116% in business growth, and is operating at a 42.4% net profit margin. Evans says, "My company wouldn't be where it is today if it wasn't for the mentoring and support I received through Pathway WBC."

"Being a small business owner, it's important to realize that you don't have all the answers. That is why it is paramount that you surround yourself with people who do," says Evans. "The decision to join Pathway changed my life and my entire business."

Overbrook recently started working with the Tennessee Department of Health in helping to identify prescription fraud as it relates to the ongoing opioid epidemic. Evans' vision is that one day Nashville will be the Fraud Investigation Capital, with Overbrook leading the way.

"My goal for Overbrook is not so much about making money. It's about making a difference."

Olivia Poole looks every inch the rock star with her spiked hair and black leather jacket. Three years ago she found a stronger calling – biology. Health issues led her to start exercising, meditating, and paying attention to what she ate and put on her skin. So she put her biology degree to work.

"I was getting ready one day when I read the ingredients on my lotion container," says Poole. "I recognized only a couple, so I looked up each ingredient and its purpose. I was appalled by what I found: teratogenic agents, carcinogens, endocrine disrupters and so many preservatives. It was then that I knew I was going to try to make a better product."

She created products for friends and family, and got amazing feedback. Poole’s partner, Mark, suggested she start a business of her own. He started researching the startup process and came across the Pathway WBC website.

"He was floored. He ran upstairs to tell me we were going to a ‘Blue Sky’ class the very next day," says Poole. "Meeting Leslie Hayes was the turning point for me. Here was a woman who wanted to hear what I had to say. She took me seriously, and it hit me that I’d found the place that would give me an opportunity."

Poole joined the Embark Cohort, a seven-week course designed to help new entrepreneurs structure their business. Along with curriculum on business finance, the cohort uses LivePlan software to flesh out business models, pricing, projections, and more.

"It was freeing to know that we were all in the same position, and no one was judging. I had been so worried that I couldn't do this; that I didn't have the talent or the courage," says Poole. "In this group, we were bold for each other. Plus we had the Pathway staff to back us up."

Poole has grown her company, Verum Essentials, by word-of-mouth and is currently looking to launch her website and marketing strategy.

She says the best part of being an entrepreneur is having the ability to create exactly what she's envisioned. "Sometimes it's tough. But most of the time, it's pretty damn empowering."

MAKING MORE POSSIBLE:
ROCKER TURNED BIOLOGIST LAUNCHES SKINCARE STARTUP

client profile:
OVERBROOK MEDICAL LEGAL CONSULTANTS

client profile:
VERUM ESSENTIALS

MAKING MORE POSSIBLE:
MENTORS HELP BUILD STRONG FOUNDATION FOR NEW BUSINESS