



COMMUNITY FIRST FUND

PLEASE READ THIS FIRST

This PDF Portfolio Contains:

- 1) Letter from Christopher Sikes, Common Capital CEO
- 2) Community First Fund Offering Memorandum (all potential investors must read this document)
- 3) Exhibit A - Community First Fund Loan Agreement
- 4) Exhibit B - Community First Fund Note
- 5) Common Capital's 3/31/2015 Financials (unaudited)
- 6) Common Capital's FY2014 Audit

To invest in the Community First Fund:

Please read all documents thoroughly then scroll to Exhibit A - Loan Agreement. You can type your information right into the Loan Agreement, print it out, sign and mail as instructed in the agreement with your check payable to "Common Capital, Inc."

Thank you for your interest in Common Capital and the Community First Fund. If you have any questions, please contact Michael Abbate, Common Capital's Chief Operating Officer at 413-420-0183 ext. 102 or mabbate@common-capital.org. You can also visit our website at www.common-capital.org.

Common Capital is an equal opportunity provider and employer

Greetings Potential Investor in the Community First Fund:

We are pleased to offer the opportunity to invest in locally-owned businesses in our community. You can be on the forefront of a truly local and sustainable movement whose impacts will reach beyond the businesses which benefit from Common Capital's work.

The Community First Fund is Common's Capital's first investment vehicle fund for individuals. We will use your funds to make loans to retailers, service businesses, and manufacturers; any local businesses and/or community projects that are located in western Massachusetts and have a positive social and economic impact.

As an investor, you will receive a semi-annual interest payment and a quarterly email newsletter providing an update on our work and highlights of some businesses in our loan portfolio. We will also provide other news related to community investment. Details of the Community First Fund follow this letter.

Thank you for your interest. If you have any questions, please do not hesitate to contact me.

Sincerely,



Christopher Sikes
CEO Common Capital, Inc.
413 420-0183 x104
csikes@common-capital.org

OFFERING MEMORANDUM

COMMON CAPITAL, INC.
(A Massachusetts Nonstock Corporation)
4 OPEN SQUARE WAY, SUITE 407
HOLYOKE, MASSACHUSETTS 01040
413-420-0183

Offering of Up to \$1,000,000 of Unsecured Promissory Notes

Minimum Investment
\$500.00

Common Capital, Inc. (the "Company" or "Common Capital"), a Massachusetts non-profit, U.S. Treasury certified, Certified Development Financial Institution ("CDFI"), is offering up to \$1,000,000 of unsecured non-negotiable promissory notes ("Notes") of the Company at a fixed interest rate of 2.0% per annum and a term of three years, with interest payable semi-annually. The Notes offered hereby are only being offered to residents and businesses of Massachusetts, although the Company reserves the right to offer the Notes in additional states in which it is lawful to offer the Notes. The minimum investment in this Offering is \$500, although the Company reserves the right to accept Notes in less than that amount. There is no minimum amount that must be raised, and therefore, there will be no escrow of proceeds pending achievement of any minimum. See, "Summary of Offering." See, "Description of the Promissory Notes."

The Company was formed on February 16, 1990 as a Massachusetts nonprofit corporation with the name "The Western Massachusetts Enterprise Fund, Inc." The name of the Company was changed to Common Capital, Inc. on September 2, 2011. There is no market for the Notes, and the Company does not anticipate that there will be any market in the Notes in the future, which may only be sold, transferred, or assigned in compliance with federal and state securities laws and regulations. See, "Description of the Promissory Notes."

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE VALUE OR MERITS OF THESE SECURITIES OR THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFERING MEMORANDUM CONTAINS ALL OF THE REPRESENTATIONS BY THE COMPANY CONCERNING THIS OFFERING, AND NO PERSON SHALL MAKE DIFFERENT OR BROADER STATEMENTS THAN THOSE CONTAINED HEREIN. INVESTORS ARE CAUTIONED NOT TO RELY UPON ANY INFORMATION NOT EXPRESSLY SET FORTH IN THIS OFFERING MEMORANDUM.

MASSACHUSETTS: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES DIVISION OF THE OFFICE OF THE SECRETARY OF THE COMMONWEALTH OF MASSACHUSETTS NOR HAS THE SECURITIES DIVISION OF THE OFFICE OF THE SECRETARY OF THE COMMONWEALTH OF MASSACHUSETTS PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

There are no outside agents or underwriters involved and no commission or underwriting expenses will be paid in connection with this Offering. The Offering will terminate on the earlier of the date on which all Notes offered hereby are sold or December 31, 2015, unless sooner terminated or extended by the Company.

The date of this Offering Memorandum is November 8, 2012

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IMPORTANT NOTICES TO INVESTORS

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN MADE OR AUTHORIZED BY THE ISSUER.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (“SEC”), BEING EXEMPT SECURITIES UNDER SECTION 3(a)(4) OF THE SECURITIES ACT OF 1933 AND SECTION 3(c)(10) OF THE INVESTMENT COMPANY ACT OF 1940. NOR HAVE THESE SECURITIES BEEN REGISTERED WITH THE SECURITIES DIVISION OF ANY STATE. THE ISSUER IS RELYING ON EXEMPTIONS PROVIDED BY THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.

PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS INVESTMENT, TAX OR LEGAL ADVICE. THIS MEMORANDUM, AS WELL AS THE NATURE OF AN INVESTMENT IN THE SECURITIES OFFERED HEREBY, SHOULD BE REVIEWED BY EACH PROSPECTIVE INVESTOR AND SUCH INVESTOR’S INVESTMENT, TAX, LEGAL, ACCOUNTING, AND OTHER ADVISORS.

THIS OFFERING IS SUBJECT TO WITHDRAWAL, CANCELLATION OR MODIFICATION BY THE ISSUER WITHOUT NOTICE. THE ISSUER RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO REJECT ANY NOTE RESERVATION FOR ANY REASON.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING, WITHOUT LIMITATION, THE MERITS AND RISKS INVOLVED.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS AND TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALES OF SECURITIES MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCE CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER SINCE THE DATE HEREOF, OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THIS IS NOT AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED HEREIN IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SALE.

INVESTMENT IN SECURITIES INVOLVES RISKS. SEE “RISK FACTORS” ON PAGES 3-5 OF THIS MEMORANDUM FOR SOME OF THE RISKS REGARDING AN INVESTMENT IN THE NOTES.

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION DOES NOT PASS UPON THE MERITS OF OR GIVE ITS APPROVAL OR DISAPPROVAL TO ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING. NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING MEMORANDUM OR OFFERED SELLING LITERATURE. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE COMMISSION; HOWEVER, THE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREUNDER ARE EXEMPT FROM REGISTRATION.

SUMMARY OF OFFERING

This Summary does not contain all of the information you should consider before investing in the Notes. You should carefully read this Memorandum in its entirety, especially the “Risk Factors” section, and the Company’s financial statements, and related notes, before investing in the Notes.

The Company. Common Capital, Inc. (the “Company” or “Common Capital”) was incorporated as a nonstock corporation under the laws of the Commonwealth of Massachusetts on February 16, 1990. Its Articles of Organization were amended on September 2, 2011 to change its name from Western Massachusetts Enterprise Fund, Inc. to Common Capital, Inc. The Company’s principal office is located at 4 Open Square Way, Suite 407, Holyoke, Massachusetts 01040. The telephone number of the Company is (413) 420-0183. The fiscal year runs from July 1 through June 30. The Company’s purpose is to strengthen the communities in Franklin, Berkshire, Hamden and Hampshire counties of Western Massachusetts by creating economic opportunities through its community loan fund for local businesses as well as its offering of business advisory services. See, “Common Capital, Inc.”

The Offering of Promissory Notes. The Company is offering unsecured non-negotiable promissory notes (“Notes”), in a minimum principal amount of \$500 to investors in the Company (“Investors”). The Company seeks to raise up to \$1,000,000.00 through the offer and sale of Notes. The Offering is being made to persons in Massachusetts, although the Company may determine to offer Notes in additional states, in compliance with state laws and regulations governing the offer and sale of securities. The Company reserves the right to accept Notes for less than the principal amount of \$500. There is no minimum amount that must be raised in the Offering. The Offering will terminate at the earlier of when all of the Notes offered hereby are sold or December 31, 2015, unless sooner terminated or extended by the Company. If extended, the Company will prepare an updated Offering Memorandum.

Management. The Company is managed by its Board of Directors which elects its Executive Officers. The Board meets quarterly and is responsible for the overall policies and direction of Common Capital. The Officers of the Company are responsible for its day to day operating and loan decisions. The Directors serve for staggered three year terms. See “Management.”

Risk Factors. Any investment in the Company involves risks. Prospective investors should consider all the Risk Factors discussed under “Risk Factors”, and all of the other information set forth in this Memorandum. In addition, investment in the Company will be non-transferable and completely non-liquid. Any potential investor should not considering investing in the Company unless they can afford a total loss of any monies that they may consider investing in the Company. Investors should review the matters discussed under “Risk Factors.”

Use of Proceeds. The Company will use the aggregate principal amount of the Notes, less expenses, to increase its available loan pool. There is no minimum amount to be raised in this Offering. See, “Common Capital, Inc.” and “Use of Proceeds” for a summary of the intended use of proceeds of this Offering.

Terms of the Notes. Each Note has a term of three years from the date the Investor’s Loan Agreement is accepted by the Company, and bears interest at a fixed annual rate of 2.0%. Interest on the principal amount is due and payable semi-annually. See “Description of the Promissory Notes.”

RISK FACTORS

The Notes are Unsecured Obligations of Common Capital

The Notes will not be secured by any collateral of the Company, and are general obligations of the Company. Investors will be dependent solely upon the financial condition and operations of the Company for repayment of principal and interest. Investors will not have any recourse against Common Capital or its assets beyond Common Capital's net assets, and in the event of default, Investors will have the status of unsecured creditors. Common Capital has commercial bank and other financing in place, repayment of which is secured by security interests in its assets. Repayment of the Notes is, therefore, subordinate to Common Capital's secured financing from time to time.

No Market

No market exists for the Notes, and no such market can develop, as transfer of the Notes is not permitted. Consequently, the Notes are illiquid. In general, Investors will be unable to obtain repayment of their Notes before maturity. Even at maturity, there is no assurance that the Company will have the cash available to repay any particular Note.

Limited Financial Return; Subjective Value of Societal Return

The Notes offer a low rate of return when compared to other investments of comparable risk, in order to allow more of each investment to go toward achieving Common Capital's community development goals. However, Investors will place different values on the societal component of their investment when considering their total return on investment in the Notes. Because the proceeds of this Offering Proceeds will be pooled in the Company's general funds before distribution to various borrowers, individual Investors will not have control over where their funds are used. Consequently, there can be no assurance that the funds provided by an individual Investor will be used to advance the particular societal interests which that Investor considers important.

No Tax Deduction Allowed for the Notes

The Internal Revenue Service ("IRS") does not consider the purchase of a Note to be a donation to a charitable organization. Accordingly, the purchase of the Notes does not allow for a tax deduction. Consequently, the interest paid to Investors by Common Capital on the Notes must be declared as income and will therefore generally be subject to federal income tax. The deductibility of donations will depend on the individual Investor's tax situation. See "Income Tax Consequences."

Limited Protection against Default

Common Capital attempts to obtain collateral for loans it makes to the fullest extent possible. However, if a significant portion of borrowers default, the total amount that Common Capital will realize after exercising its rights to the collateral may be less than the total amount of the borrowers' loans. There are several instances in which this may occur, including when other creditors may have senior rights to the same collateral pledged to Common Capital, or when the

collateral may have declined in value due to changes in market conditions, obsolescence, wear and tear, or misuse. Consequently, if several borrowers default, insufficient collateral could result in a loss to the Company and therefore a potential loss to some or all of the Investors.

No Agency Approval; No Regulation.

No federal or state agency has made any finding or determination as to the fairness for investment, or made any recommendation or endorsement of the Notes. The Company's activities and operations are not supervised or regulated by any federal or state authority or agency. Repayment of the Notes is not secured or guaranteed by any federal or state authority or regulatory agency or any other entity as are certificates of deposits or accounts offered by banks and other regulated financial institutions.

Dependence upon Tax Exempt Status

Common Capital has received an IRS determination that it is a public charity exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). However, Common Capital could lose its tax exempt status if there are changes in the treatment of charitable organizations under section 501(c)(3) of the Code, or under certain other circumstances. Loss of tax exempt status would make it difficult to obtain grants, loans and donations that are essential to Common Capital's ability to provide a full range of services to borrowers. Reduction of borrower services potentially increases the risk of default on the Notes.

Dependence upon Grants

The Corporation receives grant income annually from commercial banks operating in our region as well as the U.S. Small Business Administration's Microloan Program. Part of the Corporation's annual operating budget is dependent upon the receipt of grants from these sources. Any loss of grant funds in a given year may result in a decrease in the Corporation's Net Assets.

Dependence on Certification as a "CDFI"

The Corporation receives its designation as a Certified Development Financial Institution (CDFI) by the U.S. Treasury CDFI Fund. The CDFI Fund offers various programs that are only available to certified CDFI's. These include the CDFI Fund Financial Assistance awards and New Markets Tax Credit allocations. If the Corporation loses its certification as a CDFI, it will no longer be able to benefit from these programs.

Dependence upon Credit Market

The Corporation's ability to deploy its capital is dependent upon the competitive nature of the credit markets in our region. The lending standards of commercial banks vary depending upon general economic conditions and this may impact our ability to find high quality borrowers.

Dependence upon Regional Economy/Further General Economic Downturn

The health of the Corporation's loan portfolio is dependent upon the strength and resiliency of the local and regional economy in Western Massachusetts which has suffered in recent years. Also, a further general economic downturn that affects the global or U.S. economy would certainly impact the businesses in our region and may affect their ability to service their debt, including amounts owed to the Corporation.

Conflicts of Interest

Conflicts of interest may arise in conducting the daily operations of Common Capital. To mitigate these conflicts, Common Capital has adopted a Conflict of Interest Policy requiring, among other things, disclosure of conflicts by Directors and employees of Common Capital, and compliance with certain procedures when conflicts arise. See "Management - Conflicts of Interest."

No Public Market; No Liquidity

The Notes are restricted securities, and have not been registered under federal or state securities laws being exempt securities. They may not be negotiated, assigned or transferred. There is no public market for the securities, and Investors are required to hold the Notes and bear the risk of their investment.

Dependence on Key Personnel

The Company's continued ability to achieve its nonprofit purposes and fulfill its mission depends on its ability to attract and retain qualified personnel.

COMMON CAPITAL, INC.

Common Capital's mission is to provide economic opportunity for low-wealth communities and low-and moderate-income individuals through the promotion of socially and environmentally responsible development. It seeks to invest capital into businesses, nonprofits and community projects that will positively impact people's lives. Over the last three years, the Company has assisted over 500 clients, has loaned \$4.28 million and helped to create or retain over 300 jobs. The Company employs 6 people, all of whom are full-time employees.

The Company is organized as a non-profit corporation for exclusively charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). During 2011, the Company was approved by the U.S. Small Business Administration as designated SBA 7(a) Community Advantage Lender.

Capital of the Company. The current capital of the company is derived, in large part, from federal and state sources including the U.S. Treasury CDFI Fund, the U.S. Economic Development Administration, the U.S. Small Business Administration and U.S. Department of Agriculture - Rural Business Enterprise Grants. Additional capital has been raised from the State of Massachusetts that was used as matching funds for various federal grant programs. This offering of Notes is intended to increase available capital. The rates and terms of the Notes currently being

offered are set forth on the cover page of this Memorandum. The Board of Directors reviews these rates and terms periodically and may issue promissory notes in the future containing different rates and terms.

Each investor (“Investor”) and the Company will enter into a loan agreement in substantially the form of Exhibit A. The Company will issue a Non-Negotiable Promissory Note to the Investor in substantially the form of Exhibit B, and the Investor will remit a check payable to “Common Capital, Inc.”.

Loan proceeds not immediately disbursed by the Company, or maintained for liquidity or reserves, are invested in a treasury-only money market fund, which is managed by professional investment advisors in accordance with the Company’s investment policy.

Company loans to and invests in organizations and businesses. The Company’s principal focus is lending funds to and investing funds in organizations and businesses working to build wealth and create economic opportunity for low- and moderate-income people in the counties of Berkshire, Franklin, Hampden and Hampshire, Massachusetts. The Company’s staff screens loan and investment applications from prospective borrowers/investees, including both non-profit and for-profit organizations. The Board of Directors has authorized specific lending staff of Common Capital, based on experience and expertise, to approve transactions within specific guidelines set by the Board, with loan committees of the Board of Directors approving or disapproving all other proposed loans and investments.

The Company makes both long and short-terms loans. Interest rates will vary, depending on conditions set by the lenders to the Company, the type of loan, prevailing market conditions, and the risk associated with the loan. Loans will not be made when it is clear to the Company that the applicant would be unable to repay a loan, or does not meet the Company’s underwriting standards. In addition, the Company has the discretion to determine what collateral, if any, is appropriate. The Company, at its discretion, imposes terms that protect its investment and provide security for repayment. See “Lending Factors and Procedures.”

Funding for Operational Expenses. Historically, the Company’s sources of revenue obtained to fund its operating budget include interest income and fees, grants from local commercial banks, the U.S. Small Business Administration’s Microloan Program, New Markets Tax Credit fees and income, and other state or federal programs. The nature and extent of these revenue sources into the future will impact our ability to fund our operating budget.

Common Capital provides financing and business assistance services to for-profit, cooperative and in certain circumstances, nonprofit businesses that are unable to obtain necessary financing from conventional lenders. The overall goal of Common Capital’s efforts is to maximize the positive impacts in our community and create opportunities for low- to moderate-income individuals. Every dollar that Common Capital deploys is an investment in job creation, providing opportunity for low-income people, essential community services, neighborhood rejuvenation and environmental sustainability. The Company focuses on businesses that are locally owned and that recirculate local dollars.

Common Capital makes loans to businesses that have an impact on the community. Loans are intended to have a direct positive impact, which may include any or all of the following:

- **Employment:**
 - Create or sustain employment, including self-employment
 - Provide jobs for low skill workers, provide career development opportunities, increase income potential, and/or improve access to benefits
 - Jobs may be skilled and higher paying but may be part of an industry cluster or specialization which can generate additional economic value locally
 - May increase self-sufficiency and income level for owner(s)
 - Effective use of debt will enhance personal credit score, improving borrower's access to capital and potentially lowering other personal and business costs (e.g. insurance)
- **Local Economy:**
 - Business provides and/or utilizes local goods and services
 - Business is locally owned
 - Business can be a catalyst for other businesses to move into the area or may be an anchor business within a community
 - Business reinvests into the community and is active civic participant
- **Community Services:**
 - Business provides a needed good or service directly or provides access to needed goods or services in an underserved area
 - Business provides development and/or project management services (e.g. low income housing projects)
 - Business product or service is part of a larger network which creates a stronger localized economy (e.g., sustainable agriculture)
- **Environment:**
 - Business will increase local economic vitality by occupying a vacant storefront or building, or otherwise reducing blight
 - Business provides an environmentally beneficial good or service
 - Business is making improvements which improve its energy efficiency
 - Business will improve an environmentally challenged property such as a brownfield

Services:

Common Capital provides financing in the form of term loans and offers business assistance services to its clients in order to help them succeed in their endeavors. The maximum amount of any given loan made by the corporation is \$300,000 (higher loan amounts can be approved by the Common Capital Board of Directors). The corporation participates in various federal programs including the U.S. Small Business Administration's Microloan Program and is an SBA Community Advantage 7A Program lender. The corporation utilizes its staff and various consultants to assist its clients build the necessary skills to succeed. Common Capital also has access to federal New Markets Tax Credits through partners that are structured to assist in economic development projects in low-income census tracts.

Lending Factors and Procedures:

Common Capital strives to finance businesses and community projects that will create a lasting impact in the community. This includes job creation or retention, neighborhood rejuvenation, essential community services and businesses that will recirculate local dollars. In general, the corporation works with clients that are unable to qualify for traditional financing from commercial banks due to lack of sufficient collateral or a poor credit history.

Borrowers are eligible to apply for a loan from Common Capital if:

- The borrower can demonstrate business or project viability with the proposed funds
- The borrower is unable to obtain sufficient financing elsewhere at reasonable terms. This may be determined through actual decline letters from other lending organizations, from the applicant's representation that he/she has been declined, or from Common Capital lending staff's general knowledge of lending practices.
- The business or project creates or sustains a community benefit
- The borrower will provide available collateral to support the loan
- The borrower can demonstrate adequate future cash flow or financing sources to repay business or project debt
- The owner has a substantial commitment to the business or project. This may mean existing business equity, commitment of personal resources, or sweat equity. In some cases where the borrower does not have personal funds or assets but the financing appears viable, will fulfill Common Capital's mission, and create financial independence for the owner, financing may be provided without financial equity.
- The business is owned by individuals whose character and skills indicate strong commitment to successfully utilize the funds and/or complete the project in order to fully repay the loan.
- Nonprofit organizations are eligible to apply if the financing supports a defined business activity, has committed funding to support full repayment, or will generate income through the project or program being funded which can support full repayment. Funding will not be provided against potential (i.e., uncommitted or contingent) revenue sources or where committed revenue sources do not extend through the term of the financing.

Common Capital may reject any loan application, in its sole discretion, if the nature of the business or project does not support Common Capital's mission and values.

Loan proceeds can be for a variety of purposes which will clearly assist the borrower in sustaining, growing or otherwise increasing the viability of the business, or completing a project which supports Common Capital's mission. The financing purpose will be determined through information provided by the applicant and any other financing sources or involved parties. Typical purposes include the following:

- Working capital
- Accounts receivable and inventory financing
- Agricultural working capital or infrastructure
- New or used equipment purchase or improvements to existing equipment

- Real estate if related to the business activity or related to a specific development project
- Building renovation or expansion to benefit operating business
- Leasehold improvements
- Debt refinancing that improves cash flow and as part of defined plan which increases business viability
- Purchase of an existing business
- Start-up costs of a new business

Common Capital does not make loans:

- To businesses engaged in an illegal activity
- For personal use
- For payment of delinquent taxes
- For liens placed by third parties
- To businesses that are delinquent on government obligations or taxes and are not in a repayment plan

Common Capital borrowers may also be required to comply with certain reporting or performance requirements, which may include the following:

- Evidence that corporate borrowers are in good standing with the Secretary of State and that a business license if required, has been obtained.
- Financial Reporting:
 - Interim financial statements or other financial reports (such as deposit account statements) as determined during the underwriting process
 - Annual business or personal tax returns (with appropriate business schedules) for borrower
 - Annual personal financial statement and tax returns for individual guarantors
 - Annual business tax return for business guarantors
- Financial covenant compliance as determined during the underwriting process
- Agreement to participate in Common Capital's marketing and other promotional efforts. The borrower agrees to reference Common Capital whenever possible and appropriate to represent Common Capital's support of the borrower or project; and Common Capital shall be authorized to use the business name (and logo) in signs, press releases and other printed materials prepared by Common Capital to promote the importance and success of its efforts.

Loan application and review process:

The underwriting process will typically begin with receipt of a completed application with supporting financial and business plan information. The application is intended to simplify the process for potential borrowers by helping them clarify the financing request and by providing a checklist of necessary supporting information. Common Capital lending staff will review application information but will request additional information as appropriate in order to fully understand the financing request and the business need. Common Capital lending staff will also review an applicant's preliminary information in order to provide direction and guidance as to what information might be necessary to support that request in order to assist the applicant in completing the application in a constructive manner. Common Capital lending staff may suggest

that the applicant work directly with other organizations which can provide support in completing the more technical portions of the application.

In some cases where an applicant is referred to Common Capital by a business partner or another organization, or in cases where the financing requirement is unclear, the underwriting analysis may begin without an application. In such cases, the lender will work with the applicant and/or the referral source to obtain necessary financial and business plan information in order to fully understand the financing request and the business need. An application will be completed as the financing requirement is clarified.

Because Common Capital views its role as not just a direct lender but also as a broader economic resource, lending staff will take every situation on a case by case basis in order to determine the most effective and timely path to a financing decision. Lending staff may refer an applicant to another financing source or organization if that lender or organization has better financing options or can provide more specialized support to the applicant. Common Capital will make every effort to provide constructive support, both from a consultative perspective as well as direct financing, to support the applicant's needs as effectively as possible.

A complete Common Capital application package will generally include:

- Completed and signed Common Capital loan application form
- Appropriate Common Capital application fee
- Business plan which outlines the business concept, marketing, management, ownership, and business development plans.
- Historic business financial information consisting of income statements and balance sheets for the preceding two years. Information may be company or accountant prepared and may consist of Federal income tax returns with supporting schedules.
- Personal financial information including a current personal financial statement and personal Federal income tax returns for all persons owning 20% or more of the company and any prospective guarantors for the preceding two years. Common Capital will also obtain personal credit reports, as appropriate.
- Financial projections for the next 12 months or applicable project or financing period. In most cases, projections will be provided for three years but may be for a lesser time period based on the financing request and nature of the business.
- Additional financial, project, or collateral information will be requested as appropriate to the transaction. This may include information from other existing or potential funding sources, viability or needs assessment, mission and impact information, qualification under certain programs such as tax credit programs, and the like.

Additional criteria:

- Loans will be made in compliance with the underwriting and documentation requirements specific to a loan's funding source or sources.
- Common Capital will consider all financing requests where the applicant and Common Capital believe that comparable financing terms are not reasonably available from conventional lending sources; or that insufficient funds to support the business or project are available from other conventional lending sources without the financing support of Common Capital. Common Capital will use its experience and judgment in determining if

other financing sources are available, and will make every effort to direct the applicant to the lowest cost, and most appropriate, financing available.

- Business debt refinancing, including debt consolidation and refinance or restructure of Common Capital debt, will be considered in cases where the refinancing improves or sustains the financial condition of the borrower and therefore increases its viability.
- Common Capital may provide real estate financing as long as the real estate is primarily used for the business activity, or for project financing which converts, upgrades or rehabilitates a building or area and has a defined permanent financing or repayment source. However, Common Capital does not consider itself a real estate lender, and will not look to provide conventional mortgage terms with extended maturity dates (i.e., ten years or more) and/or extended amortization schedules which result in balloon payments.

Loan Approval:

Loan Approval limits are based on aggregate committed and outstanding debt to a borrower, inclusive of any new financing requests. Unfunded commitments such as lines of credit or undrawn term facilities will be included in determining aggregate debt.

Loans up to \$50,000 may be approved by Common Capital's Chief Executive Officer. Loans of \$50,000 and up to \$100,000 may be approved by the Chairman of the Loan Committee (or designee) and the Chief Executive Officer. Loans of \$100,000 and greater will be presented to the Loan Committee for consideration and approval. In all cases, the approving individual or body may make further recommendations to the financing request, including revising loan structure, requesting clarification on certain information or requesting additional information in order to make its decision.

Loan Underwriting Criteria:

Repayment Ability: Common Capital will look at the following factors in evaluating repayment ability:

- a. Historic financial performance, including assessment of how the historic business operation may be changed through the financing, and how the historic cash flow can support the pro forma debt burden.
- b. Projected financial performance, based on the additional cash flow to be created through effective utilization of the requested loan funds.

Greater reliance will generally be placed on the projected financial performance, but Common Capital staff will perform a thorough analysis with the applicant of the sources of cash flow and the probability of the cash flow being generated in accordance with the projection. Common Capital believes that business planning is essential, but that execution of the business plan may be more difficult as business situations change rapidly. Therefore, Common Capital looks to work closely with borrowers throughout the life of the loan to assist management in adapting to changing requirements and therefore to maximize cash flow and improve business viability.

Common Capital will typically utilize a benchmark debt service ratio of 1.20x (total cash flow divided by total debt service) but will customize its analysis to the situation. Common Capital will not provide extended loan terms in order to achieve an adequate debt service coverage ratio, but

will assess debt service coverage against a reasonable repayment schedule based on the underlying use of funds.

Equity: Equity may be an indicator of the applicant's financial capacity and fallback position. It is therefore evaluated carefully in the underwriting process.

However, Common Capital believes that there are many individuals who can be successful business owners with a well thought out business plan, good business support services and a properly structured financing package who do not have equity to support the project. Common Capital also believes there are many established businesses that have suffered in the recent economic situation and may have negative net worth but still have a very viable business with proper debt structuring and business support.

Therefore, Common Capital considers equity but weights business viability and impact more heavily in coming to a final underwriting recommendation. Common Capital will make every effort to have its applicants put as much of their own resources into the project or business as possible but also recognizes that for many businesses, sweat equity and moral commitment is stronger than a financial stake.

Common Capital also recognizes that many businesses cannot obtain traditional financing due to limited equity contribution or negative net worth, and that this may serve to weaken the regional economy as these businesses may be viable but will struggle without sufficient financing resources. Common Capital will review all factors for an application to manage its own risk profile effectively but will attempt to provide financing based more on viability and impact to create a greater overall economic benefit.

Working Capital: Common Capital's analysis will include an assessment of working capital based on the likely cash collection cycle and cash payment requirements. Common Capital will work with applicants to develop a meaningful cash flow projection which details the cash flow cycle as closely as possible. Financing repayment will be structured with direct reference to the underlying cash flow to ensure that funds will be sufficient to support debt service. Specific components are the accounts receivable quality and aging; accounts payable aging; vendor relations and terms; inventory levels and requirements, and the like.

Break-even Analysis and Viability: Common Capital's analysis will include a thorough analysis of the financial projections to determine debt service capacity and overall financial performance, including owner compensation. Common Capital does not look to provide financing to "buy time" to come up with a solution, but to provide targeted financing which allows the applicant to execute the business plan, whether it is for business growth, business re-engineering, or start-up. It is expected that a borrower will have sufficient financial performance to support the pro forma debt service within the first year. Loan repayments may be structured to increase over time in accordance with cash flow projections.

Common Capital will assess many factors in reviewing viability including the likelihood of marketing success, management's experience in the industry, barriers to entry for future competitors, alternative products or services, pricing pressures on materials or services required or supplied, overhead costs such as rent, staffing requirements and availability of qualified staffing

resources, local and broader industry trends, and general economic factors. Common Capital recognizes that viability requires sufficient cash flow, but that cash flow is determined by many tangible and intangible factors which are not all within management's control. Therefore, Common Capital attempts to have a thorough discussion of the factors which are most relevant to the subject business and to have a clear understanding of management's objectives, what the limiting factors are, what fallback positions are possible, and what resources are most crucial to business success.

Credit Scores: Common Capital obtains personal credit reports on individual borrowers and guarantors. However, Common Capital does not make lending decisions based on the credit score. Common Capital believes that individual credit scores are affected by many factors which may not indicate that the individual will not repay the proposed debt. Common Capital also recognizes that an individual with a very low credit score may pay a premium for other services (such as interest rates on other financial obligations, insurance rates, and the like) and therefore may assist a borrower with financing with a view to also improving the individual's credit score over time and therefore creating a direct economic benefit to the individual.

Interest rates and Collateral:

Common Capital determines the interest rates it charges to its borrowers based primarily on the risk of any given transaction. Some of the factors that determine the amount of risk include available collateral, the expertise and experience of the business owner and industry sector. Interest rates may be fixed or variable and generally fall within a range of 3-6% over the Prime Rate. Common Capital believes itself to be a higher risk lender, providing loans to applicants who do not have access to conventional financing sources, and therefore Common Capital generally charges an interest rate which is higher than the market rate as indicated by area commercial banks.

Common Capital secures all available forms of collateral to secure a loan including business assets, personal guarantees, loan co-signers, residential and commercial real estate and other assets as appropriate. Due to the nature of our lending, Common Capital may not always have sufficient collateral value to fully repay a loan in the event of a default. In cases where the collateral shortfall is significant, Common Capital can apply loan guarantees from the SBA 7A program. Common Capital may make lending decisions which weigh its mission and the business viability more heavily than collateral, and may approve loans which are either completely unsecured or are functionally unsecured based on the likely limited collateral value in a liquidation scenario.

Loan Management:

Common Capital monitors the loans in our portfolio on a periodic basis to identify problems before they occur and to help mitigate business viability risks by identifying and providing business assistance. Common Capital's loan portfolio management includes the following:

A. Borrower Relationship Monitoring

Common Capital lending staff will make every effort to maintain close, ongoing contact with all of its borrowers. Contact may be through direct meetings, including site visits, telephone contact, and email. Common Capital staff finds it more effective to maintain frequent casual contact rather than scheduled periodic meetings in order to stay current with a borrower's ongoing activities.

Borrowers are expected to notify the lending staff of any material change in management or in business operations. Material events would include the following:

- Change in management or ownership
- Change in carriers or cancellation of insurance
- Additional financing by other parties
- Change in location or occupancy terms
- Financial stress such as shortened vendor terms, delinquent payments, liens and the like
- Change in business including reducing or eliminating primary products, closing down some or all operations, and the like

B. Financial Reporting

Borrowers will be required to provide periodic reporting as appropriate based on the nature of the financing and project. Requirements may include, but are not limited to:

- Deposit account bank statements
- Company prepared financial statements
- Receivable and payable aging reports
- Annual Federal business income tax returns
- Accountant prepared financial statements
- Disbursement requests (for construction/rehabilitation projects)
- Personal financial statements
- Personal Federal income tax returns

C. Annual Review

Lending staff will complete a written annual review of each borrower. The review will typically be in conjunction with review of fiscal financial results. The review may include the following:

- Historic financial performance and financial condition, including cash flow
- Guarantor financial condition
- Projected financial performance, including cash flow
- Project status (on budget and on timeline)
- Anticipated changes in operations or strategy
- Any specific business assistance needs or recommendations which can assist the borrower
- Covenant compliance
- Site visit/occupancy
- Payment history with Common Capital
- Collateral status
- Mission results and data capture
- Photos, testimonials and PR, as appropriate

Properties

The Company rents its office space at Four Open Square, Holyoke, Massachusetts under a written lease which had an original term of five years, with one renewal term for three years. The renewal term commenced December 1, 2012. Annual payments under the lease during the renewal term expiring November 30, 2015 are \$42,644.40.

Deposits in excess of insured amounts

In the ordinary course of its business, Common Capital has funds on deposit with various financial institutions which exceed the amount insured by the Federal Deposit Insurance Corporation (“FDIC”). As of June 30, 2014 and June 30, 2013 the amount in excess of FDIC was \$841,814 and \$1,621,780, respectively. At each of those dates, \$500,000 was insured by the Securities Investor Protection Corporation, and \$137,011 and \$334,945, respectively, was insured by the Depositors Insurance Fund.

LOAN LOSS RESERVES

Common Capital’s net loan losses from its Loans Receivable for the years ended June 30, 2012, 2013 and 2014 were \$208,235, \$151,371, and \$72,786 respectively. Management believes that the reduced amount of loan write-offs during these periods reflect the beginning of a positive trend in performance of its loan portfolio, although no assurance can be given that is the case.

The allowance for loan losses is a valuation reserve that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. It is established through provisions for loan losses charged to expenses. Loans deemed to be uncollectible are charged against the allowance. Subsequent recoveries, if any, are credited to the allowance. The allowance is maintained at a level believed adequate by management to absorb estimated potential losses after considering past performance, the nature of the loan portfolio and current economic conditions. However, the allowance is an estimate that could change if there are significant changes in the portfolio, portfolio performance and/or economic conditions, and no assurance can be given that the established loan loss reserves are adequate.

At June 30, 2014, the allowance for loan losses totaled \$384,919 or 9.8% of total loan receivables outstanding, and as of March 31, 2015, the allowance totaled \$347,167, or 9.05% of total loans receivable. Also, as of June 30, 2014, the amount of Loans Receivable considered delinquent by the Company (over 30 days past due) was \$232,732, compared to \$631,272 at June 30, 2013.

LIQUIDITY RESERVES

As of June 30, 2014, the Company had unrestricted cash, cash equivalent and current investments totaling \$712,899, or 41% of total promissory notes and other loans payable by Common Capital.

FINANCING AND OPERATIONAL ACTIVITIES OF COMMON CAPITAL

The following information briefly describes the obligations of the Company as of March 31, 2015 and other data as of June 30, 2014, the date of our last audited statements.

A. Liabilities

The liabilities of the Company as of March 31, 2015, were the Company's obligations to its commercial and other lenders, promissory notes previously issued and held by existing investors, and other liabilities as follows:

Accounts and Payroll payable	\$51,718
Interest payable/Capital Lease and other	\$152
Debt Payable, Current Portion	\$228,579
Debt Payable, net of Current Portion	\$1,295,282
Other Liabilities	\$200,000
Total Liabilities	\$1,775,731

B. Promissory note redemptions and receipts from promissory notes sales.

Prior to this Offering, the Company had entered into five promissory notes in favor of investors, tied to the Company's PVGrows Loan Fund, which is a fund to support farm and food businesses in the Pioneer Valley of Massachusetts. Repayment of these promissory notes is tied to and dependent upon repayment of specific loans made by the Company's PVGrows Loan Fund to borrowers. In addition, the Company previously entered into four promissory notes with other nonprofit or religious organizations. For the fiscal year ended June 30, 2014, redemptions of and receipts from sales of any of the above promissory notes were as follows:

New Promissory Note Investments	\$0.00
Promissory Note Redemptions	\$22,566

C. Loans receivables.

As of June 30, 2014, there were 62 loans to borrowers on the books of the Company. Loans Receivable is the amount owed to the Company by borrowers, net of loan loss reserves, and so the financial statements of the Company reflect the amount that Management expects to collect from the total Loans Receivable. While no assurance can be given that the Company will be able to collect the below amounts, the loan receivables of the Company as of June 30, 2014, in each case after deduction of the provision for loan losses, were as follows:

Loans Receivable, Current Portion	\$1,414,129
Loans Receivable, net of Current Portion	\$2,513,573
Total Loans Receivable	\$3,927,702

The Company, in borrowing funds for its corporate purpose of making loans to local businesses, often pledges the loan receivables and related loan loss reserve funds to the particular lender which provided the funds. The following table illustrates the projected maturities of the Company's Loans Receivable from borrowers at June 30, 2015, 2016, and thereafter:

Pledged as Collateral to:	6/30/2015	6/30/2016	Thereafter
U.S. SBA	\$197,074	\$121,168	\$209,721
Bank Debt	\$39,115	\$14,189	\$188,743
Other Lenders	\$10,022	\$26,709	\$198,629
Not Pledged	\$1,199,684	\$421,908	\$1,705,652

USE OF PROCEEDS

As previously described, the Company will use the net proceeds of this Offering principally to provide loans to qualified borrowers for the purpose of creating opportunity for people of the counties of Berkshire, Franklin, Hampden and Hampshire, Massachusetts. See “Common Capital, Inc. – Loans.”

The Proceeds of the Offering will become part of the general funds of the Company and, will not be earmarked for any specific loan or loans and substantially all of the proceeds, net of the expenses of the Offering, will be used for loans. If sufficient interest is accrued on the proceeds, however, some of that interest (but not principal) may be used to offset expenses of the Company and to further fund loan loss reserves. The expenses of the Offering are estimated to be \$20,000, including legal, accounting, administrative, printing, and miscellaneous costs.

SELECTED SUMMARY FINANCIAL DATA

The following table summarizes selected information from the Company’s financial statements for the fiscal years ended June 30, 2012 through June 30, 2014. The table should be read in conjunction with the more detailed information in the Company’s audited financial statements and the related notes and supplementary information included with this Memorandum or available on the Company’s website. See “Financial Information.”

Cash and Cash Equivalents represent the Company’s liquid and available funds, broken down between funds available for operations and funds available for lending. Long-Term Debt and LOC includes all notes, including capitalized leases, payable, by the Company together with outstanding balances under Lines of Credit, and amounts due under equity equivalent instruments. Equity equivalent instruments are long-term, subordinated, interest bearing debt instruments. Loans are considered delinquent by the Company when overdue by 30 days. For purposes of this table, the Loans Receivable are the total loans receivable, prior to deduction for the provision for loan losses. Unrestricted Net Assets as shown below is the Company’s Total Assets less Total Liabilities, minus any temporarily restricted assets. Change in Unrestricted Net Assets reflects the change from the prior year.

	2014	2013	2012
Cash and Cash Equivalents – Operating	\$ 712,899	\$ 1,227,639	\$ 1,688,951
Cash and Cash Equivalents- Lending	\$ 915,812	\$ 1,217,983	\$ 1,310,430

Total Loans Receivable –	\$ 3,927,702	\$ 3,037,964	\$ 2,674,127
Loan Delinquencies as % of Total Loan Receivables	5.9%	17.46%	5.32%
Total Assets	\$ 5,846,226	\$ 5,840,020	\$ 5,727,279
Long-Term Debt and LOC	\$ 2,008,657	\$ 2,003,400	\$ 2,322,028
Total Liabilities	\$ 2,088,348	\$ 2,093,925	\$ 2,422,470
Net Assets	\$ 3,757,878	\$ 3,746,095	\$ 3,304,809
Change in Net Assets	\$ 11,783	\$ 441,286	\$ 1,555,465

DESCRIPTION OF THE PROMISSORY NOTES

Each Investor will receive a Non-Negotiable Promissory Note as evidence that the named Investor has made a loan of a specific amount to the Company. Interest on the loan shall be due and payable semi-annually on the dates specified on the Note. The Notes do not provide for redemption prior to the maturity date by the named Investors. Any such early redemption will require the mutual written consent of the Company and the Investor.

At least 30 days prior to the Maturity Date of each Note, the Company will send a notice to the Investor offering the Investor the choice of: a) redeeming the Note and being paid back the principal balance plus interest due thereon; b) subject to the next sentence below, renewing the Note for another term of three years at the then current maximum interest rate being offered by the Company, if any; or c) donating the principal and/or interest to the Company. The opportunity to renew the loan evidenced by the Note will only be offered if Common Capital is still offering promissory notes, which it reserves the right not to do. Unless an Investor notifies the Company on or before the Maturity Date of the Note of his/her election, Common Capital will repay the principal balance of the Notes and interest due thereon as of the Maturity Date.

The notice sent to Investors will be accompanied by the Company's Offering Memorandum then in effect, if any, containing a description of the terms of the promissory notes that would be issued upon renewal. If an Investor elects to receive payment in full of the principal amount of the Investor's Note, the investor shall not be entitled to receive interest on the principal amount of the Promissory Note after the Maturity Date.

The Notes are unsecured obligations of the Company and do not contain any restrictive covenants limiting the Company's ability to make payments on other indebtedness, incur additional indebtedness (including additional secured indebtedness), make loans to or investments in its affiliates or otherwise limit the Company's operations or financial condition. There is and will be no market for the Notes. Therefore, Investors in the Notes should realize that these investments will be completely illiquid.

Common Capital's ability to pay its obligations, including its obligation to pay principal and interest on the Notes, depends on its borrowers repaying loans and advances made to them by Common Capital, and on its borrowers' earnings and repaying such loans to Common Capital, and on its ability to raise funding, whether through grants, contributions, or loans, from other private, public and institutional sources. The Company owes, as of March 31, 2015, \$262,163 to commercial banks, \$262,163 of which is secured by assets of the Company. The Company owes,

as of March 31, 2015, \$535,922 to the U.S. Small Business Administration, all of which is secured by assets of the Company. The Company owes, as of March 31, 2015, \$200,000 to the U.S. Treasury Department, all of which is unsecured. The Company owes, as of March 31, 2015, \$125,000 to institutional lenders, all of which is unsecured. The Company owes, as of March 31, 2015, \$553,092 to other lenders, all of which is unsecured.

See the sample Loan Agreement with Investors attached as Exhibit A and the sample Note attached as Exhibit B. The interest rate on the Notes will be a fixed rate of 2.0% per annum, payable semi-annually.

As indicated above, Notes may not be redeemed prior to maturity by the Investor. Notwithstanding that, the Board of Directors of the Company, in its discretion, may elect to redeem any Note (1) at the request of an Investor upon a showing of death, incapacity or extreme emergency of such Investor; or (2) upon its determination for any reason it deems appropriate without any penalty for prepayment, notwithstanding any other provision of the Loan Agreement or Note. It is the Company's policy to honor such requests. The Company, however, shall have no legal obligation to redeem any such Note, and there is no assurance or legal obligation that the Company will continue such policy and practice. In such instances of early redemption by an Investor, the Board of Directors of the Company, in its discretion, may impose an early withdrawal penalty not exceeding an amount equal to four months interest on the principal amount of the Note.

FORWARD-LOOKING STATEMENTS

This Memorandum contains forward-looking statements that are subject to risks and uncertainties and that address, among other things, the ability of the Company to repay the Notes, the use of proceeds from the sale of Notes, the amount of Notes that will be deemed sold as a result of roll-overs or reinvestments, and the Company's loan underwriting standards and procedures. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward looking statements by terms, such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will," and "would" or the negative of these terms or other comparable terminology. The forward-looking statements are based on the Company's beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to the Company or are within the Company's control. Consequently, actual results, performance, achievements or events may vary materially from those expressed in the Company's forward-looking statements. The Company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statement except as required by law. Potential investors should carefully consider the risks, along with the risks and information set forth elsewhere in this Memorandum, before making an investment decision with respect to the Notes.

PLAN OF DISTRIBUTION

The Notes are being offered and sold only through officers and employees of the Company or other representatives of the Company under the "safe harbor" provisions of Rule 3a4-1, promulgated under the Securities Exchange Act of 1934. They will only be offered by persons

who meet all of the requirements of both Rule 3a4-1 and applicable provisions of Massachusetts law. No underwriters or brokers are involved in the Offering, and no commissions or other remuneration will be paid to any individual or organization in connection with the offering and sale of the Notes.

MANAGEMENT

Board of Directors

Overall policies and direction of Common Capital rests in its Board of Directors, which reflects a wide diversity of economic and community development experience and represents the various communities served by Common Capital. The Board of Directors consists of at least 3 directors and no more than 15 Directors, elected for staggered three year terms. New members of the Board are nominated and elected annually for three year terms. There are currently 14 members of the Board of Directors. The Board meets quarterly, and Directors serve without compensation.

Committees

Common Capital also has the following committees: 1) Executive Committee, which is made up of the Board President, Vice-President, Treasurer and Secretary 2) Finance Committee, which is currently composed of 2 Board members and 2 non-Board members. This committee meets quarterly and reviews the Company's financial performance, audit and loan portfolio 3) Loan Committee, which is currently composed of 3 Board members and 3 non-Board members. This Committee meets as needed to review all proposed loans greater than \$100,000.

Directors

The officers of Common Capital's Board are elected by the Board of Directors to serve for one three year term. The present Directors of Common Capital, the year their term expires, and a brief description of their experience follows:

Tim Brennan, Board Treasurer (Director since 2009, term expiring 1/2016), is currently the Executive Director of the Pioneer Valley Planning Commission (PVPC) and has been employed there since 1973. The PVPC is one of the Commonwealth's 13 designated, public Regional Planning Agencies which is responsible for the second largest planning region in Massachusetts. The PVPC, which was established in 1962, serves a planning district encompassing 43 cities and towns, 1200 square miles of land area and over 620,000 residents. The PVPC's work agenda in the Pioneer Valley is complex and expansive including land use, environmental quality, transportation, community development, historic preservation, economic development, housing, data collection/research, regional shared services and public policy formulation and advocacy. Mr. Brennan holds a BA from the State University of New York at Buffalo and a Master of Regional Planning degree from the University of Massachusetts.

Jonathan Daen, (Director since 2011, term expiring 1/2017) has served as Chief Financial Officer of Australis Holdings, Inc. since 2006, with responsibility for finance, operations, legal and human resources. Australis is a leader in the commercial aquaculture industry with operations in the US and Vietnam. Before joining Australis, Jonathan spent five years in middle-market private equity,

with Longmeadow Capital Partners and Summer Street Capital Partners preceded by 15 years' experience as CFO in privately held companies, international operations, and commercial lending. Jonathan has a BA from Grinnell College and an MBA from Cornell University.

Peter Gagliardi, Board Clerk (Director since 2002, term expiring 1/2018), is currently the Executive Director of HAP (the region's leading affordable housing development agency), a position he has held since 1991. Prior to coming to HAP, Mr. Gagliardi served as Director of Private Housing for the Massachusetts Executive Office of Communities and Development and Director of Field Operations for the Massachusetts Housing Partnership. Mr. Gagliardi is the past President of both the Massachusetts Non-profit Housing Association and Citizen Housing and Planning Association Advisory Committee. He serves on the Western Massachusetts Network to End Homelessness Leadership Council. Mr. Gagliardi holds a degree in Government from Harvard University, completed the Achieving Excellence in Community Development program at the Kennedy School of Government at Harvard University and did graduate work in Politics at Brandeis University.

James Hickson, Board President (Director since 2006, term expiring 1/2017), is currently Senior Vice President of the Asset Based lending Group for Berkshire Bank. He actively manages a \$75 million loan portfolio and has underwritten deals ranging from \$3 to \$20 million. He has over 22 years of experience within the financial services industry and was previously employed by TD Bank and Fleet Capital Corporation. He received his Masters of Business Administration from Boston University and his Bachelor's degree from Boston College.

Clare Higgins, (Director since 2012, term expiring 1/2016), is the Executive Director at Community Action—the area's largest anti-poverty agency serving more than 30,000 of our neighbors in Franklin, Hampshire, Western Hampden, and North Quabbin regions. No stranger to human services, Clare worked as in the field of early education and care as a teacher, the Childcare Program Director for Sojourn, Inc. before becoming a Childcare Center Director and then the Child Care Program Director at Hampshire Community Action Commission from 1990-1999. Clare is perhaps most widely recognized for her lengthy political career after having served six terms as Mayor for the City of Northampton from January of 2000 to September of 2011.

Jan Klausner-Wise, (Director since 2003, term expiring 1/2016), is currently District Aide for State Representative Ellen Story (representing Amherst and Granby). She has worked in the district for Rep. Story since she was elected in 1992 and focuses on constituent services. Her work includes the areas of economic development, health access, K-12 and higher education, as well as social services. She brings her experience as the director of a local human services agency; she received a Masters of Social Work degree from Boston University and Bachelor's degree from Cornell University.

Georgianna Parkin, Board Vice President (Director since 2009, term expiring 1/2018), is currently State Director of the Massachusetts Small Business Development Center Network. She oversees a statewide network of six regional business advisory centers, an International Trade Program and Government Contracting initiative providing in-depth advising to small businesses. The Centers mentor advice and train over 8,000 clients each year with significant impact to the Commonwealth. Additionally she is Vice Chair of the Board of Directors for the National

Association of Small Business Development Centers whose membership is comprised of over 1,000 SBDCS nationwide as well as a member of the Commonwealth small business roundtable. She received her Bachelor's degree from the University of Massachusetts Amherst.

Frank Robinson, (Director since 2014, term expiring 1/2017), has over thirty (30) years of public and non-profit experiences. For the past 19 years, he has simultaneously served as the Executive Director of Partners for a Healthier Community and the Director of Community Health Planning at Baystate Health. Dr. Robinson has served as adjunct faculty at various colleges including University of Massachusetts at Amherst School of Public Health and Health Sciences; Springfield College School of Human Services; Smith College School of Social Work; Western New England College Criminal Justice Program; and Westfield State College Sociology Department.

Ira Rubenzahl, (Director since 2013, term expiring 1/2016), is the President of Springfield Technical Community College (STCC). It is Dr. Rubenzahl's passion for social justice, and his belief that our country's community college system is today's pathway to the American Dream, that has led him to leadership roles as Vice President of Academic Affairs at Greenfield Community College, President of Capital Community College in Hartford, CT. Dr. Rubenzahl was instrumental in the creation of the STCC Diversity Council, a campus-wide effort that sponsors speakers, workshops, and cultural events for our community to help us recognize that in our differences lie our greatest strengths. His commitment to urban education and outreach to the greater Springfield community has resulted in a 61 % increase in African-American and Latino enrollment at STCC.

Joseph Steig, (Director since 2012, term expiring 1/2017), is the CFO of Long River Ventures, a venture capital firm based in Amherst, Massachusetts. He is also Venture Development Manager at the National Collegiate Inventors and Innovators Alliance, a 16 year-old non-profit based in Hadley, Massachusetts, that provides grant funding and support to university faculty teaching technology entrepreneurship and to student innovators inventing technology-based solutions for important human and environmental challenges. For that non-profit, Joseph leads the VentureWell program. Joseph has a B.A. from Hampshire College.

Kevin Sweeney, (Director since 2011, term expiring 1/2018), is a Professor of Practice in Finance and a full-time faculty member of the Worcester Polytechnic Institute School of Business. He is also a visiting Lecturer at Columbia University where he teaches Strategic Corporate Finance and Organizational Strategy & Leadership. He is the Principal of Sweeney Strategic Consulting where he advises for-profit and non-profit organizations regarding critical finance, strategic and operational decisions. He was previously the interim President and CEO of DevelopSpringfield, and he held various senior executive positions with MassMutual Financial Group (e.g., Managing Director of MassMutual Capital and SVP & COO of MassMutual International). He received his J.D. from the University of Wisconsin Law School, and he earned his M.B.A. in the TRIUM program jointly from the New York University – Stern School of Business, the London School of Economics and HEC School of Management – Paris. He received his Bachelor's degree from the University of Massachusetts – Amherst.

Staff

The names, titles, and a brief description of each of our employees are below:

Christopher Sikes, *Chief Executive Officer*

Mr. Sikes founded Common Capital in 1989 to help struggling small businesses obtain the financing they need to grow and prosper, thereby strengthening the entire region's economy. He is a long-time leader in microenterprise and small business development efforts in the United States, and has helped formulate state and national policy. He is responsible for oversight of all aspects of the organization and he is an active member of the community and serves on several human service agencies' and economic development organizations' boards. Before founding Common Capital, he owned a piano rebuilding business, where he experienced the issues facing small businesses firsthand. Mr. Sikes earned his BA from Davidson College, and his Masters in Organization and Management, from Antioch University.

Michael Abbate, *Chief Operating Officer*

Mr. Abbate has over 20 years of experience in non-profit finance and administration and has worked for Common Capital for the last 5 years. In addition to his main role as Chief Operating Officer of the Company, a position he has held since January 2012, he is the program officer for the Company's Healthy Food & Farm Financing Program. Mr. Abbate received his Bachelor's degree in Finance from the University of Massachusetts Amherst.

Sam Ortiz, *Director of Lending*

Mr. Ortiz joined Common Capital in November 2011, and possesses over 30 years of banking, accounting and business lending experience. He has been involved with business financing and advisory services for the past 25 years. He is well versed in the areas of business planning, business financing, taxes, accounting, management consulting, and real estate sales. Sam provides loan underwriting and portfolio management at Common Capital. Mr. Ortiz received his ABS in Finance and Accounting from Springfield Technical Community College.

Roberto Nieves, *Business Development Director*

Mr. Nieves develops business assistance programs and guides businesses to financing and business development resources within Common Capital and within the region. Previously, Roberto Nieves served two years as Executive Director of the East of the River 5 Town Chamber of Commerce, an affiliate chamber of the Affiliated Chambers of Commerce of Greater Springfield (ACCGS). On a previous stint with the chamber, Roberto was the ACCGS' Director of Business Development responsible for the implementation and oversight of the chamber's Technical Assistance Program.

Kimberly Gaughan, *Loan Servicing Administrator*

Ms. Gaughan has been with Common Capital in the capacity of Loan Administrator since 2010. She enjoys speaking with prospective borrowers regarding Common Capital's products and services. Prior to that time, Kim worked at the Better Business Bureau for nine years as the office manager as well as helping consumers and businesses resolve their disputes through mediation or conciliation.

Callie Niezgoda, Loan Officer

Ms. Niezgoda joined Common Capital in May, 2012. She reviews loan application packages for completeness and performs a financial analysis. She assists applicants and borrowers with developing acceptable financial data and projections, and refers them to the appropriate resources. She holds a Bachelor's degree in Business Administration from Fordham University, where she focused in Marketing. Callie is a Holyoke native and has worked in the financial services industry for the past 7 years, at American Honda Finance Corporation.

Conflicts of Interest. The Board of Directors has adopted a Conflict of Interest Policy with the intention of preventing the personal interest of employees, Directors, and volunteers from interfering with the performance of their duties or result in personal, financial, professional or political gain at the expense of the Company. The Policy requires of all such persons to complete a conflict of interest disclosure statement at the time of their affiliation with Common Capital and from time to time thereafter, and requires disclosure of any conflict of interest, or appearance of a conflict of interest, by all of such persons. In addition, interested persons may not vote on or participate in discussions concerning any transaction in which there may be a real or perceived conflict of interest, but may be present to provide clarifying information unless their presence is objected to. The Conflict of Interest Policy also provides protection to whistleblowers. As of the date of this Memorandum, the Company does not believe that there are any transactions, contracts or situations with employees or Directors in which there is a conflict of interest with the Company.

Indemnification. The bylaws of Common Capital provide for the indemnification of its present and former Directors and officers to the fullest extent permitted by law, including for expenses incurred by such Director or officer, provided that the Company's 501(c)(3) status as a tax-exempt organization is not affected by the Company's indemnification provisions. The Company is not obligated to provide indemnification as to any matter as to which the person otherwise indemnified is finally adjudicated by a court of competent jurisdiction not to have acted in good faith in the reasonable belief that his/her action was in the best interests of the Company.

COMPENSATION

No officer or employee of the Company has an employment agreement, and each serves at the will of the Board of Directors. The Board of Directors sets the compensation for the CEO, considering such factors as the person's experience and contribution to the Company, as well as the compensation of similarly qualified persons performing similar functions at nonprofit organizations. Management believes that the compensation of all of its employees is well within industry standards. Payroll, including payroll taxes and fringe benefits, represented 63.71% of total expenses for the year ended June 30, 2014, and 49.89% of total expenses for the year ended June 30, 2013.

The Company maintains a Simple IRA retirement plan for the benefit of its employees who have completed 90 days of service. The Company matches employee contributions to the plan up to 3% of the employee's compensation. The Company also offers medical and disability insurance.

TAX CONSIDERATIONS

This summary of certain material U.S. federal income tax considerations is for general information purposes only, is not relevant to all prospective holders – such as foreign persons – of the Promissory Notes, and is not tax advice. This summary does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to a particular prospective holder in light of the prospective holder’s circumstances. This summary does not address any aspect of state, local, or foreign law, or U.S. federal estate and gift tax law. **PROSPECTIVE HOLDERS OF THE PROMISSORY NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, AND DISPOSITION OF THE NOTES.**

Any interest paid or accrued on Promissory Notes will be income to the holder for federal income tax purposes. The Investor generally will be liable for federal income tax on such interest, unless the investor is eligible for an exemption from federal tax with respect to such interest. Each Investor will receive a Form 1099 in January of each year indicating the interest earned on the Notes. Investors will not be taxed on the repayment of the principal of their loan.

Notes which bear interest at “below-market” rates may fall within the imputed interest provisions of the Code (in particular, Code section 7872), which, in some cases, impose tax liability on investors for the difference between market rates and the interest actually paid. The Internal Revenue Service (“IRS”) has issued temporary and proposed regulations interpreting these provisions. The temporary regulations state that certain loans carrying “below market” rates of interest will be exempted from the imputed interest provisions of the Code. The exemptions include a gift loan to a charitable organization that is described in Code section 170(c) if, at no time during the taxable year, the aggregate outstanding amount of loans by the lender to that organization (or to charitable organizations that are effectively controlled by the same person or persons who control that organization) exceeds \$250,000.

The Company has received an IRS determination that it is an exempt organization within the meaning of Code section 501 (c)(3) and a determination that it will be treated as a publicly supported organization under Code section 170(b)(1)(A)(vi). Such organizations are described in Code section 170(c). Therefore, under the above-mentioned regulations, a loan to the Company which carries an interest rate that is below the market rate announced by the IRS will not be subject to the imputed interest provisions of the Code if the foregoing of interest on the loan by the holder is in the nature of a gift and if the amount of the loan, together with all other loans made by the investor to the Company (or to charities controlled by the same person or persons who control the Company), does not exceed \$250,000. The holder would be entitled to no charitable deduction on account of any forgone interest that is exempt from the imputed interest provisions of Code section 7872 in the manner described in the preceding sentence.

If a holder loans to the Company (or the Company and to charities controlled by the same person or persons who control the Company) an amount during a taxable year that, in the aggregate, exceeds \$250,000 and the loan carries a below-market rate of interest, the investor may be treated as receiving imputed interest income and as making a corresponding charitable contribution, which will be subject to the limitations in the Code for charitable contribution deductions. It is possible,

therefore, that some or all of the imputed interest income could be offset by a charitable deduction. The temporary regulations further provide that a below-market interest rate loan may also be exempt from the imputed interest provisions of Code section 7872 if the taxpayer can demonstrate that the interest arrangements of the loan have no significant effect on any federal tax liability of the Company or holder. Whether the interest arrangements of a loan have a significant effect on any federal tax liability of the Company or holder is determined on a loan-by-loan basis and is dependent upon all of the facts and circumstances.

PENDING LEGAL PROCEEDINGS

There are no material legal or administrative proceedings now pending against the Company nor are there any such proceedings known to the Company to be threatened or contemplated by any person or by governmental authorities.

FINANCIAL INFORMATION

The Audited Statement of Financial Position of the Company as of June 30, 2014, and related statements of activities, cashflows, and functional expense, including prior year comparative information, and Report thereon attached to this Offering Memorandum have been prepared by the Company's accounting firm of Whittlesey & Hadley, P.C. in accordance with auditing standards generally accepted in the United State, and the standard applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. A copy of such Audited Statement is also located on the Company's website.

In addition, the Audited Statement of Financial Position of the Company and related statements of activities, cashflows, and functional expense, including prior year comparative information, and Report thereon as of each of June 30, 2013 and June 30, 2012, are located on the Company's website at www.common-capital.org. If a prospective investor doesn't have access to the internet and wishes a copy of such financial statements, he/she should call Common Capital at 413-420-0183, and a copy will be mailed to the person requesting the financial statements.

An internally prepared unaudited balance sheet and unaudited income and expense statement dated as of March 31, 2015 is attached as Exhibit C. Management of the Company believes that the interim income and expense statement fairly presents, in all material respects, the financial position of Common Capital as of March 31, 2015.

RIGHT TO REJECT

The Company reserves the right to reject any Loan Agreement in its sole discretion for any reason whatsoever and to withdraw this Offering at any time.

HOW TO INVEST IN NOTES

Notes may be purchased by completing and signing the Loan Agreement included with this Memorandum, and sending it, along with a check made payable to "Common Capital, Inc." for the amount of the Note desired, to the Company at the following address:

Common Capital, Inc.
Attention: Kim Gaughan
4 Open Square Way, Suite 407
Holyoke, Massachusetts 01040

Executed Notes will be prepared and delivered promptly following the acceptance of the Loan Agreement.



Loan Agreement with Investor

This is a Loan Agreement by and between the “Investor:” (name) _____,

(street address) _____, (city, state, zip) _____

(phone) _____, (email) _____

and **Common Capital, Inc.** (“Common Capital”), having its principal address of 4 Open Square Way, Suite 407, Holyoke, Massachusetts 01040.

Common Capital is a Massachusetts nonprofit corporation and a community development financial institution serving Western Massachusetts. Investor desires to support Common Capital by lending the amounts set forth below on the terms and conditions contained herein, has received and read the Offering Memorandum dated November 8, 2012, and related financial statements (“Offering Memorandum”), and understands the risks involved in making an investment in Common Capital.

The Investor and Common Capital agree as follows:

1. The Investor hereby agrees to make a loan (“Loan”) to Common Capital in the amount of \$ _____.

The Loan will be evidenced by a Non-Negotiable Promissory Note from Common Capital to the Investor in the form attached to the Offering Memorandum as **Exhibit B** (“Note”).

2. The Note will bear simple interest at the rate of **TWO PERCENT (2.0%)** per annum. Interest on the Note will be due and payable semi-annually. If not sooner paid, the Loan shall be due and payable on the third anniversary of the date on which this Loan Agreement is accepted by Common Capital, which will be indicated on the Note (“Maturity Date”), unless the Loan is renewed pursuant to paragraph 3 below.

3. Common Capital will provide written notice (“Investor Notice”) to the Investor at least 30 days prior to the Maturity Date of the Note offering the Investor the choice of a) redeeming the Note and being paid back the principal balance of the Loan plus interest due thereon; b) subject to the next sentence below, renewing the Loan for another three year term at the then current interest rate being offered by Common Capital, if any; or c) donating the principal and/or interest to Common Capital. The opportunity to renew the Loan will only be offered if Common Capital is still offering promissory notes, which it reserves the right not to do. The Investor Notice when provided by Common Capital will be accompanied by an Investor Election Form indicating the above choices applicable and, if renewal is offered, any proposed changes or additions to this Loan Agreement and Common Capital’s then current Offering Memorandum describing the terms and conditions of the promissory notes it is then offering.

Unless the Investor delivers a completed and signed Investor Election Form to Common Capital in writing on or before the Maturity Date electing to renew the Loan if a renewal option is offered, or donate either the principal balance of the Note, the interest due thereon, or both, the Loan will be repaid in full, with interest due thereon, as of the Maturity Date.

4. If then offered, and if the Investor elects to renew the Loan by timely delivering the Investor Election Form to Common Capital, Common Capital will pay the semi-annual interest due on the Maturity Date, and issue a new promissory note in the same principal amount as the Loan, reflecting the new interest rate and maturity date of the Loan and such note will become the “Note” hereunder. Any such Investor Election Form electing renewal, and the new promissory note issued by Common Capital to reflect the renewed Loan, will become part of and subject

to this Agreement, other than with respect to the interest rate, maturity date, and other new or changed terms described in the Investor Election Form and the updated Offering Memorandum, which terms will be deemed incorporated herein as an amendment hereto.

5. Sections 3 and 4 shall be applied cyclically one or more times until either Common Capital ceases to offer promissory notes or the Investor elects not to renew as of an applicable Maturity Date.

6. If the Investor elects not to renew the Loan, or doesn't return the Investor Election Form on or before the Maturity Date, Common Capital will mail a check to the Investor within 10 days after the Maturity Date with interest due up to and including the Maturity Date.

7. The Investor agrees that he/she will, within 20 days after a) receipt of payment in full of the principal balance of the Loan and interest thereon if Investor elected not to renew the Loan or failed to respond; b) receipt of a new promissory note reflecting the renewed Loan if Investor elected to renew the Loan; or c) delivery of the Investor Election Form indicating Investor's intention to donate the principal, interest, or both, to Common Capital, return the Note to Common Capital. Whether or not the Investor returns the Note, however, upon the occurrence of any of the foregoing three events, Investor will have no further rights under the Note.

8. Notwithstanding any other provision hereof, Common Capital has the right to prepay the Note and all accrued interest thereon as of the date of prepayment in full at any time without penalty or premium.

9. This Loan Agreement and the Note will be governed by the laws of the Commonwealth of Massachusetts.

10. The Note is a security and may not be negotiated, transferred or assigned.

11. Please enter your Social Security Number or Taxpayer ID Number below:

Social Security No.: _____ or Taxpayer ID No.: _____

In Witness Whereof, the Investor has executed this Loan Agreement on _____:

Signature: _____ Date: _____

Print Name: _____ Title: _____

(If Investor is an entity)

Please return this signed and completed form with a check for the amount of the Loan indicated in Paragraph 1 made payable to: "Common Capital, Inc.", and send to Common Capital, Attn: Michael Abbate, 4 Open Square Way, Suite 407, Holyoke, Massachusetts 01040.

ACCEPTED:
COMMON CAPITAL, INC.

Date Accepted by Common Capital
and effective date of this Agreement and
Promissory Note:

By: _____
Name: Christopher Sikes, CEO



\$ _____

Date: _____

NON-NEGOTIABLE PROMISSORY NOTE

FOR VALUE RECEIVED, Common Capital, Inc. (“Borrower”) promises to pay to _____ (“Investor”) the principal sum of \$ _____ with interest on the unpaid balance from the date of this promissory note, until paid, at the rate of TWO PERCENT (2.0%) per annum. Interest shall be payable semi-annually on _____ and _____ each year. Principal and interest shall be payable at the address of the Investor on the books and records of the Borrower or such other place as the Investor may designate in writing to the Borrower. All unpaid principal and interest evidenced by this Note, if not sooner paid, shall be due and payable on the date which is three years from the date of this Note, _____ (“Maturity Date”).

The other terms and conditions of this Note are described in and subject to the Loan Agreement with Investor, which is incorporated herein and made a part hereof.

This Note is issued in connection with an offering of promissory notes by Borrower in the aggregate principal amount of up to \$1,000,000, as described in the Offering Memorandum of the Borrower dated November 8, 2012 (“Memorandum”). This note is a security and may not be negotiated, assigned, or transferred.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE VALUE OR MERITS OF THE SECURITIES OR THE ADEQUACY OR ACCURACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

MASSACHUSETTS: THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES DIVISION OF THE OFFICE OF THE SECRETARY OF THE COMMONWEALTH OF MASSACHUSETTS NOR HAS THE SECURITIES DIVISION OF THE OFFICE OF THE SECRETARY OF THE COMMONWEALTH OF MASSACHUSETTS PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL

COMMON CAPITAL, INC.

By: _____
Its Chief Executive Officer

Common Capital, Inc.
Pro Forma BALANCE SHEET
as of
3/31/15

ASSETS		03/31/15
	Cash and cash equivalents	
1	Operating	\$ 22,316
2	Lending	2,572,036
3	Grants receivable	802,187
4	Loans receivable	3,850,292
5	Loan loss reserve	(347,167)
6	Accounts Receivable	80,047
8	Security Deposits	2,329
9	Interest receivable	15,470
10	Fixed assets, net	2,779
11	Equity Investments	62,962
12	Other	14,600
13	Total Assets	<u>\$ 7,077,851</u>

LIABILITIES AND NET ASSETS		
	<u>Liabilities</u>	
14	Accounts payable and accrued expenses	\$ 13,936
15	Accrued payroll/vacation/benefits	34,218
16	Accrued interest payable	152
17	Deferred Revenue	-
18	Accrued termination fees	3,564
19	Notes payable & lending LOC	970,769
20	Notes Payable-Community First Fund	553,092
21	Other Liabilities (note 1)	200,000
22	Total Liabilities	1,775,731

NET ASSETS		
23	Beginning, July 1	3,757,876
24	YTD Profit (Loss)	1,544,243
25	Ending	5,302,120
26	Total Liabilities and Net Assets	<u>\$ 7,077,851</u>

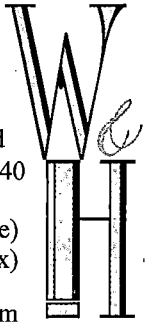
Note 1: U.S. Treasury Equity Equivalent Investment

Common Capital, Inc.

Pro Forma Statement of Revenue and Expenses

Jul '14 - Mar 15

	Total
Support and Revenue	
CDFI Grant	1,079,218
Loan Interest	206,368
Springfield CDBG Disaster RLF	500,000
MA Earmark Grant	100,000
Bank Grants & Other Contributions	19,460
SBA TA Grant	89,034
Loan Fees	11,294
Investment Income	140
Other Income	232,688
Total Support and Revenue	2,238,201
Expenses	
Salaries	354,120
Benefits	75,618
Rent	32,433
Interest Expense	28,253
BA Consulting	20,533
Program Development	6,155
Marketing/Strategic Planning	21,078
Supplies	13,003
Administrative Fees & Services	20,482
Audit	13,878
Annual Meeting/Annual Report	24,126
Legal Fees	8,057
Fundraising/Program Consultants	2,085
National Travel	3,221
State Travel	5,082
Phone - Internet	4,761
Computer Tech Support	5,859
Professional Development	3,037
Insurance	3,386
Dues & Subscriptions	5,178
Depreciation	1,272
Utilities	1,470
Postage	963
Credit Report	1,203
Service Contracts & Leases	453
Asset Recovery Maintenance	163
Other	1,254
Loan Loss Reserve	36,834
Total Expenses	693,958
Net Support (Loss)	1,544,243



INDEPENDENT AUDITOR'S REPORT

To The Officers and Directors
Common Capital, Inc.
4 Open Square Way, Suite 407
Holyoke, Massachusetts 01040

Report on the Financial Statements

We have audited the accompanying financial statements of Common Capital, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows and functional expense 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 control 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Common Capital, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Common Capital, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014, on our consideration of Common Capital, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Common Capital, Inc.'s internal control over financial reporting and compliance.

W. Hittlesey & Hadley, P.C.

Holyoke, Massachusetts
October 30, 2014

COMMON CAPITAL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
<u>Current Assets:</u>		
Cash - operating	\$ 712,899	\$ 1,227,639
Grants and accounts receivable	577,223	760,974
Loans receivable - due within one year	1,414,129	523,958
Interest receivable	15,470	14,940
Prepaid expense	14,457	12,628
<u>Total Current Assets</u>	<u>2,734,178</u>	<u>2,540,139</u>
<u>Property and Equipment:</u>		
Equipment	42,686	41,656
Software	29,950	29,950
	72,636	71,606
<u>Less - accumulated depreciation</u>	70,385	66,526
<u>Total Property and Equipment</u>	<u>2,251</u>	<u>5,080</u>
<u>Other Assets:</u>		
Cash - revolving loan funds	915,812	1,217,983
Loans receivable - due after one year	2,128,654	2,014,269
Security deposits	2,369	2,369
Investments	62,962	60,180
<u>Total Other Assets</u>	<u>3,109,797</u>	<u>3,294,801</u>
<u>TOTAL ASSETS</u>	<u>\$ 5,846,226</u>	<u>\$ 5,840,020</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 7,214	\$ 6,458
Accrued expense	72,477	84,067
Long-term debt - due within one year	246,423	226,480
<u>Total Current Liabilities</u>	<u>326,114</u>	<u>317,005</u>
<u>Long-Term Liabilities:</u>		
Long-term debt - due after one year	1,462,234	1,426,920
Other liabilities	300,000	350,000
<u>Total Long-Term Liabilities</u>	<u>1,762,234</u>	<u>1,776,920</u>
<u>Total Liabilities</u>	<u>2,088,348</u>	<u>2,093,925</u>
<u>Net Assets:</u>		
Unrestricted	3,685,743	3,736,095
Temporarily restricted	72,135	10,000
<u>Total Net Assets</u>	<u>3,757,878</u>	<u>3,746,095</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 5,846,226</u>	<u>\$ 5,840,020</u>

See accompanying notes.

COMMON CAPITAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	2014			2013
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<u>Support and Revenue:</u>				
Grant income	\$ 100,000	\$ 125,000	\$ 225,000	\$ 1,110,000
Contract income	149,738		149,738	164,075
Contributions	68,250		68,250	67,250
Interest income and fees	268,961		268,961	201,241
New markets tax credit fees	117,023		117,023	7,430
Other income	53,110		53,110	24,892
In-kind income	4,921		4,921	5,095
Investment gain	3,206		3,206	2,633
Net assets released from restriction	<u>62,865</u>	<u>(62,865)</u>		
<u>Total Support and Revenue</u>	<u>828,074</u>	<u>62,135</u>	<u>890,209</u>	<u>1,582,616</u>
<u>Expense:</u>				
Program	656,351		656,351	894,720
Administrative	<u>222,075</u>		<u>222,075</u>	<u>246,610</u>
<u>Total Expense (Exhibit D)</u>	<u>878,426</u>		<u>878,426</u>	<u>1,141,330</u>
<u>Change in Net Assets</u>	(50,352)	62,135	11,783	441,286
Net assets - beginning of year	<u>3,736,095</u>	<u>10,000</u>	<u>3,746,095</u>	<u>3,304,809</u>
<u>Net Assets - End of Year</u>	<u>\$ 3,685,743</u>	<u>\$ 72,135</u>	<u>\$ 3,757,878</u>	<u>\$ 3,746,095</u>

COMMON CAPITAL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	<u>2014</u>	<u>2013</u>
<u>Change in Net Assets</u>	\$ 11,783	\$ 441,286
<u>Adjustments to Reconcile Changes in Net Assets</u> <u>to Net Cash Provided by Operating Activities:</u>		
Depreciation	3,859	8,508
Write-off of uncollectible loans	72,786	151,371
Change in provision for loss on loans receivable	(114,819)	80,262
Gain on investments	(3,206)	(2,633)
Changes in assets and liabilities:		
(Increase) decrease - grants and accounts receivable	183,751	(356,926)
- interest receivable	(530)	(283)
- prepaid expense	(1,829)	111
- security deposit		1,663
Increase (decrease) - accounts payable	756	(9,320)
- accrued expense	(11,590)	(597)
<u>Net Cash Provided by Operating Activities</u>	<u>140,961</u>	<u>313,442</u>
<u>Cash Flows from Investing Activities:</u>		
Additions to property and equipment	(1,030)	(914)
Net withdrawal from cash - revolving loan funds	302,171	92,447
Loans receivable issued	(2,137,364)	(1,230,468)
Loans receivable payments received	1,174,841	715,259
Redemption (purchase) of investment	424	(12,450)
<u>Net Cash Used in Investing Activities</u>	<u>(660,958)</u>	<u>(436,126)</u>
<u>Cash Flows from Financing Activities:</u>		
Proceeds from long-term debt	312,350	139,100
Principal payments on long-term debt	(257,093)	(457,728)
Repayment of other liabilities	(50,000)	
<u>Net Cash Provided by (Used in) Financing Activities</u>	<u>5,257</u>	<u>(318,628)</u>
<u>Net Decrease in Cash</u>	(514,740)	(441,312)
Cash - beginning of year	<u>1,227,639</u>	<u>1,668,951</u>
<u>Cash - End of Year</u>	<u>\$ 712,899</u>	<u>\$ 1,227,639</u>
<u>Supplemental Information:</u>		
Interest paid	\$ 50,064	\$ 49,178
Interest received	\$ 245,605	\$ 190,841

COMMON CAPITAL, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	2014			2013
	<u>Program</u>	<u>Administrative</u>	<u>Total</u>	<u>Total</u>
Accounting and legal	\$ 22,452	\$ 9,230	\$ 31,682	\$ 44,105
Advertising	26,863	3,507	30,370	29,058
Annual meeting and report		12,574	12,574	15,945
Loan loss reserve adjustment	(42,033)		(42,033)	199,285
Conference and training	3,702		3,702	4,855
Consultants - other	1,199	12,642	13,841	24,294
Consultants - business assistance	53,819		53,819	37,652
Depreciation	2,553	1,306	3,859	8,508
Dues and subscriptions	2,777	1,590	4,367	4,917
In-kind expense	4,921		4,921	5,095
Insurance	2,192	1,756	3,948	3,903
Interest expense	44,893	17	44,910	52,851
Office supplies and expense	12,491	7,673	20,164	18,155
Payroll	383,060	102,768	485,828	471,541
Payroll taxes and fringe	58,141	42,520	100,661	97,889
Postage and shipping	799	559	1,358	1,226
Printing and copying	34	25	59	232
Rent	25,152	18,392	43,544	44,976
Repairs and maintenance	357	259	616	1,445
Service fees	32,557	2,772	35,329	47,163
Telephone	3,755	2,754	6,509	7,297
Travel	15,620	1,018	16,638	19,175
Utilities	1,047	713	1,760	1,763
<u>Totals</u>	<u>\$ 656,351</u>	<u>\$ 222,075</u>	<u>\$ 878,426</u>	<u>\$ 1,141,330</u>

COMMON CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. Organization and Summary of Significant Accounting Policies:

Organization - Common Capital, Inc. (the Corporation), formerly known as the Western Massachusetts Enterprise Fund, Inc., is a not-for-profit organization under the laws of the Commonwealth of Massachusetts and is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Service. In addition, the Corporation qualifies for the charitable deduction under Section 170(b)(1)(A) and has been classified as a Corporation that is not a private foundation under Section 509(a)(1). The Corporation was created to stimulate the local economy by providing small business loans and business assistance to low and moderate-income residents of Western Massachusetts who have lacked access to traditional financing arrangements.

Basis of Accounting - The financial statements of the Corporation are prepared on the accrual basis of accounting.

Basis of Presentation - The net assets of the Corporation are reported in each of the following three classes when applicable: (A) unrestricted net assets, (B) temporarily restricted net assets, and (C) permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are legally unrestricted and are reported as part of the unrestricted class.

Revenue Recognition - Revenue from grant agreements is recognized as eligible costs are incurred. Revenue from program lending activities is recognized as loans are paid. All other revenue is recognized when eligible services are rendered. Grant revenue received in excess of costs incurred or services performed under the grant is recorded as deferred revenue.

Capitalization of Expenditures - The cost of equipment with a value of \$500 or greater is capitalized. The cost of repairs and maintenance is expensed against revenue as incurred.

Depreciation - Depreciation is computed by the straight-line method over 3 to 5 years. Total depreciation expense was \$3,859 and \$8,508 for the years ended June 30, 2014 and 2013, respectively.

Contributions - Unconditional contributions are recognized as revenues or gains in the period pledged. The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates - The preparation of financial statements in accordance with auditing standards generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - Common Capital, Inc. has evaluated events that have occurred subsequent to June 30, 2014, through October 30, 2014, the date the financial statements were available to be issued, and has determined there were no material events requiring recognition or disclosure except as described in Note 18.

COMMON CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Prior-Year Information - The statement of functional expense includes certain prior-year summarized comparative information in total but not by function and the statement of activities includes certain prior-year summarized comparative in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

Statement of Cash Flows - The Corporation maintains checking and savings accounts as well as money market accounts which the Corporation classifies as cash for purposes of the statement of cash flows. Cash in revolving loan funds is not considered cash for the purposes of the statement of cash flows.

Advertising - The Corporation expenses the cost of advertising as incurred. Advertising expense was \$30,370 and \$29,058 for the years ended June 30, 2014 and 2013, respectively.

Expense Allocation - The costs of providing program and administrative services have been summarized on a functional basis in the statement of functional expense. Accordingly, certain costs have been allocated among the programs benefited and supporting services. Common operating expenses are allocated to programs as a percentage of the total direct payroll of each program.

Grants and Accounts Receivable - Grants and accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. There was no allowance on grants and accounts receivable at June 30, 2014 and June 30, 2013.

In-Kind Services - The Corporation records in-kind support from contributed professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses. Contributed professional services for the years ended June 30, 2014 and 2013 totaled \$4,921 and \$5,095, respectively.

Loans Receivable - Loans receivable are stated at the amount management expects to collect from outstanding balances. The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb losses inherent in the loan portfolio. The amount is based on management's evaluation of the collectibility of the loan portfolio, including the payment history of each loan. The allowance is increased by a provision for loan losses which is charged to expense and reduced by write-downs, net of recoveries. Loans are considered delinquent when 30 days overdue. In general, loans may be charged off as uncollectible when 120 days overdue, based on management's assessment of the individual circumstances. The investment in loans classified as delinquent totaled \$224,089 at June 30, 2014 and \$631,274 at June 30, 2013.

COMMON CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Interest is not recognized on past due loans, but is recognized as loans are paid. Costs and fees associated with the issuance of loans are expensed in the period incurred.

Loan balances which are security for long-term debt totaled \$938,400 at June 30, 2014 and \$884,416 at June 30, 2013.

Income Taxes - Common Capital, Inc. is a not-for-profit corporation and has been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and accordingly does not record a provision for income taxes on its related earnings.

The Corporation follows the accounting interpretation regarding accounting for uncertainty in income taxes which prescribes how an entity should measure, recognize, present and disclose positions that it has taken or expects to take on its tax or information returns. The Corporation believes that in the event of an examination by taxing authorities, its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters, would prevail based upon the technical merits of such positions. Therefore, the Corporation has concluded that no tax benefits or liabilities are required to be recognized. The Corporation's open tax periods are the years ended on or after June 30, 2011. Penalties and interest, if any, assessed by taxing authorities will be included in expenses.

2. Commitments:

At June 30, 2014 and 2013, the Corporation had approved and committed to disburse loans totaling \$145,000 and \$334,674, respectively.

3. Contingencies:

Common Capital, Inc. receives a large portion of its support from state and federal grants. The grants permit the funding source to audit the financial operation of the grantee and compliance with the terms of the grant agreements. Such audits could result in the disallowance of some costs charged to the grants and, therefore, create a liability to the Corporation. Liabilities resulting from these audits, if any, will be recorded in the period in which the amount of liability is ascertained. The Corporation has not been notified that such an audit will be conducted by any funding source.

4. Concentration of Risk:

During the normal course of business, the Corporation has funds on deposit with various financial institutions which exceed the maximum amount insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2014 and 2013 the amount in excess of FDIC insurance was \$841,814 and \$1,621,780, respectively. At June 30, 2014 and 2013, \$500,000 of this excess amount was insured by the Securities Investor Protection Corporation. At June 30, 2014 and 2013, \$137,011 and \$334,945, respectively, of this excess was insured by the Depositors Insurance Fund.

COMMON CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The Corporation receives a majority of its revenue and support from the U.S. Department of Small Business Administration, U.S. Department of Treasury Community Development Financial Institutions Fund, U.S. Economic Development Administration and various private lenders and financial institutions. The Corporation was owed \$577,176 and \$760,474 from these sources at June 30, 2014 and 2013, respectively. These grants receivable are unsecured but considered collectible.

All loans receivable are from small businesses located in Western Massachusetts. The lending policies of Common Capital, Inc. consider collateral in its underwriting. The Corporation will obtain sufficient available collateral, but due to the mission of the Corporation, it may approve loans which are either completely unsecured or are functionally unsecured based on the likely limited collateral value in a liquidation scenario. The Corporation also recognizes that in instances where it is a subordinate lender, it will be at financial disadvantage in liquidation scenarios.

5. Loans Receivable:

Loans receivable consist of the following:

	<u>2014</u>	<u>2013</u>
Loans receivable are due from various small businesses maturing through September, 2033, bearing interest rates ranging between 1.00% and 10.75%.	\$3,927,702	\$3,037,965
<u>Less</u> - provision for loan losses	<u>384,919</u>	<u>499,738</u>
	3,542,783	2,538,227
<u>Less</u> - amount due within one year	<u>1,414,129</u>	<u>523,958</u>
Amount Due After One Year	<u>\$2,128,654</u>	<u>\$2,014,269</u>

Provision for loan losses in financing receivables for Commercial Small Business Loans for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
<u>Provision for Loan Losses</u> -		
Beginning balance	\$ 499,738	\$ 419,476
Write-offs	(72,786)	(151,371)
Recoveries	0	32,348
Loan loss reserve adjustment	<u>(42,033)</u>	<u>199,285</u>
Ending balance	<u>\$ 384,919</u>	<u>\$ 499,738</u>
Ending balance: individually evaluated for impairment	<u>\$ 384,919</u>	<u>\$ 499,738</u>
Ending balance: collectively evaluated for impairment	<u>\$ 0</u>	<u>\$ 0</u>
Ending balance: loans acquired with deteriorated credit quality	<u>\$ 0</u>	<u>\$ 0</u>

COMMON CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

<u>Financing Receivables --</u>		
Ending balance	<u>\$3,927,702</u>	<u>\$3,037,965</u>
Ending balance: individually evaluated for impairment	<u>\$3,927,702</u>	<u>\$3,037,965</u>
Ending balance: collectively evaluated for impairment	<u>\$ 0</u>	<u>\$ 0</u>
Ending balance: loans acquired with deteriorated credit quality	<u>\$ 0</u>	<u>\$ 0</u>

Credit quality indicators for Commercial Small Business Loans Receivable as of June 30, 2014 and 2013 are as follows:

Internally Assigned Risk Rating	2014	2013
1	\$1,461,600	\$ 121,361
2	1,545,122	1,697,907
3	808,678	579,128
4	0	53,179
5	0	586,390
6	112,302	0
7	<u>0</u>	<u>0</u>
	<u>\$3,927,702</u>	<u>\$3,037,965</u>

Loan Risk Rating Summary:

Internally Assigned Risk Rating	<u>Summarized Description</u>	<u>Assigned Loan Loss Reserve Percentage</u>
1	Viability of collection is very high	5%
2	Viability of collection is high	8%
3	Viability of collection is good but subject to external factors	12%
4	Viability of collection is subject to external factors	15%
5	Reasonable chance of effecting a turnover or restructuring	50%
6	Probability of turnaround is low	75%
7	Loss status; business assets liquidated	100%

Risk ratings are used to assess individual credit risk and as a tool in assessing overall portfolio risk. Risk ratings are used by Common Capital to capture business risk and viability. Historic financial performance and collateral protection are not considered material drivers of risk rating until such time as a loan appears to have reduced viability. In the event of a question of viability, the loan loss reserve may be set separately from the risk rating in order to capture loss potential.

COMMON CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The loan amount for threshold purposes is based on the committed amount, which will be the commitment amount in the case of a line of credit or a draw period on a term loan, or will be the outstanding balances for an amortizing loan.

Loans at or below a threshold amount shall be assigned a default risk rating and a default loan loss reserve. A specific loan loss may be assigned to a loan outside of the default parameters.

Impaired Commercial Small Business Loans for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<u>With a Provision for Loan Loss Recorded:</u>		
Recorded value of commercial loans	\$125,000	\$549,779
Unpaid principal balance	112,305	491,390
Related allowance	84,229	245,695
Average value of commercial loans	112,305	496,826
Interest income recognized	0	6,103

Age analysis of past due financing receivables for Commercial Small Business Loans as of June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
30-59 days past due	\$ 5,923	\$ 12,237
60-89 days past due	4,984	10,884
90-119 days past due	2,793	10,884
Greater than 120 days past due	<u>41,896</u>	<u>71,366</u>
Total Past Due	55,596	105,371
Current	<u>3,872,106</u>	<u>2,932,594</u>
Total Financing Receivables	<u>\$3,927,702</u>	<u>\$3,037,965</u>
Recorded value of commercial loans greater than 120 days and accruing	<u>\$ 125,000</u>	<u>\$ 549,779</u>

6. Line of Credit:

The Corporation has a line of credit with a financial institution for a maximum of \$100,000. At June 30, 2014 and 2013, there were no balances outstanding on this line of credit. The line of credit is payable on demand and bears interest at the Wall Street Journal's prime rate plus .50%.

The Corporation has a revolving line of credit with another financial institution to a maximum of \$300,000. At June 30, 2014 and 2013, there were no balances outstanding on this line of credit. Funds from this line are to be used for working capital needs. The loan is secured by all the assets of the Corporation. Interest shall accrue at a floating per annum rate as published in the Wall Street Journal, but no less than 4%. The principal of this note is payable on demand. Interest is payable monthly. The loan is subject to annual review and may be extended, renewed, modified or terminated at the bank's discretion.

The Corporation has a revolving line of credit with another financial institution for a maximum of \$500,000. At June 30, 2014 and 2013, there were no balances outstanding on this line of credit. Funds from this line are to be used to fund certain community based loans. The line is payable on demand and bears interest at a floating rate as published in the Wall Street Journal plus .50%.

COMMON CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

7. Long-Term Debt:

	<u>2014</u>	<u>2013</u>
<u>Notes Payable:</u>		
Note payable to U.S. Small Business Administration in monthly installments of \$2,374 including interest of 1.00% beginning October 1, 2004. This note is secured by an interest in the micro loans issued and by the funds held in Microloan Revolving Loan Funds. The note was paid off in August, 2013.	\$ 0	\$ 4,744
Note payable to U.S. Small Business Administration in monthly installments of \$2,209 including interest of 1.875% beginning July 27, 2005. Interest is reviewed periodically and is adjusted to either 3.125% or 1.875% based on the loan portfolio balance held by the Corporation. The loan is due in full on July 27, 2014. This loan is secured by an interest in the micro loans issued and by the funds held in Microloan Revolving Loan Funds.	3,160	40,631
Note payable to U.S. Small Business Administration in monthly installments of \$2,226 including interest of 3.75%. Interest is reviewed periodically and adjusted to either 5% or 3.75% based on the loan portfolio balances held by the Corporation. The loan is due in full on March 19, 2017. This note is secured by an interest in the micro loans issued and by the funds held in Microloan Revolving Loan Funds.	88,624	118,611
Note payable to U.S. Small Business Administration in monthly installments of \$3,469 including interest of 2%. Interest is reviewed periodically and adjusted to either 2% or 1.25% based on the loan portfolio balances held by the Corporation. The loan is due in full on February 20, 2019. This note is secured by an interest in the micro loans issued and by the funds held in Microloan Revolving Loan Funds.	188,277	226,807
Note payable to U.S. Small Business Administration in monthly installments of \$2,460 including interest of 2.375%. Interest is reviewed periodically and adjusted to either 2.375% or 1.125% based on the loan portfolio balances held by the Corporation. The loan is due in full on February 4, 2020. The loan is secured by an interest in the micro loans issued and by the Microloan Revolving Loan Funds.	357,778	418,557
Note payable to Sisters of Charity of St. Elizabeth in annual installments of interest only at 2% per annum. The note is due on March 30, 2017.	25,000	25,000

COMMON CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note payable to TD Bank under revolving line of credit (facility) to a maximum of \$1,500,000. Funds from this facility are used to issue small business loans and these loans secure this facility. This facility is due on demand except that any outstanding balances on loans issued by the Corporation from this facility shall be paid to TD Bank as the loans are repaid to the Corporation. Interest is at the Wall Street Journal Prime Rate.	302,808	347,416
Note payable to The Frances Fund Foundation dated December 31, 2009 for \$200,000 payable in quarterly installments of interest only at 2%. The note was amended effective January 1, 2011 whereby \$150,000 of the original principal amount was converted as a qualifying loan to be used as part of the Corporation's PV Grows Pool Investment. The note was further amended effective May 14, 2013 whereby \$20,000 of the original principal amount was converted as a qualifying loan to be used as part of the Community First Fund. Effective July 1, 2011, the interest rate on the outstanding principal balance of the note shall accrue at the fixed interest rate of 0.65%. The note will be due July 1, 2014.	30,000	30,000
Notes payable originally totaling \$300,000, consisting of loans from nonprofit organizations and individuals. These organizations and individuals have chosen to lend to the Corporation's PV Grows Pool Investment. During the year end June 30, 2014, one individual requested to withdraw from the Investment Pool. The remaining outstanding balance of \$21,045 was returned to this individual in November, 2013. The principal on these loans is due and payable in consecutive quarterly installments made within 10 days of the end of each calendar quarter commencing with the quarter ended March 31, 2011. The principal shall be payable only from the payments to the Corporation made by or from funds collected from the recipients, prorated based on the various lender's share of the loan pool. Interest shall accrue on the unpaid principal balance of these notes at a rate of 2% per annum and shall be due and payable when principal payments are made.	211,560	252,534
Notes payable consisting of loans from various organizations, trusts and individuals. These parties have chosen to lend to the Corporation to support the Community First Fund. Interest of 2% is due and payable semi-annually. Principal is due and payable on the third anniversary of the date of the agreements, unless the investor elects to renew the loan for an additional three year term or donate the principal and/or interest to the Corporation.	447,600	189,100

COMMON CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note payable to Easthampton Savings Bank under a participation agreement whereby the Bank has purchased a 50% interest in a loan that the Corporation has issued to a borrower, payments of interest only until July, 2014 at the Wall Street Journal Prime Rate plus 3.5%, currently 6.75%, thereafter the monthly payment will convert to principal and interest payments of approximately \$1,063, matures August, 2019.

	<u>53,850</u>	<u>0</u>
Total Long-Term Debt	1,708,657	1,653,400
<u>Less - amounts due within one year</u>	<u>246,423</u>	<u>226,480</u>
<u>Amount Due After One Year</u>	<u>\$1,462,234</u>	<u>\$1,426,920</u>

Principal payments on notes payable are scheduled to be as follows:

Year Ending <u>June 30th</u>	
2015	\$ 246,423
2016	347,447
2017	514,864
2018	279,715
2019	119,219
Thereafter	<u>200,989</u>
	<u>\$1,708,657</u>

8. Other Liabilities:

Other liabilities are equity equivalent instruments. An equity equivalent instrument was issued November 27, 2007 from RBS Citizens, National Association. This instrument has an indefinite term that takes the form of a long-term liability which is subordinated to all other notes payable. This instrument bears interest at the rate of 4% payable semi-annually. At June 30, 2014 and 2013, the Corporation had an outstanding balance on this equity equivalent instrument of \$100,000 and \$150,000, respectively.

A second equity equivalent instrument was issued September 21, 2011 from the Secretary of Treasury. This instrument has an indefinite term that takes the form of a long term liability which is subordinated to all other notes payable. This instrument bears interest at 2% payable quarterly. At June 30, 2014 and 2013, the Corporation had an outstanding balance on this equity equivalent instrument of \$200,000.

9. Restricted Cash:

Cash in revolving loan funds is held in separate bank accounts and may only be used for the purposes specified in related agreements.

COMMON CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. Operating Leases:

Common Capital, Inc. rents office space at Four Open Square, Holyoke, Massachusetts under a three year lease that expires November 30, 2015. Annual payments under this lease are \$42,644.

Future minimum payments under this lease are as follows:

Year Ending <u>June 30th</u>	
2015	\$ 42,644
2016	<u>17,769</u>
	<u>\$ 60,413</u>

Total rent expense for the years ended June 30, 2014 and 2013 was \$43,544 and \$44,976, respectively.

11. Related Party Transactions:

A member of the Board of Directors through January, 2014 is an officer of a bank that loaned money to the Corporation. The outstanding loan balance was \$302,808 and \$347,416 as of June 30, 2014 and 2013, respectively. Interest paid to the bank was \$10,877 and \$13,196 for the years ended June 30, 2014 and 2013, respectively.

During the year ended June 30, 2013, the Chief Operating Officer and two members of the Board of Directors loaned the Corporation \$6,000 as part of the Community First Fund. Interest paid on these loans totaled \$102 and \$7 for the years ended June 30, 2014 and 2013, respectively.

12. Benefit Plan:

The Corporation has a SIMPLE IRA plan which is available to all employees who have completed 90 days of service. Employees may contribute into the plan on a tax-deferred basis. The Corporation contributes a matching contribution on a semi-monthly basis. The amount of such contributions is equal to the amount of salary reduction employees elect to defer to a maximum of 3% of the employee's compensation. The Corporation made matching contributions to the plan totaling \$13,464 and \$12,747 for the years ended June 30, 2014 and 2013, respectively.

13. Significant Estimates:

The provision for losses on loans represents a significant estimate. It is reasonably possible that this estimate will change within the next year and that change could be material.

COMMON CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

14. Investment:

On April 20, 2010, Common Capital, Inc. became an investor in CTI Energy Services, LLC (CTI) when it made a capital contribution of \$50,000 and thereby obtained a 2.78% ownership interest in CTI. CTI was formed for the purpose of performing energy audits and overseeing energy retrofits for mid-size Federal Public Housing Authorities. At June 30, 2014 and 2013, the Corporation's investment in CTI was \$50,512 and \$47,730, respectively. The Corporation's share of CTI's gains reported in fiscal years 2014 and 2013 was \$3,206 and \$2,633, respectively. Since the Corporation has voting rights on CTI's Management Board, this investment is reflected on the statement of financial position under the equity method, which includes the capital contributed and the Corporation's share of any CTI profits and losses. A summary of CTI Energy Services, LLC's financial position as of June 30, 2014 and the results of its operations for the year ended June 30, 2014 is as follows:

Total Assets	\$ 325,614
Total Liabilities	\$ 373,417
Net Income (Loss)	\$(289,754)

On May 6, 2013, the Corporation purchased 498 shares of preferred stock of Real Pickles Cooperative, Inc. for \$12,450. Real Pickles is a Massachusetts corporation that manufactures organic food products. This investment is carried at its original cost of \$12,450.

15. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purpose:

	<u>2014</u>	<u>2013</u>
Business Development Position	\$ 72,135	
Healthy Food Access Program		\$ 10,000

16. Net Assets Released From Restrictions:

Net assets were released from donor restrictions by the use of funds for the required purposes as follows:

Business Development Position	\$ 52,865
Healthy Food Access Program	10,000
	<u>\$ 62,865</u>

17. CDFI Re-Certification:

On September 17, 2013, the Corporation was re-certified by the U.S. Department of the Treasury's Community Development Financial Institution as a Community Development Financial Institution, through September 17, 2016.

18. Subsequent Events:

Subsequent to June 30, 2014, the Corporation was awarded a \$1,079,218 grant from the U.S. Department of the Treasury's Community Development Financial Institution (CDFI Fund). These funds will be used to alleviate food deserts in urban and rural areas and to provide financing and business assistance services.

COMMON CAPITAL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Awards Expended</u>
U.S. Small Business Administration/ Microloan Program -			
Loan number 524-734-4106 SBA 5	59.046	N/A	\$ 4,744
Loan number 524-734-4204 SBA 6	59.046	N/A	40,631
Loan number 524-734-4302 SBA 7	59.046	N/A	118,611
Loan number 524-344-4000 SBA 8	59.046	N/A	226,807
Loan number 369-587-5004 SBA 9	59.046	N/A	418,557
Microloan Program Grant SBAHQ-13-Y-0051	59.046	N/A	<u>149,738</u>
<u>Total U.S. Small Business Administration</u>			959,088
U.S. Department of Commerce - Economic Development Administration - Economic Adjustment Assistance - Capitalization of the Revolving Loan Fund - Award 01-79-08851			
	11.307	N/A	<u>213,987</u>
<u>Total Expenditures of Federal Awards</u>			<u>\$1,173,075</u>

See accompanying notes to schedules
of expenditures of federal awards.

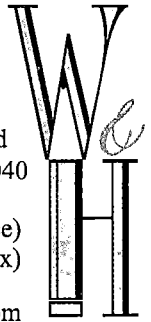
COMMON CAPITAL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Common Capital, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Subrecipients:

There were no payments to subrecipients in any of the federal award programs during the year ended June 30, 2014.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To The Officers and Directors
Common Capital, Inc.
4 Open Square Way, Suite 407
Holyoke, Massachusetts 01040

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Common Capital, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows and functional expense for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Common Capital, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Common Capital, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

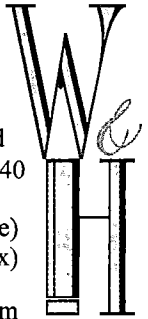
As part of obtaining reasonable assurance about whether Common Capital, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whittlesey & Hadley, P.C.

Holyoke, Massachusetts
October 30, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To The Officers and Directors
Common Capital, Inc.
4 Open Square Way, Suite 407
Holyoke, Massachusetts 01040

Report on Compliance for Each Major Federal Program

We have audited Common Capital, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Common Capital, Inc.'s major federal program for the year ended June 30, 2014. Common Capital, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Common Capital, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Common Capital, Inc.'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 federal program. However, our audit does not provide a legal determination of Common Capital, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Common Capital, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Common Capital, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Common Capital, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Common Capital, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

Whittlesey & Hadley, P.C.

Holyoke, Massachusetts
October 30, 2014

COMMON CAPITAL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Result

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
59.046	Microloan Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

COMMON CAPITAL, INC.
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

There were no findings or questions costs for the year ended June 30, 2013.