

# Capital Sisters International, Inc.

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Prospectus for

## Sister Bonds®

### Capital Sisters Investment Notes

January 31, 2016

Investment Notes	
Total Aggregate Offering	Up to \$5,000,000*
Term/Rate Pairings**	
<b>YEARS</b>	<b>RATE</b>
1	0%
2	0%
3	0%
5	0%
Minimum Investment Requirement***	\$1,000
Status	Senior Unsecured Debt

\*Investor dollars are not used to pay sales commissions or any other expenses of the offering.

\*\*Capital Sisters reserves the right to vary the term or amount of one or more of the Notes offered, and would indicate any such change in a supplement to this prospectus.

\*\*\*Capital Sisters reserves the right to change the minimum investment amount in the future.

Capital Sisters International, Inc. (“Capital Sisters”), a 501(c)(3) non-profit corporation located in Golden, Colorado, and organized under the laws of Colorado, is offering up to \$5,000,000 of its Sister Bonds® Investment Notes (each a “Note” or an “Investment Note” and, collectively, the “Notes” or the “Investment Notes”).

Capital Sisters is a nonprofit organization committed to a world where impoverished women have access to credit for income generating activities that allow them to provide for their families and live with dignity. To this end, Capital Sisters will use the proceeds from the sale of its \$1,000 zero-interest Investment Notes to make loans to international microfinance institutions (“MFIs”) which, in turn, lend to impoverished women in developing countries who do not have access to credit. The proceeds from each \$1,000 Investment Note are used to fund ten women’s businesses at \$100 each for each year of investment.

As of the date of this prospectus, Capital Sisters had \$235,000 of Investment Notes outstanding. Using an additional \$15,000 donated for the specific purpose of making loans to MFIs, Capital Sisters had four loans totaling \$250,000 outstanding to two MFIs as of the date of this prospectus. One MFI operates in Guatemala and one in the Philippines. Taking into account the various maturities of the Investment Notes, which extend to 2021, Capital Sisters has raised \$1,411,000 for 14,110 micro loans.

Capital Sisters offers the Investment Notes directly - no broker-dealer, underwriter, or trustee is being used. Capital Sisters is responsible for repayment of the Notes. The offering of the Investment Notes is a public offering in the states where we are authorized to offer the Notes. Please refer to our website at [www.capitalsisters.org](http://www.capitalsisters.org) for a list of eligible states. This offering is not restricted to any limited class of investors.

Capital Friends International, Inc. (“Capital Friends”), a supporting organization for Capital Sisters under Section 509(a)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) has agreed to provide credit enhancement for the Investment Notes in the form of a capital reserve account (the “Capital Reserve Account”). It will use the funds in this account to reimburse Capital Sisters for losses, up to a certain amount, if any MFI does not repay its loan to Capital Sisters.

Payment from each investor, also referred to as a “Noteholder” in this prospectus, will be due upon Capital Sisters’ acceptance of the Investment Application from the investor.

INVESTORS SHOULD READ THIS PROSPECTUS IN CONJUNCTION WITH THE DISCLOSURES IN THE NOTES’ INVESTMENT APPLICATION FORM FOUND IN APPENDIX I CAREFULLY BEFORE INVESTING. THIS FORM MAY ALSO BE OBTAINED FREE OF CHARGE BY CONTACTING THE COMMUNITY INVESTMENT SERVICE CENTER USING THE CONTACT INFORMATION AVAILABLE ON THE INVESTMENT NOTES APPLICATION FORM.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY FROM ANY PERSON IN ANY STATE OR ANY OTHER POLITICAL JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION MAY NOT LAWFULLY BE MADE. FEDERAL AND STATE SECURITIES LAWS AFFECT CAPITAL SISTERS’ ABILITY TO CONTINUE TO SELL NOTES IN CERTAIN STATES.

**The Investment Notes are being offered under an exemption from federal registration in accordance with Section 3(a)(4) of the Securities Act of 1933, as amended (the “Securities Act”) and Section 3(c)(10) of the Investment Company Act of 1940, as amended (the “Investment Company Act”). The Securities and Exchange Commission has not made an independent determination that these securities are exempt from registration.**

This prospectus contains all of the representations by Capital Sisters concerning this offering. Investors are advised to read this prospectus and the investment application form carefully prior to making any decision to purchase the Notes. Investors are cautioned not to rely on any information not expressly set forth in this prospectus. No person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this prospectus, and if given or made, such information or representations must not be relied upon as having been made by Capital Sisters.

Capital Sisters reserves the right to suspend the sale of the Notes for a period of time or to reject any specific purchase order, with or without a reason. Capital Sisters may also choose to accept a portion of a committed investment on the condition that the investor will make the remainder of the funds available at some point in the future.

This prospectus is intended to provide prospective investors with information necessary for an informed investment decision. However, nothing contained herein is intended as legal, accounting, tax or investment advice, and it should not be taken as such. A prospective investor should consult his or her own legal counsel and/or financial advisor with respect to his or her investment in the Notes. An investor must rely on his or her own examinations of Capital Sisters, the Notes, and the terms of this offering, including the merits and risks involved. An investor should be willing and have the financial capacity to purchase a high-risk investment that cannot easily be liquidated.

This prospectus contains summaries of certain agreements and other documents, but all such summaries are qualified in their entirety by reference to such agreements and other documents. Copies of other pertinent documents will be made available to qualified prospective investors upon request.

This prospectus contains forward-looking statements, and additional written forward-looking statements may be made by Capital Sisters from time to time. The words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Forward-looking statements are inherently subject to risks and uncertainties, some of which

cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Statements in this prospectus, including those contained in the section entitled “Risk Factors,” describe some of the factors that could contribute to or cause such differences. Further, no independent examiner has evaluated the reasonableness of Capital Sisters’ forward-looking statements.

**The repayment of Notes of any investor is dependent upon the financial condition of Capital Sisters, as the issuer, and Capital Friends, as its supporting organization. The nature of Capital Sisters’ investments, Capital Sisters’ lending activities, the risk of nonpayment by MFIs, and a number of other factors make the Notes high-risk investments. From a financial point of view, the Notes should not be a primary investment in relation to the overall size of an investor’s portfolio. Investors should consult with their financial adviser when determining the amount of Notes that would be appropriate for them in relation to their overall investment portfolio and personal financial needs.**

**An investment in the Notes is subject to various material risks and investors may lose all or part of their investment. Prior to making any purchase, investors should carefully consider, among other matters, the risk factors disclosed in this prospectus beginning on page 4. However, there can be no guarantee that this list is comprehensive. Furthermore, other risks that are unknown to Capital Sisters or presently considered immaterial could potentially impair Capital Sisters’ financial condition, operational performance, and prospects for growth at some point in the future.**

Neither the Securities and Exchange Commission, any state securities commission nor any other regulatory body has approved, disapproved, or recommended the securities described in this offering, nor has any of the aforementioned determined whether this offering is accurate or complete. Any representation to the contrary is a criminal offense.

The Notes are subject to restrictions on transferability and resale, and may not be transferred or resold except as permitted under the Securities Act and the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and applicable state securities laws, or pursuant to registration or exemption therefrom. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

The Notes are not insured or guaranteed by the Federal Deposit Insurance Company (FDIC), the Securities Investment Protection Corporation (SIPC), or any other federal, state, or local governmental agency.

**FOR RESIDENTS OF COLORADO ONLY:**  
THESE SECURITIES HAVE NOT BEEN REGISTERED IN THE STATE OF COLORADO. CAPITAL SISTERS HAS RECEIVED A NO-ACTION LETTER FROM THE STAFF OF THE COLORADO DIVISION OF SECURITIES WITH REGARD TO THE OFFER AND SALE OF THE SECURITIES INDICATING THAT THE STAFF WILL NOT RECOMMEND THAT FORMAL ENFORCEMENT PROCEEDINGS BE INITIATED AGAINST CAPITAL SISTERS, OR ITS RESPECTIVE OFFICERS, DIRECTORS, OR CONTROL PERSONS, IF THE SECURITIES ARE OFFERED AND SOLD WITHOUT BEING REGISTERED UNDER THE COLORADO SECURITIES ACT. NEITHER THE COLORADO DIVISION OF SECURITIES NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE

OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**FOR RESIDENTS OF THE DISTRICT OF COLUMBIA ONLY:** THESE SECURITIES ARE OFFERED FOR SALE IN THE DISTRICT OF COLUMBIA PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE DISTRICT OF COLUMBIA DEPARTMENT OF INSURANCE AND SECURITIES REGULATION., THE DEPARTMENT OF INSURANCE AND SECURITIES REGULATION HAS NOT PASSED IN ANY WAY UPON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL TO

THESE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**FOR RESIDENTS OF MICHIGAN ONLY:** A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE CORPORATION AND SECURITIES BUREAU, MICHIGAN DEPARTMENT OF COMMERCE. THE DEPARTMENT HAS NOT UNDERTAKEN TO PASS UPON THE VALUE OF THESE SECURITIES NOR TO MAKE ANY RECOMMENDATIONS AS TO THEIR PURCHASE. THE USE OF THE PROSPECTUS IS CONDITIONED UPON ITS CONTAINING ALL MATERIAL FACTS AND THAT ALL STATEMENTS CONTAINED THEREIN ARE TRUE AND CAN BE SUBSTANTIATED. THE DEPARTMENT HAS NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. NO BROKER-DEALER, SALESMAN, AGENT OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, IN CONNECTION WITH THE OFFERING HEREBY MADE, OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS OR EFFECTIVE LITERATURE. \* THESE SECURITIES ARE OFFERED FOR SALE ONLY IN THE STATE OF MICHIGAN TO BONA FIDE RESIDENTS OF MICHIGAN AND NOT FOR RESALE TO NON-RESIDENTS OF MICHIGAN.

**FOR RESIDENTS OF MINNESOTA ONLY:** THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE MINNESOTA DEPARTMENT OF COMMERCE NOR HAS THE DIVISION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE

**FOR RESIDENTS OF MISSISSIPPI ONLY:** IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING

AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (1) YEAR. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

**FOR RESIDENTS OF ILLINOIS ONLY:** THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**FOR RESIDENTS OF NORTH CAROLINA ONLY:** THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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## **OFFERING SUMMARY**

*This section summarizes the legal and financial terms of the Investment Notes. More detailed information about the Notes can be found in the section entitled “Description of the Investment Notes”. Before deciding to purchase any Notes, investors should read the more detailed information appearing elsewhere in this prospectus, including the Investment Application Form in Appendix I.*

### **Overview and History**

Capital Sisters International, Inc., the issuer of the Investment Notes, was formed in 2001 as a non-stock corporation in the State of Colorado. Capital Sisters is tax-exempt under section 501(c)(3) of the Code.

The mission of Capital Sisters is to raise investment funds for micro lending institutions that make business loans to impoverished women in developing countries. Since its establishment more than a decade ago, Capital Sisters has been using an “Adopt a Village Bank” model created by its Founding CEO, Patricia Foley Hinnen, to raise grant funds for tens of thousands of micro loans in collaboration with non-profit microfinance organizations in the United States and around the world. Using this model, Ms. Hinnen and Capital Sisters have raised money for micro loans made by micro lending institutions in 25 countries.

For more than a decade Capital Sisters has also been educating socially conscious groups and individuals about the role that microfinance can play in lifting women out of poverty, and advocating for more enabling policy environments so that the microfinance industry can grow and thrive. During this time Capital Sisters has created a global network of organizations and relationships whose missions are aligned with its own.

In conjunction with the issuance of its Investment Notes, Capital Sisters has launched its Investment Program in order to lend directly to MFIs. Capital Sisters uses the proceeds from the sale of the Investment Notes to make interest free loans to non-profit MFIs that lend to women borrowers at commercial interest rates. The MFIs retain the interest earned from the women’s loans to help support their loan management programs and they return the principal to Capital Sisters. Investment Notes are repaid with the proceeds of the MFI loan repayments.

As of the date of this prospectus, Capital Sisters has \$235,000 of Investment Notes outstanding. Using an additional \$15,000 donated for the specific purpose of making loans to MFIs, Capital Sisters has nine loans totaling \$250,000 outstanding to two MFIs as of the date of this prospectus. One MFI operates in Guatemala and one in the Philippines. Taking into account the various maturities of the Investment Notes, which extend to 2021, Capital Sisters has raised \$1,411,000 for 14,110 micro loans.

Capital Friends is a supporting organization of Capital Sisters, meaning that it has 501(c)(3) tax exempt status and its sole purpose is to support Capital Sisters, primarily through fundraising. Capital Friends is providing credit enhancement for the Investment Notes in the form of a Capital Reserve Account. The relationship between Capital Sisters and Capital Friends, and the Capital Reserve Account Funding Agreement between the two entities, is discussed in the section entitled “Capital Friends International.”

The following table illustrates certain highlights of the combined audited financial statements of Capital Sisters and Capital Friends for the last five fiscal years.

For Year Ending December 31st	2015	2014	2013	2012	2011
Total Assets	\$445,879	\$400,542	\$397,109	\$281,103	\$245,674
Total Liabilities*	\$264,899	\$205,405	\$205,651	\$103,638	\$61,917
Net Assets	\$180,980	\$195,137	\$191,458	\$177,465	\$183,757
Support and Revenue**	\$355,781	\$386,182	\$392,018	\$303,201	\$400,329
Expenses**	\$369,938	\$382,503	\$378,025	\$309,493	\$367,214
Change in Net Assets	(\$14,157)	\$3,679	\$13,993	(\$6,292)	\$33,115

\* Capital Sisters began issuing Investment Notes in 2011 and the balance of Notes outstanding in December 2015, 2014, 2013, 2012 and 2011 was \$235,000, \$190,000, \$190,000, \$90,000 and \$45,000, respectively.

\*\* Capital Sisters had estimated fair values of donated services of \$165,168, \$148,588, \$189,141, \$141,050, and \$209,357, for the years ended December 31, 2015, 2014, 2013, 2012, and 2011, respectively. These amounts are reflected in both revenues and expenses of the respective years.

### Terms of the Notes

The Investment Notes offered in this offering are equal in ranking to the Investment Notes that have been issued in prior years, and together are the senior ranking obligations of Capital Sisters. The Investment Notes are not subordinate to any other indebtedness of Capital Sisters. They are issued in multiples of \$1,000, for a term of 1, 2, 3 or 5 years. The Notes pay an interest rate of 0%. This enables Capital Sisters to deliver interest free loans to MFIs that in turn lend to women at commercial interest rates and retain the interest earned to help support their loan management programs.

### Use of Proceeds

Subject to having satisfactory capital and liquidity ratios, Capital Sisters will use the proceeds from the sale of the Notes to make interest free loans to MFIs that have a significant percentage of their loan portfolio targeted toward impoverished women in developing countries. In order to qualify for a loan from Capital Sisters, MFIs must be non-religious, non-political, and non-governmental; must operate as a non-profit organization; and must use the loans from Capital Sisters to make business loans to impoverished women. They must also satisfy a detailed due diligence process.

Capital Sisters' loans to MFIs are interest-free. Loans will generally range from \$50,000 to \$250,000. For each \$1,000 of proceeds the MFI must fund ten micro loans. The term of the loans to MFIs are generally 1 to 2 years, such that the maturities of MFI loans in Capital Sisters' portfolio match or are shorter than the maturities of the Notes. Capital Sisters will not charge origination fees to its MFI borrowers, relying strictly on grants, donations and other revenues to cover Capital Sisters' operating costs.

Repayment of the loans made by Capital Sisters to MFIs will depend on the credit quality of the loan portfolio of those institutions, as well as a number of other factors. As of the date of this prospectus there have been no delinquencies in the portfolio of loans to MFIs.

### Reports

The MFIs provide photos and data pertaining to their micro loan clients and Capital Sisters uses such information to provide client investment reports to its Noteholders on a periodic basis.

### Distribution

The Investment Notes are marketed and sold directly by Capital Sisters. Interested parties must complete and sign the Capital Sisters Investment Notes Investment Application found in [Appendix I](#) to this prospectus and return it, together with payment, to the Community Investment Service Center of Community Investment Partners, Inc. The mailing address is printed on the application. Interested parties may also contact the Community Investment

Service Center at 800.248.0337 with any investment questions. Please read all materials carefully before investing or sending payment.

Community Investment Partners, Inc. is a wholly owned subsidiary of the Calvert Social Investment Foundation, Inc. (“Calvert Social Investment Foundation”). Community Investment Partners, Inc. is a third party servicing agent which has been retained by Capital Sisters to provide investor administration services, which include investor correspondence, payment administration and mailings.

All inquiries relating to program activities should be directed to Capital Sisters at 1-720-778-1717.

## **RISK FACTORS**

*An investment in the Notes involves various material risks and investors may lose all or part of their investment. Prior to any investment, and in consultation with investors’ financial and legal advisors, investors should carefully consider, among other matters, the following risk factors. There can be no assurance that the following list of the risks is comprehensive. Additional risks not presently known to Capital Sisters or that are currently deemed immaterial could also materially and adversely affect Capital Sisters’ financial condition, results of operations, business and prospects.*

### **RISKS RELATING TO THE USE OF PROCEEDS OF THE NOTES**

#### **Risk of Loss of Investment**

Capital Sisters' Investment Program and the issuance of the Investment Notes for the purpose of making loans to MFIs for on-lending to impoverished women in developing countries is a program with a limited operating history. The nature of Capital Sisters' Investment Program, the activities of Capital Sisters' MFI borrowers, the illiquidity of the Notes involve a high degree of risk that may result in the loss of the total amount of Noteholders' investments. The Notes should only be purchased by investors whose financial resources are sufficient to allow them to assume the risks of investing in the Notes.

#### **MFI Borrowers are Engaged in Microlending Activities**

Capital Sisters provides its loan funds to entities engaged in microlending, either directly or through intermediaries. These entities will use funds borrowed from Capital Sisters to make business loans to women in economically disadvantaged communities. The ability of Capital Sisters to repay principal on the Investment Notes will be dependent on the financial capability and performance of the microlending institutions and, in particular, on the performance of their loan portfolios. Adverse financial results or events involving any of these entities could have a significant impact on Capital Sisters’ ability to repay the Notes.

#### **MFI Borrowers are Partially Reliant On Donations**

Proceeds from the sale of the Notes are lent internationally to MFIs that operate as non-profit organizations. While these MFI borrowers are expected to use the proceeds from their loan portfolio to repay Capital Sisters, they do derive a portion of their operating income from grants and contributions from a variety of sources. This partial reliance on donations may affect the ability of MFI loan recipients to repay Capital Sisters, especially during challenging economic environments when the volume of such donations may decrease.

#### **MFI Repayment Risk**

Capital Sisters will make loans to MFIs whose loan programs may not have achieved operational or financial sustainability. There can be no assurance that MFI borrowers will repay Capital Sisters promptly or at all, whether because of poor performance of an MFI’s microloan portfolio, because difficult economic conditions could adversely affect MFI’s grant and donation income, or for other financial, operational or managerial reasons. If an MFI is delinquent in repaying, or if it defaults on the repayment of its loan from Capital Sisters, this will have a significant adverse impact on Capital Sisters’ ability to repay the Notes.



### **Loans to MFIs are Illiquid**

In general, the loans to MFIs that are financed by the sale of the Notes are illiquid, meaning they are unlikely to be repaid prior to maturity and they may not otherwise deliver cash to Capital Sisters prior to maturity. This may negatively affect the ability of Capital Sisters to repay Noteholders in a timely manner, particularly if the Notes mature prior to the repayment of loans made to MFIs.

### **Political Risk**

Capital Sisters may make loans to organizations located in regions that experience intermittent financial or political instability; this may reduce the possibility that MFI borrowers will repay Capital Sisters in full, or in a timely manner. Capital Sisters does not currently have or intend to acquire political risk or similar insurance that might protect against currency inconvertibility, political violence, or expropriation. If Capital Sisters makes a loan to an MFI in a region that experiences significant financial or political turmoil, the likelihood that the MFI borrower would repay Capital Sisters in full or in a timely manner would decrease. Therefore, in the event that a significant number of MFI borrowers are exposed to political or social instability, the ability of Capital Sisters to repay Noteholders would decline.

### **Currency Risk**

Capital Sisters will lend to MFIs in US dollars and these institutions will in turn disburse their microloans in local currency. There can be no assurance that the MFIs have sufficient or any currency hedging arrangements in place. Currency fluctuations could cause the value of the MFI's loan portfolio to decline relative to the US dollar meaning that the capital they receive on repayments from their loan portfolio is less than the value at initial disbursement, when converted to US dollars. Thus the amount of funds available to repay loans to Capital Sisters could significantly decline, impacting a MFI's ability to repay Capital Sisters in full or on a timely basis, and this could impair Capital Sisters' ability to repay its Noteholders.

### **General Economic Conditions**

The risk of losses on Capital Sisters' loans to MFIs will vary with, among other things, general economic conditions, such as events that have affected global, national and local credit markets since the fall of 2007, the types of loans or deposits being made and the creditworthiness of the MFI's own borrowers over the terms of the loans. Depending on these and other factors, Capital Sisters may be unable to collect some or all of principal when due on the loans made by Capital Sisters to MFIs. There can be no assurance that funds available to Capital Sisters will be sufficient to meet all potential losses if there is an MFI default. To the extent this occurs, it may be difficult or impossible for Capital Sisters to repay the Notes.

## **RISKS RELATING TO CAPITAL SISTERS INTERNATIONAL**

### **Change in Operations**

Capital Sisters is not obligated to continue offering the Notes. Any change in its operations could have a negative impact on its ability to repay Noteholders. Capital Sisters has no plans to discontinue offering the Notes or its lending program but there can be no assurance that it will be able to continue its lending program.

### **No Key Person Insurance**

The success of Capital Sisters' operations will depend on the efforts of its management personnel. If any of these executives leaves the organization and if Capital Sisters is unable to attract and retain other skilled staff, its business, operational performance, and ability to repay the Notes could be adversely affected. Further, Capital Sisters does not maintain key person insurance on any of its employees. There can be no assurance of continuity in Capital Sisters' key personnel or its impact on the ability of Capital Sisters to meet its obligations under the Notes.

### **Uncertainty of Donation Income**

Capital Sisters and its supporting organization, Capital Friends, rely on contributions to finance their operations. For the fiscal years ended December 31, 2015, 2014, and 2013, the Capital Sisters organizations received contributions in the amounts of \$183,722, \$236,240, and \$202,975, respectively. Grants, contributions and other revenues are inherently uncertain income sources, since they are neither guaranteed nor necessarily renewable. Large grants often involve rigorous application and review processes, making them difficult to obtain, particularly in times of economic hardship. Since Capital Sisters and its supporting organization, Capital Friends, will be primarily dependent on grants and contributions for their operations, sufficient funds may not be available to continue operations in either or both entities if these sources of income become unavailable. If this occurs, the risk of nonpayment of the Notes would increase.

### **Investment Risk Outside of Lending Activities**

Capital Sisters will invest cash into short term money market funds and other liquid investments. While such investments are normally readily convertible into cash, disruptions in the markets for these investments or in financial markets in general could result in Capital Sisters being unable to sell or otherwise liquidate these assets. Any adverse change in Capital Sisters' ability to liquidate its short-term investments could temporarily or permanently affect Capital Sisters' ability to repay the Notes.

## **RISKS RELATING TO THE TERMS OF THE NOTES**

### **The Notes are Illiquid**

The Notes may not be transferred without the written consent of Capital Sisters. There is no public or secondary market for the Notes and no market is likely to develop. Accordingly, the Notes are highly illiquid.

### **Zero Interest Rate**

The interest rate offered on the Notes is zero percent. The interest rate offered for the Notes is lower than the rates offered by other financial institutions for securities with a similar risk profile. A potential investor should not assume that the risk of nonpayment of principal associated with the Investment Notes is less than that risk for any other investment which does pay interest.

### **No Early Withdrawal**

Noteholders do not have the ability to redeem all or part of the Notes prior to maturity. Although Capital Sisters may, in its sole discretion, permit early redemption, Capital Sisters does not currently intend to allow early redemptions.

### **Capital Sisters may Redeem Notes Early**

At any time prior to the maturity of a Note, Capital Sisters may choose to redeem such Note, in whole or in part, upon ten business days' prior notice, at a redemption price equal to 100% of the principal amount. *Under no circumstances* will Capital Sisters be *obligated* to redeem all or part of any Note prior to the maturity of such Note. If a Note is redeemed, the Noteholder will not receive any penalty or premium payment from Capital Sisters, or any notional interest foregone for the remaining balance of the term after such prepayment.

### **No Government Guarantee**

Neither the Notes nor the credit enhancement arrangements are covered by FDIC insurance, nor are they otherwise backed by any federal, state, or local government body. Thus, Noteholders may not call upon any government guarantee to recover losses on their Notes, should Capital Sisters, either alone or with Capital Friends, be unable to repay the principal of the Notes.

### **Default Under the Capital Reserve Account Funding Agreement**

Capital Sisters has entered into a Capital Reserve Account Funding Agreement with its supporting organization, Capital Friends, under which Capital Friends has agreed to deposit funds into a Capital Reserve Account to provide credit enhancement for the repayment of the Notes in the event an MFI defaults on its repayment obligations to Capital Sisters. If Capital Friends were to become insolvent, or otherwise default on its obligations to Capital

Sisters under the Capital Reserve Account Funding Agreement, Capital Sisters may be unable to enforce Capital Friends' obligations under the Capital Reserve Account Funding Agreement and may, as a result, have insufficient funds to cover a shortfall between amounts due and owing on the Notes and amounts received from MFI borrowers. In such case, Capital Sisters' ability to repay the Notes would be adversely affected.

### **No Sinking Fund**

Because no sinking fund has been or will be established by Capital Sisters (except those established pursuant to various state securities regulations) to provide for repayment of the Notes, the Notes may be riskier than similar investments for which a sinking fund has been established.

### **No Trust Indenture or Trustee**

In many cases, the Trust Indenture Act of 1939 requires that a debt offering be accompanied by the establishment of a trust indenture that provides covenants and procedures to protect creditors. Because Capital Sisters is exempt from this legislation, the Notes described in this prospectus are not governed by any indenture and therefore no trustee has been appointed. Furthermore, Capital Sisters is only making the limited covenants, representations and warranties to Noteholders contained in this prospectus.

## **LEGAL AND REGULATORY RISKS**

### **Exemptions from Registration**

The offering described in this prospectus is being made in reliance upon exemptions from registration provided by Section 3(a)(4) of the Securities Act, Section 3(c)(10) of the Investment Company Act, and the exemptions from registration of the securities of non-profit charitable organizations provided by the laws of certain states in which this offering is made. Reliance on these exemptions does not, however, constitute a representation or guarantee that such exemptions are indeed available. Capital Sisters may seek to qualify, register or otherwise obtain authorization for the offering in certain other states where it believes such qualification, registration or authorization is required. If for any reason the offering is deemed not to qualify for exemption from registration under the charitable securities exemptions referred to above (and if no other exemption from registration is available), and the offering is not registered with the applicable federal or state authorities, the sale of the Notes will be deemed to have been made in violation of the applicable laws requiring registration. As a remedy for such a violation Noteholders will have the right to rescind their purchase and to have their purchase price returned. If Noteholders request return of their investment, funds may not be available for that purpose. In that event, liquidation of Capital Sisters may be required. A significant number of requests for rescission could leave Capital Sisters without funds sufficient to respond to such requests or to successfully proceed with Capital Sisters' activities.

### **Change in Regulations Governing Exemptions from Registration**

Pursuant to current federal and state exemptions relating to certain securities offered and sold by non-profit charitable organizations, the Notes will not be registered with the Securities and Exchange Commission and will only be registered with state securities regulatory bodies where this is required. Federal and state securities laws are subject to change and frequently do change. Future changes in federal or state laws, rules or regulations regarding the sale of securities by charitable or other non-profit organizations may make it more costly and difficult for Capital Sisters to offer and sell the Notes. Such an occurrence could result in a decrease in the amount of Notes sold by Capital Sisters or an increase in the cost of registering Notes, which could adversely affect Capital Sisters' operations and ability to meet its obligations under the Notes.

### **Change in Tax Exempt Status**

Federal and Colorado state authorities have determined that Capital Sisters is exempt from federal and state taxation on the basis that it serves a charitable purpose. This determination rests upon a number of conditions and assumptions that must continue to be met on an ongoing basis. If Capital Sisters fails to comply with any of these conditions or assumptions, Capital Sisters could lose its non-profit status and be subjected to federal and/or state taxation. In addition, Capital Sisters is not obligated to continue its current operations or existence as a non-profit entity. If Capital Sisters became subject to federal or state taxation, this could negatively impact Capital Sisters' financial viability and cash flow, which could impact Capital Sisters' ability to meet its obligations under the Notes.

### **Change in Regulation Governing Activities**

Capital Sisters is not subject to regulation as a bank, but some of Capital Sisters' operations are subject to regulation by federal, state and local governmental authorities. Although Capital Sisters believes that its business is in compliance in all material respects with applicable local, state and federal laws, rules and regulations, there can be no assurance that more restrictive laws, rules and regulations will not be adopted in the future which could make compliance more difficult or expensive, restrict Capital Sisters' ability to originate loans, limit or restrict the amount of interest and other charges Capital Sisters may choose to implement in the future (although it currently has no plans to do so) under the loans it makes to MFIs, or otherwise adversely affect Capital Sisters' operations or prospects.

### **No Certainty of Tax Treatment**

The principal amount of a Note is not tax-deductible. The purchase of Notes should in no way be understood as a charitable donation. Potential investors are encouraged to consult a tax professional regarding the tax treatment associated with the purchase of a Note or a loss they may suffer from purchasing a Note (see "Description of the Investment Notes—Interest Payments and Tax Reporting").

### **No Minimum Offering**

The sale of the Notes is a best efforts offering and there is no minimum sales requirement.

### **Notes are Not Secured**

The Notes and the Credit Enhancement Arrangements are senior unsecured obligations of Capital Sisters or Capital Friends, as the case may be.

## **DESCRIPTION OF THE INVESTMENT NOTES**

### **What is an Investment Note?**

A Sister Bonds<sup>®</sup> Investment Note is the instrument through which Capital Sisters will deliver its mission, by creating a "bond" between those who need capital and those who are willing to provide it. Capital Sisters will issue Investment Notes to investors and it will use the proceeds to make loans to MFIs that provide micro business loans to highly impoverished women in developing countries. MFIs make ten business loans for every \$1,000 they borrow from Capital Sisters, for each year that they borrow.

### **Interest**

The Notes pay an interest rate of 0%. The interest free nature of the Investment Notes enables Capital Sisters to deliver interest free loans to nonprofit MFIs that in turn lend to women at commercial interest rates and retain the interest earned to help support their loan management programs and provide training for the borrowers.

### **Term**

The Notes can be purchased with terms of 1, 2, 3 or 5 years. For each year that principal is invested, Capital Sisters can make an additional year of loans to an MFI.

### **Seniority**

The Notes, including those currently outstanding, are senior ranking obligations of Capital Sisters. The Notes are not, and in the future are not expected to become, subordinate to any other indebtedness of Capital Sisters. Capital Sisters may in the future issue further similar Notes or enter into loans or other indebtedness with non-profit, charitable organizations or other investors that would be used for a similar purpose and such Notes, loans or other indebtedness could rank equal in priority to the Notes.

### **Credit Enhancement**

Capital Sisters will not disburse a loan to an MFI unless Capital Sisters can demonstrate, immediately following such disbursement, a Capital Ratio of 25% as described in the section "Credit Enhancement". Capital Sisters will

not issue further Investment Notes unless it can demonstrate, immediately following such issuance, a Liquidity Ratio of 12.5% as described in the section “Credit Enhancement.”

### **Who Can Invest**

The Notes are being marketed to individual and institutional investors and are not reserved for any specific class of investor.

### **Minimum Account Balance and Increments**

The minimum account balance for the Notes is \$1,000 and Notes must be purchased in increments of \$1,000. There is no maximum, other than the size of this offering.

### **How to Invest**

Investors indicate an investment amount and select a term from currently available options by completing the Investment Application included in Appendix I to this prospectus and returning it, together with payment, to the Community Investment Service Center of Community Investment Partners, Inc. (whose mailing address is printed on the application). Community Investment Partners is a wholly owned subsidiary of Calvert Social Investment Foundation. Please see the “Investor Guide” for more details.

Capital Sisters reserves the right to suspend the sale of the Investment Notes for a period of time or to reject any specific purchase order, with or without a reason. Capital Sisters may also, in its sole discretion, elect to accept a portion, but not all, of the investment amount proposed under any specific Application.

### **Settlement Method**

Purchases of Investment Notes are settled with Capital Sisters acting as registrar and paying agent.

### **Note Administration**

The term and maturity date of an Investment Note will correspond to the first business day of the calendar month following the month that includes the date of investment. For example, if an Investment Note account is opened on June 19<sup>th</sup>, the Note will mature on the July 1<sup>st</sup> in the year corresponding to the maturity of the Note. Administration of the Investment Notes is conducted by the Community Investment Service Center of Community Investment Partners, Inc., a wholly owned subsidiary of Calvert Social Investment Foundation, headquartered in Bethesda, Maryland.

### **Increasing an Investment**

In order to increase an investment, an investor must purchase a new Investment Note by completing a new Investment Application.

### **Options at Maturity**

At maturity, each investor will have a choice of either redeeming an outstanding Note or reinvesting the proceeds into a new Note, or a combination of the two in increments of \$1,000. Capital Sisters will send a maturity notice to investors approximately 45 days prior to the maturity of their Notes, providing instructions for redemption and/or rollover. If an investor takes no action in response to the notice, subject to compliance with applicable law, the principal will be automatically reinvested for the same duration as the previous Note, or the most similar term currently available if the previous term is no longer available. Should an investor choose not to renew an investment, Capital Sisters will repay the principal of the Note in full by check. *Reinvestment at maturity is offered pursuant to the securities laws and the status of Capital Sisters Note registration in the state in which investor resides or, for institutional investors, the state in which the entity is incorporated.*

### **Early Redemption**

Early redemption, in full or in part, may be permitted at Capital Sisters’ sole discretion. However, it is currently not the policy of Capital Sisters to allow any early redemption and it is therefore unlikely that this will occur.

### **Transfer on Death Accounts**

Capital Sisters does not automatically offer either Transfer on Death (TOD) or Payable on Death (POD) alternatives for the Notes. Such alternatives would allow registered owners to pass accounts directly to beneficiaries upon death in some states. We encourage investors to consult with an estate planner regarding the ability to identify a beneficiary for the Notes.

### **Secondary Market**

There is no secondary market for the Notes. Consequently, the Notes should be viewed as an investment to be held to maturity as investors may not be able to sell, for emergency purposes or otherwise, any Note.

### **Interest Payments and Tax Reporting**

Because the Notes do not pay interest, a Form 1099 will not be provided to investors – as no income will have been earned on the investment. These investments are not tax deductible. Capital Sisters will provide acknowledgement to the Noteholder of any principal donated to Capital Sisters in accordance with IRS 501(c)(3) charitable contributions requirements. *Consult your tax advisor regarding the effect on your taxes, if any, of accepting a below-market rate of return on your investment.*

## **DESCRIPTION OF CAPITAL SISTERS**

### **Description and History of the Organization**

Capital Sisters was established in 2001 with the vision of a world where impoverished women have access to credit in order to start or grow their businesses and lift themselves and their families out of poverty. Linking socially responsible investors with women entrepreneurs was the long time vision of Capital Sisters' founder and CEO, Patricia Foley Hinnen. Patricia's interest in microfinance started in the early 1980s when she observed the horrors of predatory moneylenders first hand while working with market women during her Peace Corps service in two African countries. The market women were paying as much as 20% interest a day.

Capital Sisters operates with two primary organizational objectives,

1. **To provide interest-free investment funds to MFIs** that serve the poorest of the poor, especially women, with micro business loans of \$100 to \$300; operate in selected developing countries; and have a vision of becoming institutionally sustainable.
2. **To educate women and other socially conscious individuals, groups, organizations and governments about** poverty in developing countries and, particularly, its disproportionate impact on women and girls; microenterprise activity as a means of lifting women and their families out of poverty; microfinance as a viable and sustainable business model for international economic development; and the importance of enabling policy environments for the growth and effectiveness of the microfinance industry.

During its first decade, Capital Sisters was focused on raising donations and grants to capitalize revolving loan funds for microfinance institutions, while promoting the microfinance industry with the general public and policy makers. The "Adopt a Village Bank" model developed by Patricia Foley Hinnen, Founding CEO of Capital Sisters, was used to raise millions of dollars for tens of thousands of micro loans in collaboration with partnering microfinance organizations in the United States and around the world. For example, in 2000 Ms. Hinnen co-founded a Microenterprise Program for the International Alliance for Women, which she managed during its first decade, establishing 120 Village Bank Revolving Loan Funds in 24 developing countries. Capital Sisters has also been very active in building the fields of microfinance and "gender-lens" investing as strategies for reducing poverty, through its Education and Advocacy Program. Through all of these initiatives, Capital Sisters had the opportunity to gain expertise, develop alliances, test ideas and build a global network of resources from which to launch its Sister Bonds<sup>®</sup> Investment Program.

The goal of the Capital Sisters Investment Program is to expand the funding base for the microfinance industry by providing large numbers of household investors with an opportunity to make relatively small investments. Through the issuance of its Investment Notes, Capital Sisters hopes to raise significant funding on attractive terms for MFIs that are using credit products to improve conditions in the poorest communities of the world and that are also working towards financial sustainability.

Capital Sisters believes that it is bringing its Investment Notes to the market at a time when there is more awareness than ever of the disparity between rich and poor on a global basis, and the disproportionate burden on females. We believe that socially conscious individuals are actively seeking to make the world a better place through impact investing, and we are making an investment opportunity available to them. We also believe that the investment community is becoming more interested in creating opportunities for impact investing with a “gender lens” to drive positive change for women and girls.

As of the date of this prospectus, Capital Sisters has \$235,000 of Investment Notes outstanding. Using an additional \$15,000 donated for the specific purpose of making loans to MFIs, Capital Sisters has nine loans totaling \$250,000 outstanding to two MFIs as of the date of this prospectus. One MFI operates in Guatemala and one in the Philippines. Taking into account the various maturities of the Investment Notes, which extend to 2021, Capital Sisters has raised \$1,411,000 for 14,110 micro loans.

Capital Sisters is managed by its Founding CEO Patricia Foley Hinnen. The organization’s Board of Directors provides strategic direction and a framework for governance which includes best practices for risk management, transparency, accountability and sustainability. The Board members have a broad range of backgrounds and experiences across various industries, including entrepreneurship, global development and fundraising. The Board has several operating committees, including an Advisory Committee of high level professionals from a range of industries which advise the Board and CEO on ad hoc matters as they arise and a Finance and Investment Committee made up of Board members, staff and external advisors which oversees the financing, investing and lending activities of the organization. Capital Sisters has a high quality team of staff, contractors, and volunteers in place and has retained a range of advisers to assist with organizational development activities.

Through its grant and other programmatic activities, Capital Sisters has also developed a network of MFIs across the world that are or will be candidates for its Investment Program.

Capital Sisters also benefits from advice and funding from its supporting organization, Capital Friends, which is governed by its own Board of Directors with a broad range of experience and expertise. The two organizations have raised significant funding over Capital Sisters’ lifetime to support MFIs, ongoing educational and advocacy activities, and start-up expenses for the Investment Program.

## **LENDING POLICIES**

### **Governance**

The Capital Sisters Finance and Investment Committee is responsible for the oversight of Capital Sisters’ lending activities and approval of the organization’s Lending Policies, which govern the areas of screening, due diligence and approval of potential MFI borrowers, as well as policies for portfolio monitoring and risk management. The Finance and Investment Committee is comprised of a combination of Board members, staff and external advisors.

### **Selection Overview**

Capital Sisters aims to lend to first tier MFIs that are in a growth phase where they can no longer rely strictly on grants to fund the growth of their loan portfolio but yet they are unable to access the financial markets on affordable commercial terms. MFIs receiving loans from Capital Sisters must have a significant majority of their loan portfolio focused on loans to women and must serve the highly impoverished, making loans to this target market in the range of \$100 to \$300. They must also be non-religious, non-political, non-governmental institutions which operate as non-profit organizations. In addition to the specific mission, operational and financial criteria described below, they must be capable of preparing the type of client investment reports which Capital Sisters delivers to its Noteholders.

## **Screening**

Capital Sisters does not seek unsolicited requests for loan funding; rather, MFI loan candidates are identified through Capital Sisters' broad network of contacts. Capital Sisters' management conducts an initial screening process in order to determine whether an MFI loan candidate meets the specific minimum loan criteria as set out in our Lending Policies. These criteria consist of factors relating to mission alignment and operational and financial performance. Candidates will be required to supply an initial request letter indicating the amount of the proposed loan and the intended purpose of the loan; their most recent annual report; externally audited financial statements for the previous three years and unaudited year-to-date financial statements; recent external rating or evaluation reports; and any additional materials requested by Capital Sisters for the purpose of evaluating whether the MFI loan candidate meets the minimum investment criteria. Capital Sisters also reviews other publicly available information pertaining to an MFI loan candidate in order to inform the decision process. The Capital Sisters management team evaluates the information and then determines whether the MFI loan candidate should proceed to the full due diligence review.

## **Due Diligence**

Capital Sisters employs an established and detailed due diligence process to evaluate the suitability of an MFI loan candidate for a proposed loan. Due diligence will be conducted in accordance with Capital Sisters' Loan Policies which require an evaluation of the MFI loan candidate in the following areas:

1. Outreach - the degree to which the MFI loan candidate's social mission is reflected in all levels of operation; the characteristics of its client base in terms of gender, level of poverty and location; its level of market penetration; its average loan size.
2. Client Service - the degree to which the MFI loan candidate endorses client protection principles and social responsibility indicators; the degree to which it meets the needs of its target market through financial products and other services such as training; the quality of its services; the reasonableness of the terms of its loans.
3. Operational Viability – the MFI loan candidate's governance structure and internal control procedures; management track record and capabilities; operational efficiency and level of self-sufficiency; adequacy of management information systems; business plan and strategy; gender balance amongst the MFI loan candidate's Board of Directors, management and staff.
4. Financial Viability – the MFI loan candidate's historical financial performance; its balance sheet and financial structure (including capital, liquidity and others); the quality of its micro loan portfolio; and its financial forecasts.
5. External Factors – country risk in terms of political, economic and legal environments; and competition from other service providers in the MFI loan candidate's geographical region.

Due diligence is conducted on the basis of materials supplied by the MFI loan candidate, a site visit and meetings with senior management of the MFI loan candidate, and other independent research or ratings materials at the discretion of Capital Sisters.

## **Approval**

Following due diligence, the Capital Sisters management team submits a credit proposal and recommendation to the Loan Committee. The Loan Committee is a subset of the Finance and Investment Committee and makes lending decisions on a majority basis and in accordance with the parameters set out in the Lending Policies. The Loan Committee also takes into account the portfolio diversification requirements within the Lending Policies. These include thresholds which limit the extent to which Capital Sisters may lend within a single country or to a single MFI (although, by definition, the portfolio will not be diversified to the fullest extent after the initial loan disbursements). Note that neither initial loan disbursements nor loan renewal disbursements will take place unless Capital Sisters can demonstrate the achievement of the Capital Ratio and the Liquidity Ratio described in the section "Capitalization".



## **Loan Terms**

Capital Sisters makes loans in the range of \$50,000 to \$250,000 at an interest rate of 0%. All loans are denominated in US Dollars (or in foreign currency with hedging in place so that Capital Sisters is not exposed to foreign exchange risk). Loans to MFIs have terms from 1 to 2 years. Capital Sisters disburses loans such that the profile of maturities within its loan portfolio matches the profile of maturity dates of its Notes and any other sources of funds used to make such loans. The MFIs provide photos and data pertaining to their micro loan clients and Capital Sisters uses such information to provide client investment reports to its Noteholders on a periodic basis.

## **Monitoring**

During the term of a loan, Capital Sisters monitors the financial condition of its MFI loan recipients on an ongoing basis. MFIs are required to supply quarterly financial reports and audited annual financial statements, as well as a quarterly report on activities, which illustrates whether there has been any material deterioration in the criteria on which they were evaluated (and if so, a description of any measures being used to address that deterioration). Capital Sisters management uses this information to compile a Quarterly Portfolio Performance Report pertaining to its portfolio of loans to MFIs, including a recommendation as to whether any provision should be made against the value of loans outstanding on the balance sheet. Each performance report is reviewed by, and the level of provision approved by, the Finance and Investment Committee of the Board.

## **Representative MFI Borrowers**

The following MFIs are either current borrowers under the Investment Program or are illustrative of the types of organization which may qualify for loans (those noted with a “\*” are currently borrowing funds from Capital Sisters). *The inclusion of any particular organization below does not imply a commitment on the part of Capital Sisters to lend to that organization.*

### *Friendship Bridge\**

Established in 1990, Friendship Bridge is a nonprofit, nongovernmental organization that empowers impoverished Guatemalan women to create a better future for themselves, their children and their communities through microfinance and education. On average, a Friendship Bridge client earns between \$1.12 and \$2.35 a day, has had approximately 3 years of formal education and is unlikely to speak Spanish, the official language of Guatemala. Friendship Bridge’s *Microcredit Plus* program provides microloans coupled with a non-formal, participatory educational program designed for pre-literate clients. Friendship Bridge clients form Trust Banks – groups of 7-25 women who co-guarantee each other’s loans, elect their own leadership team, and serve as a network of support for each other. Currently serving 22,000 Guatemalan women, Friendship Bridge promotes women’s empowerment through access to education and capital; offers a means to self-employment and self-sufficiency; and inspires women to become leaders and agents of change. Friendship Bridge is a nonprofit US entity based in Lakewood, CO.

### *CARD\**

The Center for Agriculture and Rural Development (CARD) was originally founded as a social development organization in the Philippines in 1986 and launched its micro lending operations in 1989. While the lending model used by CARD was originally based on the group lending methods developed by the Grameen Bank in Bangladesh, CARD has adapted that methodology to the specific context of the Philippines by moving to a model that is focused on individual lending. With the end goals of attaining maximum outreach and sustainability, CARD NGO now serves nearly 800,000 borrowers, 99% of whom are women. Since the late 1990s the organization has been gradually helping its branches transform from non-profits to regulated, self-sustaining banking institutions, to broaden their product range and better serve their clients. Their strategy of developing mutually reinforcing institutions (MRIs) is very well regarded in the microfinance and international development communities and has earned them recognition as an industry leader. CARD’s nine MRIs currently offer micro loans, banking, health and life insurance products and services, education, and training programs to their clients.

### *Pro Mujer*

Pro Mujer is a leading women's development organization that provides more than 286,000 women in Latin America with the means to build livelihoods for themselves and futures for their families through financial services, business and empowerment training, and health care support. Headquartered in New York City, Pro Mujer was founded in El Alto, Bolivia in 1990 by two visionary women, Lynne Patterson and Carmen Velasco. There they heard the strong and persistent voices of women who aspired to improve their lives if only they had access to the right tools and resources. Educators by trade, they developed an innovative approach to poverty alleviation by providing women with an integrated package of services which, includes microfinance, business and empowerment training, preventative health education, and high-quality, low-cost primary healthcare. These services are delivered through communal banks, which typically consist of approximately 20 women who guarantee one another's loans, in the safe and nurturing environments of Pro Mujer neighborhood centers. Today, Pro Mujer is one of Latin America's leading non-profit, women's development and microfinance organizations operating in Argentina, Bolivia, Mexico, Nicaragua and Peru. Over the past 25 years, Pro Mujer has disbursed more than \$1 billion in small loans, with initial loans typically averaging \$100. Currently, Pro Mujer delivers its services through 164 centers and 26,570 communal banks across Latin America.

### *Small Enterprise Foundation*

The Small Enterprise Foundation (SEF) is a nonprofit organization which works towards the elimination of poverty and unemployment in South Africa by providing loans for self-employment, combined with savings mobilization and techniques that increase the poor's chances of successful self-employment. In Limpopo Province, the area of operation of the Small Enterprise Foundation, 60% of households live below the poverty line while 40% of households live below half of this line. The organization follows a solidarity group lending methodology where clients form five person groups whose members are required to guarantee each other's payments. SEF has gained international recognition for its poverty targeting methodology and its success in reaching and positively impacting the very poorest of its low income communities. SEF began operation in 1992 and by the end of 2014 the program was serving over 113,000 clients, 99% of whom were women, with average loan disbursements of US\$250 and a portfolio of 233 million Rand (approximately US\$22 million).

## **CAPITALIZATION**

While loans to MFIs are funded through the sale of Investment Notes, Capital Sisters relies on charitable contributions from organizations and individuals, as well as other revenues, for operating purposes.

### **Grants, Contributions and Donated Services**

During the fiscal years ended December 31, 2015, 2014 and 2013, combined grants and contributions totaled \$183,722, \$236,240, and \$202,975, respectively, representing the majority of the organization's funding for program operations. Capital Sisters also receives significant income in the form of pro-bono services from its legal adviser and other consultants, and from its CEO, who works entirely on a pro bono basis.

### **Capitalization**

The following table illustrates the capitalization of the organization (with Capital Friends) on a combined basis as of December 31, 2015.

<b>Capitalization</b>	<b>Dec 31, 2015</b>
Investment Notes Payable	\$235,000
Total Net Assets	\$180,980
Total Capitalization	\$415,980

As of December 31, 2015 and as of the date of this prospectus, the organization had received \$15,000 in donations for the specific purpose of making loans to MFIs. In combination with the proceeds of the \$235,000 of Investment Notes Payable indicated above, Capital Sisters had outstanding loans to MFIs totaling \$250,000.

### Investment Notes Payable

The following table indicates the maturities of the Investment Notes Payable outstanding as of the date of this prospectus.

Note Maturity Schedule	
Year Ending December 31	Amount
2016	\$35,000
2017	\$65,000
2018	\$55,000
2019	\$23,000
2020	\$45,000
2021	\$12,000
Total Investment Notes Payable	\$235,000

### Investing Activities

Capital Sisters invests funds under the oversight of its Board's Finance and Investment Committee. Pursuant to the Capital Reserve Account Funding Agreement, Capital Friends invests the cash portion of the Capital Reserve Account in FDIC insured bank accounts, or other accounts agreed by Capital Sisters. Capital Sisters invests its other cash balances (operating reserves, endowment) in a manner which it believes reflects the operating needs of the organization and also achieves the appropriate risk / return balance. As of December 31, 2015, on a combined basis Capital Sisters had \$156,977 in cash and cash equivalents.

### Historical Financial Highlights

The following tables provide selected combined financial information pertaining to Capital Sisters and Capital Friends for the last five fiscal years. **Past performance is not indicative of future results.**

Balance Sheet Highlights					
For December 31st	2015	2014	2013	2012	2011
Cash and Cash Equivalents	\$156,977	\$181,902	\$177,175	\$162,690	\$191,971
Loans Receivable from MFIs	\$250,000	\$200,000	\$200,000	\$100,000	\$50,000
Total Assets	\$445,879	\$400,542	\$397,109	\$281,103	\$245,674
Investment Notes Payable	\$235,000	\$190,000	\$190,000	\$90,000	\$45,000
Total Liabilities	\$264,899	\$205,405	\$205,651	\$103,638	\$61,917
Unrestricted Net Assets	\$83,248	\$74,209	\$78,194	\$82,020	\$108,207
Temporarily Restricted Net Assets	\$97,732	\$120,928	\$113,264	\$95,445	\$75,550
Total Net Assets	\$180,980	\$195,137	\$191,458	\$177,465	\$183,757

Cash Flow Highlights					
For the Year Ending December 31st	2015	2014	2013	2012	2011
Loans Disbursed to MFIs	\$175,000	\$125,000	\$175,000	\$100,000	\$50,000
Loan Repayments from MFIs	\$125,000	\$125,000	\$75,000	\$50,000	\$0
Investment Notes Issued	\$45,000	\$0	\$100,000	\$45,000	\$45,000
Investment Notes Redeemed	\$0	\$0	\$0	\$0	\$0
Donations Received for this Purpose	\$5,000	\$0	\$0	\$5,000	\$5,000

Total loans disbursed since the Investment Program was launched in 2011 equal \$625,000 and total loan repayments during that time equal \$375,000, leaving current loans outstanding of \$250,000.

<b>Income Statement Highlights</b>					
<b>For the Year Ending December 31st</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Support and Revenue*	\$355,781	\$386,182	\$392,018	\$303,201	\$400,329
Expenses*	\$369,938	\$382,503	\$378,025	\$309,493	\$367,214
Change in Unrestricted Net Assets	\$9,039	(\$3,985)	(\$3,826)	(\$26,187)	\$23,677
Change in Temporarily Restricted Net Assets	(\$23,196)	\$7,664	\$17,819	\$19,895	\$9,438
Change in Net Assets	(\$14,157)	\$3,679	\$13,993	(\$6,292)	\$33,115

\* Capital Sisters had estimated fair values of donated services of \$165,168, \$148,588, \$189,141, \$141,050 and \$209,357, for the years ended December 31, 2015, 2014, 2013, 2012, and 2011, respectively. These amounts are reflected in both revenues and expenses of the respective years.

### **CREDIT ENHANCEMENT**

In order to fully deliver its mission, to raise funds for MFIs from socially responsible investors, Capital Sisters is seeking financing from third parties through the issuance of the Investment Notes which are described in this prospectus and which will be used to fund loans to MFIs. The combination of subordinated debt and the use of a Capital Reserve Account, both described below, serve as credit enhancement for the Investment Notes by reducing the risk that Capital Sisters would be unable to fully repay the outstanding Notes following late or nonpayment by an MFI.

#### **Subordinated Debt**

Capital Sisters plans to issue subordinated debt to organizations and individuals in order to fund, along with the proceeds of the Investment Notes, loans to MFIs. Any such debt would be subordinated to the Noteholders. The proceeds from the repayment of loans to MFIs which were funded by subordinated debt would provide credit enhancement for the benefit of Noteholders, as these proceeds would increase the pool of funds available to Capital Sisters with which to repay its Noteholders.

#### **Capital Reserve Account**

Capital Friends maintains a Capital Reserve Account to make funds available to Capital Sisters in the event of any default by an MFI on its loan to Capital Sisters, pursuant to a Capital Reserve Account Funding Agreement, as described in the section "Capital Friends International". Pursuant to this Agreement, Capital Friends deposits all available funds, to the extent required, into the Capital Reserve Account in order to maintain a balance equal to 25% of loans outstanding from Capital Sisters to MFIs, or a lower balance if and to the extent that Capital Sisters can satisfy the Capital Ratio requirement, as described in the paragraph "Capital and Liquidity Ratios" below. Capital Friends may, from time to time, deposit Letters of Credit ("LCs") into the Capital Reserve Account in order to supplement or replace the cash balance, if and to the extent that Capital Sisters can satisfy the Liquidity Ratio requirement, as described in the paragraph "Capital and Liquidity Ratios" below.

#### **Capital and Liquidity Ratios**

Capital Sisters will not disburse a loan to an MFI unless Capital Sisters can demonstrate, immediately following such disbursement, a Capital Ratio of at least 25% calculated as follows

$$\frac{\text{Capital Reserve Account (Cash and LCs) + Subordinated Debt}}{\text{Outstanding Loans to MFIs}}$$

The Capital Ratio is intended to reduce the risk of nonpayment to Noteholders, by requiring that Capital Sisters always maintains capital equal to at least 25% of outstanding loans to MFIs. The Capital Ratio as of December 31, 2015 and as of the date of this prospectus was 25.0%.

Subordinated Debt refers to debt which is subordinated to the Notes and which is used for the purpose of making loans to MFIs. In a default scenario, the proceeds from repayment of MFI loans funded by such Subordinated Debt would be available to repay Noteholders before repayment to subordinated lenders. Capital Sisters also occasionally receives donations which are restricted for the purpose of funding loans to MFIs. The proceeds from repayment of loans made with such donations would also be available to repay Noteholders and thus such donations would contribute to the Capital Ratio in the same manner as Subordinated Debt. Capital Sisters may also secure other forms of credit enhancement (such as guarantees from the United States Agency for International Development (“USAID”) or the Overseas Private Investment Corporation (“OPIC”)) to replace or complement its existing sources of funding and, on the basis that they would be subordinated to the Notes *and* that they would either contribute to the Capital Reserve Account or fund further loans to MFIs, they would also contribute towards the Capital Ratio in a similar manner.

Capital Sisters will not issue any Notes unless it can demonstrate, immediately following such issuance, a Liquidity Ratio of 12.5% calculated as follows

Capital Reserve Account (Cash Component Only)

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Notes Outstanding

The Liquidity Ratio is intended to ensure not only that the organization retains cash equal to at least 12.5% of Notes outstanding, but also that cash comprises at least 50% of the Capital Reserve Account at all times. The Liquidity Ratios as of December 31, 2015 and as of the date of this prospectus was 20.2%.

### **CAPITAL SISTERS BOARD OF DIRECTORS AND KEY PERSONNEL**

Capital Sisters is governed by its Board of Directors and a description of each member of the Board is provided below. A description of the key personnel of Capital Sisters is also provided below. Capital Sisters is located at 601 16<sup>th</sup> Street, Suite C #310, Golden, CO 80401. The phone number is 720-778-1717. Each of the directors and key personnel can be reached at this address.

#### **Patricia Foley Hinnen, Chief Executive Officer and President**

Patricia Foley Hinnen is the Founder and Chief Executive Officer of Capital Sisters International. She has worked in economic development and international affairs for the past three decades with the U.S. Congress, the U.S. State Department, and the microfinance industry. She started Capital Sisters more than a decade ago to raise business capital for impoverished women in developing countries, and to promote financial inclusion around the world. Patricia was awarded the 2015 Global Purpose Prize for Financial Inclusion by Encore.org, sponsored by MetLife Foundation, in recognition of her longstanding work to promote economic empowerment for women. She was also named one of 15 Inspiring Female CEOs that Impacted the World in 2015 by CauseArtist and awarded the 2016 Pathfinder Award for Outstanding Women Entrepreneurs by World Denver, in celebration of International Women’s Day.

In addition to Capital Sisters, she has helped establish six other domestic and international microfinance organizations, raised loan capital for tens of thousands of women’s micro businesses, and served as a microfinance and gender advisor to the State Department where she represented the United States in the 21-nation Asia Pacific Economic Cooperation forum (APEC) for a decade after 9/11 as head of the Women Leaders Network. She served on the board of The International Alliance for Women, an organization with 50,000 professional, executive and entrepreneurial women, and was the Co-founder and Managing Director of their Microenterprise Development Program for its first decade. Patricia lived in Europe for many years, managing the evaluation of international programs for the U.S. Congress - including the East European and Soviet portfolio after the fall of the Berlin Wall.

Within the U.S., Patricia is the Co-founder of Colorado Microcredit, the Micro Business Development Center, and the Colorado Microfinance Alliance and is an Advisor to the Rocky Mountain Microfinance Institute. She also serves on the boards of the International Fund of the Colorado Women's Foundation and the Colorado Alliance of Professional Women. Patricia is frequently a guest lecturer for the international and business schools at Denver University and the University of Colorado. She developed her passion for international affairs during two tours in the U.S. Peace Corps, where she served in West and Southern Africa. Traveling to more than 60 countries has provided her with rich and amazing experiences – including five revolutions. She and her husband were high school sweethearts and live in the mountains outside Golden, Colorado where they raised their two sons.

Patricia has a BA in Political Science and Economics from the University of Colorado (1975) and Master of Public Policy and Program Evaluation from Denver University (1977).

Patricia is the spouse of Britt Hinnen, the Treasurer of Capital Sisters.

### **Cindy Lindsay, Secretary and Chair of the Loan Committee**

Cindy Lindsay is a Principal of FLS Associates, providing strategic business services to early stage technology startups. Prior to joining FLS Associates she was a Founder of Sitera Inc., where she created products that enabled a new market of communication chip sets, and she has participated in multiple startups that have had a successful IPO or acquisition. She is a director of BoldeReach, a non-profit organization funding international programs for women and children; an advisor to the University of Colorado's Student Chapter of Engineers Without Borders; serves on the Advisory Board of the CU Center for Education in Social Responsibility; and mentors the Social Impact Track of CU's New Venture Challenge. Cindy is a Trustee Emerita from Rice University and has served on the board of directors of the Association of Rice Alumni, most recently serving as Board President. She has served on the Rice Alliance for Entrepreneurship – Information Technology/Web 2.0 Advisory Board, on the Board of Directors of Rice University Press and as the chair of the Connexions Oversight Board. In addition, she shares her expertise as an entrepreneur by participating in the Rice Alliance for Technology and Entrepreneurship Business Plan Competition (RBPC), sponsoring the prize for the RBPC Social Impact Track winner and lecturing in ELEC 394, an undergraduate course on professional issues in engineering.

Cindy has a BA in Mathematics from Rice University (1973) and a BA in Psychology from the University of Illinois (1973).

### **Britt Hinnen, Treasurer and Vice President of Technology**

Britt Hinnen has 30 years of professional technical experience in the corporate, government and nonprofit sectors. He is currently a Project Officer with the U.S. Department of Energy, responsible for overseeing \$65 million of energy efficiency and renewable energy projects. Prior to this he was an IT Solution Architect for Perficient, Inc., leading project engagements and managing people and resources for Fortune 500 clients. While he spent a majority of his career in IT and web development, he has also worked extensively in energy sector development, green building, and natural resource management. Along with his wife, Patricia Foley Hinnen, CEO of Capital Sisters, Britt also served two tours in the Peace Corps and has worked and traveled extensively in Europe and Africa. He has been directly involved with the organization since its inception in 1997 and serves as Vice President of Technology.

Britt has a BA in History and Political Science from Western State College (1975) and a Master of Forestry from Colorado State University (1978).

### **Patricia Cooper, Board Member At Large**

Patricia Cooper has over 30 years of private and public sector experience as a public policy analyst, strategic planner, entrepreneur, and civic leader. Since moving to the United States from Canada in 1990, Pat has served in leadership and governance roles for a number of organizations in the fields of education, public policy and women's rights. She served as Executive Director of the Children's Museum of Denver, where she directed the financial turnaround of the Museum. She served as a Fellow at the Center for International Affairs at Harvard University from 2002-2003. She currently serves as Emeritus Director of Pathfinder International, and on the

Advisory Boards of Urgent Action Fund for Women's Human Rights, the Colorado Women's College, and the School of Public Affairs at the University of Colorado. She also serves on the Leadership Council for the Harvard Divinity School where she initiated and funded a conference for 80 international journalists on "Reporting Global Conflict: Uncovering the Link Between Religion and Human Rights". Pat is currently the Founder and Convener of The Women's Regional Network: Afghanistan, Pakistan and India, a collaborative network of women leaders from civil society organizations in South Asia to lead and take action to address the issues of extremism, corruption and militarization of aid and development as they impact women's security in the region.

Prior to moving to the United States, Pat served for eight years as a senior executive appointee for the Government of Canada to provide advice on the effects of federal legislation on women and children. The Mayor of Calgary appointed her, as one of eleven citizens, to develop "The Economic Strategic Plan for the City of Calgary into the Twenty-First Century" and she was appointed by the Calgary Police Commission to review policies and procedures of citizens' complaints against police conduct. Pat was a founding member of the Women's Legal Education and Action Fund to achieve equality for women through education and litigation under a new Canadian Constitution and served on the Board of Directors of the YWCA of Canada, The United Way of Calgary, the Senate of the University of Calgary, and The Calgary Chamber of Commerce.

Pat has a BA in History from the University of Alberta (1969), an MPA from the University of Colorado, School of Public Affairs (1994), and a Master of Global Studies from the Korbel School of International Studies at the University of Denver (2006). She is also a Fellow of the Weatherhead Center of International Affairs at Harvard University (2003).

#### **Sondra Jo Greene, Chief Financial Officer and Chief Operating Officer**

Sondra Greene joined Capital Sisters in 2009 and is responsible for all finance and operational matters for the organization. Sondra has had an extensive and varied career in international finance. Before joining Capital Sisters she served as the Finance Manager at the headquarters of Engineers Without Borders – USA, Inc. Prior to that she spent fifteen years as an investment banker, for Macquarie Bank and Barclays Capital, based primarily out of London, where she assisted corporate and government clients in raising private funding for infrastructure projects in Europe and around the world. Most recently she was part of the management team for Macquarie's infrastructure investment funds business, which developed, invested in and managed a variety of infrastructure assets. Sondra's financial, operational and management experience have all come into play in shaping and launching the Capital Sisters Investment Program. She has a BA in Economics from Brandeis University in Boston (1987) and an MBA from The Wharton School at the University of Pennsylvania in Philadelphia (1991).

#### **Susan Burkholder, Program Manager**

Susan has over 15 years' experience working and volunteering with a variety of nonprofit, religious, educational, and public sector organizations. She developed an interest in international development and poverty alleviation while spending three years as a community development volunteer in Guatemala. Through her roles as an Independent Nonprofit Consultant and State Grants Administrator for the Colorado State Library, Susan brings strategic planning, data analysis, and grant administration experience to her work with Capital Sisters. Susan received her BA in Economics from Goshen College and an MS in Urban Studies from Cleveland State University.

#### **Alex Albu, Program Analyst**

Alex joined Capital Sisters in 2015 and brings a variety of academic, research and service experiences – and an extensive global background – to his work. Alex is responsible for data, research, analysis and reporting activities across the organization, all of which are critical to our fund management and expansion. He has a BA in Political Economy from UC Berkeley. Following graduation he worked in Denver for several years and then Brazil as an editor. He returned to the US and completed a second degree in Biology at MSU Denver, and started medical school. After a change of heart he decided to pursue his true passion of international development and joined Capital Sisters. Alex speaks eight languages, has traveled to 35 countries and in his spare time is a musician in the Denver music scene. He has a BA in Political Economy from UC Berkeley (2008) and a BS in Biology from Metropolitan State University of Denver (2014).

### **Courtney Boyle**

Courtney Boyle joined Capital Sisters in 2013 to undertake a business process analysis project in preparation for the development of the organization's web platform. Since then, her role has evolved to include a range of program activities. Courtney brings over ten years of experience in impact investing, business management and private equity. Prior to her involvement with Capital Sisters, Courtney was an associate at Acumen Fund, a leading international non-profit impact investment fund. Based out of their Lahore, Pakistan office, Courtney managed due diligence, monthly reporting and a global organization-wide post-investment standardization process. In 2006, Courtney founded and built a women-focused board sports company. Prior to her entrepreneurial endeavors, she was an associate at KRG Capital Partners, a middle market private equity firm. She has a BSBA in Finance from the University of Denver (2004) and an MA in Global Finance, Trade and Economic Integration from the Korbel School of International Studies at University of Denver (2015).

### **Karen Regnell, HR and IT Systems Advisor**

Karen joined Capital Sisters in 2015 to provide support to the organization's growth in the areas of Human Resources and office systems automation. Karen's background includes multiple roles in Human Resources management consulting, with specialties in compensation, benefits, performance management and survey design, as well as several years in defined contribution plan administration services. She has 20-plus years' experience as an independent consultant serving clients in a variety of industries, including manufacturing, healthcare and for-profit childcare. Prior to this Karen was a consultant and Unit Manager with Hewitt Associates, now Aon Hewitt, a leading compensation and benefits consulting firm. Karen holds a B.S. in Finance from the University of Illinois (1981), and an MBA from the Kellogg Graduate School of Management at Northwestern University (1990).

## **CAPITAL FRIENDS INTERNATIONAL**

Capital Friends International, Inc. was founded in 2004 and is exempt from federal income tax under Section 501(c)(3) of the Code as a 509(a)(3) Type I non-profit supporting organization, meaning that it operates for the sole purpose of supporting another 501(c)(3) organization. Capital Friends is organized and operates exclusively as a supporting organization for the benefit of, to perform the activities of, and to advance and support the purposes and programs of Capital Sisters International, Inc.

Capital Friends is managed by its Board of Directors and by its CEO Patricia Foley Hinnen, who also serves as the CEO of Capital Sisters. The composition of the Board of Directors reflects the Organization's primary responsibilities - to be a fundraising arm for Capital Sisters and to fund and manage special projects which further the Capital Sisters mission and business model.

According to the Bylaws of Capital Friends, Capital Sisters (as its Sole Member) has certain fundamental rights over Capital Friends, including naming the Chairperson of and appointments to its Board of Directors, and approval of fundamental transactions such as its reorganization, merger, sale or dissolution. Capital Friends does not have a controlling role in the oversight or management of Capital Sisters. It serves wholly in an advisory capacity in support of Capital Sisters and its mission. One Director serves on both the Capital Friends and Capital Sisters Boards to ensure strong communication and linkages between the two organizations. Patricia Foley Hinnen, the CEO of Capital Sisters, currently serves on both Boards.

Through December 31, 2015, Capital Friends had given approximately \$445,000 in grants to Capital Sisters for various purposes in support of its activities. The financial results of Capital Friends for the years ended December 2015 and 2014 are combined with the audited financial statements for Capital Sisters, included in this prospectus as Appendix II. The inter-organizational grant income and grant expense have been eliminated in the combined financial statements.

### **Capital Reserve Account Funding Agreement**

Pursuant to the terms of a Capital Reserve Account Funding Agreement effective December 22, 2010, Capital Friends has established a specifically designated account, the Capital Reserve Account, to serve as credit



enhancement in the event of a default under any of the loans made by Capital Sisters to MFIs. Pursuant to this Agreement, Capital Friends deposits all available funds into the Account to the extent necessary to maintain a balance equal to 25% of loans outstanding from Capital Sisters to MFIs (or a lower balance if and to the extent that Capital Sisters has subordinated debt to satisfy the Capital Ratio requirement, as described in the section “Credit Enhancement” above). Capital Friends may from time to time deposit letters of credit into the Capital Reserve Account in order to supplement or replace the cash balance (subject to Capital Sisters being able to satisfy the Liquidity Ratio as described in the section “Credit Enhancement” above). If and to the extent that there is a default under any of the loans made by Capital Sisters to MFIs, Capital Sisters will notify Capital Friends of the default and Capital Friends will immediately transfer money in the amount of the default from the Capital Reserve Account to Capital Sisters. Capital Sisters will use those funds to the extent necessary to repay Noteholders and/or subordinated lenders when amounts fall due. The Capital Reserve Account Funding Agreement will continue in full force as long as any Notes remain outstanding and can only be terminated with the consent of both parties.

Neither Noteholders nor any other lenders to Capital Sisters shall be obligated to file any claim relating to the obligations of Capital Friends in the event that Capital Sisters becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Noteholders or other lenders to file a claim shall not affect Capital Friends’ obligations pursuant to the Capital Reserve Account Funding Agreement to provide funds in the case of any default under any MFI loan made by Capital Sisters.

While the Agreement enhances Capital Sisters’ ability to meet its obligations under the Notes and subordinated debt, Noteholders and subordinated lenders will not directly benefit from any rights under the Agreement except as specifically discussed in this prospectus and subject to the actual terms of the Agreement.

## **CAPITAL FRIENDS INTERNATIONAL BOARD OF DIRECTORS**

### **Stephanie Boyles, President**

Stephanie Boyles has extensive experience shaping new products to meet customer desires in a wide variety of settings - large telecommunications organizations, top tier management consultancies, technology startups, and now a startup which designs and brings high end leather accessories to market. She is particularly drawn to initiatives that make a difference. She is Founder and CEO of a Boulder, Colorado, based startup that provides online and mobile applications to help riders build mastery in the equestrian arts and a Co-founder of a Boulder-based startup of innovatively designed leather accessories. Before working with startups, Stephanie served as a senior business development and engagement oversight leader for The Monitor Group, one of the world’s leading advisory and consulting firms. Prior to that, with BellSouth Corporation, she harnessed and delivered a corporate commitment of \$25M to internet-enable schools throughout BellSouth’s territory, a strategy which ultimately made the education market the company’s fastest growing business segment and proved that the firm could “do well by doing good”. Stephanie has also served as the Vice President of Technology for The International Alliance for Women (TIAW).

Stephanie has a BA in Mathematics from the University of Georgia (1974), an MS in Mathematics from Michigan University (1976) and a Ph.D. in Mathematics from the University of Florida (1980).

### **Pamela Brown, Secretary**

Pam Brown is an entrepreneur with an extensive background in business development, property management, and investment-class real estate. She has spent the past 18 years working in airports with a particular focus on business development, IT solutions, property management and landside services. Pam joined Standard Parking in 2006 and is currently responsible for their new business development in airports across the U.S. Prior to that she developed wireless internet and related IT solutions for airports for a variety of clients. She also co-founded an airport-focused Wi-Fi management company, Airport Network Solutions. Pam is a founding Board member of the Green Parking Council (GPC) - a national 501(c)(3) organization providing leadership and oversight for the green conversion of parking facilities to sustainable, environmentally responsible assets.

Pam attended the University of Oregon (1978 - 1981). She received her Oregon Real Estate License in 1986 and her California Real Estate License in 1987.

**Teri Schwartz, Treasurer**

Teri Schwartz is president of Teri Schwartz Associates, a Denver based consulting firm focused on the areas of organizational change and leadership development. Teri is a visible force in the national and international business communities, having received recognition for the work she has done in the areas of culture transformation, leadership, team development, executive coaching and organizational change over the last 25 years, across a diverse community of client organizations and individuals including Merck, Pinnacol Assurance, Merrill Lynch, Guaranty Bank & Trust, General Electric, Bristol-Meyers Squibb, Genentech, Human Genome Sciences, and the US Department of Education. For the last four years she has focused her skills and experience on education, working with Denver Public Schools and other Colorado school districts. She coaches principals, runs school staff team building sessions, works with top leaders to achieve organizational culture change, and designs and runs a common ground process to bring school communities and staffs together to resolve conflicts and get alignment around visions and strategy. Teri is actively involved in community service, teaching leadership and engagement skills to young and underserved populations in the Denver community; she also provides leadership training to the international board of the Oaxaca Street Children’s Project in Mexico. She has provided leadership coaching for Capital Sisters International, and designed and facilitated strategic planning meetings for the board of Capital Friends International.

Teri received a BS (1965) and an MS (1968) in Public Administration from the University of Colorado.

**Patricia Foley Hinnen, Board Member At Large and Chief Executive Officer**

See description under “Capital Sisters Board of Directors” above.

**FINANCIAL STATEMENTS**

The combined audited financial statements of Capital Sisters and Capital Friends for the years ended December 31, 2015 and 2014 are included in this prospectus as Appendix II. Audited financial statements for Capital Sisters for future fiscal years will be mailed to investors within 120 days after the end of each fiscal year.

**DISTRIBUTION OF NOTES**

Capital Sisters, as the issuer of the Investment Notes, is serving as the distributor of these Notes and, in those states where the Notes are offered for sale, is either registered to sell the Notes or is exempt from registration. Certain Capital Sisters employees and affiliated persons are authorized to disseminate information about Capital Sisters and about the Notes.

**USE OF PROCEEDS**

Subject to the Capital Reserve Account requirements discussed under “Capitalization”, Capital Sisters uses 100% of the proceeds from the sale of the Investment Notes to make interest free loans to nonprofit MFIs that have a significant percentage of their loan portfolio targeted toward impoverished women in developing countries. Capital Sisters conducts a screening process to identify suitable potential MFI borrowers who must then satisfy a detailed due diligence review in order to qualify for a loan. Capital Sisters’ due diligence process is discussed in the section Description of the Organization above.

As of the date of this prospectus, Capital Sisters has \$250,000 principal amount of loans outstanding, \$200,000 to Friendship Bridge, an organization that offers microloans solely to women in Guatemala, and \$50,000 to the Center

for Agriculture and Rural Development (CARD) in the Philippines. There are no outstanding loans to MFIs that are delinquent.

The following table indicates the maturities of the loans to MFIs which are outstanding as of the date of this prospectus. To date \$375,000 of loans disbursed under the Investment Program have reached maturity and been repaid.

<b>MFI Loan Maturity Schedule</b>	
Year Ending December 31	Amount
2016	\$150,000
2017	\$100,000
Total MFI Loans	\$250,000

### **RELATED PARTY TRANSACTIONS**

Capital Sisters has entered into a Capital Reserve Account Funding Agreement with its supporting organization, Capital Friends. The Capital Reserve Account Funding Agreement is intended to provide credit enhancement for the repayment of the Notes in the event of an MFI default in the repayment of its loan to Capital Sisters. For a more complete description of the Capital Reserve Account Funding Agreement, see the section “Capital Friends International” above.

Officers, directors and employees of Capital Sisters and Capital Friends may own or acquire Investment Notes. Certain officers, directors and employees currently own Investment Notes in the aggregate amount of \$67,000. All Investment Notes hold the same terms (including a zero rate of interest), and the officers, directors and employees have no rights or benefits that differ from other investors. The Organization considers it desirable for its officers, directors and employees to purchase the Notes, as a sign of confidence in its Investment Program.

These individuals may also serve on Capital Sisters’ Finance and Investment Committee and its Loan Committee. Under certain circumstances members of the Investment and/or Loan Committees may make decisions regarding MFI Loans which may result in a conflict of interest. The policy of the Finance and Investment Committee and of the Loan Committee is that any decision with respect to MFI Loans will be made in a manner which is fair and equitable to all then current Noteholders.

Capital Sisters and Capital Friends have adopted a conflict of interest policy that says that any officer, director or staff member will disclose any personal interest in any matter pending before the respective organization, and shall refrain from participation in any decision on such matter. All related party transactions are entered into on terms that are no less favorable to the organization than those that can be obtained from unaffiliated third parties. All related party transactions must be approved by a majority of the disinterested members of the respective Board of Directors.

Britt Hinnen, Treasurer of the Board and Vice President of Technology, is married to Patricia Foley Hinnen, Founding CEO and CEO of each of Capital Sisters and Capital Friends. Neither individual receives compensation from the organization or the supporting organization for their respective roles. Both individuals are donors and Investment Note holders but receive no preferential treatment over other investors.

For fiscal year 2015, the organization paid \$113,044 in total compensation to two paid employees and several part time contracted staff. The CEO Patricia Foley Hinnen is also an employee but works on a pro bono basis. Total remuneration is expected to increase by approximately 20% over the next 12 months.

## **LEGAL MATTERS**

The law firm of Moye White LLP, Denver, CO has passed upon certain legal matters for Capital Sisters and Capital Friends in connection with this offering.

## **INDEPENDENT AUDITORS**

The combined financial statements of Capital Sisters (which includes the financial results for its supporting organization, Capital Friends) for the year ended December 31, 2015, and the related notes and supplementary information thereto, included in this prospectus as Appendix II, have been audited by Ryan, Gunsauls & O'Donnell, LLC. The comparative financial information for the year 2014 included therein was audited by Hughes Wedgewood & Company, LLC.

## **INVESTOR GUIDE**

### **How to Invest**

Investment term is selected at the time of purchase from the available options of 1, 2, 3, or 5 years. While a potential investor has a number of options as to term, all Investment Notes are offered at an interest rate of 0%. Capital Sisters reserves the right to alter the offered rate and term structure for any new Notes from time to time, as it deems necessary. Such changes would not affect the terms of Notes already sold under the terms of this prospectus.

To invest, please complete the Application Form and submit it to the Community Investment Service Center operated by Community Investment Partners, Inc., a wholly owned subsidiary of Calvert Social Investment Foundation, at the address indicated on the Application Form. Confirmation of your investment will be sent to you upon receipt of your completed materials and payment. Telephone inquiries about your investment or about the Investment Notes in general can be made by calling the Community Investment Service Center at 800.248.0337.

All purchases must be made in US dollars and checks must be drawn on US banks. Capital Sisters reserves the right to suspend the sale of the Investment Notes for a period of time or to reject any specific purchase order, with or without a reason. Capital Sisters may also, in its discretion, elect to accept a portion, but not all, of the amount proposed for investment in a specific purchase order. If your check does not clear, your purchase will be canceled and you will be charged a \$10 fee plus costs incurred by Capital Sisters.

### **Redemption**

The Investment Notes may be redeemed or reinvested, in whole or in \$1,000 increments, at the time of maturity. Investors will be sent a maturity notice approximately 45 days prior to the Note's maturity date. The notice will provide instructions for either redemption or reinvestment. If an investor does not take any action, its money will be reinvested on the same terms of the previous Note, or, if such terms are no longer available, on terms most similar to those of the previous Note from currently available options. Early redemptions or partial early withdrawals of the Notes are not offered and are possible only at Capital Sisters' discretion (see section "Early Redemption" in Description of the Notes). Investors opting not to renew their Notes will be repaid in the form of a check.

### **All Investment and Account Change Information Must be Received in Writing**

All initial investments, renewals, redemptions, account changes and any other pertinent investment information must be made in writing. No investments or changes may be made over the telephone or via the Internet.

### **Taxpayer ID**

If Capital Sisters lacks the correct Social Security or Taxpayer Identification Number (TIN) for a prospective investor and is unable to verify that the prospective investor is not subject to backup withholding by the IRS, the investor may be subject to a fine. Such investors may also be prohibited from purchasing another Investment Note.

If the TIN information is not received within 60 days after an account is established, the account may be closed with a penalty on principal. Capital Sisters reserves the right to reject any new account or any purchase order for failure to supply a certified TIN.



**Appendix I**

# **SISTER BONDS<sup>®</sup>**

## **CAPITAL SISTERS INTERNATIONAL INVESTMENT NOTES**

### **New Account Application Form**

I would like to invest \$ \_\_\_\_\_ (multiples of \$1,000 only) in Sister Bonds<sup>®</sup> Investment Notes  
 For a term of (please select one):  1 year  2 years  3 years  5 years.  
 In addition to my investment I would like to make a tax-deductible donation to support the mission  
 of Capital Sisters International in the amount of: \$ \_\_\_\_\_ .

Please print clearly. If you have any difficulty filling out this form please call the Calvert Social Investment Foundation's Community Investment Service Center at 800.248.0337 or Capital Sisters International at 720.778.1717. Make checks payable to Capital Sisters International, Inc.

**For Individual or Institution**

\_\_\_\_\_  
 First Middle Last

\_\_\_\_\_  
 Social Security or Taxpayer ID DOB

\_\_\_\_\_  
 Address

\_\_\_\_\_  
 City State Zip

\_\_\_\_\_  
 Phone Email

**For Joint Investor (no Social Security number required)**

\_\_\_\_\_  
 First Middle Last

By submitting this form I hereby acknowledge that I have received, reviewed and understand the Prospectus that details the terms, risks and other important information regarding the Capital Sisters Investment Notes (the "Notes") and receipt of information regarding the policy binding my investment in Notes. I agree to be bound by these terms.

As required by law and under penalty of perjury, I certify that (1) the Social Security or other taxpayer identification number (TIN) provided on this form is my correct TIN, and (2) currently I am not under IRS notification that I am subject to back-up withholding (please strike out clause (2) if you are currently under notification). If the correct TIN is not supplied, Capital Sisters is required to withhold 28% of dividends and/or redemption, and your account may be closed. The IRS does not require your consent to any provision of this document other than certifications to avoid back-up withholding.

**Please Sign Here**

\_\_\_\_\_  
 Individual, Trustee or Officer Date

\_\_\_\_\_  
 Joint Signature Date

These securities are exempt from federal registration and have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission, nor has the Securities and Exchange Commission or any state securities commission passed on the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense.

The Notes are unsecured obligations and are not deposits or obligations of, or guaranteed or endorsed by, any bank, and are not insured by the FDIC, SIPC, or any other agency.

The Notes are issued to investors who invest for specific terms with the expectation of a rate of return of 0%. The Notes are subject to certain risks as disclosed in the prospectus, which should be read before investing. There can be no assurance that Capital Sisters will have sufficient cash reserves to satisfy all outstanding obligations.

For more information about the Notes or this application contact Community Investment Partners' Community Investment Service Center at 800.248.0337. For more information about Capital Sisters call 720.778.1717.

\*\*\*\*\*  
**PLEASE MAKE CHECKS PAYABLE TO CAPITAL SISTERS INTERNATIONAL, INC. AND RETURN CHECKS TOGETHER WITH THIS APPLICATION TO:**

CAPITAL SISTERS INVESTMENT NOTES  
 Community Investment Service Center  
 Community Investment Partners, Inc.  
 PO Box 30622  
 Bethesda, MD 20824-9912





**Appendix II – Capital Sisters International, Inc. and Affiliate**  
**Combined Audited Financial Statements for the years ended**  
**December 31, 2015 and 2014**

**CAPITAL SISTERS INTERNATIONAL, INC.  
AND AFFILIATE**

**Combined Financial Statements  
(Audited)**

*For the Years Ended  
December 31, 2015 and 2014*

## **INDEX TO COMBINED FINANCIAL STATEMENTS**

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## **Independent Auditors' Report**

Board of Directors  
Capital Sisters International, Inc. and Affiliate  
Golden, Colorado

We have audited the accompanying combined financial statements of Capital Sisters International, Inc. and Affiliate (a Colorado Corporation), which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

5590 East Yale Avenue, Suite 201 | Denver, Colorado 80222  
Tel 303.758.5558 | Fax 303.756.1741 | [www.rgo-cpa.com](http://www.rgo-cpa.com)

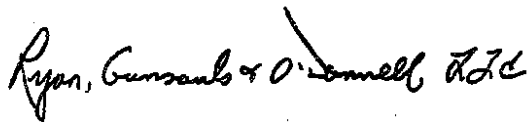
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Capital Sisters International, Inc. and Affiliate as of December 31, 2015, 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.

### **Other Matter – 2014 Financial Statements**

The combined financial statements of Capital Sisters International, Inc. and Affiliate as of and for the year ended December 31, 2014, were audited by other auditors whose report thereon, dated April 16, 2015, expressed an unmodified opinion. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

A handwritten signature in black ink that reads "Ryan, Gursauls & O'Donnell, LLC". The signature is written in a cursive style.

Denver, Colorado  
February 1, 2016

**CAPITAL SISTERS INTERNATIONAL, INC. AND AFFILIATE**  
**Combined Statements of Financial Position**  
**December 31, 2015 and 2014**

**ASSETS**

	<b><u>2015</u></b>	<b><u>2014</u></b>
Current assets:		
Cash and cash equivalents	\$ 156,977	\$ 181,902
Pledges receivable	30,583	15,100
Notes receivable, current portion	150,000	125,000
Investments	4,737	-
Prepaid expenses	3,582	3,102
<b>Total current assets</b>	<b><u>345,879</u></b>	<b><u>325,104</u></b>
 <b>Property and equipment, net</b>	 <b><u>-</u></b>	 <b><u>438</u></b>
 <b>Other assets</b>		
Notes receivable, net of current portion	100,000	75,000
<b>Total other assets</b>	<b><u>100,000</u></b>	<b><u>75,000</u></b>
 <b>Total assets</b>	 <b><u>\$ 445,879</u></b>	 <b><u>\$ 400,542</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable	\$ 23,443	\$ 10,068
Accrued expenses	3,000	3,000
Accrued payroll and related benefits	3,456	2,337
Bonds payable, current portion	72,000	64,000
<b>Total current liabilities</b>	<b><u>101,899</u></b>	<b><u>79,405</u></b>
 Bonds payable, net of current portion	 <u>163,000</u>	 <u>126,000</u>
<b>Total long-term liabilities</b>	<b><u>163,000</u></b>	<b><u>126,000</u></b>
 <b>Total liabilities</b>	 <b><u>264,899</u></b>	 <b><u>205,405</u></b>
 Net assets:		
Unrestricted	83,248	74,209
Temporarily restricted	97,732	120,928
<b>Total net assets</b>	<b><u>180,980</u></b>	<b><u>195,137</u></b>
 <b>Total liabilities and net assets</b>	 <b><u>\$ 445,879</u></b>	 <b><u>\$ 400,542</u></b>

*See accompanying independent auditors' report and notes to combined financial statements.*

**CAPITAL SISTERS INTERNATIONAL, INC. AND AFFILIATE**  
**Combined Statements of Activities**  
**For the Year Ended December 31, 2015 with Summarized Comparative Totals for 2014**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2015 Total</u>	<u>2014 (Summarized)</u>
<b>Revenue and support:</b>				
Contributions	\$ 157,422	\$ 26,300	\$ 183,722	\$ 236,240
Contract program income	6,616	-	6,616	886
In-kind services and materials	165,168	-	165,168	148,588
Interest and dividend income	49	-	49	278
Unrealized (loss) gain on sale of investments	(167)	-	(167)	283
Realized gain (loss) on sale of investments	<u>393</u>	<u>-</u>	<u>393</u>	<u>(93)</u>
<b>Total revenues</b>	<b><u>329,481</u></b>	<b><u>26,300</u></b>	<b><u>355,781</u></b>	<b><u>386,182</u></b>
Released from restrictions	<u>49,496</u>	<u>(49,496)</u>	<u>-</u>	<u>-</u>
<b>Total revenue and support</b>	<b><u>378,977</u></b>	<b><u>(23,196)</u></b>	<b><u>355,781</u></b>	<b><u>386,182</u></b>
<b>Functional expenses:</b>				
Program services:				
Investment program	154,642	-	154,642	184,680
Education and advocacy	89,973	-	89,973	68,266
Grants	<u>20,510</u>	<u>-</u>	<u>20,510</u>	<u>13,379</u>
<b>Total Program Services</b>	265,125	-	265,125	266,325
Supporting Services:				
General and administrative	59,500	-	59,500	61,879
Fundraising	<u>45,313</u>	<u>-</u>	<u>45,313</u>	<u>54,299</u>
<b>Total supporting services</b>	<u>104,813</u>	<u>-</u>	<u>104,813</u>	<u>116,178</u>
<b>Total expenses</b>	<b><u>369,938</u></b>	<b><u>-</u></b>	<b><u>369,938</u></b>	<b><u>382,503</u></b>
<b>Change in net assets</b>	<b>9,039</b>	<b>(23,196)</b>	<b>(14,157)</b>	<b>3,679</b>
Net assets at beginning of year	<u>74,209</u>	<u>120,928</u>	<u>195,137</u>	<u>191,458</u>
<b>Net assets at end of year</b>	<b>\$ <u>83,248</u></b>	<b>\$ <u>97,732</u></b>	<b>\$ <u>180,980</u></b>	<b>\$ <u>195,137</u></b>

*See accompanying independent auditors' report and notes to combined financial statements.*

**CAPITAL SISTERS INTERNATIONAL, INC. AND AFFILIATE**  
**Combined Statements of Functional Expenses**  
**For the Year Ended December 31, 2015 with Summarized Comparative Totals for 2014**

	<u>Program services</u>			<b>Total</b>	<u>Supporting services</u>		<b>Total</b>	<b>2015</b>	<b>2014</b>
	Investment <u>program</u>	Education and advocacy <u>program</u>	Grants <u>program</u>		<b>program</b>	General and <u>administrative</u>			
In-kind expenses	\$ 71,312	\$ 60,125	\$ -	\$ <b>131,437</b>	\$ 11,281	\$ 22,450	\$ <b>33,731</b>	\$ <b>165,168</b>	\$ <b>148,588</b>
Salaries and wages	47,246	9,834	-	<b>57,080</b>	23,515	7,582	<b>31,097</b>	<b>88,177</b>	<b>119,263</b>
Grants	-	-	20,510	<b>20,510</b>	-	-	-	<b>20,510</b>	<b>15,860</b>
Professional fees	20,337	4,907	-	<b>25,244</b>	3,775	3,711	<b>7,486</b>	<b>32,730</b>	<b>33,704</b>
Contract labor	4,784	1,985	-	<b>6,769</b>	10,695	4,984	<b>15,679</b>	<b>22,448</b>	<b>22,397</b>
Employee benefits and related	6,871	1,295	-	<b>8,166</b>	2,993	1,079	<b>4,072</b>	<b>12,238</b>	<b>15,341</b>
Events	1,967	6,431	-	<b>8,398</b>	-	920	<b>920</b>	<b>9,318</b>	<b>7,657</b>
Printing and postage	1,035	-	-	<b>1,035</b>	108	3,199	<b>3,307</b>	<b>4,342</b>	<b>4,233</b>
Insurance	-	-	-	-	2,934	-	<b>2,934</b>	<b>2,934</b>	<b>2,849</b>
Miscellaneous	118	826	-	<b>944</b>	912	357	<b>1,269</b>	<b>2,213</b>	<b>3,075</b>
Transportation and travel	54	1,880	-	<b>1,934</b>	2	362	<b>364</b>	<b>2,298</b>	<b>2,515</b>
Office supplies and expenses	390	687	-	<b>1,077</b>	555	483	<b>1,038</b>	<b>2,115</b>	<b>1,301</b>
Technology and support	-	-	-	-	2,056	-	<b>2,056</b>	<b>2,056</b>	<b>2,210</b>
Dining	528	640	-	<b>1,168</b>	564	186	<b>750</b>	<b>1,918</b>	<b>1,854</b>
Memberships	-	1,035	-	<b>1,035</b>	-	-	-	<b>1,035</b>	<b>1,035</b>
Occupancy	-	-	-	-	-	-	-	-	<b>185</b>
<b>Total expenses before depreciation</b>	<b>154,642</b>	<b>89,645</b>	<b>20,510</b>	<b>264,797</b>	<b>59,390</b>	<b>45,313</b>	<b>104,703</b>	<b>369,500</b>	<b>382,067</b>
Depreciation	-	328	-	<b>328</b>	110	-	<b>110</b>	<b>438</b>	<b>436</b>
<b>Total expenses</b>	<b>\$ 154,642</b>	<b>\$ 89,973</b>	<b>\$ 20,510</b>	<b>\$ 265,125</b>	<b>\$ 59,500</b>	<b>\$ 45,313</b>	<b>\$ 104,813</b>	<b>\$ 369,938</b>	<b>\$ 382,503</b>

*See accompanying independent auditors' report and notes to combined financial statements.*



**CAPITAL SISTERS INTERNATIONAL, INC. AND AFFILIATE**  
**Combined Statements of Cash Flows**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (14,157)	\$ 3,679
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized loss (gain) on investments	167	(283)
Realized (gain) loss on investments	(393)	93
Depreciation	438	436
(Increase) decrease in operating assets:		
Pledges receivable	(15,483)	900
Prepaid expenses	(480)	(135)
Increase (decrease) in operating liabilities:		
Accounts payable	13,375	(550)
Accrued payroll and related benefits	<u>1,119</u>	<u>304</u>
<b>Net cash (used in) provided by operating activities</b>	<b><u>(15,414)</u></b>	<b><u>4,444</u></b>
Cash flows from investing activities:		
Notes receivable to micro finance institutions	(50,000)	-
Donated securities - fair market value	(30,731)	(64,030)
Proceeds from sale of investments	<u>26,220</u>	<u>64,313</u>
<b>Net cash (used in) provided by investing activities</b>	<b><u>(54,511)</u></b>	<b><u>283</u></b>
Cash flows from financing activities:		
Proceeds from bonds payable	<u>45,000</u>	-
<b>Net cash provided by financing activities</b>	<b><u>45,000</u></b>	<b><u>-</u></b>
<b>Net change in cash and cash equivalents</b>	<b>(24,925)</b>	<b>4,727</b>
Total cash and cash equivalents, beginning of year	<u>181,902</u>	<u>177,175</u>
Total cash and cash equivalents, end of year	<b>\$ <u><u>156,977</u></u></b>	<b>\$ <u><u>181,902</u></u></b>

*See accompanying independent auditors' report and notes to combined financial statements.*

**CAPITAL SISTERS INTERNATIONAL, INC. AND AFFILIATE**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

**Note 1: Nature of Operations**

Capital Sisters International, Inc. (“Capital Sisters”) is a Colorado not-for-profit corporation established for the purpose of raising investment funds for micro loan programs that serve impoverished women in developing countries who want to start or grow a business. To achieve this purpose, Capital Sisters has created its Sister Bonds<sup>®</sup> Investment Program which provides concerned individuals with the opportunity to address poverty on a global scale through impact investing.

Capital Friends International, Inc. (the Affiliate), (formerly known as The Sylvia Kallio Supporting Organization, Inc.) is a Colorado not-for-profit corporation which was established to serve exclusively as a supporting organization for the benefit of, to perform the activities of, and advance and support the purposes and programs of Capital Sisters International, Inc.

**Note 2: Summary of Significant Accounting Policies**

Principles of Combination

The accompanying combined financial statements include the accounts of Capital Sisters International, Inc. (“Capital Sisters”) and Capital Friends International, Inc. (the “Affiliate”), which are under common control and will be commonly referred to as “the Organization” for the combined financial statements. Significant intercompany transactions and balances have been eliminated in the combination. The Affiliate is organized exclusively for the benefit of the Organization and holds and maintains a cash reserve account which serves as credit enhancement for the benefit of the investors in Capital Sisters. The Affiliate’s assets are managed by a board of directors that has authority to make distributions to or for the use of Capital Sisters.

Financial Statement Presentation

Financial statement presentation is in accordance with Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958-210-45, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958-210-45, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Basis of Accounting

The combined financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**CAPITAL SISTERS INTERNATIONAL, INC. AND AFFILIATE**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

**Note 2: Summary of Significant Accounting Policies, continued**

Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the combined statements of cash flows, the Organization considers all highly liquid short-term investments, with original maturities of three months or less to be cash equivalents.

Donated Materials and Services

Donated services are recognized as contributions in accordance with ASC 720, *Accounting for Contributions Received and Contributions Made*, if services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Pledges Receivable

Contributions are recognized when the donor makes a pledge to give to the Organization that is, in substance, unconditional. As of December 31, 2015 and 2014, all pledges receivable were considered unconditional pledges.

The Organization's management considers pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts is presented. If amounts become uncollectible, they are charged to operations when the determination is made. An allowance may be established if an event occurs in the future that would necessitate a reserve.

Investments

The Organization has adopted FASB ASC 325-20-50-1, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under FASB ASC 325-20-50-1 investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined statements of financial position. Unrealized gains and losses, dividends and interest income are included in the change in net assets. Donated investments are recorded at fair value at the date of receipt. Investment income may be either unrestricted or temporarily restricted when earned, according to donor-imposed restrictions.

**CAPITAL SISTERS INTERNATIONAL, INC. AND AFFILIATE**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

**Note 2: Summary of Significant Accounting Policies, continued**

Prepaid Expenses

Prepaid expenses consist primarily of expenses for insurance, and web hosting related expenses. They are amortized over the period of benefit on a straight-line basis.

Property and Equipment

Fixed assets are carried at cost if purchased; or at fair market value on the date received, if donated. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation of property and equipment is depreciated on a 200% declining balance basis over the useful life of the assets. Depreciation expenses for the years ended December 31, 2015 and 2014 were \$438 and \$436, respectively.

Revenue and Support

The primary sources of revenue for the Organization are contributions, grants, and in-kind donations. Revenue is recognized when it is earned. Contributions and grants are recognized at the date of the donation as unrestricted, temporarily restricted or permanently restricted support depending on the nature and/or existence of any donor restrictions.

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation. The Organization is, however, subject to income tax on any unrelated business income.

The Organization has adopted the provisions of ASC 740, "*Income Taxes*". In determining the recognition of uncertain tax positions, the Organization applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities. The Organization analyzed its tax positions taken on its Federal tax returns for the open tax years 2012 through 2014. Based on our analysis, the Organization determined that there were no uncertain tax positions and that the Organization should prevail upon examination by the taxing authorities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities and the combined statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**CAPITAL SISTERS INTERNATIONL, INC. AND AFFILIATE**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

**Note 2: Summary of Significant Accounting Policies, continued**

Comparative Financial Information

The combined financial statements include certain prior year summarized comparative information in total but not by class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's combined financial statements for the year ended December 31, 2014, from which the summarized information was derived.

**Note 3: Credit Risk of Cash and Cash Equivalents**

The Organization maintains its cash balances at several financial institutions which at times could exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per institution per account holder. As of December 31, 2015 and 2014, there were no funds deposited that were in excess of what would have been covered by federal insurance. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

**Note 4: Notes Receivable**

The Organization uses the proceeds from the sale of bonds payable (see Note 7) to make zero-interest loans to microfinance institutions in developing countries that provide micro business loans to impoverished women. As of December 31, 2015, the Organization had eight notes receivable outstanding to two microfinance institutions in the amount of \$250,000. As of December 31, 2014, the Organization had seven notes receivable outstanding to two microfinance institutions in the amount of \$200,000. The maturity dates for the notes receivable range from March 2016 to November 2017.

Future maturities on notes receivable at December 31, 2015 are as follows:

2016	\$ 150,000
2017	<u>100,000</u>
<b>Total notes receivable</b>	<b><u>\$ 250,000</u></b>

**Note 5: Land, Property and Equipment**

Property and equipment consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
Office equipment	\$ 3,500	\$ 3,500
Less: accumulated depreciation	<u>(3,500)</u>	<u>(3,062)</u>
<b>Total property and equipment, net</b>	<b><u>\$ -</u></b>	<b><u>\$ 438</u></b>

**CAPITAL SISTERS INTERNATIONAL, INC. AND AFFILIATE**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

**Note 6: Fair Value of Investments**

As defined in FASB ASC, *Fair Value Measurement*, fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. This FASB ASC topic establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows.

Level 1 - Quoted prices (unadjusted) are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Pricing inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly, through market corroboration, for substantially the full term of the financial instrument.

Level 3 - Significant inputs to pricing have little or no observability as of the reporting date. The types of assets or liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation, such as complex and subjective models and forecasts used to determine fair value.

As required by this FASB ASC, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. All assets have been valued using a market approach. The valuation levels are not necessarily an indication of the risk associated with investing in those financial assets.

The Organization's financial instruments are measured at fair value based on quoted prices in active markets as obtained from a broker and, as such, are categorized as Level 1.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2015:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 4,737	\$ -	\$ -	\$ 4,737
<b>Total assets at fair value</b>	<b>\$ 4,737</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,737</b>

**CAPITAL SISTERS INTERNATIONAL, INC. AND AFFILIATE**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

**Note 7: Bonds Payable**

The Organization issues Sister Bonds<sup>®</sup> zero-interest investment bonds in order to fund its loans to microfinance organizations (See Note 4). The minimum investment amount is \$1,000. Each \$1,000 bond funds ten micro loans of \$100 each. The bonds bear zero interest and range in terms of one to five years. All principal is due upon bond maturity. The maturity dates range from January 2016 to December 2020. As of December 31, 2015 and 2014, the Organization had sixty-one and forty-eight investments in bonds payable outstanding totaling \$235,000 and \$190,000, respectively.

Future maturities of bonds payable as of December 31, 2015 are as follows:

2016	\$ 72,000
2017	40,000
2018	55,000
2019	23,000
2020	45,000
	<u>\$ 235,000</u>

**Note 8: Restrictions on Net Assets**

The Organization's temporarily restricted net assets represent donor restricted contributions. Temporarily restricted net assets consisted of the following at December 31, 2015:

<b><u>Description</u></b>	<b><u>Balance at</u></b> <b><u>December 31,</u></b> <b><u>2014</u></b>	<b><u>Revenues</u></b> <b><u>restricted by</u></b> <b><u>donor</u></b>	<b><u>Expenditures</u></b> <b><u>satisfying</u></b> <b><u>restriction</u></b>	<b><u>Balance at</u></b> <b><u>December 31,</u></b> <b><u>2015</u></b>
Public launch	\$ 29,545	\$ 1,000	\$ (30,545)	\$ -
Securities	4,883	-	(1,403)	3,480
Village banks	1,000	10,000	(10,000)	1,000
Micro loans	-	15,000	(5,000)	10,000
Technology	10,000	-	(2,248)	7,752
SRI conference	-	300	(300)	-
Capital reserve	<u>75,500</u>	<u>-</u>	<u>-</u>	<u>75,500</u>
	<b><u>\$ 120,928</u></b>	<b><u>\$ 26,300</u></b>	<b><u>\$ (49,496)</u></b>	<b><u>\$ 97,732</u></b>

**CAPITAL SISTERS INTERNATIONL, INC. AND AFFILIATE**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

**Note 8: Restrictions on Net Assets, continued**

Temporarily restricted net assets consisted of the following at December 31, 2014:

<u>Description</u>	<u>Balance at</u> <u>December 31,</u> <u>2013</u>	<u>Revenues</u> <u>restricted by</u> <u>donor</u>	<u>Expenditures</u> <u>satisfying</u> <u>restriction</u>	<u>Balance at</u> <u>December 31,</u> <u>2014</u>
Public launch	\$ 16,735	\$ 51,828	\$ (39,018)	\$ 29,545
Securities	9,000	-	(4,117)	4,883
Village banks	2,000	5,000	(6,000)	1,000
Technology	-	10,000	-	10,000
Web development	9,978	-	(9,978)	-
Miscellaneous	50	-	(50)	-
Capital reserve	<u>75,500</u>	<u>-</u>	<u>-</u>	<u>75,500</u>
	<b><u>\$ 113,263</u></b>	<b><u>\$ 66,828</u></b>	<b><u>\$ (59,163)</u></b>	<b><u>\$ 120,928</u></b>

**Note 9: Donated Services**

A substantial number of volunteers have donated significant amounts of their time to the Organization and its mission. In addition, directors and officers have made a significant contribution of their time to develop the Organization and its programs. Specifically, the CEO and founder of the Organization donates her time annually, in the pursuit of growing the Organization. For the year ending December 31, 2015, her time was substantially increased due to organizing a special event in the fall of 2015.

The value of donated services included as contributions in the combined financial statements and the corresponding program expenses for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Bookkeeping services	\$ 1,282	\$ 1,326
CEO – Patricia Foley Hinnen	125,000	100,000
Technology consulting	10,813	3,312
Legal services	<u>28,073</u>	<u>43,950</u>
<b>Total donated services</b>	<b><u>\$ 165,168</u></b>	<b><u>\$ 148,588</u></b>



**CAPITAL SISTERS INTERNATIONAL, INC. AND AFFILIATE**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

**Note 10: Related Party Transactions**

Capital Sisters receives annual grants from its Affiliate, for various purposes to support Capital Sisters' mission. For each of the years ending December 31, 2015 and 2014 the Organization received grants totaling \$15,000.

The Organization's board members and staff also participate in the Sister Bonds<sup>®</sup> investment program to support the Organization and its mission. All bonds issued hold the same terms and conditions including a zero rate of interest, and the directors and staff have no rights or benefits that differ from any other investor. As of December 31, 2015 and 2014, bonds payable to related parties totaled \$73,000 and \$63,000, respectively.

**Note 11: Concentrations**

The Organization receives a significant portion of its revenue and support from contributions and in-kind services. For the years ended December 31, 2015 and 2014 the Organization received approximately 54% and 61% of its revenue from contributions, and 45% and 38% from in-kind services.

**Note 12: Subsequent Events**

The Organization has evaluated subsequent events through February 1, 2016, the date at which the combined financial statements were available to be issued, and determined that no events have occurred that required disclosure.