

# Capital Sisters International, Inc.

---

601 16th St Suite C #310 | Golden, Colorado 80401 | phone: 1-720-778-1717

Prospectus for

## Sister Bonds®

### Capital Sisters Investment Notes

December 31, 2021

Investment Notes													
Total Aggregate Offering	Up to \$5,000,000*												
Term/Rate Pairings**													
<table><tr><th>YEARS</th><th>RATE</th></tr><tr><td>1</td><td>0%</td></tr><tr><td>2</td><td>0%</td></tr><tr><td>3</td><td>0%</td></tr><tr><td>4</td><td>0%</td></tr><tr><td>5</td><td>0%</td></tr></table>	YEARS	RATE	1	0%	2	0%	3	0%	4	0%	5	0%	
YEARS	RATE												
1	0%												
2	0%												
3	0%												
4	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 the Investment Note.

As of the date of this prospectus, Capital Sisters has \$709,000 aggregate principal of Investment Notes outstanding, used to partially fund \$775,000 of loans to three MFIs (the difference between MFI loans outstanding and Investment Notes outstanding was funded by donations specifically made to fund MFI loans). One MFI operates in Guatemala, one in the Philippines and one in Afghanistan. From the October 2011 launch of the investment fund to the date of this prospectus, Capital Sisters has raised \$6,081,000 for 60,810 micro loans from Investment Notes, some of which extend to 2027, and donations made for this purpose.

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. The information that is found on or accessible through our website is not incorporated into, and does not form a part of, this prospectus.

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 Capital Sisters Investment Notes Investment Application attached hereto as Appendix I (the “Investment Application”) from the investor, subject to certain customary informational conditions.

INVESTORS SHOULD READ THIS PROSPECTUS IN CONJUNCTION WITH THE DISCLOSURES IN THE INVESTMENT APPLICATION FORM FOUND IN APPENDIX I CAREFULLY BEFORE INVESTING. THIS FORM MAY ALSO BE OBTAINED FREE OF CHARGE BY CONTACTING CAPITAL SISTERS AT [accounts@capitalsisters.org](mailto:accounts@capitalsisters.org).

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 (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 5. 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 UNDER THE COLORADO SECURITIES ACT OF 1991 BY REASON OF SPECIFIC EXEMPTIONS. 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:**

THESE SECURITIES ARE OFFERED PURSUANT TO A REGISTRATION ORDER ISSUED BY THE STATE OF MICHIGAN. THE STATE OF MICHIGAN DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE TRUTH, MERITS, OR COMPLETENESS OF ANY PROSPECTUS OR ANY OTHER INFORMATION

FILED WITH THIS STATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**FOR RESIDENTS OF MINNESOTA ONLY:** THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER CHAPTER 80A OF THE MINNESOTA SECURITIES LAWS. 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 EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE MISSISSIPPI SECURITIES ACT OR IN A TRANSACTION IN COMPLIANCE WITH THE MISSISSIPPI SECURITIES ACT. 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:** IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER 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.

**FOR UTAH RESIDENTS ONLY:** THESE SECURITIES ARE BEING OFFERED IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE UTAH SECURITIES ACT. THE SECURITIES CANNOT BE TRANSFERRED OR SOLD EXCEPT IN TRANSACTIONS WHICH ARE EXEMPT UNDER THE ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR IN A TRANSACTION WHICH IS OTHERWISE IN COMPLIANCE WITH THE ACT.

**FOR VERMONT RESIDENTS ONLY:** THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES DIVISION OF THE STATE OF VERMONT NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

## **TABLE OF CONTENTS**

OFFERING SUMMARY .....	2
RISK FACTORS.....	4
DESCRIPTION OF THE INVESTMENT NOTES .....	8
DESCRIPTION OF CAPITAL SISTERS .....	10
CAPITALIZATION.....	16
CREDIT ENHANCEMENT .....	17
CAPITAL SISTERS BOARD OF DIRECTORS AND KEY PERSONNEL.....	19
CAPITAL FRIENDS INTERNATIONAL .....	23
FINANCIAL STATEMENTS .....	25
DISTRIBUTION OF NOTES.....	25
USE OF PROCEEDS.....	25
RELATED PARTY TRANSACTIONS .....	25
LEGAL MATTERS .....	26
INDEPENDENT AUDITORS .....	26
INVESTOR GUIDE.....	26
 <b>APPENDIX I –INVESTMENT NOTES APPLICATION FORM.....</b>	 <b>28</b>
 <b>APPENDIX II – CAPITAL SISTERS INTERNATIONAL, INC. AND AFFILIATE COMBINED AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020.....</b>	 <b>29</b>

## **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 attached hereto 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 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 the Village Bank model to test, pilot, and validate various aspects of her “person-to-person” lending idea, Ms. Hinnen and Capital Sisters have raised money for micro lending institutions in 25 countries.

Capital Sisters also educates and promotes the role that microfinance can play in lifting women out of poverty, and advocates for more enabling policy environments so that the microfinance industry can grow and thrive. Capital Sisters has created a global network of organizations and relationships with similar and/or complementary missions.

Capital Sisters launched its Investment Program in 2011, with the issuance of its first Investment Notes, in order to make loans to MFIs. Capital Sisters uses the proceeds from the sale of the Investment Notes to make interest free loans to MFI non-profit and social enterprise organizations that lend to impoverished women borrowers at commercial interest rates. The MFIs retain the interest earned from the women’s loans to help support their loan management programs along with training and business development services for their borrowers, 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 \$709,000 aggregate principal of Investment Notes outstanding, used to partially fund \$775,000 of loans to three MFIs (the difference between MFI loans outstanding and Investment Notes outstanding was funded by donations specifically made to fund MFI loans). One MFI operates in Guatemala, one in the Philippines and one in Afghanistan. From the October 2011 launch of the investment fund to the date of this prospectus, Capital Sisters has raised \$6,081,000 for 60,810 micro loans from Investment Notes, some of which extend to 2027, and donations made for this purpose.

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 and supervision of the Capital Reserve Account. 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 “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.

<b>Income Statement Highlights</b>					
<b>For the Year Ending December 31st</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Support and Revenue*	\$593,441	\$510,946	\$458,178	\$395,636	\$465,698
Expenses*	\$558,388	\$450,468	\$392,451	\$431,577	\$412,920
Change in Unrestricted Net Assets	\$36,841	\$78,478	\$55,727	(\$41,392)	\$50,394
Change in Temporarily Restricted Net Assets	(\$1,788)	(\$18,000)	\$10,000	\$5,451	\$2,384
Change in Net Assets***	\$35,053	\$60,478	\$65,727	(\$35,941)	\$52,778

\* Capital Sisters began issuing Investment Notes in 2011 and the balance of Notes outstanding as of December 31, 2021, 2020, 2019, 2018, and 2017 was \$709,000, \$732,000, \$696,000, \$696,000, and \$463,000 respectively.

\*\* Capital Sisters had estimated fair values of donated services of \$323,728, \$230,704, \$142,915, \$179,294, and \$174,435 for the years ended December 31, 2021, 2020, 2019, 2018, and 2017 respectively. These amounts are reflected in both revenues and expenses of the respective years.

\*\*\*Net Assets include contributions with donor restrictions in the amount of \$34,973 in 2021, \$13,000 in 2020, \$22,000 in 2019, \$19,000 in 2018 and \$40,000 in 2017.

### 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 (unless in either case they are specifically designated to be subordinated by agreement between an investor and Capital Sisters) and together are the senior ranking obligations of Capital Sisters (other than Notes that are subordinated). 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, 4 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 and other client services.

### 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 who lack the collateral to qualify for traditional loans. 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 or social enterprise 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 \$300,000. For each \$1,000 of proceeds loaned to the MFI, the MFI must fund ten micro loans, for each year of the loan to the MFI. 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 defaults or 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 this information to provide client investment reports to its Noteholders on a periodic basis.

## **Distribution of Notes**

The Investment Notes are marketed and sold directly by Capital Sisters. Interested parties must complete and sign the Investment Application found in Appendix I to this prospectus and return it, together with payment, to Capital Sisters. The mailing address is printed on the application. Please read all materials carefully before investing or sending payment. Acceptance of an investor's Investment Application by Capital Sisters is subject to certain customary informational conditions.

All inquiries relating to this investment opportunity or program activities can be directed to Capital Sisters at 1-720-778-1717 or by email at [accounts@capitalsisters.org](mailto:accounts@capitalsisters.org).

## **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**

The nature of Capital Sisters' Investment Program, the activities of Capital Sisters' MFI borrowers, and 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 or social enterprise 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. For instance, in the past, an MFI in Afghanistan defaulted on a loan after the country fell to the Taliban, and Capital Sisters had to collect on a political risk insurance policy to cover 95% of the losses. While these policies may provide some protection 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. In turn, the ability of Capital Sisters to repay Noteholders would decline. There is currently no political risk insurance for loans to MFIs in other countries but an application is in process.

**Currency Risk**

Capital Sisters will lend to MFIs in U.S. 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. The U.S. has strengthened as compared to other currencies recently. This strengthening could cause the value of the MFI's loan portfolio to decline relative to the U.S. dollar meaning that the capital MFIs receive on repayments from their loan portfolio is less than the value at initial disbursement, when converted to U.S. 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, events that affect global, national and local credit markets, 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. If 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, 2021, 2020, and 2019, the Capital Sisters organizations received contributions in the amounts of \$207,486, \$279,163, and \$313,321, respectively. Grants, contributions and other revenues are inherently uncertain income sources, since they are neither guaranteed nor necessarily renewable. In 2021, Capital Sisters received forgiveness for two Small Business Administration Payroll Protection Program loans, which were authorized by the CARES Act in connection with the COVID-19 pandemic, resulting in \$62,200 in other income. 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 proceeds of the Notes, contributions and other 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 described in the section below "Credit Enhancement" 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 this offering is exempt from this legislation due to it being an offering for non-profit charitable purposes, 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 costlier and more 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 as described in the section "Credit Enhancement" below are senior unsecured obligations of Capital Sisters or Capital Friends, as the case may be. If in the future we issue any secured debt, in any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our secured debt and the secured debt of our subsidiaries may assert rights against the assets pledged to secure that debt in order to receive full payment of their debt before the assets may be used to pay other creditors, including the holders of the Notes.

## **DESCRIPTION OF THE INVESTMENT NOTES**

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

A Sister Bonds® 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 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 and microfinance social enterprises that in turn lend to women at commercial interest rates. The MFIs retain the interest earned on their micro loan portfolios to help support their loan management programs and provide training and other services for the borrowers.

**Term**

The Notes can be purchased with terms of 1, 2, 3, 4 or 5 years. For each additional year that principal is invested, Capital Sisters can make an additional year of loans or extend the maturity by one year to an MFI. Thus, for each additional year of investment, a Note will fund up to an additional ten micro loans of \$100. Capital Sisters may, upon reasonable notice to affected investors at the addresses included in such investors' Investment Applications, adjust the terms of an Investment Note, including the maturity date, to conform to the terms of the associated MFI loans.

**Seniority**

The Notes, including those currently outstanding, are senior ranking obligations of Capital Sisters (unless they are specifically designated to be subordinated by agreement between an investor and 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 20% 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 10.0% 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 Capital Sisters as instructed on the Investment Application. 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 Investor Application, in its sole discretion. Capital Sisters may also, in its sole discretion, elect to accept a portion, but not all, of the investment amount proposed under any specific Investment Application.

**Settlement Method**

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

**Maturity Date**

The maturity date of an Investment Note will correspond to the first 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> with a two-year term, the Note will mature on the July 1<sup>st</sup> which immediately follows the two-year anniversary of the issuance date.

**Note Administration**

Administration of the Investment Notes is conducted by Capital Sisters.

**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 amount that otherwise would be redeemed 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 reinvestment. 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 unless the investor chooses to donate the proceeds. *Investors that choose to donate the proceeds may receive a tax benefit, but Capital Sisters does not provide tax advice and investors are encouraged to consult with their own tax advisors. Reinvestment at maturity is offered pursuant to the securities laws and the status of Capital Sisters Note registration in the state in which the investor resides or, for institutional investors, the state in which the entity is organized.*

### **Early Redemption**

Capital Sisters may, in its sole discretion, redeem some or all of the Investment Notes prior to the respective maturity dates (such redemption, an “Early Redemption”) at a price equal to 100% of the principal amount of each such Investment Note (the “Redemption Price”). Capital Sisters shall provide not less than [45] days written notice (a “Redemption Notice”) prior to the proposed redemption date (the “Redemption Date”) to investors, which Redemption Notice shall include: (i) the Investment Notes to be redeemed, (ii) the Redemption Date, and (iii) the Redemption Price.

### **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. Using a person-to-person lending model that links 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 firsthand 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; 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 both the microfinance industry and gender-lens investing.

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 and gender-lens investing with the general public, the financial services industry, 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® 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 of poverty 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 \$709,000 aggregate principal of Investment Notes outstanding, used to partially fund \$775,000 of loans to three MFIs (the difference between MFI loans outstanding and Investment Notes outstanding was funded by donations specifically made to fund MFI loans). One MFI operates in Guatemala, one in the Philippines and one in Afghanistan. From the October 2011 launch of the investment fund to the date of this prospectus, Capital Sisters has raised \$6,081,000 for 60,810 micro loans from Investment Notes, some of which extend to 2027, and donations made for this purpose.

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, approval of MFI loans, 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 impoverished, making loans to this target market in the range of approximately \$100 to \$500. They must also be non-religious, non-political, non-governmental institutions which operate as non-profit organizations or social enterprises. 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 \$300,000 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 directly 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 this 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 illustrate 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, past grantees under the Revolving Loan Program, and/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 provides opportunities that empower impoverished Guatemalan women to create a better future for themselves, their children and their communities through microfinance, education and health services. Forty-one percent of Friendship Bridge clients earn between \$2.08 and \$3.67 a day. On average, all clients have had approximately 2.6 years of formal education and are unlikely to speak Spanish, the official language of Guatemala. Friendship Bridge's *Microcredit Plus* program provides micro loans coupled with a variety of services, including preventative healthcare and 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 approximately 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 US nonprofit organization with its headquarters 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 over 1.9 million 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.

### *FINCA\**

FINCA Impact Finance's network of 20 community-based microfinance institutions and banks in 35 countries offers innovative, responsible and impactful financial services to low-income clients. With 30 years of experience and a mostly local staff of more than 10,000, FINCA delivers a double bottom line of social impact and financial sustainability. Today, the breadth and reach of its responsible financial services continues to grow and evolve to meet new needs and new opportunities. FINCA Impact Finance has gone beyond traditional microfinance by leveraging the power of new technology, including mobile phones and agent banking, to make banking more affordable and accessible. FINCA is moving from a high-touch, high-cost traditional microfinance delivery model to a hybrid model that maintains responsible customer relationships and client protections while enhancing service and reach. In the last few years, it has implemented credit scoring/analytics, digitization and mobile financial services to be more efficient and effective. It has also re-engineered and streamlined its credit and customer service processes to lower costs and to make it easier for clients to do business.

### *Pro Mujer*

Pro Mujer is a leading women's organization in Latin America that provides 300,000 women with a holistic offering that includes financial, health, and education services. These are often delivered through communal banks, groups of approximately 10-20 women who meet regularly and guarantee one another's loans. Pro Mujer was founded in El Alto, Bolivia in 1990 by two visionary teachers, Lynne Patterson and Carmen Velasco. Today, Pro Mujer operates in Argentina, Bolivia, Guatemala, Mexico, Nicaragua and Peru, and is headquartered in New York City. Since its founding, Pro Mujer has provided over 8 million health interventions and disbursed more than \$3.6 billion in small loans, with initial loans typically averaging \$150. The organization is currently expanding into other areas, including digital literacy, entrepreneurship and workforce development. Its mandate is to become a large scale, sustainable platform that delivers relevant and transformative resources and tools to women in Latin America throughout their life cycle.

### *Small Enterprise Foundation*

The Small Enterprise Foundation (SEF) is a nonprofit organization that works towards the elimination of poverty and unemployment in five provinces of 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 the provinces where SEF operates, 56% of households live below the poverty line and 33% of households live below the food poverty line, meaning they are unlikely to be able to afford enough to eat. 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 2018 the program was serving over 195,000 clients, 99% of whom were women, with average loan disbursements of approximately US\$280 and a portfolio of approximately US\$41.6 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, to support program and operating expenses.

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

During the fiscal years ended December 31, 2021, 2020, and 2019, combined grants and contributions totaled \$207,486, \$279,163, and \$313,321, 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 on a combined basis (with Capital Friends) as of December 31, 2021.

<b>Capitalization</b>	<b>Dec 31, 2021</b>
Investment Notes Payable	\$709,000
Total Net Assets	\$364,070
Total Capitalization	\$1,073,070

As of the date of this prospectus, Capital Sisters has \$709,000 aggregate principal of Investment Notes outstanding, used to partially fund \$775,000 of loans to three MFIs (the difference between MFI loans outstanding and Investment Notes outstanding was funded by donations specifically made to fund MFI loans). One MFI operates in Guatemala, one in the Philippines and one in Afghanistan. From the October 2011 launch of the investment fund to the date of this prospectus, Capital Sisters has raised \$6,081,000 for 60,810 micro loans from Investment Notes, some of which extend to 2027, and donations made for this purpose.

### **Investment Notes Payable**

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

<b>Note Maturity Schedule</b>	<b>Dec 31, 2021</b>
Year Ending December 31	Amount
2022	\$ 145,000
2023	\$ 225,000
2024	\$ 148,000
2025	\$ 56,000
2026	\$ 116,000
Thereafter	\$ 19,000
Total Investment Notes Payable	\$ 709,000

### **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, 2021, on a combined basis Capital Sisters had \$345,104 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.**

<b>Balance Sheet Highlights</b>					
<b>For December 31st</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Cash and Cash Equivalents	\$345,104	\$299,466	\$204,700	\$145,499	\$204,320
Loans Receivable from MFIs	\$775,000	\$800,000	\$750,000	\$750,000	\$500,000
Total Assets	\$1,123,550	\$1,123,682	\$985,728	\$925,701	\$719,467
Investment Notes Payable	\$709,000	\$732,000	\$696,000	\$696,000	\$463,000
Total Liabilities	\$759,480	\$794,665	\$717,189	\$722,889	\$480,714
Unrestricted Net Assets	\$285,358	\$248,517	\$170,039	\$114,312	\$155,704
Temporarily Restricted Net Assets	\$78,712	\$80,500	\$98,500	\$88,500	\$83,049
Total Net Assets	\$364,070	\$329,017	\$268,539	\$202,812	\$238,753

<b>Cash Flow Highlights</b>					
<b>For the Year Ending December 31st</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Loans Disbursed to MFIs	\$450,000	\$400,000	\$650,000	\$400,000	\$400,000
Loan Repayments from MFIs	\$450,000	\$350,000	\$400,000	\$150,000	\$400,000
Investment Notes Issued	\$54,000	\$56,000	\$18,000	\$245,000	\$11,000
Investment Notes Redeemed	\$126,000	\$20,000	\$18,000	\$12,000	\$12,000
Donations Received for this Purpose	\$2,000	\$16,000	\$4,000	\$10,000	\$1,000

<b>Income Statement Highlights</b>					
<b>For the Year Ending December 31st</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Support and Revenue*	\$593,441	\$510,946	\$458,178	\$395,636	\$465,698
Expenses*	\$558,388	\$450,468	\$392,451	\$431,577	\$412,920
Change in Unrestricted Net Assets	\$36,841	\$78,478	\$55,727	(\$41,392)	\$50,394
Change in Temporarily Restricted Net Assets	(\$1,788)	(\$18,000)	\$10,000	\$5,451	\$2,384
Change in Net Assets	\$35,053	\$60,478	\$65,727	(\$35,941)	\$52,778

\*\* Capital Sisters had estimated fair values of donated services of \$323,728, \$230,704, \$142,915, \$179,294, and \$174,435 for the years ended December 31, 2021, 2020, 2019, 2018, and 2017, 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 Sisters occasionally agrees with individual Noteholders that their Notes are subordinated, in which case these notes are considered to be subordinated debt for this purpose. As of the date of this Prospectus Capital Sisters has secured agreement for \$30,000 of Investment Notes to be subordinated.

### **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 20% 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 20% 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 20% of outstanding loans to MFIs. The Capital Ratio as of December 31, 2021 was 23.9%.

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 Development Finance Corporation (DFC), formerly 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.

In addition, Capital Sisters will not issue any Notes unless it can demonstrate, immediately following such issuance, a Liquidity Ratio of 10% calculated as follows

$$\frac{\text{Capital Reserve Account (Cash Component Only)}}{\text{Notes Outstanding Following Proposed Issuance}}$$

The Liquidity Ratio is intended to ensure not only that the organization retains cash equal to at least 10% of Notes outstanding, but also that cash comprises at least 50% of the minimum Capital Reserve Account at all times. The Liquidity Ratio as of December 31, 2021 was 12.2%.

## **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 Chief Executive Officer of Capital Sisters International, a nonprofit she founded in 2001 to raise business capital for impoverished women in developing countries, and to promote gender-lens investing across the financial services industry. She created the first women's bond in the world to enable the general public to invest in micro loans. The idea to finance her person-to-person lending model with bond capital was inspired by decades of work in economic development and international affairs, starting with her Peace Corps service in two African countries, and continuing with the U.S. Congress, the U.S. State Department, and the microfinance industry.

Patricia has received dozens of awards for her field building initiatives, inaugural women's bond, and innovative person-to-person lending model. The International Women's Forum recognized her with an award for "Ideas Remaking the World" in November 2019. In 2016 she received the Global Purpose Prize for Financial Inclusion by AARP/Encore.org, sponsored by MetLife Foundation, in recognition of her longstanding work to promote economic empowerment for women. In 2015 Patricia was acknowledged for her role in chairing the world's first Gender-lens Investing Symposium, an event that recognized industry leaders and educated the general public. She was also named "One of 15 Inspiring Female CEOs that Impacted the World" by Cause Artist; selected to be an official delegate to the United Nations Conference on the Status of Women every year since 2018; listed in the Denver Business Journal's inaugural list of "Who's Who in Impact Investing; awarded the Pathfinder Award for Outstanding Women Entrepreneurs by World Denver; selected for the Impact Investing Marketplace by the Impact Finance Center; and awarded the Outstanding Global Service Award by the Colorado Alliance of Professional Women and the 21<sup>st</sup> Century Leadership Award by the International Alliance for Women.

Since 1998, Patricia has helped establish seven domestic and international microfinance organizations under the Capital Sisters umbrella, raised loan capital for 120,000 women's businesses in 25 countries, 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 as head of the Women Leaders Network. 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 was the Co-founder of Colorado Microcredit, the Micro Business Development Center, the Colorado Microfinance Alliance, and is an Advisor to the Rocky Mountain Microfinance Institute. She serves on the boards of the International Fund of the Colorado Women's Foundation, and the Alliance of Professional Women's Foundation, and is a member of the International Women's Forum. Patricia is a guest lecturer for the international and business schools at Denver University, the University of Colorado, and Colorado State University. Patricia's passion for international affairs and economic justice was developed by all the rich experiences of working and traveling in more than 60 countries – including five revolutions. She and her husband Britt – whose support has been instrumental throughout her career, 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).

**Cindy Lindsay, Treasurer 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, and an advisor to the University of Colorado's Student Chapter of Engineers Without Borders. Cindy is a Trustee Emerita from Rice University and has served on the board of directors of the Association of Rice Alumni, previously 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. Cindy joined the Capital Sisters Board in 2008 but was a strategic business advisor for many years before that.

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

**Britt Hinnen, Secretary and Vice President of Technology**

Britt Hinnen has 40 years of professional experience in the corporate, government and nonprofit sectors with an emphasis in Information Technology. He retired in 2016 from the U.S. Department of Energy where he managed \$65 million in energy efficiency and renewable energy grants. Prior to this Britt was an IT Solution Architect for Perficient, Inc., leading project engagements for Fortune 500 clients. Britt worked to create enterprise solutions and web architecture for a range of businesses and corporations prior to Perficient, including McData where he was responsible for web content management. 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 and has won two global awards for his work in energy conservation. Britt served in the Peace Corps in Liberia and Lesotho and has worked and traveled extensively around the world. Britt has been directly involved with Capital Sisters on a pro bono basis since its inception in 1996, is an inaugural Board member, and serves as VP 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). (Britt is the spouse of Patricia Foley Hinnen, CEO of Capital Sisters International.)

**Larry Greenwood, Board Member at Large**

Larry Greenwood assumed the position of President of the Japan Society of Northern California on March 16, 2016. Prior to joining the Society, Larry worked four years in Tokyo where he managed government relations throughout Asia for MetLife and five years in Manila, Philippines where he co-led the Asian Development Bank and was responsible for about \$7 billion of development lending a year. As a career diplomat from 1976-2006, Larry enjoyed two assignments in the US Embassy in Tokyo, postings in the Philippines and Singapore, and a variety of other jobs, including a term as US Ambassador to the Asia Pacific Economic Cooperation (APEC) group. Larry is concurrently Senior Advisor to the Bower Group Asia, a DC-based consulting firm advising corporations on government policy and regulations, and a non-resident Senior Adviser to the Center for Strategic and International Studies, one of the most prominent think tanks on international issues in Washington DC.

Larry has a BA from Eckerd College in St. Petersburg, Florida (1974) and an MALD from the Fletcher School of Law and Diplomacy in Medford Massachusetts (1976). He speaks and reads Japanese.



**Patricia Cooper, Board Emeritus**

Patricia Cooper has over 40 years of private and public sector experience as a public policy analyst, strategic planner, entrepreneur, and civic leader. She is 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. She is helping to replicate this model in Latin America and Africa. Patricia received the Humanitarian of the Year award from the Josef Korbel School of International Studies at the University of Denver in recognition of her longstanding contributions.

Since moving to the United States from Canada in 1990, Patricia 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 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".

Prior to moving to the United States, Patricia 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. Patricia 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.

Patricia 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).

**Wyn Schulz, Director of Finance and Operations**

Wyn Schulz leads the finance and operations of Capital Sisters International, ensuring efficiency, accountability, and strategic growth to maximize impact. Wyn joined Capital Sisters with an extensive strategic and analytic background in corporate finance and operations working primarily in the technology and banking sectors. She utilizes detailed analyses of historical trends, potential outcomes, and critical success factors to ensure peak organizational efficiency. Some of the highlights from a career that spans over two decades include working with and training managerial staff in China and France; leading a team of business analysts and managers as Associate Vice President at a Fortune 50 bank; and consulting with dozens of small businesses in the areas of international banking and business planning. In addition to an extensive career in finance, Wyn's volunteer efforts include coaching students in Math Olympiad and Odyssey of the Mind; serving as Treasurer for a local Museum Friends Board; hosting events for families at various youth and family shelters; and planning fundraisers for several community non-profits.

Wyn received undergraduate degrees in Finance and French from Tulane University (1996) and an MBA from the University of West Florida (2006). She spent a year studying at the Universite de la Sorbonne in Paris, France (1994-1995), and completed an MBA certificate in International Business at the Transatlantik-Institut in Ludwigshafen, Germany (2006).

**Annie Casey, Data Analyst**

Annie Casey oversees analytics and reporting of investor and microfinance data. Annie specializes in analyzing and synthesizing data – both qualitative and quantitative – to drive change. Prior to her time with Capital Sisters, Annie generated data-driven stories for stakeholders at the Alzheimer's Association, which were used to improve outreach to Colorado's underserved aging populations. She has conducted research in Ghana to amplify the voices of local women who knew micro credit groups were an important component of the fight against child trafficking. She also received funding from Rotary International for a project, Turning the Page on Health, which aimed to empower

Peruvian communities and improve health and literacy outcomes in children. Annie conducted her thesis research on the post-conflict landscape in Northern Ireland, which focused on the role of grassroots community organizations in reintegrating one of Europe's most divided cities.

Annie has a BA in Economics and Anthropology from Grinnell College (2016).

## **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, to oversee the Capital Reserve Account, 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, 2021, Capital Friends had given approximately \$433,500 in grants to Capital Sisters for various purposes in support of its activities. The financial results of Capital Friends for the years ended December 2021 and 2020 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 20% 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 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 most recently she co-founded a Boulder-based startup which designs and brings high end leather accessories to market. Before working in the startup world, 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).

### **Pam Brown, Secretary**

Pam Brown is an entrepreneur with an extensive background in business development, management, and investment-class real estate. She has spent over 20 years working in airports, with a focus on business development, IT solutions, property management and landside services. Pam joined Paradies Lagardere, the leader in travel retail, in 2018 as Vice President, Business Development, working in airports across the U.S. Prior to that she worked for a major provider of airport parking and transportation services, developing 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 also serves as a member of the Advisory Board for the USO Northwest at Portland International Airport.

Pam attended the University of Oregon (1978 - 1981) and holds real estate licenses in Oregon and California.

### **Teri Schwartz, Treasurer**

Teri Schwartz was president of Teri Schwartz Associate for 35 years, 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 few 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 create alignment of vision 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. Teri is currently retired, working on selected consulting engagements, serving on the Board of Capital Friends, working with Food for Thought running a food bank for a charter school serving low income students, traveling, and enjoying life.

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, 2021 and 2020 are included in this prospectus as Appendix II. Audited financial statements for Capital Sisters for future fiscal years will be mailed to investors within 30 after the completion of the audit for 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 and social enterprise 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 \$775,000 principal amount of loans outstanding, including \$250,000 to Friendship Bridge, an organization that offers micro loans solely to women in Guatemala, and \$300,000 to the Center for Agriculture and Rural Development (CARD) in the Philippines. As of this date it also has a \$300,000 loan in default from a microfinance lender in Afghanistan which has been written down to \$225,000 pending an insurance payment. (In May 2022 Capital Sisters received \$285,000 of proceeds, representing 95% of the original \$300,000 loan, pursuant to an insurance claim under its political risk insurance policy issued by the Development Finance Corporation.)

The following table indicates the maturities of the loans to MFIs which are outstanding as of the date of this prospectus. To date \$2,075,000 of loans disbursed under the Investment Program has reached maturity and been repaid.

<b>MFI Loan Maturity Schedule</b>	
<b>Year Ending December 31</b>	<b>Amount</b>
2022	\$325,000
2023	\$450,000
Total MFI Loans	\$775,000

## **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 Capital Reserve Account Funding Agreement” 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 \$88,000. 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 core mission and 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, Secretary 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 has ever received 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 2021, the organization paid \$133,500 in total compensation to three paid employees. The CEO Patricia Foley Hinnen is also an employee but works on a pro bono basis. Total remuneration is expected to increase by approximately 5% over the next 12 months.

## **LEGAL MATTERS**

The law firm of Hogan Lovells LLP, Washington, DC has provided legal advice to 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 years ended December 31, 2021, and 2020, and the related notes and supplementary information thereto, included in this prospectus as Appendix II, have been audited by Ryan, Gunsauls & O'Donnell, LLC.

## **INVESTOR GUIDE**

### **How to Invest**

Investment term is selected at the time of purchase from the available options of 1, 2, 3, 4 or 5 years. All Investment Notes are offered at an interest rate of 0%. Capital Sisters may, in its sole discretion, 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 Investment Application and submit it to Capital Sisters 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. Inquiries about your investment or about the Investment Notes in general can be made by calling 720-778-1717 or emailing [accounts@capitalsisters.org](mailto:accounts@capitalsisters.org).

All purchases must be made in US dollars and by checks 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 maturing principal will be reinvested on the same terms as 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. The Investment Notes are not subject to redemptions prior to maturity at the option of the noteholders. Capital Sisters may, in its sole discretion, redeem the Investment Notes prior to the respective maturity date (see "Early Redemption" in Description of the Investment 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.

### **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 –Investment Notes Application Form**



**Appendix II – Capital Sisters International, Inc. and Affiliate Combined Audited Financial  
Statements for the Years Ended December 31, 2021 and 2020**

