



COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF
MASSACHUSETTS CAPITAL RESOURCE COMPANY

Boston, Massachusetts

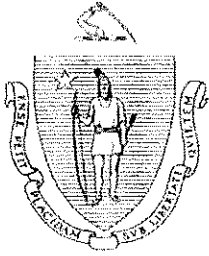
As of December 31, 2015
Updated to December 31, 2016

EMPLOYER ID NUMBER 04-2631257

MASSACHUSETTS CAPITAL RESOURCE COMPANY

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COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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GARY D. ANDERSON
COMMISSIONER OF INSURANCE

October 20, 2017

The Honorable Gary D. Anderson
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Section 19 of Chapter 816 of the 1977 Acts and Resolves of the Massachusetts Legislature and by Chapters 63 and 175 of the Massachusetts General Laws, an examination has been made of the financial condition and affairs of

MASSACHUSETTS CAPITAL RESOURCE COMPANY

at its principal place of business, 420 Boylston Street, Boston, Massachusetts 02116. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

Massachusetts Capital Resource Company ("Company") was last examined as of December 31, 2010 by the Massachusetts Division of Insurance ("Division"). The current examination was conducted by the Division and covers the six-year period from January 1, 2011, through December 31, 2015, with an update through December 31, 2016, including any material transactions and/or events occurring subsequent to the examination date and noted during this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division, and with Massachusetts General Laws ("MGL"). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of a company by obtaining information about the company, including corporate governance, identifying and assessing inherent risks within the company, and evaluating system controls and procedures used to mitigate those risks.

Accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with accounting principles generally accepted in the United States of America. The examination does not attest to the fair presentation of the financial statements included herein. If, in the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the financial statements.

This examination report includes significant findings of fact, as mentioned in Section 4 of MGL Chapter 175, and general information about the Company, its financial condition, and the compliance by the Company to statute. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, *etc.*), are not included in the examination report but may be separately communicated to management of the Company.

The Company had been audited annually by PricewaterhouseCoopers LLP, an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the years ended December 31, 2011 through 2016, in accordance with accounting principles generally accepted in the United States of America. Review and use of the certified public accountants' workpapers were made to an extent deemed appropriate and effective.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings noted in the Report of Examination as of December 31, 2010, and there are no significant findings of a material nature related to the current examination.

COMPANY HISTORY

General

By specific Act of the Massachusetts Legislature and under the Laws of the Commonwealth, the Company was uniquely organized as a partnership venture originally among and funded by life insurance companies domiciled in Massachusetts. In the 1970s, Massachusetts was experiencing both a condition of increasing unemployment and a need for capital financing, particularly long-term financing for various businesses not otherwise able to obtain such financing. Simultaneously, domestic life insurers were seeking financial relief through reformation of tax codes. As a result of such circumstances, an arrangement occurred whereby the Commonwealth would phase out over a five-year period certain taxes due from domestic life insurance companies and the life insurers would thereby be encouraged to expand the amount of long-term capital financing to certain businesses based in the Commonwealth.

Consistent with this effort to create jobs and expand business opportunities, the Commonwealth proposed the Capital Resource Act. As approved on December 14, 1977, by the Massachusetts Legislature, Chapter 816 was declared to be enacted as an emergency law (i) establishing the Capital Resource Company, (ii) reforming the taxation of domestic life insurance companies and savings and insurance banks, and (iii) providing for the reduction of unemployment through increased investments in Massachusetts business.

On December 23, 1977, nine domestic life insurers signed an Articles of Limited Partnership Agreement and formed a partnership consisting of both general partners and limited partners. The general partners were John Hancock Mutual Life Insurance Company, Massachusetts Mutual Life Insurance Company, New England Mutual Life Insurance Company, and State Mutual Life Assurance Company of America. The limited partners were the four general partners and the following five insurers: The Paul Revere Life Insurance Company, Monarch Life Insurance Company, Berkshire Life Insurance Company, Boston Mutual Life Insurance Company, and United Educators Life Insurance Company.

On December 27, 1977, Massachusetts Capital Resource Company was created and organized. In accordance with the enabling legislation, proposed funding for the Company was \$100 million. Initial capital contributions totaling \$20 million in aggregate were received from the partners on December 27, 1977; the remaining yearly capital contributions, each totaling \$20 million in aggregate, were received by the Company from the partners by the end of December of the four years 1978 through 1981, inclusive.

In the years since the Company's creation, some of the original partners have changed. Prior to the period of this examination, the interest of United Educators Life Insurance Company was acquired by John Hancock Mutual Life Insurance Company, State Mutual Life Assurance Company of America was superseded by its demutualized successor, First Allmerica Financial Life Insurance Company, the interest of Monarch Life Insurance Company was acquired by the four general partners, and Metropolitan Life Insurance Company, domiciled in New York, became a limited partner through a merger with New England Mutual Life Insurance Company. In 1998, New England Mutual Life Insurance Company was superseded by its affiliate, New England Life

Massachusetts Capital Resource Company

Insurance Company. In 1999, John Hancock Mutual Life Insurance Company was superseded by its demutualized successor, John Hancock Life Insurance Company. In 2001, Berkshire Life Insurance Company was superseded by its successor, Berkshire Life Insurance Company of America. In 2009, John Hancock Life Insurance Company was superseded by its successor, John Hancock Life Insurance Company (U.S.A.), and the interest of First Allmerica Financial Life Insurance Company was acquired by Massachusetts Mutual Life Insurance Company.

According to Article VII, 7.2 of the Limited Partnership Agreement and Section 14(e) of Chapter 816, distribution of the Company's capital, at a rate of \$5 million per annum, could commence following the fifteenth anniversary of the Company's formation or following December 27, 1992. For the following five year period, however, the partners elected to defer any return of capital. By an amendment dated as of December 31, 1997, the partners agreed to amend the Articles of Limited Partnership by allowing the partnership to distribute \$30 million as a return of capital in addition to any other distribution of net earnings to the partners during 1998; thereafter, annual distributions of \$5 million of capital would be made through 2002, with a final distribution of \$50 million of capital in December 2002. To date, no such distributions of contributed capital have occurred.

On August 10, 1998, Chapter 259 of the 1998 Acts of the Legislature was approved changing the original 25 year period of the Company to a 45 year period. Thereafter, by an amendment dated as of December 31, 1998, the partners of the Company agreed to further amend the Articles of Limited Partnership in four key respects, summarized as follows:

- ◇ The term of the partnership was redefined to end after the forty-sixth anniversary of the date of the initial filing of the Certificate of Limited Partnership.
- ◇ The Company was authorized to enter into agreements with two other initiatives recently formed in accordance with this legislation whereby the Company would provide and would receive compensation for providing management, advisory, consultative, and other incidental services to enable such initiatives to comply with the provisions of the cited statute. The Company also could execute other instruments and perform any acts deemed necessary or appropriate in connection with the business of the partnership.
- ◇ The partnership shall make annual distributions of capital of \$5 million commencing in 2018, continuing through 2023, and ending with a final distribution of \$70 million of capital in December 2023.
- ◇ If the general partners determine that the business of the Company can best be conducted as a corporation or a limited liability company, they shall apply to the Commissioner of Insurance for authority to reorganize the partnership either as a corporation or as a limited liability company. Upon approval of such action by at least a majority of the partners holding 65% of the Company's capital, the general partners shall cause either a corporation to be organized under MGL Chapter 156(B) with assets of the partnership transferred to such corporation or a limited liability company to be organized under MGL Chapter 156(C) with the assets of the partnership transferred to the limited liability company.

With subsequent amendments in the intervening years, the Articles of Limited Partnership have been changed. In November 2016, the Company's partners approved a Sixth Amendment to the Partnership Agreement to extend the term of the Company to December 31, 2033, and to allow for further extensions of the term beyond that date for periods of ten years. Unless extended further, the Company shall make annual distributions of 5% of member's capital contributions

Massachusetts Capital Resource Company

commencing on January 1, 2029, and continuing through January 1, 2033, with a final distribution of 75% on December 31, 2033.

In summary, the Company is a privately owned, limited partnership established per statute in 1977 by Massachusetts-based life insurance companies in conjunction with the state government to provide the availability of long-term risk capital, in accordance with the restrictions of Chapter 816, to small and middle market companies in Massachusetts.

Capital Contributions

As a statutorily created, limited partnership, the Company has no capital stock. Capital funds of the partnership had been provided by life insurance companies in accordance with the Appendix to MGL Chapter 63; that is, at least 25% of the capital funds had been contributed by life insurance companies acting in their capacity as general partners, with the balance provided by life insurance companies acting in the capacity of limited partners. No capital contributions were made in the examination period. Partnership interests relative to contributed capital from both general partners and limited partners at December 31, 2016, are summarized as follows:

Names of Participating Life Insurance Companies	Capital Contributed to the Company		
	as General Partner	as Limited Partner	Total Contributed
John Hancock Life Insurance Company (USA)	\$12,782,485	\$36,459,389	\$ 49,241,874
Massachusetts Mutual Life Insurance Co.	7,624,151	21,742,429	29,366,580
New England Life Insurance Company	4,593,364	7,000,000	11,593,364
Metropolitan Life Insurance Company	-	6,099,001	6,099,001
Paul Revere Life Insurance Company	-	2,070,277	2,070,277
Berkshire Life Insurance Company	-	1,201,090	1,201,090
Boston Mutual Life Insurance Company	-	427,814	427,814
Total Contributed Capital	\$25,000,000	\$75,000,000	\$100,000,000

Distributions to Partners

The Company is a limited partnership with neither stock nor stockholders; therefore, it does not make any stock-based dividend payments. No distributions of capital have yet been made; however, as allowed by statute and subject to approval by the general partners, the Company does make distributions of income to its partners. Such distributions of income, not including any provision for undistributed equity, are summarized as follows:

Year	Net Income in Year	Amount Distributed in Year	Cumulative Amount Distributed
Pre-2011	<i>various</i>	<i>various</i>	\$ 435,523,226
2011	\$ 6,407,179	\$ 6,901,319	442,424,545
2012	15,753,023	16,272,009	458,696,554
2013	16,193,652	10,929,840	469,626,394
2014	2,645,224	8,032,779	477,659,173
2015	6,424,190	6,892,787	484,551,960
2016	18,732,904	18,882,267	503,434,227

MANAGEMENT AND CONTROL

Board of Directors

The Company does not have a board of directors. In lieu of such board, control of the Company resides in an Executive Committee composed of the general partners; this is in compliance with Section 15 of Chapter 816 which requires that the business of the Company shall be managed by its general partners.

Committees of the Company

At December 31, 2016 the authorized and standing committees of the Company were the Executive Committee, the Investment Committee, and the Financial Coordinating Committee (also known as and functioning in the capacity of the Audit Committee and the Budget Committee).

Executive Committee

At December 31, 2016, the Executive Committee was composed of the general partners as follows:

<u>Committee Member</u>	<u>Member Designee</u>
Massachusetts Mutual Life Insurance Company	* Richard D. Bourgeois, Senior Vice President, Tax, MassMutual Financial Group
John Hancock Life Insurance Company (U.S.A.)	James D. Gallagher, Executive Vice President, General Counsel, and Chief Administrative Officer
New England Life Insurance Company	Matthew Sheedy, Director, MetLife Investments

* Current Chair. The chair position is a rotating two-year term.

Investment Committee

The Investment Committee evaluates and acts upon specific investments. At December 31, 2016, the Investment Committee was composed of the following:

<u>Committee Member</u>	<u>Member Designee</u>
John Hancock Life Insurance Company (U.S.A.)	* Stephen J. Blewitt, Senior Manager and Director
Massachusetts Mutual Life Insurance Company	Douglas G. Russell, Senior Vice President – Strategy & Corporate Development, and Managing Director – MassMutual Ventures
Consultant	William J. Torpey, Jr., Chairman Emeritus Investment Committee of the Company

* Current Chair.

Financial Coordinating Committee

The Financial Coordinating Committee concerns itself with audit and budgetary matters of the Company. At December 31, 2016, this Committee was composed of the following:

Massachusetts Capital Resource Company

Committee Member

John Hancock Life
Insurance Company (U.S.A.)
Massachusetts Mutual
Life Insurance Company

Member Designee

Simonetta Vendittelli, Vice President and
Chief Accounting Officer
* Richard D. Bourgeois, Senior Vice President, Tax,
MassMutual Financial Group

* Current Chair.

Officers and Staff

Daily activities of the Company are administered by its officers and staff. In the examination period, the Company underwent a significant change of personnel due to retirements of previous officers and staff. At December 31, 2016, the following people were serving in the designated capacities:

<u>Name of Officer</u>	<u>Title</u>
Susan B. Schlesinger	Chief Administrative Officer
Paul Bolger	President and Chief Investment Officer
Ana G. Boyd	Chief Financial Officer
Suzanne L. Dwyer	Managing Director
Daniel P. Corcoran, Jr.	Managing Director
Andrew S. Delorey	Vice President
Eric C. Buskirk	Accounting Manager
Cara J. DeVito	Office Manager

Holding Company

The Company is not a member of an insurance holding company system. As such, it is not subject to the registration requirements of Section 206C of MGL Chapter 175 or 211 CMR 7.00 and it does not file an Insurance Holding Company System Form B with the Division.

Transactions and Agreements with Subsidiaries and Affiliates

At December 31, 2016, the Company did not have any subsidiaries; however, in part of the period under examination, the Company had one wholly-owned subsidiary, Boylston MCRC Corporation ("Boylston"). This latter entity had been organized on May 7, 2007, to serve as an agent to oversee the distribution of sales proceeds to remaining shareholders when one of the Company's investment portfolio companies was acquired by an external third party; the final distribution to shareholders was made in 2011 and the remaining minor balance was disbursed in 2012 for expenses unpaid as of December 31, 2011. Because Boylston had been inactive for several years thereafter, it underwent voluntary dissolution on April 8, 2016, with no significant financial impact on the Company.

The Company also had ownership interests in some limited liability companies resulting from funding it made to them. From 2010 through 2013, it had interests in three such companies; in 2014 and 2015, it had interests in only one; and by year-end 2016, it had interests in two. In these cases, the Company's interests exceeded 3% and it accounted for these investments on the equity method.

Massachusetts Capital Resource Company

Pursuant to a written agreement dated September 15, 1999, the Company provides management and administrative services to the Massachusetts Life Insurance Company Community Investment Initiative ("TLI") which was formed in 1998 in accordance with Chapter 259 of the 1998 Acts of the Legislature and which became operational in 1999 with a focus on affordable housing, small businesses, and non-profit organizations in low-income and moderate-income communities. The costs for the Company's services are charged to TLI. Salaries and other benefits including a defined benefit and a defined contribution pension plan for the Company's employees who work solely on TLI's investments are charged directly to TLI. Other expenses, such as rent and overhead costs, are allocated between the Company and TLI based on their relative levels of capital. This expense allocation method has been approved by committees of both the Company and TLI.

Taxes

Whereas gains or losses resulting from operation of the Company are passed through to its general partners and limited partners, the Company has been classified as a partnership for Federal income tax purposes under the Internal Revenue Code; consequently, the Company has made no provision for federal or state income taxes on its operations.

TERRITORY AND PLAN OF OPERATION

Pursuant to Chapter 816, the Company was formed to provide development capital and financing to Massachusetts companies. The Company's objective is to assist in the growth of Massachusetts business through the direct investment of long-term debt and equity capital. Its investment activities include mezzanine capital, venture capital, expansion financing, management buyouts, leveraged acquisitions, and credit-oriented term loans. The instruments for these types of investments take the form of senior and subordinated debt, common and preferred stock, and stock warrants. The Company can lend to all industries other than retail, real estate, construction, or financial service companies. Over the years, its investments have included businesses involved in diverse sectors of the Massachusetts economy, such as: basic and contract manufacturing, consumer products, paper and plastics, textiles, food and food services, service companies, high technology equipment, components, and subsystems, consulting, engineering, and environmental services, software and related services, healthcare and biotechnology, printing and publishing, distribution, and transportation.

Investments and Related Job Creation

In conformity with Section 18 of Chapter 816, the Company has filed an Annual Report and Statement of Financial Condition with the Commissioner of Insurance for each year in the examination period. In conformity with Section 12 of that Chapter, the Company also has filed an Annual Report to the Director of Economic Development. Therein, it presented key information as required by the statute, including the estimated number of jobs created or maintained as a result of its investment activity. The following information was obtained from the Company:

Massachusetts Capital Resource Company

Year	Qualified Investment Made in Year	Investment and Reinvestment in General Obligations of Commonwealth	Estimated Number of Jobs Created or Maintained	Cumulative Estimated Number of Jobs Created or Maintained
2011	\$ 23,999,968	\$ 1,570,635	184	18,047
2012	16,303,794	4,312,302	134	18,181
2013	13,850,191	1,962,740	171	18,352
2014	12,600,000	19,405,619	213	18,565
2015	13,632,593	27,157,337	415	18,980
2016	15,000,000	22,618,198	480	19,460

REINSURANCE

The Company is not an insurance company or a reinsurance company; it is a limited partnership established per statute. It does not engage in any reinsurance transactions.

FINANCIAL STATEMENTS

The following comparative financial exhibits, based on the financial statements prepared by management of the Company, present the financial condition of the Company for the periods ending December 31, 2015 and 2016. Financial statements are the responsibility of the Company's management.

Statements of Assets, Liabilities, and Partners' Equity as of December 31, 2016 and 2015

Statements of Income for the Years Ended December 31, 2016 and 2015

Statement of Changes in Partners' Equity for the Years Ended December 31, 2016 and 2015

Statement of Changes in Partners' Equity for the Six-Year Period Ended December 31, 2016

Massachusetts Capital Resource Company
Statements of Assets, Liabilities, and Partners' Equity
Years Ended December 31, 2016 and 2015

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Assets		
Cash and cash equivalents	\$ 8,467,076	\$ 7,956,263
Short-term investments	20,555,435	8,101,126
Long-term investments	40,524,119	39,081,656
Long-term notes receivable (net of an allowance for losses of \$9,380,689 in 2016 and \$8,350,689 in 2015)	44,394,179	44,968,117
Investments in equity securities and limited liability companies	2,049,173	5,316,888
Interest receivable	990,141	1,053,880
Fixed assets, net	56,710	65,774
Other assets	86,858	112,186
Total Assets	<u>\$ 117,123,691</u>	<u>\$ 106,655,890</u>
 Liabilities		
Accounts payable, accrued expenses, and other liabilities	\$ 1,908,734	\$ 1,274,981
Pension fund	736,629	879,503
Total Liabilities	<u>2,645,363</u>	<u>2,154,484</u>
 Partners' Equity		
Contributed capital	100,000,000	100,000,000
Undistributed net income	19,142,520	7,302,403
Accumulated other comprehensive income (loss)	(4,664,192)	(2,800,997)
Total Partners' Equity	<u>114,478,328</u>	<u>104,501,406</u>
 Total Liabilities and Partners' Equity	<u>\$ 117,123,691</u>	<u>\$ 106,655,890</u>

Massachusetts Capital Resource Company
Statements of Income
Years Ended December 31, 2016 and 2015

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
<u>Revenue</u>		
Interest income:		
Cash equivalents, short-term investments, and long-term investments	\$ 356,540	\$ 280,650
Long-term notes receivable	5,989,447	5,782,933
Dividend income	23,994	32,000
Other investment income (loss)	(1,963)	(259)
Net realized capital gains	19,104,412	4,550,718
Management fees	1,266,508	1,253,715
Other income	159,136	459,149
Total Revenue	<u>26,898,074</u>	<u>12,358,906</u>
 Provision for losses on long-term notes receivable	 <u>3,000,000</u>	 <u>1,500,000</u>
 Total Revenue, Net	 <u>23,898,074</u>	 <u>10,858,906</u>
 <u>Operating Expenses</u>		
Compensation and related costs	4,253,511	3,506,190
Office, administrative, and other expenses	911,659	928,526
Total Miscellaneous Income (Expense)	<u>5,165,170</u>	<u>4,434,716</u>
 Net Operating Gain (Loss)	 <u>\$ 18,732,904</u>	 <u>\$ 6,424,190</u>

Massachusetts Capital Resource Company
Statements of Changes in Partners' Equity
Years Ended December 31, 2016 and 2015

	<u>2 0 1 6</u>	<u>2 0 1 5</u>
Partners' Equity, Beginning of Year	\$ 104,501,406	\$ 109,497,191
Comprehensive income		
Net income	18,732,904	6,424,191
Other comprehensive income		
Net unrealized gains (losses) on securities	(1,720,321)	(3,383,848)
Change in additional pension liability	(142,874)	(3,349)
Distribution to partners	(6,892,787)	(8,032,779)
Change during the year	<u>9,976,922</u>	<u>(4,995,785)</u>
Partners' Equity, End of Year	<u><u>\$ 114,478,328</u></u>	<u><u>\$ 104,501,406</u></u>

Massachusetts Capital Resource Company
Statements of Changes in Partners' Equity
for the Six Year Period Ended December 31, 2016

	<u>Contributed Capital</u>	<u>Undistributed Net Income</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Partners' Equity</u>
Balance, December 31, 2010	\$100,000,000	\$16,620,899	\$7,681,872	\$124,302,771
Comprehensive income				
Net income	-	6,407,179	-	6,407,179
Other comprehensive income				
Net unrealized gains (losses) on securities	-	-	(4,107,073)	(4,107,073)
Change in additional pension liability	-	-	(1,114,200)	(1,114,200)
Distribution to partners	-	(14,617,335)	-	(14,617,335)
Balance, December 31, 2011	<u>\$100,000,000</u>	<u>\$ 8,410,743</u>	<u>\$2,460,599</u>	<u>\$110,871,342</u>
Comprehensive income				
Net income	-	15,753,023	-	15,753,023
Other comprehensive income				
Net unrealized gains (losses) on securities	-	-	1,000,833	1,000,833
Change in additional pension liability	-	-	(481,847)	(481,847)
Distribution to partners	-	(6,901,318)	-	(6,901,318)
Balance, December 31, 2012	<u>\$100,000,000</u>	<u>\$17,262,448</u>	<u>\$2,979,585</u>	<u>\$120,242,033</u>
Comprehensive income				
Net income	-	16,193,652	-	16,193,652
Other comprehensive income				
Net unrealized gains (losses) on securities	-	-	2,873,880	2,873,880
Change in additional pension liability	-	-	279,876	279,876
Distribution to partners	-	(16,260,494)	-	(16,260,494)
Balance, December 31, 2013	<u>\$100,000,000</u>	<u>\$17,195,606</u>	<u>\$6,133,341</u>	<u>\$123,328,947</u>

Massachusetts Capital Resource Company
Statements of Changes in Partners' Equity
for the Six Year Period Ended December 31, 2016

	<u>Contributed Capital</u>	<u>Undistributed Net Income</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Partners' Equity</u>
Balance, December 31, 2013	<u>\$100,000,000</u>	<u>\$17,195,606</u>	<u>\$ 6,133,341</u>	<u>\$123,328,947</u>
Comprehensive income				
Net income	-	2,645,224	-	2,645,224
Other comprehensive income				
Net unrealized gains (losses) on securities	-	-	(4,346,912)	(4,346,912)
Change in additional pension liability	-	-	(1,200,228)	(1,200,228)
Distribution to partners	<u>-</u>	<u>(10,929,840)</u>	<u>-</u>	<u>(10,929,840)</u>
Balance, December 31, 2014	<u>\$100,000,000</u>	<u>\$ 8,910,990</u>	<u>\$ 586,201</u>	<u>\$109,497,191</u>
Comprehensive income				
Net income	-	6,424,190	-	6,424,190
Other comprehensive income				
Net unrealized gains (losses) on securities	-	-	(3,383,848)	(3,383,848)
Change in additional pension liability	-	-	(3,349)	(3,349)
Distribution to partners	<u>-</u>	<u>(8,032,778)</u>	<u>-</u>	<u>(8,032,778)</u>
Balance, December 31, 2015	<u>\$100,000,000</u>	<u>\$ 7,302,402</u>	<u>\$(2,800,996)</u>	<u>\$104,501,406</u>
Comprehensive income				
Net income	-	18,732,904	-	18,732,904
Other comprehensive income				
Net unrealized gains (losses) on securities	-	-	(1,720,321)	(1,720,321)
Change in additional pension liability	-	-	(142,874)	(142,874)
Distribution to partners	<u>-</u>	<u>(6,892,787)</u>	<u>-</u>	<u>(6,892,787)</u>
Balance, December 31, 2016	<u>\$100,000,000</u>	<u>\$19,142,519</u>	<u>\$(4,664,191)</u>	<u>\$114,478,328</u>

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS
RESULTING FROM THE EXAMINATION**

There have been no changes made to the financial statements as a result of the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

As a result of the examination, no issues of non-compliance, adverse findings, or material changes to the financial statements were identified.

SUBSEQUENT EVENT

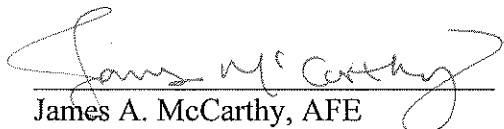
The examination noted the following significant event which occurred subsequent to the date of examination. In August 2017, the Company selected through a bid process to change auditors to the firm of RSM US LLP to be its independent auditor for the year ending December 31, 2017.

SUMMARY OF RECOMMENDATIONS

The examination is making no recommendations as part of this report.

SIGNATURE PAGE

Acknowledgement is made of the courteous cooperation extended by the officers and employees of Massachusetts Capital Resource Company during the examination.



James A. McCarthy, AFE
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