



THE COMMONWEALTH OF MASSACHUSETTS

OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

DIVISION OF INSURANCE

REPORT OF EXAMINATION

OF THE

MASSACHUSETTS CAPITAL RESOURCE COMPANY

AS OF

December 31, 2010

EMPLOYER IDENTIFICATION NUMBER 04 - 2631257

For Informational Purposes Only

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COMMONWEALTH OF MASSACHUSETTS

Office of Consumer Affairs and Business Regulation

DIVISION OF INSURANCE

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JOSEPH G. MURPHY
COMMISSIONER OF INSURANCE

September 12, 2011

The Honorable Joseph G. Murphy
Commissioner of Insurance
The Commonwealth of Massachusetts
Office of Consumer Affairs and Business Regulation
Division of Insurance
1000 Washington Street, Suite 810
Boston, Massachusetts 02118-6200

Commissioner Murphy:

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 Massachusetts General Laws, an examination has been made of the financial condition and affairs of

MASSACHUSETTS CAPITAL RESOURCE COMPANY

Boston, Massachusetts

at its office located at The Berkeley at 420 Boylston Street, Boston, Massachusetts. 02116. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

Massachusetts Capital Resource Company ["MCRC"] was last examined as of December 31, 2000, by the Massachusetts Division of Insurance ["Division"]. The Division made the present examination by authority of Section 19 of Chapter 816 of the 1977 Acts and Resolves of the Massachusetts Legislature ["Chapter 816"] and by Chapters 63 and 175 of Massachusetts General Laws ["MGL"]. The present examination covers the period from January 1, 2000, to December 31, 2010, including any material transactions or events occurring after the latter date. In this Report of Examination, unless it is specifically noted otherwise, references to accounts, activities, and transactions of MCRC are as of December 31, 2010.

The examination was conducted in accordance with procedures established by the National Association of Insurance Commissioners ["NAIC"] Financial Condition (E) Committee as prescribed in the current NAIC Financial Condition Examiners Handbook.

In addition to a review of the financial condition of MCRC and verification of information set forth in filed annual reports, the examination included a review of MCRC's general operations, corporate records, internal controls, conflict of interest disclosure statements, fidelity bonds and other insurance, disaster recovery plan, and other pertinent matters to provide reasonable assurance that MCRC was in compliance with applicable laws and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk; examination efforts were directed accordingly.

MCRC is audited annually by a firm of independent certified public accountants. Over the period of examination, MCRC was audited by PricewaterhouseCoopers LLP ["PwC"]. The firm expressed unqualified opinion on MCRC's financial statements for all the years under our examination. The examination reviewed and used PwC's workpapers to the extent deemed appropriate.

HISTORY

General

By specific Act of the Massachusetts Legislature and under the Laws of the Commonwealth, MCRC was uniquely organized as a partnership venture originally among and funded by life insurance companies domiciled in Massachusetts. During 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 in 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 MCRC 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 MCRC from the partners by the end of December of the four years 1978 through 1981, inclusive.

In the years since MCRC'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 its acquisition of New England Mutual Life Insurance Company. In 1998, New England Mutual Life Insurance Company was superseded by its affiliate, New England Life 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 also in 2009, the interest of First Allmerica Financial Life Insurance Company was acquired by Massachusetts Mutual Life Insurance Company.

Pursuant to Chapter 816, MCRC originally was formed with a 25 year charge to provide development capital and financing to Massachusetts companies. MCRC'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. Its investments include businesses involved in diverse sectors of the Massachusetts economy, such as the following: 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, and transportation.

According to Article VII, 7.2 of the Limited Partnership Agreement and Section 14(e) of Chapter 816, distribution of MCRC's capital, at a rate of \$5 million per annum, could commence following the fifteenth anniversary of MCRC'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, however, 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 MCRC to a 45 year period. This legislation also defined the purposes of both a Massachusetts Life Insurance Company Community Investment Initiative and a Massachusetts Property and Casualty Insurance Company Community and Economic Development Initiative. Thereafter, by an amendment dated as of December 31, 1998, partners of MCRC 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.
- ◇ MCRC was authorized to enter into agreements with these latter two recently formed initiatives whereby MCRC 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. MCRC could also 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.

- ◇ In the event the general partners determine that the business of MCRC 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 MCRC'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.

In 1998, partners in MCRC then announced the formation of a second initiative, Massachusetts Life Insurance Community Investment Initiative, with a focus on affordable housing, small businesses, and non-profit organizations in low-income and moderate-income communities. On a cost-allocation basis, MCRC is also generally responsible for the management and administration of the day-to-day operations of this second investment initiative, which became operational in 1999, per the terms of a management and administration agreement dated September 15, 1999.

In summary, MCRC is a privately owned, investment limited partnership established, per statute in 1977, by the Massachusetts-based life insurance industry 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

As a statutorily created, limited partnership, MCRC has no capital stock. Capital funds of the partnership have been provided by life insurance companies in accordance with the Appendix to MGL Chapter 63; that is, at least 25 per cent of the capital funds have 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, 2010, is summarized as follows:

Name of Participating Life Insurance Companies	Capital Contributed to MCRC		
	As General Partner	As Limited Partner	Total Contributed
John Hancock Life Insurance Company	\$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	<u>\$25,000,000</u>	<u>\$75,000,000</u>	<u>\$100,000,000</u>

Distributions to Partners

MCRC 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, MCRC does make distributions of income to its partners. Such distributions of income, not including any provision for undistributed equity, is summarized as follows:

Year	Net Income In Year	Amount Distributed In Year	Cumulative Amount Distributed
Pre-2001	<i>Various</i>	<i>various</i>	\$ 287,262,260
2001	\$ 12,997,929	\$ 21,597,202	308,859,462
2002	3,008,944	15,891,233	324,750,695
2003	9,505,451	5,821,482	330,572,177
2004	14,423,301	10,610,758	341,182,935
2005	11,268,758	12,022,493	353,205,428
2006	21,551,581	14,046,518	367,251,946
2007	34,274,142	24,959,613	392,211,559
2008	6,040,933	21,036,745	413,248,304
2009	6,331,307	11,160,651	424,417,938
2010	10,636,126	11,155,288	435,523,226

Growth of Company

The growth of MCRC throughout the examination period is indicated in the following schedule which was prepared from information in MCRC's Annual Reports:

Dec. 31	Total Assets	Total Liabilities	Capital and Equity	Net Income
2001	\$ 160,812,440	\$ 2,231,279	\$ 158,581,161	\$ 12,997,929
2002	129,637,979	1,801,830	127,836,149	3,008,944
2003	144,495,898	1,555,743	142,940,155	9,505,451
2004	142,203,129	1,661,114	140,542,015	14,423,301
2005	147,921,271	1,639,002	146,282,269	11,268,758
2006	155,780,786	2,130,786	153,650,000	21,551,581
2007	160,386,661	9,853,065	150,533,596	34,274,142
2008	128,607,741	3,925,220	124,682,521	6,040,933
2009	128,616,164	2,269,388	126,346,776	6,331,307
2010	126,771,523	2,468,752	124,302,771	10,636,126

Investments and Related Job Creation

In conformity with Section 18 of Chapter 816, MCRC 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 Chapter 816, MCRC 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 MCRC:

Year	Qualified Investment Made During the Year	Investment and Reinvestment in General Obligations of Commonwealth	Estimated Number of Jobs Created or Maintained	Cumulative Estimated Number of Jobs Created or Maintained
2001	\$27,489,243	\$17,272,513	406	16,907
2002	12,772,932	14,436,112	141	16,048
2003	10,250,000	14,403,433	598	16,646
2004	10,980,250	11,395,796	310	16,956
2005	10,980,250	33,358,209	291	16,976
2006	20,350,000	40,265,761	620	17,602
2007	12,300,085	13,976,200	295	17,897
2008	14,475,000	18,027,368	501	18,398
2009	17,200,000	12,290,080	85	18,483
2010	16,525,000	52,639,553	293	18,776

MANAGEMENT

Board of Directors

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

Committees of the Company

At December 31, 2010, the authorized and standing committees of MCRC were the Executive Committee, the Investment Committee, and the Financial Coordinating Committee (aka the Audit Committee and the Budget Committee). In earlier years within the examination period, there also had been an Operations Committee which had concerned itself with the organization and operation of MCRC.

Executive Committee. At December 31, 2010, the Executive Committee was composed of General Partners as follows:

<u>Committee Member:</u>	<u>Business Affiliation or Position:</u>
Jonathan Chiel, Chair	General Counsel, John Hancock Life Ins Co
Richard Bourgeois	Senior Vice President, Massachusetts Mutual Life Ins Co

Investment Committee. The Investment Committee evaluates and acts upon specific investments. According to Section 15 of Chapter 816, the Governor has the right to appoint one member of the Investment Committee who shall be a disinterested person with expertise in the field of investments. The public member has not been appointed since 2007. At December 31, 2010, the Investment Committee was composed of the following:

<u>Committee Member:</u>	<u>Business Affiliation or Position:</u>
Willma Davis, Chair	Senior Vice President, John Hancock Life Ins Co
Kathy Lynch	Managing Director, Massachusetts Mutual Life Ins Co
William J. Torpey, Jr.	Chairman, Massachusetts Capital Resource Co

Financial Coordinating Committee. The Financial Coordinating Committee concerns itself with audit and budgetary matters. It was composed of the following at December 31, 2010:

<u>Committee Member:</u>	<u>Business Affiliation or Position:</u>
Pat Gill, Chair	Vice President (retired), John Hancock Life Ins Co
Richard Bourgeois	Senior Vice President, Massachusetts Mutual Life Ins Co

Officers

Daily activities of MCRC are administered by its Officers. At the meeting of MCRC's Executive Committee on December 21, 2010, the following were elected to the listed positions:

William J. Torpey, Jr.	Chairman
Richard W. Anderson	President-MCRC
Susan Schlesinger	President-Life Initiative

Joan Creamer McArdle	Senior Vice President-MCRC
Ben Bailey, III	Vice President-MCRC
Kenneth J. Lavery	Vice President-MCRC
Suzanne Dwyer	Vice President-MCRC
Kristen Harol	Vice President-Life Initiative
Michael Gondek	Vice President-Life Initiative

Conflict of Interest Procedure

MCRC has in place a written conflict of interest policy to which all of its employees are required to adhere. For the examination, MCRC provided confirmation signed by all staff and officers attesting to their adherence to this policy.

Corporate Records

Available minutes of the meetings of the committees of MCRC held from the date of the last examination through December 31, 2010 were reviewed. For that period, votes and authorizations were found to be in order and the records indicated that MCRC appeared to be conducting its affairs in compliance with its articles of Partnership and the Laws of the Commonwealth of Massachusetts.

FIDELITY BONDS AND OTHER INSURANCE

MCRC and Massachusetts Capital Resource Company Pension Plan are both identified as named insured on an employee dishonesty coverage form providing \$500,000 limit of insurance with \$50,000 deductible amount under a commercial crime policy. MCRC has sought to protect its interests further with workers compensation and employer's liability policy, a commercial lines policy covering commercial property and general liability risks, a group travel accident policy, and a commercial umbrella.

PENSION AND INSURANCE PLANS

MCRC provides various pension and insurance benefits to its employees. For employees at minimum age 21 years and minimum service of 18 months, a defined benefit pension plan is funded entirely by MCRC; plan assets are invested in mutual funds and benefits are based on years of service and employee compensation. There also is a defined contribution 401(k) plan funded by individual participants.

ACCOUNTS AND RECORDS

MCRC's records, ledgers, and accounts primarily are maintained using computer systems. For the examination, MCRC completed relevant portions of the NAIC questionnaire for evaluation of controls in information systems; for the most part, it uses readily and widely available, off-the-shelf, standard software programs for its processing needs. MCRC has a disaster recovery plan and arrangements for off-premises storage of back-up records which may be needed to provide for the continuity of business operations in the event of an emergency.

Officers of MCRC are actively involved in the direction of daily work activities. A review of the independent certified public accountant's workpapers on the subject of internal controls at MCRC revealed no material weaknesses or adverse comments. Based upon the examination work performed and with reliance on work performed by MCRC's independent certified public accounting firm, the examination concurs with the conclusions reached by the certified public accountants in regard to MCRC's internal control environment.

Although MCRC does not have the usual custodial or safekeeping agreement with a bank to provide indemnification for loss of any securities by the bank, it is recognized that MCRC does have protection through the customary banking account, investment account, and safety deposit box guarantees offered by its banking institutions.

FINANCIAL STATEMENT

The following financial statements have been prepared on a basis in conformity with accounting principles generally accepted in the United States of America.

Statement of Assets, Liabilities, and Partners' Equity
As of December 31, 2010

Statement of Income
For the Year Ended December 31, 2010

Statement of Changes in Partners' Equity
For Each Year in the Ten Year Period Ended December 31, 2010

For Informational Purposes Only

STATEMENT OF ASSETS, LIABILITIES, AND PARTNERS' EQUITY
As of December 31, 2010

	Per Company	Examination Changes	Notes	Per Examination
<u>Assets</u>				
Cash and cash equivalents	\$ 7,285,051	\$ 0		\$ 7,285,051
Funds held as agent	636,320			636,320
Short-term investment	-			-
Investments in obligations of the Commonwealth of Massachusetts	47,781,406			47,781,406
Investments in equity securities and LLCs	17,481,121			17,481,121
Long-term notes receivable (net of an allowance for losses of \$6,821,560)	51,491,121			51,491,121
Interest receivable	679,045			679,045
Fixed assets, net	295,514			295,514
Pension fund	957,881			957,881
Other assets	164,064			164,064
Total Assets	<u>\$ 126,771,523</u>	<u>\$ 0</u>		<u>\$ 126,771,523</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,832,432	\$ 0		\$ 1,832,432
Funds to be distributed as agent	636,320			636,320
Total Liabilities	<u>2,468,752</u>			<u>2,468,752</u>
<u>Partners' Equity</u>				
Contributed capital	100,000,000			100,000,000
Undistributed net income	16,620,899			16,620,899
Accumulated other comprehensive income	7,681,872			7,681,872
Total Partners' Equity	<u>124,302,771</u>			<u>124,302,771</u>
Total Liabilities and Partners' Equity	<u>\$ 126,771,523</u>	<u>\$ 0</u>		<u>\$ 126,771,523</u>

STATEMENT OF INCOME
For The Year Ended December 31, 2010

	<u>Per Company</u>	<u>Examination Changes</u>	<u>Notes</u>	<u>Per Examination</u>
<u>Revenues</u>				
Interest income:				
Short-term investments and investments in obligations of the Commonwealth	\$ 772,894	\$ 0		\$ 772,894
Long-term notes receivable	5,970,653			5,970,653
Dividend income	115,443			115,443
Net realized capital gains on sales of investments	9,039,411			9,039,411
Management fees	1,335,101			1,335,101
Other income	579,097			579,097
Total Revenues	<u>17,812,599</u>			<u>17,812,599</u>
Provision for losses on long-term notes receivable	2,200,000			2,200,000
Total Revenues, Net	<u>15,612,599</u>			<u>15,612,599</u>
<u>Operating Expenses</u>				
Compensation and related costs	4,229,078			4,229,078
Office, administrative, and other expenses	747,395			747,395
Total Expenses	<u>4,976,473</u>			<u>4,976,473</u>
Net Income	<u>\$ 10,636,126</u>	<u>\$ 0</u>		<u>\$ 10,636,126</u>

STATEMENT OF CHANGES IN PARTNERS' EQUITY
For Each Year in the Ten Year Period Ended December 31, 2010

	Contributed Capital	Undistributed Net Income	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2000	\$100,000,000	\$34,843,394	\$47,544,436	\$182,387,830
Comprehensive Income :				(209,467)
Net Income		12,997,929		
Other Comprehensive Income :				
Net Unrealized Gain			(15,207,286)	
Distribution to Partners		(21,597,202)		(21,597,202)
Balance, December 31, 2001	100,000,000	26,244,121	32,337,040	158,581,161
Comprehensive Income :				(14,853,779)
Net Income		3,008,944		
Other Comprehensive Income :				
Net Unrealized (Loss)			(17,683,715)	
Additional pension liability			(179,008)	
Distribution to Partners		(15,891,233)		(15,891,233)
Balance, December 31, 2002	100,000,000	13,361,832	14,474,317	127,836,149
Comprehensive Income :				
Net Income		9,505,451		20,925,489
Other Comprehensive Income :				
Net Unrealized Gain			11,241,030	
Additional pension liability			179,008	
Distribution to Partners		(5,821,483)		(5,821,483)
Balance, December 31, 2003	100,000,000	17,045,800	25,894,355	142,940,155
Comprehensive Income :				8,212,618
Net Income		14,423,301		
Other Comprehensive Income :				
Net Unrealized (Loss)			(6,101,872)	
Additional pension liability			(108,811)	
Distribution to Partners		(10,610,758)		(10,610,758)
Balance, December 31, 2004	100,000,000	20,858,343	19,683,672	140,542,015

STATEMENT OF CHANGES IN PARTNERS' EQUITY (continued)
For Each Year in the Ten Year Period Ended December 31, 2010

	<u>Contributed Capital</u>	<u>Undistributed Net Income</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Comprehensive Income :				17,022,493
Net Income		11,268,758		
Other Comprehensive Income :				
Net Unrealized Gain			6,385,178	
Additional pension liability			108,801	
Distribution to Partners		(12,022,493)		(12,022,493)
Balance, December 31, 2005	100,000,000	20,104,608	17,661	146,282,269
Comprehensive Income :				21,414,249
Net Income		21,551,580		
Other Comprehensive Income :				
Net Unrealized (Loss)			(137,332)	
Additional pension liability				
Distribution to Partners		(14,046,518)		(14,046,518)
Balance, December 31, 2006	100,000,000	27,609,671	26,040,329	153,650,000
Comprehensive Income :				21,956,650
Net Income		34,274,142		
Other Comprehensive Income :				
Net Unrealized Gain			(12,317,492)	
Adoption of SFAS 158			(113,441)	(113,441)
Distribution to Partners		(24,959,613)		(24,959,613)
Balance, December 31, 2007	100,000,000	36,924,200	13,609,396	150,533,596
Comprehensive Income :				(4,814,330)
Net Income		6,040,933		
Other Comprehensive Income :				
Net Unrealized (Loss)			(7,988,609)	
Additional pension liability			(2,866,654)	
Distribution to Partners		(21,036,745)		(21,036,745)
Balance, December 31, 2008	100,000,000	21,928,388	2,754,133	124,682,521

STATEMENT OF CHANGES IN PARTNERS' EQUITY (continued)
For Each Year in the Ten Year Period Ended December 31, 2010

	<u>Contributed Capital</u>	<u>Undistributed Net Income</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Comprehensive Income :				12,833,899
Net Income		6,331,307		
Other Comprehensive Income :				
Net Unrealized Gain			5,501,454	
Change in pension liability			1,001,129	
Distribution to Partners		(11,169,634)		(11,169,634)
Balance, December 31, 2009	100,000,000	17,090,061	9,256,715	126,346,776
Comprehensive Income :				9,061,283
Net Income		16,605,113		
Other Comprehensive Income :				
Net Unrealized (Loss)			(1,958,748)	
Change in pension liability			383,905	
Distribution to Partners		(11,105,288)		(11,105,288)
Balance, December 31, 2010	\$100,000,000	\$16,620,899	\$7,681,872	\$124,302,771

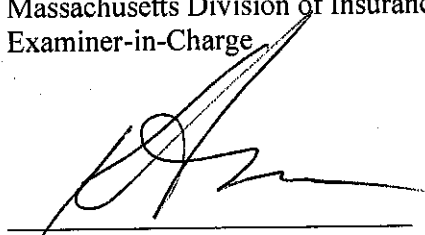
ACKNOWLEDGMENT

The undersigned examiners express their appreciation for the courteous cooperation of the officers and employees of the Massachusetts Capital Resource Company throughout the course of the examination.

Respectfully submitted,



Guangping Wei, CFE
Massachusetts Division of Insurance
Examiner-in-Charge



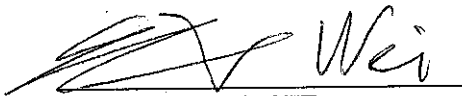
Kenneth Brenner, CPA, CFE
Massachusetts Division of Insurance
Supervising Examiner

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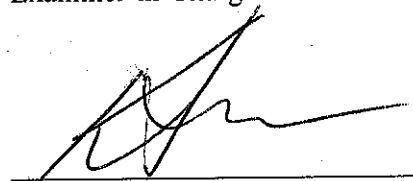
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Respectfully submitted,



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