COMMONWEALTH CAPITAL

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INVESTMENT POLICY STATEMENT
For
Commonwealth Capital Income Fund I

I. Purpose

The purpose of Commonwealth Capital's Investment Policy Statement (IPS) is to establish guidelines for the investable assets (the Portfolio) of Commonwealth Capital Income Fund I. This document shall apply to the Investment Committee, as well as all Investment Consultants and/or Fund Managers hired to assist with the management of the Portfolio.

Candidate Qualification.

1. Once the portfolio-company candidate has achieved a Sprocket Proof™ rating of 8 or greater may be offered a non-cash retainer engagement in its Corporate Finance Advisory Services to raise the larger amount of development capital (minimum $5,000,000 or a lesser amount agreed to by Commonwealth Capital) with convertible preferred equity.

   Or

2. Once the portfolio-company candidate has achieved a Sprocket Proof™ rating of 8 or greater and has raised $500,000 from personal and professional investor contacts using the Financial Architect® Seed Capital Producer™, the portfolio-company candidate becomes eligible for consideration by Commonwealth Capital for the matching $500,000 Note investment from Commonwealth Capital Income Fund-I or a non-cash retainer engagement in its Corporate Finance Advisory Services to raise the larger amount of development capital (minimum $5,000,000 or a lesser amount agreed to by Commonwealth Capital) with convertible preferred equity.

II. Investment Objectives & Constraints

A. **OBJECTIVES:** The objectives of the Portfolio are listed below, in descending order of priority:

1. **To loan seed capital to start-up and early stage companies that are willing to conduct two consecutive securities offerings as follows:**

Stage One: 1-Year Note offering:

Security: 1-year Senior Secured Convertible Note with preferred equity kicker as defined within the Financial Architect® Seed Capital Producer™.

Amount of the Offering: $1,000,000.

Commonwealth Capital Income Fund I Commitment: $500,000.

Terms of the Offering:

a) Notes to be 100% first lien security against company assets - excluding reasonable accounts payable. Lien to be perfected by a security agreement, as provided within the Financial Architect® Seed Capital Producer™, and registered at the county level of the issuer by the issuer.
b) Notes to pay an annual interest rate determined by the 5-year U.S. Treasury Rate plus 7% at the time of Note issuance, payable monthly.
c) Notes to mature no more than 1 year from the date of the Seed Capital Convertible Notes PPM issued by the company.
d) 50% or $500,000 of the $1,000,000 1-year Note is to be sold to the entrepreneur's personal and professional pre-existing contacts under Regulation D Rule 504 (alternatively and or under Title III); Regulation D Rule 506(b); or Regulation D Rule 506(c) (Title II), in compliance with federal and state(s) securities laws, rules and regulations, first. Once the initial $500,000 offering is complete and verified by Commonwealth Capital, along with other due diligence protocols being met, the Fund will match $500,000, dollar-for-dollar, raised by the portfolio-company candidate. After passing the investment policy committee review, the candidate then becomes funded and will be a portfolio-company of the Fund.

e) Note financing closing date shall be on the day that portfolio-company candidate receives $500,000 for the purchase of the 1-year Notes from Commonwealth Capital Income Fund-I. Thereafter, the portfolio-company candidate shall be known as the portfolio company.

f) The Notes are to be convertible into the portfolio companies' common equity to further enhance return potential. Issue Notes with a conversion into a percentage of the company's common voting equity so that the projected IRR upon conversion is no less than 20% annually, if common equity remains privately held with full conversion.[1]

g) The preferred equity issued as a kicker with the Notes shall be a minimum of 10% of the subsequent preferred equity to be issued during the Stage Two preferred-equity offering. The minimum Stage Two preferred-equity offering is $5,000,000 or a lesser amount agreed to by Commonwealth Capital. Therefore, the Fund shall receive 10% equal to a minimum of $500,000 par value. To account for a tax deferred capital gain, the preferred equity kicker shall be issued by the issuer at cost basis of $.01 per preferred equity unit or share. The preferred equity kicker is to be distributed, pre-preferred equity offering, and within 59-days of the closing of the Note financing.

h) 50% of Note principal to be paid equally to all Note-holders once the company has raised $2,000,000 in equity from Stage Two preferred equity offering, irrespective of time acquired.

i) 50% of Note principal balance to be paid equally to all Note-holders once the company has raised $3,000,000 in equity from the Stage Two preferred equity offering, irrespective of time acquired.

Once the candidate becomes a portfolio-company, it must engage in a subsequent securities offering of at least $5,000,000 (or a lesser amount agreed to by Commonwealth Capital) in preferred equity, within 60 days.

The portfolio-company is to use the Financial Architect System's Development Capital Producer™ with the following provisions:

Stage Two: Preferred Equity Offering:

Security: Participating Convertible Cumulative Callable Preferred Equity as defined within the Financial Architect® Development Capital Producer™.

a) The preferred equity is to provide substantial cash flow from *two* types of dividends: a stated cumulative dividend that is to be paid (or accrued) irrespective of profitability and a participating cumulative dividend that "participates" in a percentage of net profits.

[1] IRR calculations per the CapPro™ in use within the Financial Architect® program chosen.

i. Issue preferred equity with a cumulative stated dividend rate of no less than the rate determined by the 5-year U.S. Treasury Rate plus 7% at the time of preferred equity issuance (cash distribution), paid quarterly— within 15 days of the end of the fiscal quarter.

ii. Issue preferred equity with a cumulative participation dividend (cash distribution), paid annually— within 60-days of the end of the fiscal year, with a participation percentage rate sufficient so that the projected IRR is no less than 20% annually, if preferred equity remains privately held with no conversion.

b) The preferred equity shall replace and carry the first lien on assets for a period of 5-years to reduce financial risk.

c) The preferred equity is to be convertible into the portfolio companies' common equity to further enhance return potential.

i. Issue preferred equity with a conversion into a percentage of the company's common voting equity so that the projected IRR upon conversion is no less than 20% annually, if the company's common equity remains privately held with full conversion.

d) The preferred equity is to be callable to enable the portfolio companies' to re-finance with debt, the less expensive form of capital, to further enhance return potential.

i. Issue preferred equity with a Call-Protection period that extends so that the projected IRR upon conversion is no less than 20% annually, if the company's common equity remains privately held and the preferred equity is called.

IMPORTANT NOTE: All IRR calculations are easily accomplished simultaneously with the CapPro™ within the Financial Architect® program chosen.

To provide Corporate Finance Advisory Services at no cash cost to the issue as follows:

a. Portfolio-company is willing to issue a minimum $5,000,000 (or a lesser amount agreed to by Commonwealth Capital) in convertible preferred equity securities with attributes mutually agreeable between the portfolio company and Commonwealth Capital, the "Parties."
b. Portfolio-company is willing to execute and abide by the appropriate **Corporate Finance Advisory Services (CFAS) Agreement for the Fund, as follows:**

i. CFAS for Operating Companies.

ii. CFAS for Fund Mgmt. Co.s

iii. CFAS for Funds.

B. **CONSTRAINTS:** The Portfolio is also subject to the following constraints:

1. The Portfolio shall only invest in U.S. based companies.
2. The Portfolio shall only invest in companies that management believes can conduct two consecutive securities offerings in compliance with federal and states(s) securities laws, rules and regulations.
3. The Portfolio shall only invest in companies that project a breakeven point by year 3 in their pro forma financial projections.
4. The Portfolio shall only invest in companies that agree to the following:

i. **Fiscal Year:** Unless otherwise agreed to in writing by Commonwealth Capital, the fiscal year and fiscal quarters for portfolio-company shall be based on a normal calendar year.

ii. **Accounting:** During the period of Note holding, the books and records of the portfolio-company shall be compiled by a certified public accounting firm and audited once the Stage Two financing has closed. Annual, as well as quarterly financial statements are to be sent to Commonwealth Capital within 30 days of the close of each period.

iii. **Corporate Governance:** Portfolio-company shall hold normal annual shareholders' meetings, which will include preferred equity holders. Commonwealth Capital does not request a board of directors (corp.) seat or managing member (LLC) position.

C. Description of Responsibilities

A. The responsibilities of each party involved in managing the portfolio are defined below:

1. **Investment Committee:** Each Investment Committee Member shall attend monthly portfolio meetings through online video conferencing or as otherwise specified by Commonwealth Capital. The Investment Committee shall provide written investment instructions to the Fund Manager, who shall implement the instructions.

2. **Fund Manager:** Fund Manager shall follow the written directives of the Investment Committee.

3. **Fund Manager:** Fund Manager shall manage Fund Manager's department within the budgets as established by Commonwealth, and in relative concert with the pro forma financial projections, as amended from time-to-time by Commonwealth.

D. Fiduciary Duty

A. In seeking to attain the investment objectives set forth in the Investment Policy Statement, the Prudent Investor Rule shall apply, which states that the Investment Committee is under a duty to Commonwealth Capital Income Fund I to invest and manage the Portfolio as a prudent investor would, as described below:

1. The exercise of reasonable care, skill, and caution that is applied to investments not in isolation but in the context of the Portfolio and as part of an overall investment strategy, which should incorporate risk and return objectives reasonably suited to the Portfolio.

2. In making and implementing investment decisions, the Investment Committee, directed through the Fund Manager, has a duty to diversify the Portfolio unless, under the circumstances, it is prudent not to do so.

3. In addition, the Investment Committee must:

   a. Conform to fundamental fiduciary duties of loyalty and impartiality;

   b. Act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents (i.e. Investment Consultants and/or Fund Manager(s));

   c. Incur only costs that are reasonable in amount and appropriate to the management of the Portfolio and in relative concert with the budgets within the pro forma financial projections, as amended, by Management of Commonwealth Capital.

B. The Prudent Investor Rule is based on the following five basic principles:

1. Sound diversification is fundamental to risk management and is therefore ordinarily required of the Investment Committee;

2. Risk and return are so directly related that the Investment Committee has a duty to analyze and make conscious decisions concerning the levels of risk appropriate to the purposes, distribution requirements, and other circumstances of the Portfolio;

3. The Investment Committee has a duty to avoid fees, transaction costs, and other expenses that are not justified by needs and realistic objectives of the Portfolio;

4. The fiduciary duty of impartiality requires a balancing of the elements of return between production of income and the protection of investment principal;

5. The Investment Committee has the duty and the authority to delegate as prudent investors would.

E. Conflicts of Interest

A. Any person or organization involved in the oversight or management of the Portfolio (a Covered Party) should adhere to the following guidelines regarding conflicts of interest:

1. No person on the Investment Committee, including the Fund Manager, shall have a direct or indirect ownership interest in any portfolio-company candidate prior to funding.
    i. Direct interest shall be constituted by an ownership interest in a portfolio-company or portfolio-company candidate by an Investment Committee Member (or intimate or extended family members) or trust on their behalf.
    ii. Indirect interest shall be constituted by an ownership interest in another entity that has an ownership interest in a portfolio-company or portfolio-company candidate by an Investment Committee Member's (or intimate or extended family members) or trust on their behalf.

F. Investment Philosophy

A. The basic tenets upon which the Investment Policy Statement is based include the following:
    1. Return of investment (Note) principal within 1 year of investment;
    2. Obtain preferred equity kicker from portfolio-company;
    3. Introduce portfolio-company to broker dealers to further the success of achieving Stage Two preferred equity offering;
    4. Direct, through securities offering document templates in The Financial Architect System™, broker dealer marketing support, internal controls, and corporate governance.

G. Asset Allocation Guidelines

A. The Portfolio's asset allocation strategy, including permissible asset classes and applicable guidelines, is described below.

1. Strategic Asset Allocation: Strategic Asset Allocation based on expected returns, volatility, and the unique risk of each portfolio-company and candidate. There is no allocation based on any specific criteria or need of any individual investor in the Fund.

2. Tactical Asset Allocation: Tactical Asset Allocation: Strategic Asset Allocation based on expected returns, volatility, and the unique risk of each portfolio-company and candidate. There is no allocation based on any specific criteria or need of any individual investor in the Fund.

3. Asset Class Constraints: The weighting of each asset class shall be constrained within +/- 20 % of the Strategic Asset Allocation targets. This constraint serves as a trigger to rebalance the portfolio, as well as a constraint within which tactical shifts to the portfolio must remain.

4. Rebalancing: A rebalancing of the portfolio shall take place if the weighting of any asset class is outside of the Asset Class Constraints, annually or when prudent. A rebalancing of the portfolio should bring the weightings of each asset class listed above back in line with its Strategic Asset Allocation target, unless there has been a tactical change within an asset class, for which the rebalancing shall bring the weighting back to the target Tactical Asset Allocation for that asset class. Various costs of rebalancing will be considered prior to rebalancing the entire portfolio.

H. Asset Class Definitions

A. U.S. Fixed Income: Non-Investment Grade Debt

1. Eligible Securities:
   i. 1-year Senior Secured Notes or 1st Mortgage Notes with preferred equity kickers of the issuing entity, i.e. the portfolio-company.

2. Excluded Investments:
   i. Debt in mineral extraction companies – as they are not eligible for Regulation D Rule 504 or Title III exemption from registration.

ii. Any company involved in improper use of media, film, press or otherwise determined by the Investment Policy Committee. Improper use would include but not necessarily be limited to: pornography, political propaganda, etc.

I. Monitoring Portfolio Investments & Performance

A. The portfolio-company shall prepare an annual report and quarterly performance reports, which should include the company's financial performance, with the appropriate financial statements compiled by a CPA firm, and securities compliance report addressing all applicable guidelines defined in the Investment Policy Statement and prepared by portfolio-company's securities lawyer.

A. Fund Manager(s) may be terminated for any of the following reasons:

i. Collusion with any portfolio-company that is in conflict with any of the provisions of the Investment Policy Statement;

ii. Breach of any provision within this Investment Policy Statement.

iii. Breach of any provision within the Executive Compensation Agreement in regard to portfolio-company confidentially.

J. Investment Policy Statement Review

A. Any of the following shall trigger a review of the Investment Policy Statement:

1. A change to the Fund's Investment Objectives.

2. In the absence of any change to the Fund's Investment Objectives, the Investment Policy Statement shall be reviewed by the Investment Policy Committee annually.

END OF INVESTMENT POLICY STATEMENT