

Field Guide For Local Investing



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Introduction

Washington State University Extension and The Association of Washington Cities (AWC) have partnered on a pilot project to help elected officials in small cities in Washington get more involved in community wealth building. Our project seeks to introduce, build capacity for, and eventually scale a financing mechanism for new and existing businesses called Local Investment Networks (LIN). A LIN presents an opportunity to bring residents of a community together around a common goal: to build wealth in their community by keeping local capital rooted in the local economy.

Port Townsend was the first community to start a LIN and has had such great success that they have become the model for several other communities around the country. This is the model we have been following. In order to share what we have learned throughout our project thus far, we created this Local Investment Field Guide as an introductory resource that outlines the basic steps of how to start a network. We hope what you find here will help you launch a LIN in your community.

If after reading through this Field Guide, you are still interested in starting a network in your community, please refer to the Local Investing Resource Center¹ for more in-depth information on Local Investment Networks.

Some of the information for this guide was sourced from the Local Investing Resource Center which was created and curated by James Frazier with contributions from Linzee Weld.

What is a Local Investment Network?

A Local Investment Network (LIN) connects local investors with local business owners who need capital. But, it's not a bank, or an investment club, or a financial institution of any kind.

For businesses, LIN is an alternative to banks and other commercial lenders. The post-recession credit market has tightened, and LIN offers businesses an alternative to borrow money from those who are your neighbors, customers, and others interested in your success.

For investors, LIN is a way to see where your money is going, and who it is helping. It enables you to invest in what you know and can see, local businesses.

¹ <https://www.local-investing.com/how-to/local-investing-clubs-and-networks>

Many people need to be involved such as, citizen investors, business owners, local economic development councils, elected officials and others. Successful local investment networks are started at a grassroots level by ordinary people that care about the businesses in their communities.

How does the connection between business and investor work?

1. A business contacts the LIN and submits an application. A LIN contact person directs the application and funding opportunity to relevant investors in the network.
2. Interested investors contact the business and vet the opportunity.
3. A deal is negotiated and funded.
4. Establish Automated Clearing House (ACH) payments and continue involvement with the business owner/borrower.

What are the pros and cons?

Pros

- The level of familiarity and knowledge that comes with a local investment can provide investors with greater insight into the business.
- Interest rates on loans generally reflect the higher risk premium.
- Dividends and repayment may also take the form of in-kind payment.
- The rewards are more than financial; by investing in a local enterprise you support your local economy and increase the local quality of life.

Cons

- Private transactions carry risk. There is no regulatory oversight or recourse, and investors must conduct their own due diligence.
- If loans are unsecured, the investment could potentially be lost if the business fails.
- Equity investments are likely to be illiquid and long term, with no easy way to cash out.

State and Federal Securities Guidelines

Businesses seeking capital via a public offering are typically required to perform various disclosures and filings. This can make it challenging for entrepreneurs or existing small business owners who might be trying raise capital in a timely and/or inexpensive way.

There are two exemptions that this program is based upon that allow for an investment between a member(s) and a particular business.

- 1) **Isolated transaction exemption – sales not involving a public offering.** This exemption involves a maximum of three members making an isolated transaction with a business within a 24-month period. There is no maximum dollar amount

and the transactions can be at the same time or different times. For more information and to be sure you are in compliance, please refer to [WAC 460-44A-050](#).

- 2) **Private offering exemption.** This exemption allows for transactions not involving a general solicitation because there is no “offer” involved or because there is a preexisting, substantive relationship between the member(s) and the business. For more information and to be sure you are in compliance, please refer to [Rule 506 of Regulation D of the Securities and Exchange Commission](#).

How to Start a Local Investment Network

1. **Assess community readiness.** Do residents really care about the community, and is there a sense of folks wanting to help? This step is crucial to determine whether the LIN will work. No need in investing the time if the community is not ready. Feel free to contact WSU (contact information at the end of the Field Guide) with questions or concerns.
2. **Community assessment**
 - a. **Engage experts in the community.** Talk to the lending experts, business consultants and advisors, organizations that support local business, elected officials and other relevant agencies and experts that can help determine the need for a local investing network.
 - b. **Gather data.** Collect data on the available lending options for small businesses. You can collect data through formal interviews, surveys, questionnaires or listening sessions. It is up to you on how you want to collect the data.
 - c. **Conduct analysis.** Compile the data and input from local experts to determine whether you should move forward with the local investing network.
3. **Understand community networks**

The local experts can help guide this assessment. You need to know the groups and entities working in the small business and entrepreneurship sphere to make sure lack of affordable capital is in fact a need. Some communities already have programs in place to assist with this need.

Who are they? Make a list. These are the people you should be talking to.

Formal

Rotary clubs, Churches, Animal clubs (e.g. Elks, Eagles etc.), Chambers of Commerce, City government, Economic Development Councils

Informal

exercise class, bingo, networking functions

4. **Identify a champion.** A community champion could be anyone; a public official or just a committed concerned citizen that will work hard to turn your project idea into a reality. To have success with any community project you must have a champion, someone that has passion about this project, knows the right people, and is trusted by business owners and potential investors.
5. **Form a group of volunteers/investors.** Building the right group is going to be important to your success. You'll need a group of investors that are excited about local investing and have some capacity to support it.

You could include Chamber members, City government, retired business people, organizational partners and those with good partnerships/relationships that will help shape the process.

These members should be like-minded and agree on the focus of the LIN, e.g. agriculture-related businesses, start-ups only, or any type of business, etc. It will also be helpful if someone on your team understands federal and state laws and regulations about local investing or at least be willing to learn.

Chewelah: The core group included the Mayor, WSU extension personnel, an experienced loan fund board member, a financial advisor, and several current and retired business owners.

Sequim: The core group that included a former local investor that had relocated from another area, WSU extension personnel, the Small Business Development Center, the Chamber of Commerce and city officials.

6. **Define geographic area or industry.** Your group will want to define the geographic area that you will serve. Will it be just the downtown core, within the city limits, county or other definition? It is important to establish your region of lending so you can outreach to businesses and entrepreneurs in that geographic region. For example, if you only wanted to lend in Chewelah, WA then you would not accept nor recruit businesses from Seattle, WA. This narrow focus allows the investor and entrepreneur to have an existing relationship in order to satisfy the requirements outlined by the Securities and Exchange Commission.

Another thing to decide on is your industry of focus. Will you lend to start ups, new businesses, seasoned businesses, only on Main Street? Will you have an agriculture-related focus or will your group want to look at any and all types of businesses needing capital?

Chewelah: Decided that they didn't want to rule any business out and would look at any proposal, at least to start. Chewelah didn't put a strict geographic rule in place although they preferred to serve businesses in the area. They were not opposed to looking at proposals from neighboring small cities.

Sequim: Identified the area of focus as Sequim, but did not want to exclude businesses or investors right outside the city limits. Sequim also started an investment club, as defined by the IRS, of investors that is only lending to agricultural related businesses.

7. **Finding the right partners.** This step is very important to your success and building credibility in your community. You will need some or all of these partners:

- WSU Extension - Education and outreach.
- City government - Records of licensed businesses to help with outreach.
- Chamber of Commerce - Identification of businesses, and a good source for helping find local investors.
- Economic Development Council or District - Resource for education/training.
- Revolving Loan Fund/ Microenterprise organization - Technical Assistance and financing.
- Local banks and credit unions - Potential businesses that might need capital from your network.
- Senior Core of Retired Executives (SCORE) counselors/Small Business Development Centers (SBDCs) - Education and help with business plans for small businesses.
- Entrepreneurial clubs - Networking.

Chewelah: WSU Extension started the local investment network idea by first doing some presentations to the Chamber of Commerce and the City Council. We then spread the word to business owners and other civic-minded citizens and issued a news release in the local newspaper. We also had the help of the local Economic Development District (TEDD).

Sequim: We found a group of about eight people already in the beginning phase of starting an investment club and joined forces with them. This group had already decided that they wanted to focus on business that supported local agriculture.

8. **Develop a name for your network**

This may not seem important but a name can provide identity and brand recognition

throughout your community. The individual networks should come up with a name for their LIN.

Chewelah: Invest Chewelah
Sequim: COIN (Clallam Opportunity Investment Network)

9. **Agree on a mission or vision statement**

Like any good business, your network needs to develop a short mission statement to guide the direction of the network. Each network will be customized to their specific communities served. Keep it short and sweet.

Port Townsend (LION): “Our mission is to build prosperous local businesses, keep investing money in our community, and help build a more resilient and sustainable economy in East Jefferson County.”

10. **Determine roles and responsibilities**

Roles of the membership are important to determine so that outreach, training and events run smoothly and one person isn't responsible for too much. Consider these or other roles:

- Leader
- Events Coordinator
- Membership
- Outreach and Communications
- Notes and record keeping
- Website and social media

Try to rotate positions to avoid over working a particular member.

11. **Identify local businesses**

Now to the fun part. You need to find those businesses in your community that could benefit from the network. Who in your network knows these business owners? They are the ones that will be best suited to approach them. To start, you will need to seek out potential businesses by asking them to participate in a business spotlight, but once word of the network is spread, the need for outreach will slow down.

12. **Listen and Learn**

Find out what needs are most common. Is it access to funding or some other type of assistance that's needed?

13. **Organize information**

Keep good records of folks that need help and those that want to help and make sure you keep them notified of the process

14. Create a communications strategy

What is the best form of communication in your community?

- Radio
- Social Media
- Newspaper- News release, feature story
- Community television
- Flyers on community boards
- Email
- Announcements at meetings
- Personal invitations

Chewelah: Newspaper is good but word of mouth works the best. We did PowerPoint presentations to the Chamber of Commerce and had one-on-one conversations with business owners in the downtown area. We also spoke to the City Council to get their approval. This gave more credibility to the project with common approval from more than one entity.

Sample News Release

News Release

Contact: xxxx
Telephone: xxxx
Email: xxxx

For Immediate Release

Investing in Local Business with Local Dollars

As this nation continues the struggle to recover from the Great Recession, entrepreneurs will play a vital role in creating jobs and expanding the economy as they currently create 60-70% of the new jobs in this country. But many businesses fall victim to one major barrier: Access to Capital. Since the 1970's, there has been a steady decline in accessing capital by small businesses alongside, per capita, a steady decline in the creation of jobs. A recent study by Pepperdine University asked small business owners their thoughts on best policy instruments to help spur U.S. job creation. The one of the top answers was: "increased access to capital." The story only gets worse in rural areas as the economic downfall caused many lenders to retreat from rural areas leaving vacant buildings and lost opportunities for rural businesses to get started.

WSU Extension and the Association of Washington Cities are partnering on a project to explore and test an innovative local investment approach that provides access to capital and engages the community in the success of individual businesses. This is

about providing information and opportunities for local people with small amounts of money to invest and businesses that need capital.

It's about connecting the dots between socially-minded citizen investors and locally-owned business and it's about communities investing in themselves.

Three cities have been selected to participate initially, Chewelah, Davenport and Sequim. Surrounding cities and unincorporated areas are also welcome to participate. Similar clubs have been successfully started in other larger cities but the Port Townsend L.I.O.N. (Local Investment Opportunity Network) Club is one that we will mirror closely because of their great success.

The project will introduce opportunities for local residents to invest locally in businesses they know and for businesses to find funding through an alternative method. We will offer basic investor training in each location during the next couple months. So if you are interested in investing in your community or if you have an existing business or need startup capital, please contact xxxx at xxxx or email xxxx.

Persons with a disability requiring special accommodations while participating in this program may call WSU Stevens County Extension 509-684-2588. If accommodation is not requested in advance, we cannot guarantee the availability of accommodation on site. Extension programs and policies are consistent with federal and state laws and regulations on nondiscrimination regarding race, color, gender, national origin, religion, age, disability, and sexual orientation. Evidence of noncompliance may be reported through your local Extension office.

15. **Create a work plan/timeline**

Who's on your team and what are their roles?

What do you want to accomplish and by when?

Example: Methow Investment Network (MIN) work plan/timeline:

Partners

TwispWorks: Local champion, convener, administrator and host

Washington State University: Technical expert on start-up, facilitator

Goal

To set up two new avenues for business funding in the Methow:

Local Investment Opportunity Network (LIN) for the Methow Valley, "Methow Investment Network" with an active investor base and regularly updated opportunities.

Context

The Methow Investment Network is part of a range of lending opportunities available to local small businesses, including:

North Cascades Bank (Twisp) Business Loans – Traditional lines of credit, working capital loans, FSA Guarantee Loans, capital investment financing.

Farmers State Bank (Winthrop) Business Loans – Locally-made loan decisions for agriculture, commercial real estate, revolving lines of credit, term loans for business expansion or equipment purchase.

Okanogan Electric Cooperative Revolving Loan Fund – USDA-funded loans for business start-up or expansion; 10-year term, 0% interest with a one-time 1% administrative fee; must meet high standards of credit worthiness and ability to repay the debt.

Methow Investment Network – Direct investor to business loans with amounts and terms negotiated directly between the lender and recipient. TwispWorks administers the network, providing confidential information on opportunities to investor members.

Methow Revolving Loan Fund (FUTURE) – Locally-made loan decisions for private business start-up and expansion; administered through OCEC and TwispWorks; 0% interest loans with a one-time, 1% administrative fee.

Process

Step 1: Gauge investor interest and opportunities.

Who: Don

What: Phone calls and one-on-one conversations with donors who have indicated desire to invest.

When: January

Step 2: Gauge business owner level of interest.

Who: Hannah

What: Phone calls and one-on-one conversations with businesses who have indicated need for additional financing options.

When: January

Step 3: Open conversation to broad community.

Who: Don, Hannah, and WSU Extension; potential investors and recipients; civic leaders

What: Host conversation on the network to hear about community needs, provide chance for people to learn more about the network, answer questions and air concerns.

When: February 8th and late February

Where: Methow Valley Community Center

Step 4: Launch!

Who: Don, Hannah, and WSU Extension

What: Formalize rules and responsibilities, take in investor applications, begin circulating short list of opportunities (ideally 3+ at beginning); hold kick-off networking function, develop information on TwispWorks website.

When: March-April

Where: Methow Valley

Step 5: Educate and inform participants.

Who: Hannah and Jordan/Anthony

What: Hold an investor training and a “how to pitch” training for recipients.

When: April

Where: Methow Valley (‘how to pitch’ and investor trainings)

Step 6: Administer and ensure “deal flow”.

Who: Hannah

What: Contact investors quarterly for feedback, advertise quarterly in local publications and radio, provide personal encouragement for people to apply.

When: Ongoing

16. Training

There are two very important events associated with successful LINs that merit training prior to them: a) investor training and business pitch training. The investor training is for interested investors and covers the basics of what to look for when evaluating an investment opportunity and how to invest. The pitch training is for business owner/operators that are interested in finding investment via the LIN and it covers the basics of how to present your business model, the opportunity, and the impact. Both of these trainings are offered by WSU Extension.

Chewelah: Advertised two separate training opportunities on local investing. Eight people attended the first class and five attended the second class. TEDD and WSU Extension staff provided the investor training for this group. Each training session was two hours.

These were folks that had never invested locally before but were interested in 1) the idea of getting a small return on their investment, 2) being able to choose and watch their investment, and 3) being part of the success of a small business in their own community that they cared about.

Sequim: Held a beginning and an advanced training class for about 20 people. Someone from the local EDC and a retired loan officer helped to conduct the training along with WSU Extension staff conducted the training.

17. Develop Web Site

This can take the form of a simple Squarespace website to a customized site with locally sourced graphic design. This is entirely up to you, but the goal of the website is to provide information to interested businesses and investors.

Website companies online

- Square Space – www.squarespace.com
- Wix – www.wix.com
- Go Daddy – www.godaddy.com

Creating an Entrepreneurial Spotlight Event

1. **Choose a message.** The business spotlight is a networking event. You can choose a topic or training piece and then have the businesses present so people continue to attend the spotlights. It becomes more than just listening to some businesses and leaving.
2. **Choose a venue.** The venue must comfortably accommodate the amount of people you expect. You will want to make sure it's big enough to allow people to move around and network. Also there may be a need for a screen and projector for some presentations. A place where you could have food and drinks available is another incentive to get attendees. You may be able to get space donated by a business that is being featured.

Chewelah: Held their event in a wine bar. The owner donated the space and appetizers. Attendees were allowed to purchase beverages.

3. **Select and prepare the business presenters.** You could choose the businesses or you could have them apply to be in the spotlight. Anywhere from 3-12 presentations at 5-10 minutes each is acceptable depending on the time frame you choose. You will want to allow time for Q & A after each presentation or hold all questions until the end. It's recommended that the business owners that are pitching are well-prepared with their presentations and a Q&A session.

Chewelah: Chose to personally invite (hand pick) 5 businesses that were either start-ups or less than three years in business. There were 5 presentations between 5-10 minutes each and then an hour for networking. Some of these businesses were not looking for financial help but rather, some other type of resource or just plain exposure. It was run similar to a business social.

Sample Invitation

Business Owner Invite
(example for Chewelah)

Thank you for your participation in Chewelah's first Entrepreneurial Spotlight! To help you prepare, keep these ideas in mind for your presentation.

Introduce yourself and your business to the audience (what your business does, who you serve, what needs you meet, what kinds of impacts you have or could have on the community, etc.), speak about your personal history and business experience, values, ties to the community, the opportunities and challenges you face, and what

kind of **nonfinancial** support or resources you are seeking (such as mentoring or introductions to certain people or resources).

We will start the evening off with a short welcome by the Mayor and then dive right into 5-10 minute presentations by small businesses like you. I plan to have no more than 5 presentations to save time for a social hour afterwards. This time will be for you and potential investors to connect and start building relationships.

Please let me know if you will be using a PowerPoint or need any special space, technology or assistance. Call me if you have any questions.

4. **Create Agenda for Event**

Now that you have lined up the businesses and the location, start to compile an agenda for the evening. Below is the sample agenda used for the Chewelah Business Spotlight.

Sample Agenda

Chewelah Entrepreneurial Spotlight (invite only)
Working Agenda and Notes
March 31
6:00 pm at ChewVino

5:00	Room set up Table for refreshments No host bar Resource table
6:00 – 6:20	Sign in <ul style="list-style-type: none">• Name tags and sign in sheet• Note pads and pens• Drink and appetizer service• Donation jar to help fund the next event?
6:20 – 6:35	Welcome and Purpose and MC Krisan <ul style="list-style-type: none">• Cell phones off- no recording• AWC and WSU Partnership• RSGaB history• Challenges and opportunities that small businesses face and inspire everyone to work together to support their local businesses in a variety of creative ways to promote community health.• Desired outcomes: community/relationship building, non-investment support for local businesses such as

promotion, mentoring, and facilitating connections to helpful resources.

- Follow-up
- Introduce themselves and their business to the audience (what their business does, who they serve, what needs they meet, what kinds of impacts they have on the community, etc.), speak about their personal history and business experience, values, ties to the community, the opportunities and challenges they face, and what kind of nonfinancial support or resources they are seeking (such as mentoring or introductions to certain people or resources).
- Money and service to your values rather than life and service to your \$.
- Unusual partners

6:35	Mayor's State of the business community	Dorothy
6:45	Paul's a Coffee Bar Success story against the odds	Paul
6:55	Terrace Grill	Angela
7:05	Mondos	Kim
7:15	Break	
7:30	Main St. Bistro	Jodi/Craig
7:40	Quartzite Brewery	Patrick/Jake
7:50	Questions and closing statements	

ChewVino stays open until 9:00 for social hour. Time for connections to be made and one on one time between participants.

Other notes: Bring business cards and info for resource table

5. Invite Investors

Now that you have created the agenda, it is time to invite investors. This is an informal, networking event that should be fun and enjoyable to attend. Investors just need to be aware that they are attending to hear business spotlights and that the onus is on them to engage in conversations of an investment nature with each business. No business will solicit funds without prompting at these events.

Sample Investor Invitation

Investor Invite
(example from Chewelah)

Hello,

We have finally made it to the time in our project where we hold the Entrepreneurial Business Spotlight. This is a time for local small business owners to stand up, introduce themselves and talk about their businesses. This is not a time for them to “ask” for funding or capital. If it’s needed, after their presentation we will have a social hour where you may have one-on-one conversations with the business owner that you’re interested in and ask the \$ questions.

Not all of the business owners are looking for loans. Some may just want to introduce their business, a concept or just need your help in promoting them. We will have 4-6 short 5-10 minute presentations.

Two reminders:

- The business presenters can’t publicly make it known that they are looking for funding. This is a way to meet them and establish a relationship to them that falls under the friends and family exception to the securities laws.
- This first event is invite only. It is not open to the public. You as investors and community partners will determine how this group will function in the future. We will meet at a later date to determine how Invest Chewelah will move forward. If you know someone that we should invite, please let me know ASAP.

Thank you and we look forward to seeing you.

6. Materials needed:

- Sign in sheets
- Resource table
- Screen
- Projector
- Computer

Success Story

The Methow Investment Network

Started in March of 2017, this investment network was championed by a local non-profit in Twisp, WA called TwispWorks whose mission is “to increase the economic vitality of the Methow Valley through agriculture, education, technology, arts, and culture.”

As reported by the Methow Valley News and the Methow Investment Network, over the course of its first year, the network achieved the following:

- Received 68 inquiries from local businesses
- Attracted 39 local investor members
- Received 13 formal applications for funding
- Funded seven local businesses (six loans and one equity investment)
- Invested \$881,000 into the local economy
- Created at least 15 new jobs
- Established an informal mentorship network

“It blew our expectations out of the water...we have five deals that have been 100-percent funded. Four manufacturing companies and another service business. Two more are almost completely funded.” – Hannah McIntosh via [Methow Valley News](#)²

“A big measure investors use [to decide whether to fund a proposal] is jobs...[I]t’s all about jobs. The three-year projection from companies that have gotten investments is that they’ll be able to hire 15 more people.” – Hannah McIntosh via [Methow Valley News](#)²

The MIN was able to build a mentorship component to their investment network that organically developed once the network got its legs. Investors started providing one-on-one mentorship to local businesses associated with the network and provided over 100 hours of consultation in sales, marketing, strategic planning, and other business related areas. – Twisp Newsletter February 2018

“A side benefit of this, that is bigger than I anticipated, is the mentoring hours...[A]lot of investors are retired or partially retired after successful careers, so they have a lot of expertise. They have the time and the interest.” - Hannah McIntosh via [Methow Valley News](#)²

² <http://methowvalleynews.com/2018/01/24/methow-investment-network-boosts-growth-in-local-economy/>

Lessons Learned

Clallam Opportunity Investment Network (COIN):

An initial challenge was finding someone/an individual, to champion the network. They started with a steering committee that put a foundation to the network but still needed to find someone in the community to run with it.

An on-going challenge has been marketing/advertising the network across the county to interested businesses. Most of it had been word of mouth via friends and family. The local newspaper ran a story about the network but it didn't create the kind of momentum that it had hoped for so to address this challenge, the network developed a website clallamopportunityinvestmentnetwork.com for getting the word out and a network email clallaminvests@gmail.com for receiving new business opportunities.

ThINK (Thurston Investment Network):

The investment network is run and managed by the Thurston Co. EDC and so an ongoing challenge has been to find funding to subsidize the cost of developing and managing the network. The employees of the EDC were so passionate about the network that they took it upon themselves but have come to realize that funding is necessary for the ongoing development of the network.

Resources and Links

- Local Investing Resource Center - <https://www.local-investing.com>
 - website developed by James Frazier that has video and articles about starting your own Local Investing Network.
- Business Alliance for Local Living Economies (BALLE)– www.bealocalist.org
 - By connecting leaders, spreading solutions, and attracting investment toward local economies, BALLE advances the Localist Movement to create real prosperity for all. Real prosperity begins at the local level with entrepreneurs who are re-imagining their industries, funders who are investing in local economies, and leaders who can mobilize on a broad scale. Together, we can — and will — create a stronger, more resilient, and fair economy.
- Local 20/20 - <http://l2020.org/economic-localization/lion/>
 - This is the Port Townsend site that has information about membership and other resources that can be helpful when you start.

Forms

The following forms include a 1) **sample member agreement**, 2) **sample member application**, and 3) **sample investing opportunity form**:

Sample Member Agreement

Membership Agreement

I. Mission Statement: creates opportunities for local individuals, businesses, and local investors to network, build prosperous local businesses, keep investing money in our community, and help build a more resilient and sustainable economy in the area.

II. Membership Process:

A. Membership is intended for local investors and local investing entities, and is open to any individual or entity that is sponsored by an existing member.

B. Applicants must submit a membership questionnaire to the new membership contact person and receive the Membership Agreement for their review.

C. The applicant's questionnaire is e-mailed to members, and they have two weeks to review it.

D. If, within two weeks, no members ask to discuss the application at a meeting, the applicant is automatically approved for membership.

E. If the application goes to a meeting discussion by request of any member, then a quorum and majority vote is required to approve the applicant for membership.

F. Once the applicant is approved for membership, the applicant must sign the Membership Agreement and attend a new member orientation organized by their sponsor to confirm their membership.

G. Confirmed members will be added to the e-mail list and will be eligible to begin receiving investing opportunities, including those that were submitted prior to their confirmation.

H. Members of shall remain members until 1) they request to leave the group, 2) they are removed by majority vote, or 3) ceases to exist.

III. Membership Questionnaire:

People applying for membership must provide:

A. Basic contact information

B. Name of sponsor member

C. Brief investing background & reasons for joining

D. Types of investments desired. This information is for informational purposes only, and is not used to screen investments for _____ members.

E. Optional: Approximate amount of funds currently invested locally, and approximate amount available for future local investing. This is not a commitment. Answers help _____ track its members' collective financial resources, and are not used to qualify any potential member.

F. Optional: Consent to be included (by name only) in lists of _____ members that may be distributed publicly and/or to individuals and businesses that submit investing opportunities to _____

IV. Membership Agreement:

I hereby agree to:

A. Strive for consensus during the _____ decision-making process, with majority vote as the final arbiter.

B. Resolve conflicts and disputes via good faith discussions as soon as possible, with mediation as a backup, and binding arbitration as the final arbiter of any conflict or dispute arising from _____.

C. Keep confidential all group e-mails, discussions, investing opportunities, and related documents, and share them only with other members of _____, non-members of _____ agreed to by majority vote of _____, or with my personal professional advisers as needed to help me make specific investing decisions. However, if a specific investing opportunity is known publicly, or the person or business seeking financing via _____ (the "Submitter") does not request confidentiality, then that investing opportunity and any related non-confidential documents may be shared outside _____ at my personal discretion.

D. In the spirit of an open and transparent network, share investing opportunities equally with all eligible members (unless they have specified that they only wish to invest in certain types of investments) and cooperate honestly and fairly with other members who wish to invest in any investing opportunity that is submitted to _____.

E. Help cover any minimal out-of-pocket expenses for meetings, e-mail, copying, web site, outreach, etc.

F. Inform _____ members as soon as I become aware of any actual or potential conflict of interest listed below.

G. Represent that any views expressed or actions taken by myself are my own and do not reflect the views, actions, or recommendations of _____ and its members.

H. Absolve _____ and all of its members of all liability related to any financial activities in which I might be or become involved.

I. Make my investing decisions based solely on my own independent research, and consult with my personal professional advisers if I need legal, financial, tax, or other advice. I hereby acknowledge that IC and its members do not offer professional advice of any kind in their capacity as _____ members.

J. Abide by this Membership Agreement and all other established _____ policies and procedures. If I am no longer a member of _____, I agree to continue to be bound by all provisions contained herein regarding all _____ business (including, but not limited to, all discussions, investing opportunities, and related documents) that occurred prior to the termination of my membership. If I violate this Membership Agreement or other policies or procedures, I may be voted out of _____ by majority vote, in addition to any form of dispute resolution that may occur.

K. I acknowledge, understand, and agree to the terms of the Legal Disclaimer (below).

V. Actual or Potential Conflicts of Interest to be Disclosed to Members:

A. Giving legal, financial, or business advice to a Submitter;

B. Receiving compensation or other income from a Submitter;

C. Having any existing or potential investment, loan, or other financial interest in any way related to a Submitter; or

D. Having a member of your immediate family who is a Submitter or who fits any of the preceding categories.

VI. Legal Structure: None

VII. Member Discussions & Decisions:

A. Regular in-person meetings will be held approximately once per quarter. The group will designate a facilitator and a minute-taker for each meeting.

B. E-mail may be used to discuss most matters, including non-sensitive discussion of investing opportunities. Sub-groups may form to focus on specific topics or investing opportunities, and they must also comply with the Membership Agreement.

C. Discussions about investing opportunities are encouraged, but neither _____ nor any sub-group thereof shall be deemed to approve, disapprove, or otherwise have an opinion about investing opportunities. Any opinions are strictly those of the individual members.

D. Consensus and majority-vote decisions concerning membership, modification of this Membership Agreement, Policies and Procedures document, or any other matter that affects membership as a whole, shall only take effect with 1) a quorum of 50% or more of the membership present at a meeting, or 2) a majority of members sending their affirmative votes to the whole group via e-mail.

VIII. Recordkeeping:

IC will designate one or more record keepers who will maintain an archive that includes:

A. Minutes of all meetings;

B. -related e-mails;

C. Incoming investing opportunities and related documents, signed Submitter agreements, and all other communications related to investing opportunity submissions; and

D. The membership list of names and e-mail addresses, member questionnaires and signed Membership Agreements.

IX. Investing Opportunity Submissions:

will designate a contact person to communicate with others on its behalf and assist people with the investing opportunity submission process. Upon completion of the following requirements, the investing opportunity contact person will forward, via e-mail, local () investing opportunity submissions to the members that are designated by Submitters.

All Submitters must:

A. Specify to whom they wish to have their investing opportunity and related documents distributed by selecting one of the following three options:

1. Only to the members whom the Submitter designates by selecting from a list of members that have consented to have their names be known publicly,
2. To all members, or
3. To all members plus anyone else outside whom any member feels might be interested.

B. Provide a business plan or an investing opportunity summary (preferably in electronic format) to the contact person which includes the following:

1. Name(s) and full contact information of the owner(s)/borrower(s)
2. Name and full contact information of the business (if applicable)
3. Description and history of the business or investing opportunity

4. Current financial situation of the business and/or borrower (including recent financial statements and projected income and expenses, if possible and not highly sensitive)
5. Amount and terms requested for loan or investment
6. Intended use of funds sought
7. Other loans or investment funds applied for
8. Name(s) and contact information for professional adviser(s) consulted
9. Names and contact information for at least two local references
10. Investing opportunity submissions should not include tax returns or other sensitive personal or confidential financial information.

C. Sign and date an agreement that states:

1. I hereby give _____ permission to circulate my business plan and/or investing opportunity documents among a) those _____ members whom I have designated, b) all _____ members, or c) all _____ members who may redistribute these documents to others outside _____ who may be interested;
2. I acknowledge that the confidentiality of submitted documents is not guaranteed, even if requested; and
3. I acknowledge, understand, and agree to the terms of the Legal Disclaimer (below). I hereby release _____ and its members from liability to the fullest extent of the law.

X. After Circulation of an Investing Opportunity:

A. Members may individually make contact with the Submitter to indicate their interest.

B. Members may invest individually or together, as desired, and no member shall be required to make any investment.

C. Investment negotiations, legal structures, and agreements are not the responsibility of _____, but instead are the collective responsibility of the Submitter and its professional advisers, and the potential investors and their professional advisers.

D. For the purpose of measuring _____ networking effectiveness, members are encouraged, but not required, to notify _____ of any investments made as a result of networking activities.

XI. LEGAL DISCLAIMER:

_____ offers no legal, investment, or financial advice, nor does _____ itself solicit, offer, or recommend any investment opportunities. _____ provides basic forms for the purpose of providing information about potential investments to eligible investors, but _____ does not represent these forms to be anything more than general identifying information. The actual investment information, documentation, and any other legal and/or regulatory requirements for any particular investment or financing transaction shall be the sole responsibility of the individuals, businesses, or other organizations directly involved, and

to any appropriate professionals deemed necessary to effect such transactions. Every state has distinct laws and regulations regarding securities offerings, so the individuals, businesses, or other organizations involved are responsible for ensuring they comply with these and any other applicable laws and regulations. _____ does not participate in any negotiations or solicitations for investment transactions, nor does it participate in the investment transactions themselves. _____ exists solely to facilitate contacts between parties who provide local investing and financing opportunities, and eligible parties who may be interested in participating.

The fact that _____ may facilitate submissions and/or distributions of information from individuals, businesses, and other organizations should not be construed as any sort of endorsement or approval of such submissions by _____ or its members. _____ does not examine or otherwise consider submissions beyond simply receiving them, checking them for basic identifying information, and forwarding them to the _____ members who have been designated by the submitting individuals and/or entities. _____ distributes investing opportunity submissions to its members according to instructions received by the submitting individuals and/or entities, and is made without investor qualification of any kind by _____ itself. Any investor qualification is the sole responsibility of the submitting individuals and/or entities.

_____ activities shall not constitute an offer to sell, or the solicitation of an offer to buy, securities or any other investment or financing opportunity, document, or vehicle.

In making an investment or financing decision, investors or financiers must rely on their own examination of the issuer or maker, and the terms of the offering or other transaction or transaction documentation, including the merits and risks involved.

Prospective investors or financiers should not construe _____ as providing legal, tax or financial advice. Each prospective investor or financier should consult his or her own professional advisors as to the legal, tax, financial or other matters relevant to the suitability of any investment or financing transaction or transaction documentation for such investor or financier.

XII. Signature(s):

I hereby agree to the foregoing _____ Membership Agreement in its entirety.

If I am/we are completing this form via computer, my/our typed name(s) below shall be considered to have the same legal effect as my/our written signature(s).

Signature

Printed Name

Signature

Printed Name

Date

Sample Member Application

New Member Application Form

Thank you for applying for membership in . creates opportunities for local individuals, businesses, and local investors to network, build prosperous local businesses, keep investing money in our community, and help build a more resilient and sustainable economy in the area. Membership is intended for local investors and local investing entities, and is open to any individual or entity that is sponsored by an existing member.

Please complete the following questionnaire and return it at your convenience to the New Member Contact Person noted below. Please do not hesitate to contact them with any questions about and/or the membership application process. If you would like to have a conversation via phone, you may request one via mail or e-mail.

Group New Member Contact Person E-mail:
Mailing Address:

Personal Contact Information:

Name of Applicant: _____

Name of Co-Applicant: _____

Mailing Address: _____

Day Telephone: _____

Evening Telephone: _____

Cell Phone: _____

Applicant E-Mail Address: _____

Co-Applicant E-Mail Address: _____

Group Information:

Name of Sponsoring Member of : _____

Reasons for Applying for Membership in _____ : _____

Describe the types of Local Investing Opportunities you desire, or do not desire, to receive via _____ (this is for _____ informational purposes only and not used to screen investing opportunities sent to you):

Investing Profile:

Briefly describe your investing background and experience: _____

Accurate answers on the following two questions will help _____ track its collective financial resources. They do not imply any sort of commitment and are not used to qualify potential members. You may also decline to answer them if you wish.

Approximate amount of funds currently invested locally: _____

Approximate amount of funds available for future local investing: _____

Privacy:

provides a list of member names to business owners and individuals that submit investing opportunities to _____, so that they may designate specific members to receive their investing opportunities. _____ may also show this list to potential members and other members of the public. May we include your name on our membership list?

OK to Include My/Our Name(s) Please Keep My/Our Name(s) Confidential

Signature:

I/We confirm that the information contained in this New Member Application Form is truthful and accurate as of the date printed below, and I/we agree to inform _____ in case of any material changes.

If I am/we are completing this form via computer, my/our typed name(s) below shall be considered to have the same legal effect as my/our written signature(s).

Applicant Signature

Applicant Printed Name

Co-Applicant Signature

Co-Applicant Printed Name

Date

Sample Investing Opportunity Form

Investing Opportunity Submission Form

Thank you for submitting your Investing Opportunity to . creates opportunities for local individuals, businesses, and local investors to network, build prosperous local businesses, keep investing money in our community, and help build a more resilient and sustainable economy in the area. We look forward to working with you. Please note that we only consider **local** investing opportunities, which is defined by our group as the area and to include County

Please complete this form and return it along with any related documents to the Investing Opportunity Contact Person. Do not hesitate to contact them with any questions about or the investing opportunity submission process. If you would like to have a conversation via phone, you may request one via e-mail or mail.

Investing Opportunity Contact Person E-mail:
Mailing Address:

Personal Contact Information:

Name of Owner/Borrower: _____

Name of Co-Owner/Borrower: _____

Mailing Address: _____

Day Telephone: _____

Evening Telephone: _____

Cell Phone: _____

Owner/Borrower E-Mail Address: _____

Co-Owner/Borrower E-Mail Address: _____

Business Contact Information: (If Applicable)

Business Name: _____

Address: _____

Telephone: _____

E-Mail Address: _____

Investing Opportunity Information:

NOTE: Questions in this section may be skipped if the information requested is contained in a separate Business Plan or Investing Opportunity Summary. Please do not include tax returns or other highly sensitive personal or confidential financial information.

Name of your Investing Opportunity (few words): _____

Brief description and history of your Business and/or Investing Opportunity: _____

Current financial situation of the business and/or borrower (Attach recent financial statements and projected income and expenses, if possible and not highly sensitive):

Total amount and terms requested for loan or investment (Please include desired number of investors and minimum amount per investor, if any):

Intended use of funds sought: _____

Other loans or investment funds applied for: _____

Advisers & References:

Please list the professional adviser(s) you consulted with on this Investing Opportunity:

Adviser #1 Name and/or Business: _____

Address: _____

Telephone: _____

E-Mail Address: _____

Adviser #2 Name and/or Business: _____

Address: _____

Telephone: _____

E-Mail Address: _____

Please list at least two local references:

Name #1: _____

Address: _____

Telephone: _____

E-Mail Address: _____

Name #2: _____

Address: _____

Telephone: _____

E-Mail Address: _____

Confidentiality:

To what extent is this Investing Opportunity known publicly? _____

Please describe any plans you have to offer this Investing Opportunity to others outside

.

Distribution:

Please specify to whom you wish to have your investing opportunity and related documents distributed by selecting one of the following three options:

- To all _____ members
- To all _____ members plus anyone else outside _____ whom any member feels might be interested
- Only to the following _____ members:
 - [Member 1 Name]
 - [Member 2 Name]
 - [Member 3 Name]
 - [Member 4 Name, etc.]

Referral & Relationships:

How did you hear about _____ ? _____

Name(s) of IC Member(s) you know: _____

LEGAL DISCLAIMER:

_____ offers no legal, investment, or financial advice, nor does _____ itself solicit, offer, or recommend any investment opportunities. _____ provides basic forms for the purpose of providing information about potential investments to eligible investors, but _____ does not represent these forms to be anything more than general identifying information. The actual investment information, documentation, and any other legal and/or regulatory requirements for any particular investment or financing transaction shall be the sole responsibility of the individuals, businesses, or other organizations directly involved, and to any appropriate professionals deemed necessary to effect such transactions. Every state has distinct laws and regulations regarding securities offerings, so the individuals, businesses, or other organizations involved are responsible for ensuring they comply with these and any other applicable laws and regulations. _____ does not participate in any negotiations or solicitations for investment transactions, nor does it participate in the investment transactions themselves. _____ exists solely to facilitate contacts between parties who provide local investing and financing opportunities, and eligible parties who may be interested in participating.

The fact that _____ may facilitate submissions and/or distributions of information from individuals, businesses, and other organizations should not be construed as any sort of endorsement or approval of such submissions by _____ or its members. _____ does not

examine or otherwise consider submissions beyond simply receiving them, checking them for basic identifying information, and forwarding them to the members who have been designated by the submitting individuals and/or entities. distributes investing opportunity submissions to its members according to instructions received by the submitting individuals and/or entities, and is made without investor qualification of any kind by itself. Any investor qualification is the sole responsibility of the submitting individuals and/or entities.

activities shall not constitute an offer to sell, or the solicitation of an offer to buy, securities or any other investment or financing opportunity, document, or vehicle.

In making an investment or financing decision, investors or financiers must rely on their own examination of the issuer or maker, and the terms of the offering or other transaction or transaction documentation, including the merits and risks involved.

Prospective investors or financiers should not construe as providing legal, tax or financial advice. Each prospective investor or financier should consult his or her own professional advisors as to the legal, tax, financial or other matters relevant to the suitability of any investment or financing transaction or transaction documentation for such investor or financier.

Your Agreement:

1. I hereby give permission to circulate my business plan and/or investing opportunity documents among a) those members whom I have designated, b) all members, or c) all members who may redistribute these documents to others outside who may be interested;
2. I acknowledge that the confidentiality of submitted documents is not guaranteed, even if requested; and
3. I acknowledge, understand, and agree to the terms of the Legal Disclaimer (above). I hereby release and its members from liability to the fullest extent of the law.

If I am/we are completing this form via computer, my/our typed name(s) below shall be considered to have the same legal effect as my/our written signature(s).

Owner/Borrower Signature

Owner/Borrower Printed Name

Co-Owner/Borrower Signature

Co-Owner/Borrower Printed Name

Date

Typical Loan Documentation

Thurston Investment Network (ThINk) provides an overview for its members of the kind of loan documentation often involved with securing an investment.

Promissory Note – This is the borrower’s “promise to pay” and typically includes these provisions:

- Term (length of loan)
- Interest rate
- Payment terms (including amount and due date)
- Late fees and default terms
- Prepayment penalties (if any)
- Type of security (if any)
- Personal guarantee (if required)

Security Agreement – Specifies the tangible personal property and other assets being used as collateral to secured repayment of the Promissory Note. Examples: equipment (be specific!), fixtures, tenant improvements, furniture, cash in business and/or personal bank accounts, accounts receivable, proceeds from contracts (be specific!). Do not use a Security Agreement to put a lien on real estate – use a Deed of Trust instead.

UCC-1 Filing – Recorded with the Washington Secretary of State to create a lien on the collateral covered by the Security Agreement.

Deed of Trust – Conveys real estate to a Trustee (typically a title company) to create a lien on real property used to secure repayment of the Promissory Note. Must be recorded in the County Auditor’s Office in the County where the real property is located. Do not use a Deed of Trust to put a tangible personal property or accounts – use a Security Agreement instead.

Contact Information

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