Southeast Minnesota Sustainable Finance Initiative
A project of the University of Minnesota's
Southeast Minnesota Experiment in Rural Cooperation

Business Plan
for the
Hiawatha Fund

A Regional Investment Fund for Southeast Minnesota
"Investments you can drive by"

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We are indebted to Mike Lorentz for the phrase, "Investments You Can Drive By."

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Executive Summary

The Hiawatha Fund

A Regional Investment Fund for Southeast Minnesota

"Investments you can drive by"

Our Vision:

We envision a future in which the Southeast Minnesota region — Hiawatha's Country — is far more productive and builds far greater wealth for those of us who live here. We will form closer social and community connections with each other. We will buy more of life's essentials from neighbors who produce for our use. Our day-to-day spending will increasingly cycle through our region to build local wealth for our community. As neighbors, we will work more effectively together to make the decisions that shape our future. We will be less dependent on distant suppliers who do not share our interests.

Mission of the Hiawatha Fund:

1. To create a Regional Investment Fund that builds wealth for local residents at all levels of wealth by purchasing shares of stock in local businesses; and

2. To build a broad consumer campaign in our region that supports these local firms, giving them a competitive advantage to local consumers, and creating a closer sense of involvement and commitment among businesses and residents; and

3. To develop a larger mutual fund, or similar pool of long-term patient equity investment capital, available to local small- and medium-sized businesses. This may be a statewide policy/local adaptation of the Crocus Fund, based in Manitoba.

Goals of the Hiawatha Fund:

1. Build wealth in local communities.
2. Offer an investment vehicle for small-scale investors who wish to invest locally.
3. Create a pool of investment resources that helps transform the region.
4. Build new social and economic connections in the region.
5. Enhance the region's security by meeting local needs with local resources.
6. Protect small businesses and independent farms.
7. Connect investment fund to campaigns to boost local ownership and local purchasing.
8. Extend equity financing to locally owned businesses.
9. Provide an equity investment vehicle that local businesses will use.

Strategic Plan

The Strategic Plan of the Hiawatha Fund calls for both immediate activity to animate local investment, and longer-term activity toward creating a regional investment fund.

1. Immediate actions that require relatively minor financial support ($75,000 to $400,000)

a) Create a new nonprofit corporation called the Hiawatha Fund.

b) The Hiawatha Fund should formalize a long-term regional vision of local investment and local purchasing for Southeast Minnesota.

c) The Hiawatha Fund should take immediate steps to:

   i. form new investment clubs in communities across the region;

   ii. research & publicize local business that offer investment opportunities;

   iii. create educational materials for use by these investment clubs and the general public, to help residents make informed choices about local investments;

   iv. identify goods and services that are best offered at a local and regional scale;

   v. devise new ways of building local wealth by harnessing local investment and consumer power;

   vi. monitor local investment, local consumption, and local wealth built through the activites of the Fund; and

   vii. ensure that appropriate technical assistance is extended by regional resource groups to local entrepreneurs and farmers sharing the Fund's mission. This should include targeted assistance to those who may wish to start new businesses, expand/redirect existing businesses, or retain local ownership.

d) The Hiawatha Fund should work with legal advisors and legislators to create new legal structures or tax incentives needed to build a larger regional mutual fund.

2. Actions requiring larger levels of support or new policy decisions ($300,000 to $5 million)

a) The Hiawatha Fund should build a pool of capital (less than $5 million) by selling shares to individual investors and/or by accepting donations. Existing Local Revolving Loan Funds (LRLFs) would assist the Hiawatha Fund to identify good equity investment opportunities that would draw upon this pool. This activity should obtain exemption from public reporting requirements.

b) The Hiawatha Fund should obtain official status as a Community Development Financial Institution (CDFI). This enables the Fund to obtain federal leveraging dollars, and qualifies accredited investors for tax credits.

c) The Hiawatha Fund should work with marketing experts to develop and run marketing campaigns that market local firms, local products, and the need to buy and invest locally.

d) The Hiawatha Fund should launch further "buy & invest locally" efforts as resources allow.

3. Activities requiring major gifts and/or changes in state law ($5 million and more)

a) If sufficient capital can be located, the Hiawatha Fund should build an investment pool of at least $10 million. This fund could be held by the state of Minnesota, a county or group of counties, or a for-profit subsidiary of the Fund, perhaps a Limited Liability Company (LLC) or Small Business Investment Company (SBIC), that then makes equity investments in local firms.

b) The Hiawatha Fund should design and implement new laws that create legal status for corporations holding a mission of building wealth in their locale and protect these from mergers & takeovers.

c) The Hiawatha Fund should explore creating a regional stock exchange.

Background:

Southeast Minnesota is one of the most stable rural areas in the state of Minnesota, with cohesive communities and a diverse economy. Yet, the region also leaks financial resources at a tragic rate. The economic systems in which we participate are so effective at extracting value out of our region that it is extremely difficult for residents to build wealth — even amidst the recent economic boom, one of the most prosperous eras of American history.

Our region hosts 8,393 businesses. Typically, these are small. Ninety percent of our non-farm businesses have fewer than 20 employees. Over half have 1 to 4 employees, and another one-quarter have 5 to 9 employees. Less than 3% of the region's firms hire more than 100 employees. Many struggle for lack of capital.

Many business owners (as well as farmers) are about to retire. Large amounts of local wealth are at risk. The *Wall Street Journal* reports that "a recent study by the Nebraska Community Foundation, a nonprofit development agency, estimates that $94 billion in land and assets will be transferred from one generation to another over the next 50 years in rural Nebraska." Our region wrestles with similar challenges.

Society's assumption that private, employer-sponsored pension funds will be adequate to take care of our retirement income is also in question. The Pension Benefit Guaranty Corporation, which insures the basic benefits of 32,500 private defined-benefit pension plans covering 44 million Americans, estimates that private pension funds nationally carry $300 billion in deficits. Overall, the *Economist* reported last fall, the global economy has already lost more wealth in recent years, as a percentage of aggregate GDP, than was lost during the entire Great Depression.

Mindful of these risks, residents launched the Southeast Minnesota Sustainable Finance Initiative in 1999, an effort to create new investment mechanisms. Our Feasibility Study, published in 2000, found that the region has two complementary needs:

1. **Locally owned businesses, especially small/medium-sized firms, need equity financing**
    a) requires investors willing to accept lower than market rate returns (at the time, this was considered 8 to 15%), and
    b) requires investors who will make longer-term (3-5 years or more) investments
    c) equity financing is especially needed in retail, service, and agricultural processing industries.

2. **Local investors are looking for ways to invest locally,** and seem willing to consider strengthening of the local economy and social fabric as a partial "dividend."

Types of businesses looking for such investments include:

a) Primarily sole proprietors
b) Existing owners who want to transfer to younger generation
c) Existing businesses that need greater equity to qualify for bank loan
d) Undercapitalized businesses
e) Newer businesses that made overly optimistic projections but still have plan with merit
f) Fast-growing businesses that need cash
g) Cash-strapped businesses (like farms) with high fixed costs

Equity financing will be useful for:

a) Strategic planning
b) Market studies
c) Promotional activities
d) Expanding inventory
e) Accumulating working capital
f) Expanding hours

Following up on this study, we concluded that the most significant step we could take is to form an investment vehicle that pools local investments into a fund resembling a mutual fund. This regional fund would enable our money to begin to work for Southeast Minnesota. This, in turn, will strengthen local firms, protect local ownership of farms and businesses, and assure consumers of more sustainable choices.

This is a crucial step even if all we accomplish is to protect the businesses we already have in our region. Still, we are convinced that building an effective investment vehicle will also promote millions of dollars of new investment in our region, spark our regional economy, and strengthen our communities.

Breaking New Ground

Michael Shuman, director of the Institute for Economics and Entrepreneurship in Washington, DC, and renowned expert in local community economics, says the quest for creating equity financing in rural communities is "like the Holy Grail."

Our initiative breaks new ground by combining a solid investment strategy with an aggressive effort to mobilize the region's consumers to support local businesses. Simply creating new investment sources is not enough. We also need to ensure that our neighbors support local farms and businesses.

IRS data show that the region's aggregate income from dividends was $120 million in 2000. Yet most of these investments are made in distant firms. We literally invest in firms that compete with our own ability to live sustainably.

Moreover, as local residents buy life essentials, the region also loses. Our region holds $10 billion of purchasing power. Yet here, too, we buy from firms that compete with our region's farms, factories and businesses. In 2001, the Experiment in Rural Cooperation (ERC) commissioned a study of the region's farm and food economy. *Finding Food in Farm Country* documented that $800 million is lost *each year* as residents produce $1 billion of food, and also spend another half of a billion dollars to buy food produced outside the region.

The difficulty of fostering local investment affects all regions of the state, indeed all rural areas of the U.S. Investing to build stronger communities is a rising trend. The Social Investment Forum reports that community investment nationally rose 41% from 1999 - 2001, to a level of $7.6 billion.

The Rural Policy Research Institute (RUPRI), based at the University of Missouri, points out that in 1999, "67.1 percent of venture capital investments in the United States were [made] in California, Massachusetts, New York, and Texas, and 91.0 percent of the investments were in technology-based companies, including internet-related businesses." Rural areas have largely been overlooked by these investors, RUPRI adds. "Traditional venture capital institutions do not, however, aggressively seek investment opportunities in small metropolitan areas and non-metro communities because the deal flow is sparse, costs per investment are relatively high, exit opportunities are limited, and local business environments are less supportive." Where nontraditional investors have flourished it is because of assistance or subsidies from larger organizations or governments, or because their goals have encompassed more than profit maximization.

Lessons from our first months:
In our early months of addressing these concerns, we have learned a great deal.

1. It is far more difficult to connect small investors to local firms than we had imagined. Most of the investment models we examined are designed for larger investments made by wealthier people, or focus on the needs of larger firms.
2. Many legal protections meant to protect investors from fraud have the unintended consequence of limiting investment to wealthy investors. Most favor larger firms.
3. To serve the genuine needs of smaller businesses and smaller investors, we will have to create new approaches, perhaps designing an ideal overarching regional fund program.
4. Our legal research determined it is very difficult under current U.S. law to set up a mutual fund similar to the Crocus Fund or other labor-sponsored funds in Canada.
5. No tax incentives currently exist that would leverage investments made by small investors.
6. Although there is plenty of financing available in the broader market, almost none of it is suited to the needs of the region.
7. Local businesses have steady cash flow, but not sufficient to pay interest on short-term debt investments. These firms require patient equity investments.
8. Many investors who seek a rapid, high return on investment go elsewhere.
9. Many of the region's businesses are not large enough to justify the administrative costs of offering public shares of stock.
10. Some local firms must strengthen accounting practices to attract public investment.

We have also found **there is urgent need for action.**

1. The private employer-sponsored pension system in the U.S. flounders under a $300-billion deficit. $500 billion has evaporated from pension funds in the past two years.
2. Local investors have lost faith after losing considerable wealth in recent years.
3. Often we invest in firms that directly compete with local businesses.
4. Local small investors are ready to invest in local businesses.
5. The Hiawatha Fund should quickly take the lead in framing a regional response.

Mindful of these lessons, we have forged ahead, taking the first steps to create the Hiawatha Fund.

Steering Committee has been formed. Nine community leaders, including bankers, business owners, civic leaders, and professional advisors are holding regular meetings.

Background research is published. Our Feasibility Study is complete. A regional economic study and basic data documenting the need for a new investment vehicle have been compiled and released.

National planning meeting narrowed options. UTNE magazine co-sponsored a January planning meeting. National professional experts assisted us in framing our vision for the fund.

Legal advisers have been identified. Senior attorneys for the Briggs & Morgan law firm in the Twin Cities have offered *pro bono* legal expertise that clarifies our practical legal options.

Our statewide conversation about rural credit showed strong interest in regional investment. University of Minnesota Extension hosted an crucial meeting / teleconference including other regions of Minnesota.

Business plan is complete. Although legal issues are not totally settled, and our plans will be refined as we include more of our neighbors in our strategic planning, our draft business plan is complete. The full text follows, with a more detailed strategic plan.

The Business Plan for the Hiawatha Fund

The Hiawatha Fund
A regional investment fund for Southeast Minnesota
"Investments you can drive by"

Vision

We envision a future in which the Southeast Minnesota region — Hiawatha's Country — is far more productive and builds far greater wealth for those of us who live here. We will form closer social and community connections with each other. We will buy more of life's essentials from neighbors who produce for our use. Our day-to-day spending will increasingly cycle through our region to build local wealth for our community. As neighbors, we will work more effectively together to make the decisions that shape our future. We will be less dependent on distant suppliers who do not share our interests.

Mission

1. To create a Regional Investment Fund that builds wealth for local residents at all levels of wealth by purchasing shares of stock in local businesses, and

2. To build a broad consumer campaign in our region that supports these local firms, giving them a competitive advantage to local consumers, and creating a closer sense of involvement and commitment among businesses and residents.

3. To develop a larger mutual fund, or similar pool of long-term patient equity investment capital, available to local small- and medium-sized businesses. This may be a statewide policy/local adaptation of the Crocus Fund, based in Manitoba.

Assumptions

The Hiawatha Fund is the most significant step we can take to pool local investment, so that our money begins to work for Southeast Minnesota. This, in turn, will strengthen local firms, protect local ownership of farms and businesses, and provide more sustainable choices to consumers, and thus help build healthier, more cohesive communities.

Our extensive research covering the regional economy shows that Southeast Minnesota loses millions of dollars of potential wealth each year. Local businesses are unable to attract patient capital that will help them grow. An intergenerational transfer threatens to reduce local ownership of farms and businesses. The region's consumers buy life essentials in ways that erode their own communities. Although many residents invest in mutual funds, little of this investment works to strengthen our region.

Our Region's Assets

The Hiawatha region is endowed with extensive assets. In 2000, the Census counted 337,174 residents living in the region's 130,000 households. More than 100 small communities nestle among the region's distinctive rolling hills and steep unglaciated bluffs. Many of these smaller towns are deeply conscious of their local tradition. Century farms dot the landscape, and several communities carry forward their pioneer ethnic heritage.

Farmers' care of the region's fragile karst soil shows a deep-seated concern for stewardship. Southeast was one of the pioneering areas of the state to adopt contour plowing to protect soils that are especially vulnerable to wind, and watersheds that are vulnerable to toxic damage. Over 10,000 farms in the region raise a wide array of crops, making this one of the most diverse agricultural regions of the state. Yet farmers now earn only 2% of the region's personal income — and farming has become the greatest single threat to water quality.

The largest single source of income for Southeast Minnesota residents are service occupations, which account for 25% of the $9.6 billion of personal income that was earned in the region in 2000 (Bureau of Economic Analysis figures). Next most important is manufacturing, accounting for 16%. Transfer payments make up the next largest income category, at 12%. Eight percent of the region's income is earned by public sector workers. Another 5% of personal income is earned in the retail sector, and another 2% is earned by financial services workers.

Many residents also invest in the stock market. IRS data show that the region's aggregate income from dividends was $120 million in 2000. Yet most of these investments are made in distant firms. We literally invest in firms that compete with our own ability to live sustainably.

Systematic Losses

Moreover, as local residents buy life essentials, the region also loses. In 2001, the Experiment in Rural Cooperation (ERC) commissioned a study of the region's farm and food economy. *Finding*

Food in Farm Country documented that $800 million is lost *each year* as residents produce $1 billion of food, and also purchase another half of a billion of food produced outside the region.

This outflow is mainly caused by farmers' purchase of production inputs that derive from external sources, and consumer purchases of foods produced elsewhere. Most of the "value added" for these products accrues to external parties. Only a minor flow of money from these purchases builds wealth for local residents. Similar evidence could also be uncovered about the manufacturing sector and other elements of the regional economy.

Still, the region's consumer purchases create large flows of money. Estimated consumer expenditures made by all households in the region in 2000 amounted to the following (in $ billions):

Food	$ 0.85
Housing	$ 2.10
Transportation	$ 1.23
Insurance	$ 0.70

Note: *Housing costs include an estimated $0.35 billion ($350 million) spent for fuel and utilities.*

One of our major challenges is to harness this consumer power so it begins to work for the benefit of the region, to build wealth for the everyday people who live here. ERC has focused on creating a variety of ways for the region's residents to launch new businesses that will add value to the region. The Southeast Minnesota Food Network, launched with ERC assistance, is building local markets for local food, and promoting local food processing. ERC has also been a pioneer in fostering green energy production.

Yet these efforts have been strapped for capital. Although there is plenty of financing available in the broader market, almost none of it is suited to the region. We have identified several difficulties:

1. Local businesses have steady cash flow, but not sufficient to pay interest on short-term debt investments.
2. Most of the financing vehicles available focus on the needs of larger firms.
3. Many investors who seek a rapid, high return on investment go elsewhere.
4. Many of the region's businesses are not large enough to justify the administrative costs of offering public shares of stock.
5. Some local firms need to strengthen their accounting practices in order to attract public investment.

A Region of Small Businesses

Our region proudly hosts 8,393 businesses. Manufacturing and business firms account for $4.8 billion of the region's personal income — about half. This activity is supported by 89 banks located in 39 of the region's cities and towns, as well as many metropolitan-area lenders. All these firms work diligently to serve our needs against great obstacles — primarily a long history of extractive economic structures that remove wealth from our hands.

Typically, the region's businesses are small. Ninety percent of our non-farm businesses have fewer than 20 employees. Over half have 1 to 4 employees, and another one-quarter have 5 to 9 employees. Less than 3% of the region's firms hire more than 100 employees. Yet the region's investors typically overlook this wealth of small business and retail firms.

The National and Global Context

National data show that rural businesses tend to rely upon investors who are members of their closer circles of friends. Current sources of equity capital for rural businesses nationally include:

31 % from proprietors
9 % from family & friends
4 % from angel investors

The Rural Policy Research Institute (RUPRI), based at the University of Missouri, points out that in 1999, "67.1 percent of venture capital investments in the United States were [made] in California, Massachusetts, New York, and Texas, and 91.0 percent of the investments were in technology-based companies, including internet-related businesses." Rural areas have largely been overlooked by these investors, RUPRI adds. "Traditional venture capital institutions do not, however, aggressively seek investment opportunities in small metropolitan areas and non-metro communities because the deal flow is sparse, costs per investment are relatively high, exit opportunities are limited, and local business environments are less supportive." Where nontraditional investors have flourished it is because of assistance or subsidies from larger organizations or governments, or because their goals have encompassed more than profit maximization.

A counter-response is forming nationally. The Social Investment Forum reports that community investment nationally rose 41% from 1999 - 2001, to a level of $7.6 billion.

Significantly, we face these risks amidst an unstable national economic climate. On May 10, the *Economist* reported that "in both Britain and America there has been growing alarm about the state of companies' pension funds. The private sector's back was not as broad as policymakers had thought. Many of the schemes are deeply in deficit." The magazine cited research by an investment-research firm, Greenwich Associates, which has tracked losses in assets of corporate pension programs valued at $500 billion over the past two years. The Pension Benefit Guaranty Corporation, which insures the basic benefits of 32,500 private defined-benefit pension plans covering 44 million Americans, estimates that private pension funds face $300 billion in deficits. This is an average of $9 million per plan, or nearly $7,000 per member. An excellent indicator of how inadequate corporate pension programs have become is the fact that corporate executives themselves do not trust them, and are cornering massive benefit packages for themselves.

Overall, the *Economist* reported last fall, the global economy has already lost more wealth in recent years, as a percentage of aggregate GDP, than was lost during the entire Great Depression.

This is startling data, but also suggests that local rural regions may be able to gain a competitive advantage by offering local residents greater stability in pensions and social safety nets. Local accountability should place solid local firms on stronger footing.

Crucial to the stability of our region will be to ensure that the businesses we do have remain locally owned. Many business owners (as well as farmers) are about to retire. Large amounts of local wealth are at risk. The *Wall Street Journal* recently reported that "a recent study by the Nebraska Community Foundation, a nonprofit development agency, estimates that $94 billion in land and assets will be transferred from one generation to another over the next 50 years in rural Nebraska." Our region wrestles with similar challenges.

The Feasibility Study (2000)

Our region has already taken strong action to address these issues. In 2000, the Southeast Experiment in Rural Cooperation commissioned a Feasibility Study (also called the "White Paper") to explore creating a new regional investment source for Southeast Minnesota. Written by Deborah Morse, Dean Harrington, Dave Wilsey, and Kenneth Kriz, the study found that there are two complementary needs in the region:

1. Locally owned businesses, especially small-/medium-sized firms, need equity financing

a) require investors willing to accept lower than market rate returns (at the time, this was considered 8 to 15%), and
b) require investors who will make longer-term (3-5 years or more) investments
c) equity financing is especially needed in retail, service, and agricultural processing industries..

2. Local investors are looking for ways to invest locally, and seem willing to consider strengthening the local economy and social fabric as a partial "dividend."

Since the study was written, national economic conditions have changed dramatically. Gone are the technology stocks that offered the promise of quick and high returns. Having lost tens of thousands of dollars each as stock prices fell over the past two years, many investors now say they would be happy if their investments simply broke even.

The study further identified the types of businesses that are looking for such investments:

a) Primarily sole proprietors
b) Existing owners who want to transfer to younger generation
c) Existing businesses that need greater equity to qualify for bank loan
d) Undercapitalized businesses
e) Newer businesses that made overly optimistic projections but still have plan with merit
f) Fast-growing businesses that need cash
g) Cash-strapped businesses (like farms) with high fixed costs

Equity financing could be useful to these firms for the following purposes:

a) Strategic planning
b) Market study
c) Promotion
d) Add inventory
e) Working capital
f) Expand hours

The Feasibility Study put forth two key recommendations:

1. **Create a pool of "angels"** — Individual investors who would make personal equity investments as they see fit. A local credit organization would broker these contacts but not dictate investment terms.

2. **Create a regional investment fund** (similar to a mutual fund) for small investors of $250 or more. These funds would be pooled and in turn reinvested into small- and medium-sized businesses in the region that share a mission of regional wealth creation. Crocus Fund in Manitoba (started by labor unions) was cited as an example of such a fund, but such a fund is easier to form under Canadian law than in the U.S.

Angel Investors: Regional Angel Investment Networks (RAIN) have been formed by Minnesota Investment Network Corporation (MIN-Corp.). MIN-Corp. is trying to organize at least 10 RAIN networks, each with funds of $500,000 to $1 million, in rural areas of the state. Already, two are up and investing — Lakes Venture Group in Alexandria (population 8,820) and Prairie Capital in Worthington (population 11,283) — while a third, in Albert Lea (population 18,356), is raising capital. (Source: Robert Gavin in *Wall Street Journal*, August 30, 2001, posted by National Association of Seed and Venture Funds: *http://www.nasvf.org/web/allpress.nsf/pages/3224*). Yet, the scope of investments contemplated by MIN-Corp. is generally larger than our region needs — many local firms seek smaller doses of equity investment.

The SBA has also set up a national web-based brokering service called ACE-Net, but this requires investors to earn more than $200,000 per year or hold assets worth $1 million. Only businesses issuing public stock are eligible (no sole proprietorships).

Creating an angel network targeted to small firms should be relatively straightforward once a sponsoring organization is found or created in Southeast Minnesota. One of the challenges would be to assure that equity ownership remained in the hands of local residents, and that investors would invest for the long-term benefit of the region, and take a broad view of "wealth creation" that includes building human and social, as well as financial, capital.

Regional Investment Fund: The Feasibility Study also recommends launching a regional investment fund. A mutual fund was suggested since residents are familiar with this type of investment. The study suggested that such a fund might be modeled after the Canadian labor-sponsored investment funds. One nearby example of these is the Crocus Fund of Manitoba (although the Crocus Fund is technically a venture capital fund, not a mutual fund).

Following is some more detailed information about the Crocus Fund, adapted from its web site: *(http://www.crocusfund.com/about/default.html):*

The Crocus Investment Fund is similar to a mutual fund. It is available only in Manitoba. Like a mutual fund, individual investors purchase shares in a professionally managed pool of assets, receiving a 30% tax credit. Unlike a mutual fund, there is a government-legislated requirement that shares be held for at least 8 years. The Crocus Fund uses its assets to invest in small and mid-sized Manitoba companies. The fund says it provides a vehicle for individual Manitobans to invest locally, keeping their investment dollars "at home," and building companies and jobs in Manitoba.

The Mission of the Crocus Fund states, "We seek to be the pre-eminent private sector economic development organization in Manitoba by:

a. Providing competitive financial and non-financial rewards for shareholders through investments in socially responsible Manitoba businesses;
b. Maintaining continuity of local ownership, bolstering job growth, and modeling and fostering social responsibility in Manitoba businesses; and
c. Fostering economic democracy by providing investment opportunities in the local economy for all Manitobans, broad-based economic education, and ownership and participation opportunities for Manitoba workers."

The fund was launched with a $4.5 million investment by the Manitoba Federation of Labour and local and provincial governments. The fund first sold common shares to the public in January 1993. As a labor-sponsored venture capital (LSVCC) fund, its shares can only be purchased by eligible Manitobans. The Fund currently has over $165 million in assets, and has invested more than $115 million in 55 small and mid-sized Manitoba businesses. Under Manitoba law, only labor-sponsored corporations qualify for the 30% tax credit that offers an incentive for individual Manitobans to invest. Labor organizations do not determine where investments are placed. No business is required to be unionized to obtain investment (although livable wage and healthy workplace objectives have been established).

Europe has also established its own community investment vehicles. These are worth noting since our region's firms in many cases compete with European businesses and regions. **Objective One** <http://www.objectiveone.com> is an official program of the European Union. This $480 million-dollar fund will give grants through the end of 2006. All projects must contribute to one of five priorities: (a) creating the right conditions for small business to thrive; (b) investing in key towns; (c) developing education and training; (d) social inclusion and support for deprived and rural communities; and (e) promoting regional distinctiveness.

The **European Investment Fund** is a venture capital fund that makes equity investments *in local venture capital funds* that support small and medium-sized enterprises, particularly those that are in their early stages of development and those that are technology-oriented. Overall, the fund has invested $1.8 billion in more than 140 regional venture capital funds

Minnesota has also providing equity finance vehicles that aim to promote rural business development. However, the Feasibility Study determined that these vehicles were all targeted at too large a scale for our purposes. The study's review of vehicles that provide equity financing in Southeast Minnesota follows on the next page:

Existing programs that provide equity financing in Southeast Minnesota
(Source: Feasibility Study, page 40-42)

Program	Sector	Location	Size	Potential Growth
ACE-Net	any	any	medium/large	high
Development Corp. Austin	value added, manufacturing, processors, software devel. (**not** retail or local services)	rural	small/medium	moderate to high
MIN-Corp. Equity Fund	technology (**not** retail, wholesale, services)	rural (larger centers so far)	medium/large	high
Minnesota Seed Capital Network	high tech	any (urban so far)	medium/large	high
The Initiative Fund—FIND	new tech, information industries, agri-processing, tourism, dependent care (**not** retail or agri production)	rural (larger areas so far)	small	moderate/high
Winona Area Venture Capital Group	any	rural	small/medium	moderate/high

Note: small = less than $100,000 investment; medium = $100,000 to $500,000; large = over $500,000
Winona Area Venture Capital Group is the only source for small, place-based equity financing in the region, but is restricted to the Winona area.

What is Missing

What is missing on this chart are programs that are targeted to local firms that serve day-to-day needs of the region's residents. Their growth may not be explosive, but they form the backbone of the regional economy, and the best possible option for local people to build wealth by serving the needs of their communities. This segment of the industry requires patient capital that will invest for the long-term, considering the social benefit to the community at large as well as financial return.

Thus, to set up the proper corporate "container" offering appropriate incentives to investors appears to require special state legislation. A new regional investment fund should address the following questions:

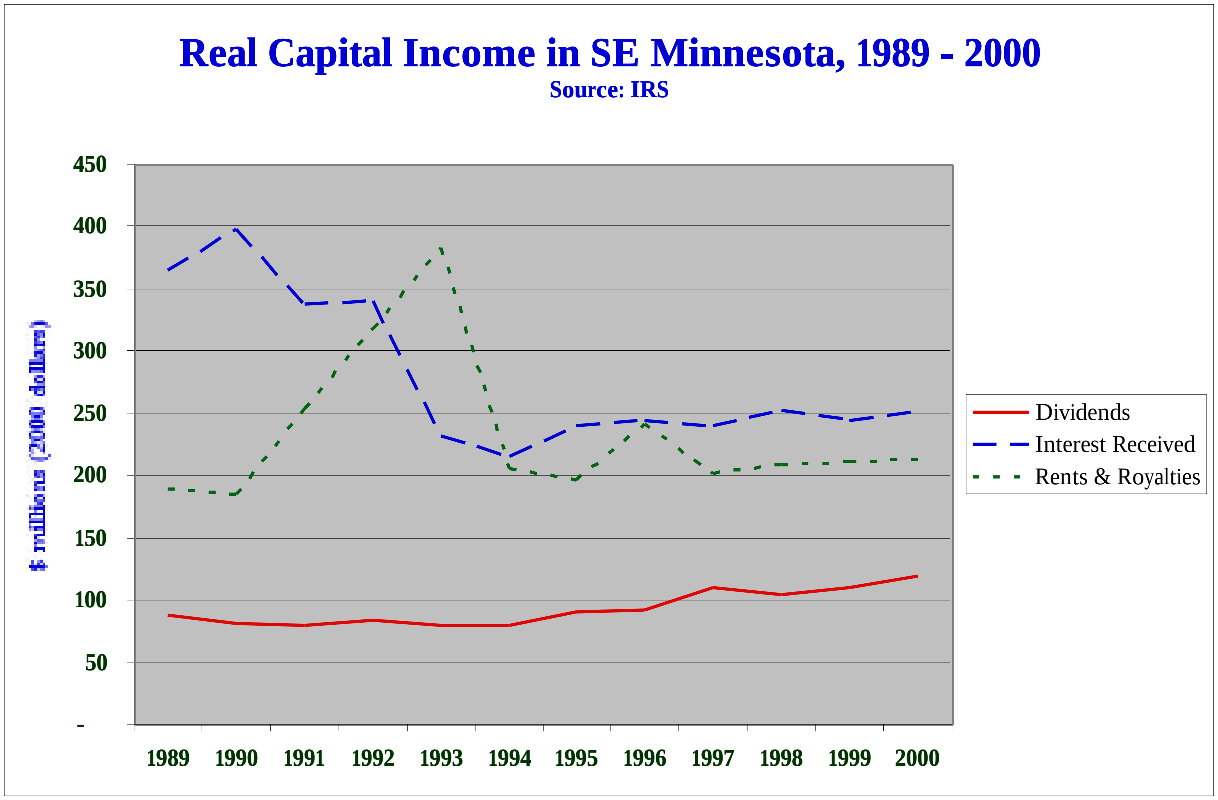
How much equity capital is actually needed now?
Our financial professionals estimate that the region could absorb about $2 million of equity capital immediately. These funds could be funneled through existing revolving loan funds, which most every town in the region already supports.

How much is anticipated for the future?
The demands for equity capital for larger-scale food processing operations, green energy sources, public transportation services, and other larger enterprises is difficult to quantify at this point, but obviously will become hundreds of millions of dollars (and maybe far more) in the near future. Commercial on-farm wind generators, just to take one small example, require a $1 million investment per tower

How much is available from local investors?
This will need to be tested. Local investors in the eight-county region reported dividend earnings of $120 million to IRS in the year 2000. This figure could perhaps be used to project the total amount of money invested by the region's taxpayers.

As the chart below shows, when the amount of dividend earnings is adjusted for the cost of living, it has risen only slightly over the past decade — despite recent tremendous growth in the stock market. Of course, much of that growth was fueled by technology stocks that were not purchased for dividends, but rather for their potential growth in value. Still, this chart shows that Southeast Minnesota is not participating in the growth realized in the broader national economy. Note that interest and rental income declined markedly over the decade.

Chart 1: Capital income in the region, adjusted for the cost of living.



Note: *this chart does not reflect technology stocks that were typically purchased to realize potential increases in share price, rather than in dividends. The slight growth in dividend income shown above is comparable to growth in dividend earnings for the state of Minnesota as a whole.*

Firms Require Equity Capital rather than Debt Capital

Small firms in Southeast Minnesota cannot survive on debt investments. Owners cannot pay interest on short-term loans, because cash flow is too small. What local businesses require are patient equity investments, in which the investor retains a share of ownership in the corporation, and is willing to wait 5-8 years for repayment once the expansion (or new business) yields a higher profit.

What are example of some of the companies that could be assisted through pooled equity investment?

Businesses in our region have a critical need for equity investment. To illustrate this, we offer a brief narrative of three types of businesses. Each of the examples below is drawn from the actual experiences of businesspeople in the region. Some are composites of several firms, and in each case, identities and financial data have been changed to keep confidentiality.

Existing owners who want to transfer to a younger generation.
Jim has been operating his parent's dairy farm for a number of years. His parents have now died and he is faced with the need to buy the farm from his four siblings, who are the other heirs. The farm purchase plus some improvements Jim needs to make to the dairy facilities to improve his herd's performance amount to a substantial amount of money.

If Jim finances all of his needs with debt, his debt payments plus operating expenses will leave him with a cash flow deficit for four years, since nearly $50,000 in annual debt payments will overreach his $40,000 operating income. Jim's options in that case are to try to make up the cash flow shortage by taking an off-farm job to add income or to sell the farm to an expanding neighbor who will cash-crop the land.

If Jim could find investors to substitute long-term, patient equity for some of the debt, he would be able to lower his immediate debt payments to just over $40,000 per year. This allows him to balance his cash flow, and concentrate on improving his dairy operation without the diversion of an off-farm job. In year two he will be generating a surplus. By year five, is earning almost $9,500 per year. Under debt financing he would have earned his first positive cash flow in year five, at less than $1,000.

The local economy benefits by keeping a family-sized livestock operation, and Jim has the chance to work toward his dairy goals. The investors will receive an adequate return on their investment when Jim's dairy improvement program begins to pay off with better income in the future.

Existing business needing more equity (down payment) to qualify for a loan
Jane has an excellent reputation as a property manager for a large real estate firm. She now wants to start her own business in a smaller community by buying an existing apartment building and by building eight additional housing units. The community welcomes Jane's good property management skills and the town needs the housing units.

Jane's project will cost $500,000. Maximum debt financing available on a mortgage loan is $375,000. Jane can invest $35,000 of her own savings. This leaves her $90,000 short. If Jane is able to place a preferred stock offering with the local investment fund to cover the other $90,000, she can finance the purchase. Without that investment, Jane will not be able to start her business, and the community will not have the additional housing.

Newer business that made overly optimistic projections but whose plans still have merit.
Two siblings buy out and expand their parents' business. The expansion was financed with bank loans, development company loans, and a small amount of equity investment. Cash flow projections were tight but the budgets

looked feasible. In the third year of operations, the economy stalls and sales for the firm drop below budget. Payables to suppliers are accumulating. Loan payments are difficult to make on time.

Despite the slowdown in sales the business projects adequate profitability. But it will take longer to get there than originally expected. In the meantime, the company needs an infusion of cash to sustain it until it is profitable. Additional loans are not an option. Without equity capital the company does not have the financing to continue. A patient equity capital investment would sustain the company until it reaches profitability.

Other potential business opportunities that require equity finance include:

Food processing facilities that emerge out of the Southeast Minnesota Food Network
- Cold storage for fresh produce on its way to retail grocers.
- Value-added processors
- Production of new food crops (e.g., wild hazelnuts)

Local firms that wish to expand to serve a broader market
- Lorentz Meats
- Garden Platz

Potential local businesses that require larger amounts of equity investment
- Green energy production (on-farm commercial wind power)
- Green energy production (private or public power generation)
- Green energy production (energy crops)
- Public transportation options

The UTNE meeting

To advance the implementation of the Feasibility Study, the Southeast Minnesota Sustainable Finance Initiative convened a meeting of national experts to further clarify how to proceed. This meeting, held January 21, 2003, was generously hosted by UTNE magazine, which has a strong interest in creating new business and investment models.

Attending the meeting were:
- Dick Broeker — Experiment in Rural Cooperation (Lake City)
- Dan Carroll — InRadio (Minneapolis)
- Leslie Christian — Progressive Investment Management (Seattle)
- Cassie Harrington — First National Bank (Plainview)
- Dean Harrington — First National Bank (Plainview)
- Tom McMakin — business consultant, formerly of Great Harvest Bread (Bozeman)
- Linda Kingery — University of Minnesota Northwest Partnership (Crookston)
- Ken Meter — Crossroads Resource Center (Minneapolis)
- David Morris — Institute for Local Self-Reliance (Minneapolis)
- Cynthia Pansing — U of M Regional Sustainable Partnerships (St. Paul)

Julie Ristau — UTNE magazine (Minneapolis)
Dorothy Rosemeier — West Central Regional Opportunities Council (Morris)
Peter Torvik — former farmer, former head of mutual funds for U.S. Bank (Hopkins)
Eric Utne — UTNE magazine (Minneapolis)

This meeting examined detailed information covering ten organizational structures, to determine the best "container" that could be established to accept investments. These options included:

1. Regional Mutual Fund
2. Holding Company
3. Local investment pool as subunit of larger existing development fund
4. Venture Capital Fund (VCF)
5. Limited Liability Company (LLC)
6. Small Business Investment Corporation (SBIC)
7. Real Estate Investment Trust (REIT)
8. Community Development Financial Institution (CDFI)
9. Cooperative Development Fund (COOP-DF)
10. Consumer-supported businesses / Consumer Stock Ownership Program (CSA/CSOP)

Two major lessons emerged from the January 21 meeting: First, it is far more difficult to connect small investors to local firms than we had imagined. Most of the models we examined are designed for larger investments made by wealthier people. This led us to our second lesson: many of the legal protections that are meant to protect investors from fraud have the unintended consequence of limiting investment to wealthy investors, and favor larger firms.

Participants at that meeting decided that three potential structures appeared to be most suitable:

1. Limited Liability Company (LLC)
2. Community Development Financial Institution (CDFI)
3. Cooperative Development Fund (COOP-DF)

Subsequently, a cooperative development fund was rejected as an option. Such a fund may well be one part of the answer to the region's investment needs, but it is too limiting to serve as the primary investment vehicle. A coop fund would be primarily useful in starting cooperatives, and only a small number of businesses are currently exploring cooperative ownership.

Secondly, it was determined that forming a CDFI would be useful because some federal investments are targeted to CDFIs. Still, this does not in itself tell us which corporate structure to use or create. More relevant is the question of whether we would form a non-profit corporation or a for-profit corporation to serve as our investment vehicle. Either one would likely apply for official federal recognition as a CDFI.

Legal Consultations

To gain a stronger legal perspective, we also met with attorneys at the Briggs & Morgan firm in Minneapolis on March 14, 2003. The following attorneys attended:

Amy Erskine (technical expert on forming an LLC)
Avron Gordon (senior member of the legal staff)
Charles Johnson (technical expert on forming an LLC)
Tim Marx (senior member of the firm and *pro bono* committee chair)
James Sankovitz (attorney; also member of a family that owns 4 banks in rural Minnesota)

Attorneys at Briggs & Morgan cautioned us that “What you are setting out to do is a great idea, but one that runs up against the fact that issuance of securities is highly regulated.” They suggested it might be possible to start with a core group of investors to create a community development investment fund to take advantage of the New Market Tax Credit for investors. This would be exempt from SEC reporting, as long as it was a partnership of accredited investors (An Accredited Investor is an individual who earns [and expects to earn] an income of $200,000 [or $300,000 for a married couple], or who holds a net worth of $1 million.). There would be a limit to the number of total investors who could join. Small investors may not be able to carry the risk, the attorneys cautioned. “You would also have to ask if this [investing in smaller local firms] is even an appropriate investment for small investors.”

A Limited Liability Company (LLC) was suggested since this legal structure limits taxation for the investors. With all other forms of corporation besides the S corporation, there is a potential of double taxation. This LLC might be formed as the subsidiary of a non-profit corporation

It was further suggested that there is a need to avoid registration as an investment company, and full-blown federal disclosure, since this involves great cost. Exemptions from this disclosure do exist for corporations that do business only in Minnesota, or for corporations holding less than $5 million in assets. In some cases, the Minnesota Department of Commerce may offer special exemptions to funds whose purpose is consistent with these provisions. Briggs & Morgan attorneys suggested that it may be feasible for the Hiawatha Fund to apply for such a special exemption. These exemptions, however, may not apply to an investment company, but only to a standard business corporation. Although these exemptions could make a firm exempt from SEC registration, they would not exempt the firm from federal and state disclosure rules.

Investment clubs are another tool that could be used, attorneys told us. Such clubs are really partnerships. They don't have to register with the SEC. Each one is formed around a partnership agreement. Members would not have to be accredited investors. The promoter of an investment club could be deemed to be an investment advisor, which would subject him to regulation, but only if she/he were compensated. There is a limit of 99 or fewer members. However, all of the investors in the club would have the right to participate in business decisions.

Statewide Meeting and Teleconference

The Southeast Minnesota Sustainable Finance Initiative (SMSFI) also presented our concept of a regional investment fund to a state-wide group of rural leaders as a way of ascertaining (and building) interest. This meeting, sponsored by University of Minnesota Extension at the St. Paul Campus, also included participants from three rural locations, using interactive television from sites in Crookston, Morris and Willmar.

Attendees of the Statewide Meeting—April 2, 2003:

John Bathke — Northwest Regional Partnership (Crookston) board director
Dick Broeker — Experiment in Rural Cooperation (Lake City) director
Reggie Edwards — Region Nine Development Council (Mankato) executive director
Jon Evert — Northeast Regional Parntership (Duluth) board director
Wade Fauth — Blandin Foundation economic development lead
Judy Gilow — Experiment in Rural Cooperation (Lake City) board director
Jeffrey Gorfine — Experiment in Rural Cooperation (Lake City) president
Cassie Harrington — First National Bank (Plainview) officer
Dean Harrington — First National Bank (Plainview) president
Linda Kingery — University of Minnesota Northwest Partnership (Crookston) director
Chuck Knierim — Wild Rose Farm (Breezy Point)
Dee Long — Minnesotans for an Energy-Efficient Economy (St. Paul)
Mike Lorentz — Lorentz Meats & Deli (Cannon Falls), a local business owner who would benefit from sustainable financing
Tim Marx — Briggs & Morgan law firm (Saint Paul), and counsel to Blandin on economic development (now Minnesota Commissioner of Housing Finance)
Ken Meter — Crossroads Resource Center (Minneapolis) president
Helene Murray — Minnesota Institute for Sustainable Agriculture (St. Paul)
Mary Page — University of Minnesota regional partnership's Statewide Coordinating Committee chair
Cynthia Pansing — U of M Regional Sustainable Partnerships (St. Paul) director
Dorothy Rosemeier — West Central Regional Opportunities Council (Morris) director
Dick Senese — University of Minnesota Extension director
Deon Stuthman — University of Minnesota Extension

Attending by teleconference from U of M—Crookston:

Stephen Davis — Northwest Regional Partnership (Crookston) board director
Tom Lenertz — Northwest Regional Partnership (Crookston) board director

Attending by teleconference from U of M—Morris:

Dick Hanson — West Central Regional Parntership (Morris) board director
Bev Struxness — West Central Regional Partnership (Morris) board director

Attending by teleconference from Willmar:

Julie Joplin — West Central Regional Partnership (Morris) board director

This meeting generated a high level of interest for the possibility of forming regional mutual funds in several regions of the state, especially in Northwest Minnesota and West Central Minnesota

Goals of the Hiawatha Fund

1. Build wealth in local communities across the region.
2. Create a pool of investment resources that helps transform the region.
3. Build new social and economic connections in the region.
4. Enhance security by meeting local needs with local resources.
5. Protect small businesses and independent farms.
6. Connect investment fund to campaigns to boost local ownership and local purchasing.
7. Extend equity financing to locally owned businesses.
8. Provide an equity investment vehicle that local businesses will use.
9. Offer investment vehicle to local investors who wish to invest locally.

Each of these goals is explained in greater detail below.

1. Build local wealth

Build wealth (financial and nonfinancial) for Southeast Minnesota residents
Keep existing small businesses locally owned whenever possible
Transfer assets from current residents to younger residents who will stay in the region and continue to invest there
Grow new locally owned businesses
Cycle more money through SE Minnesota communities
Expand investment by local residents in local business
Build local credit sources that are owned by local residents

2. Create a pool of investment resources that helps transform the region

Create a practical vision for transforming SE Minnesota into a more sustainable future
Use targeted investments from a credit pool to advance this vision
Coordinate investments and productive activity by local firms to advance this vision
Use external resources to facilitate or leverage local investment (rather than focusing the credit pool on the interests of outside investors)
Create pool of patient investment capital
Update essential businesses/services for new technology, create permanent facilities

3. Build new social and economic connections in the region

Directly connect stockholders, businesses and consumers
Build collaborative business structures
Build new public-private collaborations

4. Enhance security by meeting local needs with local resources

Reduce amount of energy required to ship products from producer to consumer
Ensure that local residents hold cutting-edge skills in producing daily essentials
Ensure that consumers know the sources of the products they buy
Ensure that businesses and consumers see themselves as connected and supportive of each other

5. Protect small businesses and independent farms

Help local businesses adopt new technology / new service approaches
Stabilize (or even reduce) costs of doing business
Make it easier to launch new small businesses serving local needs
Reduce risk to investors by protecting them from potential loss
Provide options for successful firms to be purchased by local buyers rather than be acquired by investors/firms located outside the region

6. Connect investment fund to campaigns to boost local ownership and local purchasing

Create brand label for regionally grown products
Market the concept of local consumption of local products
Create incentives for local consumers to purchase from local firms

7. Extend equity financing to locally owned businesses

Develop local sources of patient capital by pooling local investments
Ensure that local firms offering equity shares follow appropriate accounting practices
Develop expertise among local investment professionals to evaluate business practices of local firms and monitor their share offerings
Ensure that residents at all income levels are able to participate

8. Provide an equity investment vehicle that local businesses will use

Keep paperwork and accounting demands simple
Create ownership vehicles that provide capital to businesses without investors assuming control of daily operating decisions
Create investment vehicles that minimize unwelcome interference in business decisions by resident investors

9. Offer investment vehicle to local investors who wish to invest locally

Create a mutual fund or some other form of pooled investment fund
Offer financial information to local investors so they can make informed investment decisions
Create investor clubs so that local investors share in the process of learning about local investment
Build on the capacity of existing financial institutions in the region where possible

Strategic Objectives

The Strategic Plan of the Hiawatha Fund calls for both immediate activity to animate local investment, and longer-term activity toward creating a regional investment fund.

1. Immediate actions that require relatively minor financial support ($75,000 to $400,000)

a) ERC should form a new nonprofit corporation called the Hiawatha Fund.
b) The Hiawatha Fund should formalize a long-term regional vision of local investment and local purchasing for Southeast Minnesota.

c) The Hiawatha Fund should take immediate steps to:

   i. form new investment clubs in communities across the region;
   ii. research & publicize local business that offer investment opportunities;
   iii. create educational materials for use by these investment clubs and the general public, to help residents make informed choices about local investments;
   iv. identify goods and services that are best offered at a local and regional scale;
   v. devise new ways of building local wealth by harnessing local investment and consumer power;
   vi. monitor local investment, local consumption, and local wealth built through the activites of the Fund; and
   vii. ensure that appropriate technical assistance is extended by regional resource groups to local entrepreneurs and farmers sharing the Fund's mission. This should include targeted assistance to those who may wish to start new businesses, expand/redirect existing businesses, or retain local ownership.

d) The Hiawatha Fund should work with legal advisors and legislators to create new legal structures or tax incentives needed to build a larger regional mutual fund.

2. Actions requiring larger levels of support or new policy decisions ($300,000 to $5 million)

a) The Hiawatha Fund should build a pool of capital (less than $5 million) by selling shares to individual investors and/or by accepting donations. Existing Local Revolving Loan Funds (LRLFs) would assist the Hiawatha Fund to identify good equity investment opportunities that would draw upon this pool. This activity should obtain exemption from public reporting requirements.
b) The Hiawatha Fund should obtain official status as a Community Development Financial Institution (CDFI). This enables the Fund to obtain federal leveraging dollars, and qualifies accredited investors for tax credits.
c) The Hiawatha Fund should work with marketing experts to develop and run marketing campaigns that market local firms, local products, and the need to buy and invest locally.
d) The Hiawatha Fund should launch further "buy & invest locally" efforts as resources allow.

3. Activities requiring major gifts and/or changes in state law ($5 million and more)

a) If sufficient capital can be located, the Hiawatha Fund should build an investment pool of at least $10 million. This fund could be held by the state of Minnesota, a county or group of counties, or a for-profit subsidiary of the Fund, perhaps a Limited Liability Company (LLC) or Small Business Investment Company (SBIC), that then makes equity investments in local firms.
b) The Hiawatha Fund should design and implement new laws that create legal status for corporations holding a mission of building wealth in their locale and protect these from mergers & takeovers.
c) The Hiawatha Fund should explore creating a regional stock exchange.

Detailed tasks to be undertaken

The Strategic Plan of the Hiawatha Fund calls for both immediate activity to animate local investment, and longer-term activity toward creating a regional investment fund.

1. Immediate actions that require relatively minor financial support ($75,000 to $400,000)

a) Create a new nonprofit corporation called the Hiawatha Fund. This will require: (i) convening a founding committee; (ii) adopting a set of by-laws; adopting articles of incorporation; (iii) forming a Board of Directors; (iv) filing incorporation papers with the State of Minnesota, and (v) revising this business plan into a full work program for the new corporation, complete with budget; and (v) opening an office.

b) The Hiawatha Fund should formalize a long-term regional vision of local investment and local purchasing for Southeast Minnesota. Further, the Fund should form a "learning community" of residents who will learn over time what are the most effective strategies for building local wealth, fostering local investment, and bolstering smart local consumption.

c) The Hiawatha Fund should take immediate steps to:

i. organize investment clubs in 1-10 communities (rural neighborhoods, church groups, towns, counties) in the region. These will be self-standing investment clubs, with no staff advising them on investment decisions. Clubs may be formed among groups such as the following:

- individual communities
- churches
- workplaces
- cooperatives
- business groups / chambers of commerce
- professional groups
- social clubs
- farmer organizations
- labor unions
- educational institutions (staff, student and faculty groups)
- alumni of local schools
- relatives of local residents
- former residents

The above list, of course, should not be considered exhaustive. Note that investment clubs would quite naturally take on the mission of becoming "Buy Hiawatha" clubs who shop at local stores, purchase products produced by firms where they invest, and offer suggestions for new products and services.

ii. compile research covering the region's economy, and identifying all locally owned firms in Southeast Minnesota that offer (or that wish to offer) shares of stock to the investing public, and publicize these local businesses to the general public in Southeast Minnesota, through both a web site and through printed material.

iii. create educational materials for use by local investment clubs and the general public, to help residents make informed choices about local investments, and should run training sessions with potential investors in the region using these materials.

iv. identify goods and services that are best offered at a local and regional scale. These findings should be researched and communicated to the region in a popular format, to help local citizens determine which local business will be most fruitful to support.

v. devise new ways of building local wealth by harnessing local consumer power. The Hiawatha Fund should explore creating self-financing strategies for local businesses, extending the approach taken by Community Supported Agriculture (CSA) farms into other local industries. For example, local utility consumers could prepay for the generation of green energy by a local firm, as a way of financing the development of this production capacity.

vi. monitor local investment, local consumption, and local wealth built through the activites of the Fund.

vii. ensure that appropriate technical assistance is extended by regional resource groups to local entrepreneurs and farmers sharing the Fund's mission. This should include targeted assistance to those who may wish to start new businesses, expand/redirect existing businesses, or retain local ownership, and will involve partnerships with the Southeast Minnesota Development Corporation, the Small Business Administration, SCORE, and others.

g) The Hiawatha Fund should work with legal advisors and legislators to create new legal structures or tax incentives needed to build a larger regional mutual fund.

2. Actions requiring larger levels of support or new policy decisions ($300,000 to $5 million)

a) The Hiawatha Fund should build a pool of capital (less than $5 million) by selling shares to individual investors and/or by accepting donations. Existing Local Revolving Loan Funds (LRLFs) would assist the Hiawatha Fund to identify good equity investment opportunities that would draw upon this pool. Further, the Hiawatha Fund should work with legal advisers to apply to the Minnesota Department of Commerce for special legal exemptions that would ensure that this pool of capital and the LRLFs remain exempt from certain SEC and Minnesota reporting requirements.

b) The Hiawatha Fund should obtain official status as a Community Development Financial Institution (CDFI). This enables the Fund to obtain federal leveraging dollars, and qualifies accredited investors for tax credits.

d) The Hiawatha Fund should work with marketing experts to develop and run marketing campaigns that market local firms, local products, and the need to buy and invest locally.

e) The Hiawatha Fund should launch further "buy & invest locally" efforts as resources allow.

  i. The Hiawatha Fund should explore launching a Hiawatha Region credit card that would allow local residents to make donations to the Hiawatha Fund with each use of the card. This would also allow the Fund to track local spending in local stores, and should also help visibility for the concept of local purchasing (and consequently, local investing).

  ii. The Hiawatha Fund should further explore other ways of cycling more local spending into the region. It might set up a regional insurance fund that could indemnify homes, autos, and businesses in the region (and which in turn could invest its assets into local businesses). It might consider creating a Community Home Equity Fund that collects interest payments from home buyers and recycles them in the region.

  iii. The Hiawatha Fund should create additional investment vehicles as resources allow. These might include: a Cooperative Development Fund, Employee Stock Ownership Programs, Consumer Stock Ownership Programs, a Small Business Investment Company, Real Estate Investment Trust, etc.

3. Activities requiring major gifts and/or changes in state/local law ($5 million and more)

a) If sufficient support can be located, the Hiawatha Fund should build a pool of capital of at least $10 million. This fund could be held by the state of Minnesota, a county or group of counties, or a for-profit subsidiary of the Fund, perhaps a Limited Liability Company (LLC) or Small Business Investment Company (SBIC), that then makes equity investments in local firms. Potential funders include the McKnight Foundation, the Blandin Foundation, State of Minnesota, labor unions, counties, municipalities, or national foundations. The size of this fund must exceed $5 million so that the Hiawatha Fund may be deemed an Accredited Investor by the SEC and state of Minnesota *[legal analysis of this issue still incomplete]*.

b) The Hiawatha Fund should invite other Accredited Investors living in the region to join in the formation of this fund, but if an LLC, at least a 66% majority interest of the for-profit corporation will be held by the Hiawatha Fund. Up to 35 non-accredited investors each year may also join this fund as partners.

c) Organizational documents that form this LLC should specify that if any one of the Accredited Investors decides to leave the corporation, investments will be returned to each Accredited Investor (less outstanding money that has been committed to local businesses). If the Hiawatha Fund still holds two-thirds of the LLC's assets, it will still hold considerable capital.

d) Individual nonaccredited investors who may invest in this fund will each hold one vote in setting policy for the Hiawatha Fund's stake in the LLC, irrespective of the amount of money each person invests.

e) The Hiawatha Fund may also work with funders to leverage individual investments made by residents of the region, or to underwrite the risks that small investors may assume when investing in local firms.

f) The Hiawatha Fund will work through local investment clubs, and with individual investors in the Fund and the LLC, to increase the capacity of local residents to make increasingly large investments over time. This activity may well require subsidy from foundations or public bodies.

g) The Hiawatha Fund may also wish to consider establishing a program of Individual Development Accounts (IDAs) that leverage savings accumulated by lower-income residents, so they can more fully participate in economic activity in the region.

h) The Hiawatha Fund should design and implement new forms of corporate ownership to create corporations holding a mission of building wealth in their locale that are protected from mergers and takeovers.

    i. For example, a Locally Investing Corporation (LIC) could be created as a new type of corporation that would have the ease of incorporation now given to a Limited Liability Company (LLC), with the one-investor/one-vote governance of a cooperative. However, the mandate of an LIC would be to build wealth that remains in the local community near the corporation's place of business. Size would be capped at $5 million (or some other figure that encourages local rootedness). State incentives would be created that protect these corporations from being bought by, or merged into, an external corporation. The corporation's fiduciary responsibility would be defined as *promoting sustainable economic activity in the locale in which the firm operates* (including sound environmental practices, liveable wages, transparency in governance), not as return to stockholders—stockholder return would count to the extent stockholders are local people.

    ii. Since a public purpose would be served by keeping local regions economically and environmentally sustainable, it would be appropriate for the state of Minnesota, or local counties, to offer incentives to LICs, and to invest in them in targeted ways.

i) The Hiawatha Fund should explore creating a regional stock exchange. The shares of stocks held in LICs may have little value outside of the region, so a regional stock exchange may be useful. Internet technology may allow these transactions to be carried out at minimal expense.

Questions still to be addressed

Legal issues

1. Can a nonprofit 501(c)(3) corporation qualify as an "institutional buyer" or "accredited investor" if it holds more than $5 million in assets? If the Hiawatha Fund could accumulate such an endowment, it apparently could certainly attract other investments from a limited number of other Qualified Investors, who could qualify for the New Market Tax Credit if the Fund were constituted as a CDFI. It may even be possible, following the example of the Community Reinvestment Fund, for foundations to underwrite any risk to the nonprofit itself. *[legal research is not complete on this topic].*

2. Non-profits are in certain cases prohibited from making investments in corporations that are not Subchapter C corporations. Would a for-profit subsidiary of a non-profit corporation also be hampered by the same restrictions? Specifically, would this for-profit subsidiary be able to invest in partnerships, S corporations, or LLCs, etc.? *[legal research is not complete on this topic].*

3. Many of the people who care about the Southeast region, and who may be potential investors may well be former residents who now live elsewhere (perhaps Arizona or Florida retirees or younger folks working in urban areas across the U.S.). We had hoped not to exclude such people from investing. If we were to take advantage of an exemption from Minnesota Commerce we could not solicit investments from such people outside of Minnesota. Further, to sell to these potential customers, we would have to register with each state in which sales were carried out. Are we willing to forego investment from such people in order to use a Minnesota exemption?

4. The legal requirements for an investment fund to gain state and federal exemptions are different in certain respects from the requirements that any corporation issuing shares of stock to carry out a business needs to meet. What further legal issues would arise if we pursued the above strategic plan? *[legal research is not complete on this topic].*

5. If the Hiawatha Fund were to assemble $10 million or more in donations for an endowment, this would presumably be used primarily as long-term principal for the Fund. Only some of this would be reinvested. Its main purpose would be to ensure that the Hiawatha Fund becomes an accredited investor, has the controlling share in its LLC subsidiary, and can attract other accredited investors. Interest earned on this endowment could be used to cover some of the operating expenses required by the fund. Would this fund be exempt from SEC reporting, since it would not directly offer shares of stock to the public, or not?

Strategic Issues:

4. Are Southeast Minnesota residents willing to form and join investment clubs? What demand can be generated from these clubs for local investment?

5. What would the relationship between the Hiawatha Fund and the Local Revolving Loan Funds be? Would the Fund raise money that gets donated to each LRLF based upon a local proposal to support local businesses with equity capital, or would the LRLF role be to identify and recommend specific equity investments to the Fund?

6. What should be the overall name of this cluster of Funds? The Hiawatha Fund? The Hiawatha Funds? The Hiawatha Trust? The Hiawatha Initiative? The Hiawatha Local Economy Project? The Hiawatha Equity Fund? Will there be confusion with the existing Hiawatha Foundation?

Appendices

Appendix A: Memo from James R. Sankovitz, attorney at Briggs & Morgan

To: Ken Meter
From: James R. Sankovitz
Date: Thursday, May 1, 2003

The following are some brief answers to your questions and additional considerations as you move forward and your plans evolve. The following is based on limited information gathered through our conversations to date, is offered for information purposes only and does not constitute a legal opinion as to any issue of law discussed below.

1. How do we create a for-profit investment fund (or make use of existing revolving loan funds) that:

- **a) Utilizes SEC registration exemptions**
- **b) Allows pooled investments by average investors (similar to a Mutual Fund)**
- **c) Empowers an advisor to screen businesses and make recommendations to investors**
- **d) Makes equity investments in local private corporations that may not have the capacity or interest in issuing public stock certificates.**

As you may recall from earlier conversations, two separate regulatory schemes govern your proposed fund: (a) the federal securities laws and the regulations of the Securities and Exchange Commission (SEC) and (b) Minnesota state securities laws and regulations. The two principal concerns when applying securities laws are (a) whether the securities being offered must be registered or are exempt from registration and (b) the level of disclosure required to be given to investors.

Registration Requirements

§3(a)(11) of the United States Securities Act of 1933 exempts from federal registration "Any security which is a part of an issue offered and sold only to persons resident within a single state or territory, where the issuer of such security is ..., if a corporation, incorporated by and doing business within, such state or territory." SEC Rule 147 implements this "intra-state" offering exemption. §3(a)(11) would allow you to organize a corporation under Minnesota law and seek investments solely from Minnesota residents without registering with the SEC. All communications with investors, all meetings and delivery of all materials to investors must be done within Minnesota. No solicitations be made or materials sent outside Minnesota in connection with the sale of securities. The limitations of §3(a)(11) are consistent with the objectives of your proposed investment fund, as I understand them. Use of the exemption in §3(a)(11) for a public offering would not require any filing with the SEC, but would require a full registration with the Minnesota Department of Commerce. The intra-state exemption can also be used for non-public offerings, but an exemption for a private offering under Minnesota law would be required if registration is to be avoided.

Minnesota Statutes §80A.15, Subd. 2(g) exempts from securities registration any offer or sale to an "institutional buyer." Minnesota Statutes §80A.14, Subd. 8a specifically defines an institutional buyer as including an "'accredited investor' within the meaning of rule 501(a) of regulation D." Rule 501(a) of Regulation D defines an "accredited investor" to include, among others, any natural person whose (a) individual net worth or joint net worth with that person's spouse at the time of his purchase exceeds $1,000,000 or (b) individual income exceeded $200,000 in each of the two most recent years or joint income with that person's spouse exceeded $300,000 in each of the two most recent years. Thus, no filings are required in Minnesota if sales are made solely to accredited investors.

Minnesota Statutes §80A.15, Subd. 2(a)(1) exempts from registration sales of securities to up to ten non-accredited investors in any 12-month period without requiring any notice filing with the Minnesota Department of Commerce. Minnesota Statutes §80A.15, Subd. 2(a)(2) exempts sales of securities to up to an additional 25 non-accredited investors (exclusive of those investors exempted under §80A.15, Subd. 2(a)(1)) in any 12-month period, but requires a notice filing with the Minnesota Department of Commerce. Together, Minnesota Statutes §80A.15, Subd. 2(a)(1) and (2) allow sales of securities to up to 35 non-accredited investors during a 12-month period provided an issuer make certain notice filings when sales are made to more than ten non-accredited investors.

§80A.15, Subd. 2(g) and §80A.15, Subd. 2(a)(1) and (2) combined allow an issuer to sell securities to an unlimited number of accredited investors in Minnesota and up to 35 non-accredited investors in Minnesota during any 12-month period.

Based on your e-mail and our recent telephone conversation, I understand that you anticipate seeking more than 35 non-accredited investors for your fund during a 12-month period. Minnesota law does not contain any exemption that would allow you to achieve your goals. Based on our understanding of your objectives and proposed structure for the fund, however, you could consider submitting an exemption request to the Minnesota Department of Commerce. We have assisted one or more clients in the past with such a request, but cannot predict the likelihood of success obtaining a specialized exemption from the Department of Commerce. Your request would need to present the reason why a particularized exemption should be granted and contain, among other information, your proposed offering documents and extensive detail regarding how your fund will operate to protect the interests of investors and achieve the Department's objective of full and fair disclosure to investors.

Disclosure and Anti-Fraud Requirements

Reliance upon federal and state exemptions from registration does not relieve you of federal and state disclosure and anti-fraud requirements. The fund will be required to create extensive disclosure documents containing all information that a reasonable person would deem "material" when making an investment decision. We would use as a guide for disclosure, federal securities regulations and documents typically used in debt offerings. Failure to state a material fact or the omission of a material fact necessary to make statements not misleading may violate federal and state anti-fraud statutes and lead to significant liability for the fund and its promoters. The fund's disclosure obligations initially would be mitigated by the limited operating history of the fund and the lack of any real financial information to disclose. Nonetheless, the fund would need to prepare and deliver to all prospective investors an offering circular containing all material information available.

2. Would it be possible for this investment fund to qualify under SEC Regulation A? This allows a corporation to be exempt from registration small securities offerings if their public

offerings do not exceed $5 million in any 12-month period. We understand Avron Gordon's caution that it is likely that investment funds do not qualify under Regulation A, but it would be helpful to have a more formal review of that question.

It is possible that your proposed fund could rely on the exemption in SEC Regulation A (Securities Act Rules 251 through 263), which limits offerings to no more $5 million during any 12-month period. Unlike §3(a)(11), Regulation A requires issuers to file a Form 1-A offering statement with the SEC (Rule 252(d)) and obtain SEC "qualification" of the offering statement, requires specific content to be included in an offering circular (Rule 253) and requires issuers to report sales and uses of proceeds to the SEC, among other requirements. In comparison, however, utilizing §3(a)(11) involves no SEC review, would allow you more flexibility and require less reporting than use of Regulation A.

3. If the kind of fund we seek to build cannot be structured under existing laws, what would it take to get an exemption, regulation change, or other opportunity to create a model fund that could be tested on a temporary basis?"

Based on our understanding of your objectives and anticipated investors, we believe that you likely can utilize a federal exemption to avoid registration of securities being sold. As indicated above, you should consider requesting a special exemption from the Minnesota Department of Commerce if you intend to sell to more than 35 non-accredited investors. We are uncertain whether any exemption request will be granted, but believe you might have a good faith argument to support your exemption request.

4. If we use the Canadian Labour-Sponsored Investment Funds (such as the Crocus Fund) as a starting point, adapting this to Southeast Minnesota and other regions of the state-perhaps with a geographic focus in addition to involving labor-how is Canadian law different from U.S. law? How might this affect our chances of getting similar legislation adopted in Minnesota or the U.S.?

We are not familiar with how the Canadian Crocus Fund is structured and do not have any expertise in Canadian law. Canadian securities laws are likely significantly different from U.S. laws. Furthermore, compliance with Minnesota law (not federal law) is the most difficult obstacle for your proposed fund, as we understand it. It is highly unlikely that you could successfully lobby for and change Minnesota or federal law with any ease or speed. It would, however, be worth discussing a change in the law with legislators and the Governor's office. Since an amendment to Minnesota securities laws to allow sales by community funds to more than 35 non-accredited investors would be viewed as pro-growth and a way to help revitalize outstate communities, it might have some appeal as a stimulus measure. Unless you think such legislation could sail through the legislature quickly, your efforts would be better used complying with federal law and either complying with an existing Minnesota exemption or submitting an exemption request to the Minnesota Department of Commerce.

Appendix B: Potential investors in a Regional Investment Fund

A. Individuals *(this list adapted from Feasibility Plan)*

retired farmers / business people
retired individuals who have funds available for investing
people with children or grandchildren living in the community
long-time residents with a history in the community
people who want to leave a legacy in their community
community leaders & others who are actively involved in community efforts
urban professionals who grew up in region and want to contribute
people who want to preserve the culture of the area (small, independent local businesses and healthy community life)
local successful business people
entrepreneurs willing to share money and expertise

B. Institutions:

municipalities and counties (direct investments and by issuing bonds)
community foundations
Initiative Fund
private foundations
economic development organizations in Minnesota (as listed in Feasibility Plan)
State of Minnesota (bank deposits, direct investment, tax credits, or issuing bonds)
corporations
churches, denominational offices, & networks of church members
labor unions
insurance companies
schools and colleges (bank deposits, direct investment, alumni donations)

Appendix C: Existing trusts in the Southeast Minnesota region
(Financial institutions in or near Southeast Minnesota holding trust powers in Minnesota)

Located in Southeast Minnesota

Peter D. Plunkett, President
Minnesota Surety and Trust Company
107 W. Oakland Ave. (P.O. Box 463)
Austin, Minnesota 55912
(507) 437-3231
ABA 091201070/FDIC #90317

Rodney R. Nelson, President
Merchants Bank National Association
102 East Third St. (P.O. Box 248)
Winona, Minnesota 55987
(507) 457-1100
ABA 091900193 / FDIC #08866

Winona National and Savings Bank
Jack J. Richter, President
204 Main St. (P.O. Box 499)
Winona, Minnesota 55987
(507) 454-4320
ABA 091900216 / FDIC #05280

Located near Southeast Minnesota

North Central Trust Company
Kent C. Handel, President
311 Main St. (P.O. Box 489)
La Crosse, Wisconsin 54602
(608) 782-1148
ABA 091800358 / FDIC #90417

Bremer Trust, N.A.
Ken Nelson, President
4150 2nd Street S. (P.O. Box 986)
St. Cloud, Minnesota 56302
(320) 255-7174
ABA - None / FDIC #27120

Corporate lenders with offices in or near the region:

American Express Trust Company
Christy G. Lueck, President
Mail address: 50099 AXP Financial Center
200 American Express Financial Center
707 Second Avenue South — 13th Floor
Minneapolis, Minneapolis 55474
(612) 671-2128
ABA - None / FDIC #90914

American Express Personal Trust Services, FSB
Gregory A. Nordmeyer, President
1581 AXP Financial Center
707 Second Avenue South — 13th Floor
Minneapolis, Minneapolis 55474
(612) 671-0816
ABA - None / FDIC #35328

U.S. Bank, N.A.
Jerry A. Grundhofer, President
425 Walnut Street
Cincinnati, Ohio 45202
(513) 632-4234
ABA 042000013 / FDIC #06548

Wells Fargo Bank Minnesota, N.A.
Jon R. Campbell, President
6th St. & Marquette Ave.
Minneapolis, Minnesota 55479
(612) 316-1985
ABA 091000019 / FDIC #05208

Appendix D: Banks in the region

Southeast Minnesota has 89 banks in 39 cities & towns:

Altura

Altura State Bank
411 Main Street NW
Altura MN 55910
Contact: James C. Kramer
507-796-6761

Austin

Austin Branch: First Farmers & Merchants State Bank
128 North Main Street
Austin MN 55912
Contact: Bob Brinkman, Vice President and Manager
507-433-3473

Minnesota Trust Company of Austin
107 West Oakland
Austin MN 55912
Contact: Peter D. Plunket
507-437-3231

Austin Branch: Wells Fargo Bank Minnesota South N.A.
501 North Main Street
Austin MN 55912
Contact: Lynn Koch
507-433-1891

Austin Branch: Security Bank Minnesota
805 North Main
Austin MN 55912
Contact: Joseph Collins
507-433-8822

Sterling State Bank
1419 1st Avenue SW
Austin MN 55912
Contact: Jerald F. Mohrfeld
507-433-7325

Austin Branch: U.S. Bank N.A.
301 North Main Street
Austin MN 55912
Contact: Manager
507-433-0200

Byron

First Security Bank
316 Byron Avenue North
Byron MN 55920
Contact: Dale L. Harberts
507-775-2316

Caledonia

Caledonia Branch: Community First National Bank
124 East Grove Street
Caledonia MN 55921
Contact: Richard W. Peterson
507-724-3371

Cannon Falls

Cannon Falls Office: Community National Bank
Highway 52 South
Cannon Falls MN 55009
Contact: Manager
507-263-3624

The First National Bank in Cannon Falls
300 West Main Street
Cannon Falls MN 55009
Contact: Paul H. Bringgold
507-263-4281

Cannon Falls Branch: Marquette Bank N.A.
123 South 4th Street
Cannon Falls MN 55009
Contact: Manager
507-263-4214

White Rock Bank
13313 County 1 Blvd.
Cannon Falls MN 55009
Contact: Joseph M. Tapp
507-263-3030

Cannon Falls Township Office: White Rock Bank
31377 County 24 Blvd.
Cannon Falls MN 55009
Contact: Kenneth J. Mara
507-263-3030

Canton

Canton State Bank
111 North Main Street
Canton MN 55922
Contact: Derrick J. Bushman
507-743-2204

Dodge Center

Dodge Center Office: Wells Fargo Bank Minnesota South N.A.
18 2nd Street SW
Dodge Center MN 55927
Contact: Marcia Rash
507-374-6311

Dodge Center Branch: Security State Bank of Claremont
42 West Street
Dodge Center MN 55927
Contact: Gregory Head
507-374-6090

Elgin

Elgin Office: Peoples State Bank of Plainview
155 East Main Street
Elgin MN 55932
Contact: Mary Schuchard
507-876-2221

Fountain

First State Bank
101 Main Street
Fountain MN 55935
Contact: Charles M. Johnson
507-268-4321

Goodhue

Goodhue Branch: White Rock Bank
601 1st St. Bellechester
Goodhue MN 55009
Contact: Paul Althoff
651-923-4900

Hammond

Hammond Branch: Rochester Bank
Main Street, PO Box 450
Hammond MN 55938
Contact: Manager
507-753-2431

Harmony

Harmony State Bank
3 Main Street North
Harmony MN 55939
Contact: Christopher Skaalen
507-886-6922

Hokah

Hokah Branch: Community First National Bank
100 Main Street
Hokah MN 55941
Contact: Jean Betz
507-894-4400

Houston

Fortress Bank, N.A.
108 East Cedar Street
Houston MN 55943
Contact: Michael J. Donohue
507-896-3179

Kasson

Kasson State Bank
203 West Main Street
Kasson MN 55944
Contact: Richard C. Palmer
507-634-7022

Kellogg

Kellogg Branch: First State Bank of Wabasha
Dodge & Belvidere
Kellogg MN 55981
Contact: Randall C. Voth
507-767-4951

La Crescent

La Crescent State Bank
316 Main Street
La Crescent MN 55947
Contact: James L. Friedl
507-895-4486

La Crescent Branch: The Merchants National Bank of Winona
316 Main Street
La Crescent MN 55947
Contact: James L. Friedl
507-457-1100

Lake City

American Bank Lake City
105 East Lyon Avenue
Lake City MN 55041
Contact: James L. Siewert
651-345-3311

Lanesboro

Lanesboro Office: The Goodhue County National Bank
118 Parkway North
Lanesboro MN 55949
Contact: Ken Graner
507-467-2145

Lewiston

Security State Bank of Lewiston
225 East Main Street
Lewiston MN 55952
Contact: Bill Rohe
507-523-2161

Mabel

Mabel Branch: Community First National Bank
101 East Newburg St.
Mabel MN 55954
Contact: Mark H. Hotvedt
507-493-5426

Mantorville

Mantorville Branch: Citizens State Bank of Hayfield
Highway 57, PO Box 368
Mantorville MN 55955
Contact: Diane Olson
507-635-2481

Mazeppa

Mazeppa Branch: First State Bank of Red Wing
1st Street & State Highway 60
Mazeppa MN 55956
Contact: M.H. Collins
507-843-4345

Millville

Millville Office: Peoples State Bank of Plainview
400 Division Street
Millville MN 55957
Contact: Manager
507-798-2333

Pine Island

The Security State Bank of Pine Island
128 South Main Street
Pine Island MN 55963
Contact: F. W. Sanborn
507-356-8328

Plainview

The First National Bank of Plainview
138 West Broadway
Plainview MN 55964
Contact: Dean Harrington
507-534-3131

Peoples State Bank of Plainview
300 West Broadway
Plainview MN 55964
Contact: William H. Zabel
507-534-3137

Preston

F&M Community Bank
100 Saint Anthony Street North
Preston MN 55965
Contact: Daniel M. Christianson
507-765-3823

Red Wing

First State Bank of Red Wing
3209 South Service Drive
Red Wing, MN 55066
Contact: M. J. Collins
651-388-4714

The Goodhue County National Bank
222 Bush Street
Red Wing MN 55066
Contact: Thomas W. Longlet
651-388-2862

The Goodhue County National Bank
Highway 61 North
Red Wing MN 55066
Contact: Manager
651-388-2862

Wells Fargo Bank Red Wing N.A.
Fourth & Plum Streets
Red Wing MN 55066
Contact: Burl A. Leo
651-388-6751

Rochester

Eastwood Branch: Eastwood Bank
1625 Highway 14
Rochester MN 55904
Contact: Richard Bjerkaas
507-228-4310

Other Rochester Locations:

Second Street Branch: Eastwood Bank
25 2nd Street SW
Rochester MN 55902
Contact: Dick Bjerkaas
507-282-1100

Northside Office: Eastwood Bank
5125 Highway 52 North
Rochester MN 55901
Contact: Jim Oeltjenbruns
507-285-3318

Rochester Branch: First Security Bank
1518 North Broadway
Rochester MN 55906
Contact: Manager
507-281-4211

Marquette Bank Rochester N.A.
206 South Broadway
Rochester MN 55903
Contact: Michael Bue
507-285-2600

Other Rochester Offices:

Apache Office: Marquette Bank Rochester
1155 16th Street SW
Rochester MN 55902
Contact: Judy Mohlke
507-285-2626

Northside Office: Marquette Bank Rochester
3800 Highway 52 North
Rochester MN 55901
Contact: Scott Morrissette
507-285-2676

Subway Office: Marquette Bank Rochester
101 1st Avenue SW
Rochester MN 55902
Contact: Jody Sleffl
507-285-2630

Minnesota First Credit and Savings
Hillcrest Shopping Center, Highway 52 North
Rochester MN 55903
Contact: Wayne Wolesky
507-289-0411

Wells Fargo Bank Minnesota South N.A.
21 1st Street SW
Rochester MN 55903
Contact: Norbert Harrington
507-285-2800

Other Rochester Offices:

Wells Fargo Bank Minnesota South N.A.
Salem Road & 16th Street SW
Rochester MN 55901
Contact: Debroah Anderson
507-285-2980

Wells Fargo Bank Minnesota South N.A.
209 East Center Street
Rochester MN 55904
Contact: Lisa Burt
507-285-2990

Northside Office: Wells Fargo Bank Minnesota South N.A.
940 37th Street NW
Rochester MN 55901
Contact: Charles Ronningen
507-285-2990

Olmsted National Bank
120 Elton Hills Drive NW
Rochester MN 55901
Contact: Lyman Grieve
507-280-0621

Premier Bank Rochester
421 1st Avenue SW
Rochester MN 55903
Contact: J. David Waddington
507-285-3700

Other Rochester Offices:

> Green Meadows Office: Premier Bank Rochester
> 1706 Greenview Place SW
> Rochester MN 55902
> Contact: Jane LeVan
> 507-285-3820
>
> Hillcrest Office: Premier Bank Rochester
> 1611 11th Avenue NW
> Rochester MN 55901
> Contact: Manager
> 507-285-3800

Rochester Bank
16th Avenue & 4th Street NW
Rochester MN 55903
Contact: Richard H. Plunkett
507-288-0224

Rochester Office: Sterling State Bank
102 South Broadway
Rochester MN 55903
Contact: Chris Christopherson
507-282-1845

Other Rochester Branches:

> Rochester Branch: Sterling State Bank
> 1336 Apache Drive SW
> Rochester MN 55902
> Contact: Tracy Lee
> 507-252-7230
>
> Rochester Branch: Sterling State Bank
> 5600 Highway 52 North
> Rochester MN 55901
> Contact: Troy Munsch
> 507-252-7220
>
> Rochester Branch: Sterling State Bank
> 10 25th Street SE
> Rochester, MN 55904
> Contact: Mark Mohlke
> 507-280-9800

Rochester Branch: TCF National Bank Minnesota
1600 Greenview Drive SW
Rochester MN 55902
Contact: Manager
507-282-7535

Other Rochester Offices

> Rochester Branch: TCF National Bank Minnesota
> 1021 15th Avenue SE
> Rochester MN 55904
> Contact: Manager
> 507-282-6850
>
> Rochester Branch: TCF National Bank Minnesota
> 201 First Avenue SW
> Rochester MN 55902
> Contact: Manager
> 507-282-7220

Rochester Main Branch: U.S. Bank N.A.
155 SW 1st Avenue
Rochester MN 55903
Contact: Manager
507-285-7800

Other Rochester Offices:

> Fourth Street Branch: U.S. Bank N.A.
> 401 SW 1st Avenue
> Rochester MN 55902

Contact: Manager
507-285-7808

Elton Hills Branch: U.S. Bank N.A.
302 Elton Hills Drive NW
Rochester MN 55901
Contact: Manager
507-285-7883

Rochester Branch: U.S. Bank N.A.
1518 North Broadway
Rochester MN 55906
Contact: Manager
507-282-4464

Rollingstone

Rollingstone Office: Eastwood Bank
140 Main Street
Rollingstone MN 55969
Contact: Duane Klein
507-689-2151

Rushford

Rushford Branch: Goodhue County National Bank
101 West Jessie Street
Rushford MN 55971
Contact: William Pich
507-864-7744

Rushford State Bank
219 South Mill
Rushford MN 55971
Contact: Ted Robertson Jr.
507-864-7755

St. Charles

Eastwood Bank
748 Whitewater Avenue
St. Charles MN 55972
Contact: James L Talen
507-932-5001

St. Charles Branch: Merchants National Bank of Winona
1130 Whitewater Avenue
St. Charles MN 55972
Contact: Thomas V. Batty
507-932-4610

Spring Grove

Jennings State Bank
126 West Main Street
Spring Grove MN 55974
Contact: Gary Friemann
507-498-5589

Spring Valley

Spring Valley Office: First National Bank in Fulda
208 North Broadway
Spring Valley MN 55975
Contact: Dan Wagner
507-346-7378

Spring Valley Branch: First State Bank of Le Roy
1031 North Broadway
Spring Valley MN 55975
Contact: Steven W. Hadoff
507-346-9836

Home Federal Savings Bank
101 North Broadway
Spring Valley MN 55975
Contact: Roger P. Weise
507-346-7345

Spring Valley Office: Security State Bank
112 West Main Street
Spring Valley MN 55975
Contact: Jo Ann Farland
507-346-9899

Wabasha

First State Bank of Wabasha
111 West Main Street
Wabasha MN 55981
Contact: John E. Doffing
651-565-3331

Wabasha County Bank
730 Pembroke Avenue
Wabasha MN 55987
Contact: William Bosshard
651-565-2627

Wanamingo

Security State Bank of Wanamingo
232 Main Street
Wanamingo MN 55983
Contact: Charles Blastervold
507-824-2265

West Concord

Farmers State Bank of West Concord
181 Main Street
West Concord MN 55985
Contact: Allan Organ
507-527-2236

Winona

Fortress Bank, N.A.
225 Lafayette, P.O. Box 16
Winona MN 55987
Contact: Robert Berzinski
507-452-5202

The Merchants National Bank of Winona
102 East 3rd Street
Winona MN 55987
Contact: Rodney R. Nelson
507-457-1100

Winona Main Office: Wells Fargo Bank Minnesota South N.A.
177 Main Street
Winona MN 55987
Contact: Ray Brueggemeier
507-457-1300

Winona Branch: Wells Fargo Bank Minnesota South N.A.
3rd & Main Streets
Winona MN 55987
Contact: Mary Svir
507-457-1380

Town and Country State Bank of Winona
1491 West Broadway Street
Winona MN 55987
Contact: Dennis L. Cleveland
507-454-5500

Winona National and Savings Bank
204 Main Street
Winona MN 55987
Contact: Jack J. Richter
507-454-4320

Zumbrota

Bank of Zumbrota
70 West 3rd Street
Zumbrota MN 55992
Contact: Jeffery J. Perra
507-732-7555

Main Street Office: Bank of Zumbrota
1440 Main Street
Zumbrota MN 55992
Contact: Jeffery J. Perra
507-732-7555

Appendix E: Labor organizations with an interest in Southeast Minnesota

American Federation of Government Employees
AFGE Local 368, Austin — meat inspectors
<www.geocities.com/CapitolHill/7802/l368.html>

American Federation of Musicians
AFM Local 567, Albert Lea <www.afm.org/567/>

American Federation of State, County & Municipal Employees
AFSCME

Education Minnesota
<www.educationminnesota.org>

Hotel, Hospital, Restaurant & Tavern Employees Union
Local 21, Rochester <www.local21.com>

Inter Faculty Organization
faculty at Minnesota State Universities <www.ifo.org/>

International Brotherhood of Electrical Workers
IBEW

Middle Management Association
<www.middlemanagementassn.org/>

Minnesota AFL-CIO
state labor federation representing 400,000 workers <www.mnaflcio.org>

Minnesota Association of Professional Employees
<www.mape.org>

Minnesota Government Engineers Council
<www.mgec.org/>

Minnesota Community College Faculty Association
<www.mccfa.org/>

Minnesota Nurses Association
<www.mnnurses.org>

Minnesota Pipe Trades
State organization www.mnpipetrades.com

Minnesota Professional Fire Fighters
<www.mpff.org/>

Minnesota State Patrol Troopers Association
<www.mspta.com/>

Minnesota State University Association of Administrative & Service Faculty
<www.winona.msus.edu/msuaasf/>

Plumbers & Pipefitters
Local 6, Rochester <www.mnpipetrades.com/Local6maplink.htm>

Retail workers' campaign, "You Are Worth More"
<www.youareworthmore.org>

Service Employees International Union
SEIU Local 284 — school service employees <www.local284.com>
SEIU Local 113 — health care workers <www.seiu113.com/>

Teamsters Union
Local 320 — public and law enforcement employees <www.teamsterslocal320.org>

United Food & Commercial Workers
UFCW Local 6, Albert Lea <http://spider.smig.net/users/local6/>
UFCW Local 789, South St. Paul <www.ufcw789.org>