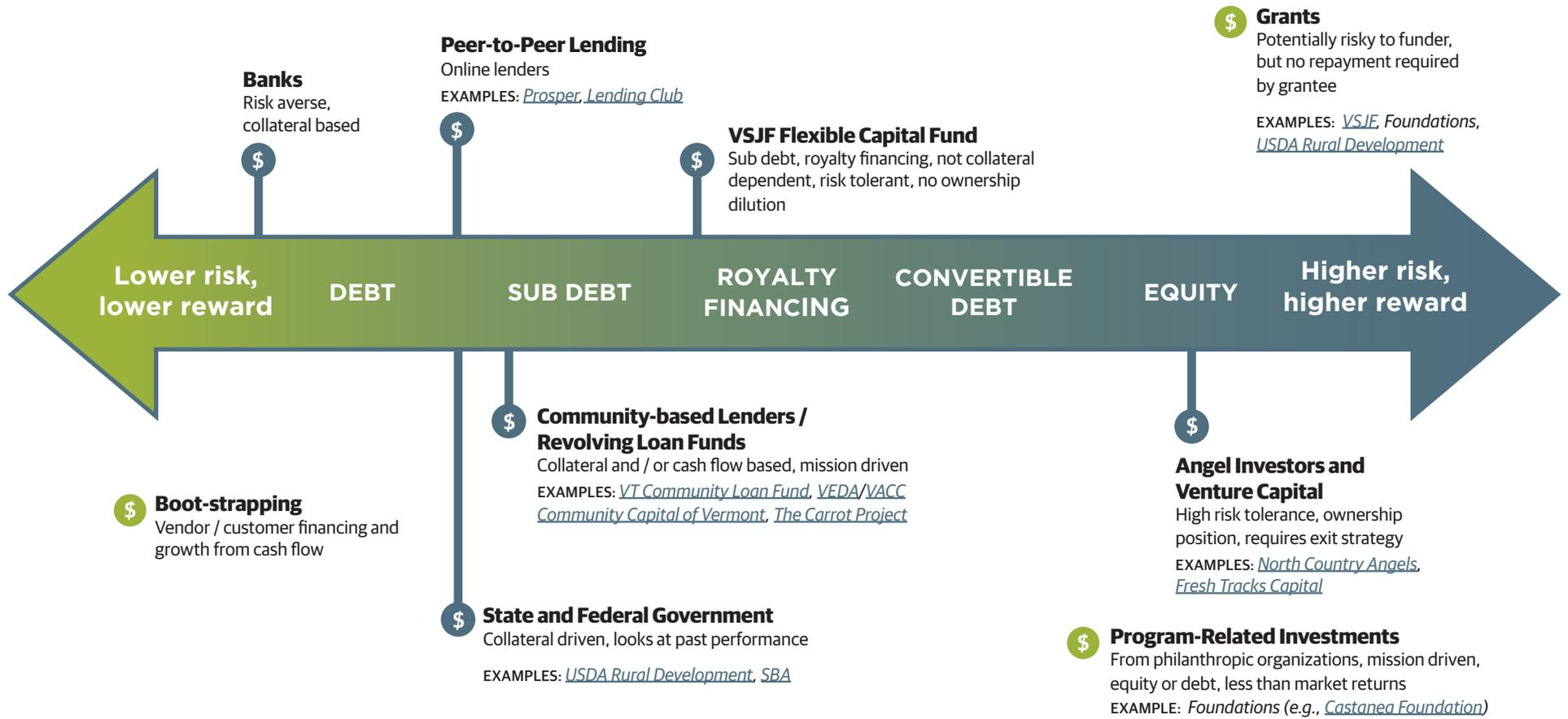


# Capital Continuum



## TOOLS + NETWORKS

 **Investment Clubs + Networks**  
 Group of individuals who meet regularly to pool money and invest, equity or debt  
 EXAMPLES: [No Small Potatoes](#) (Maine)

 **Vermont Small Business Offering Exemption**  
[Exemption](#) allows companies to raise capital directly from Vermont investors.

 **Slow Money Vermont Network**  
[Network](#) connecting food entrepreneurs with Main Street investors.

 **Friends, Family, Fools**  
 Higher risk, may never see a return

## DEFINITIONS:

- ✔ **Debt:** Amount of money borrowed by one party from another. A debt arrangement gives the borrowing party permission to borrow money under the condition that it is to be paid back at a later date, usually with interest.
- ✔ **Subordinated Debt:** A loan (or security) that ranks below other loans (or securities) with regard to claims on assets or earnings. In the case of default, creditors with subordinated debt wouldn't get paid out until after the senior debt holders were paid in full. Therefore, subordinated debt is more risky than unsubordinated debt.
- ✔ **Royalty Financing:** Is not readily available in Vermont. It is based on a company selling a piece of gross revenue instead of selling ownership—hence it's often called "near equity." In exchange for a loan, the company gives the investor a percentage of sales until the investor has received back principal plus additional interest negotiated with the investor.
- ✔ **Convertible Debt:** Instruments that are essentially asset-backed loans that can require the business owner to give up some future equity (ownership) in the business if the lender wishes to convert the debt to an equity position in the company.
- ✔ **Equity Financing:** The act of raising money for company activities by selling common or preferred stock to individual or institutional investors. In return for the money paid, shareholders receive ownership interests in the corporation.
- ✔ **Grants:** Contribution, gift, or subsidy (in cash or kind) bestowed by a government or other organization for specified purposes to an eligible recipient. Grants are usually conditional upon certain qualifications as to the use, maintenance of specified standards, or a proportional contribution by the grantee or other grantor(s).
- ✔ **Investment Clubs and Networks:** A formal investment club is a group of people who pool their money to make investments. Usually, investment clubs are organized as partnerships and, after the members study different investments, the group decides to buy or sell based on a majority vote of the members. Club meetings may be educational and each member may actively participate in investment decisions. For the SEC definition, visit [www.sec.gov/investor/pubs/invclub.htm](http://www.sec.gov/investor/pubs/invclub.htm). There are also informal investment networks that can organize around making connections between entrepreneurs and investors.
- ✔ **Peer-to-Peer Lending:** The practice of lending money to unrelated individuals, or "peers," without going through a traditional financial intermediary such as a bank or other traditional financial institution. This lending takes place online on peer-to-peer lending companies' websites using various different lending platforms and credit checking tools. Two recent peer-to-peer lending portals have been approved in the State of Vermont for small business loans up to \$35,000: Prosper ([www.prosper.com](http://www.prosper.com)) and Lending Club ([www.lendingclub.com](http://www.lendingclub.com)).
- ✔ **Program Related Investments (PRIs):** Investments made by foundations to support charitable activities that involve the potential return of capital within an established time frame. PRIs include financing methods such as loans, loan guarantees, and even equity investments in charitable organizations or in commercial ventures for charitable purposes.
- ✔ **Vermont Small Business Offering Exemption (VSBOE):** VSBOE is an securities registration exemption for small businesses in Vermont that can help facilitate raising capital from Vermonters. As of summer of 2014, VSBOE now allows Vermont businesses and start-up companies to raise up to \$2 million in capital from in-state investors. Participating businesses will need to be registered with the Vermont Department of Financial Regulation (DFR). VSBOE allows individual Vermont investors to invest up to \$10,000 in a single Vermont business. VSBOE also allows certain high net-worth individuals to invest an unlimited amount of capital. There are guidelines for small business owners concerning the type of information and disclosures that should be provided to prospective investors under a VSBOE offering. To learn more, contact the DFR at (802) 828-3420 or visit the Department's website at [www.dfr.vermont.gov](http://www.dfr.vermont.gov).