

WALKING THE TALK IN THE LOCAL INVESTMENT ARENA

Imagine an investment world where you could put money available for growth investing directly into a local business that has attracted your attention because of their good service, outstanding products or just because you met the owners and liked them. Imagine checking out possible investment opportunities while doing your errands. Entrepreneurs are everywhere, and if you believe in their abilities, drive and desire to enrich their livelihoods in a way that might also translate into a chance for you to make real money, why not give it a go?

For many years now, many people including myself have been pontificating about the unfairness of how small investors are treated in the stock and bond markets. Up until now, the legal and accounting expense of typical stock offerings have kept most of America's small business entrepreneurs locked out of raising money by issuing stock. This in turn, limits the field of worthwhile opportunities for investors, some of which exist in our own backyard. You may have seen the bumper sticker that says "Think Globally, Act Locally." In this spirit I am interested in gauging the level of interest among readers in creating a link between investors and local businesses. This venue would serve as a bridge to connect people with money to local, green, sustainable, community-minded businesses that are in need of money to expand.

The format for local investing would be set up on a website to provide information on the availability of local businesses looking to expand. Information about their efforts to be good community citizens and their financial stability would be provided. Investors could then make personal contact with ventures that pique their interest.

Once investors are able to see what local businesses are looking to raise money, the matching service would define what aspects of the business meet various "sustainability" or "green" criteria. The business must be willing to share information and be fair about divvying up future profits with investors. By definition, there would be a high degree of risk in local small businesses. This means that investors need to be prepared to possibly lose their investment.

Investors and entrepreneurs alike would need to sign off on the fact that they are not relying on outside persons in making the decision to hookup. In exchange for their capital, investors would receive a small portion of the stock in the company as well the potential to receive goods or services from the business on a preferred basis. This would mean coming first in line if availability became an issue. Investors might also get a discount on services and/or products. People would then be able to touch with their own hands and look with their own eyes into the faces of the providers of things they use. The quality of everyone's lives might be greatly improved.

The advantages to participating businesses would be they would not have to borrow money, thereby saving on interest payments and not having to put up their personal homes as loan collateral. Businesses could limit the number of investors they want to take in and define how they want to interact with prospective and actual investors. Financial and "sustainability" audits could be performed by outside persons. Companies would need to agree to put into place proper legal structures in order to provide basic shareholder rights.

Investors would have the opportunity to look inside local businesses and find out how they conduct themselves. Does the business buy and sell locally? Do they use toxic chemicals? Are they recycling materials? How environmentally friendly are their processing and packaging processes? What is the company giving back to the community? All of these will help investors decide for themselves what defines good citizenship.

There is a growing body of evidence that the businesses most beneficial to a given community are those that are locally owned and "import-substituting," that is they do not need to buy most of their supplies from large corporations nor sell their products to multinational companies. These firms tend to stay in a community longer, pay more taxes, give more to charity, produce more jobs, adapt better to local labor and environmental regulations (rather than fight them), and – most significantly – contribute more to the local economy than do national chains primarily because they buy and sell within their geographic region.

The exchange of local shares and local capital would take place primarily through the Internet. This would give investors a look at many kinds of businesses, in Santa Fe as well as other parts of the state and country.

Investors would connect directly with entrepreneurs operating on a local, human scale and this would cause capital to flow out of big corporations.

Small businesses have historically had little access to raising money through stock because almost no mutual, pension, or insurance fund investment in this country will invest in small businesses. So, even though more than half of the U.S. private sector, and likely a much higher proportion here in New Mexico is small business, virtually all of our stock money is, by default, going into big corporations. To change this structural defect will require a courageous and maverick minded effort, in effect, to innovate and create a totally new, locally based, investor to business direct capital market. I believe there is no better place to start than in New Mexico.

Please help by e-mailing me at [localinvesting@yahoo.com](mailto:localinvesting@yahoo.com) to express your view as to whether this is a positive, neutral or ridiculous concept. The feedback you provide will be totally confidential and respondents will not be bothered in any way. If there are only six people interested, it's a no go. If six hundred positive replies are received, it will proceed. Imagine local green businesses raising capital, in small or large amounts, outside the control of traditional Wall Street firms. What better way is there to express the American ideals of individualism and independence?

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