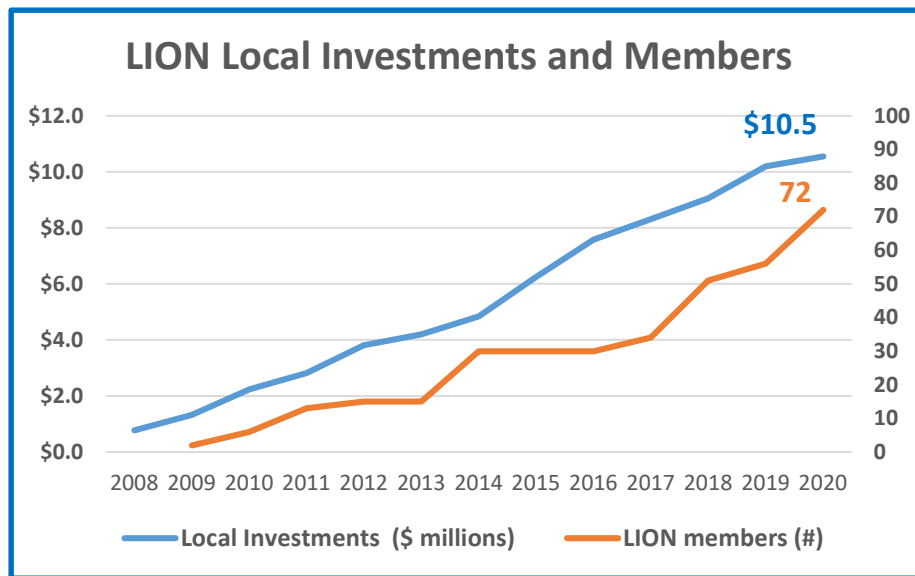




## A Quantitative Profile of Local Investing in East Jefferson County, WA 2008 - 2020

Data is based on responses from 44 LION members to voluntary surveys conducted in 2012, 2017, 2020 and 2021. As not all LION members responded to the surveys, the data shown represent “at least” amounts of LION member investments. The latest survey, conducted in February 2021, also attempts to measure the loan relief that LION members provided in 2020 in response to the COVID-19 pandemic.

### Overview



The Local Investing Opportunities Network (LION) is a network of local citizens whose mission is to build a prosperous and resilient community by investing their money locally in East Jefferson County, WA. Founded in 2008, LION now has 72 members. Local businesses and non-profit organizations submit Business Opportunity applications through EDC Team Jefferson to solicit interest and financial support from LION members. LION members may also invest in other opportunities which become known to them independent of the LION applications. Each LION member makes their own decisions as to whether, where and how to invest. Collectively, LION members have invested at least \$10.5 million through 313 deals in 96 East Jefferson County businesses, non-profits, real estate or other entities. At the end of 2020, LION investment entities together had over 450 full and part time employees. This estimate does not take into account employees who may have been temporarily furloughed due to the pandemic.

## Pandemic relief for LION loans

LION members provided substantial loan relief in response to the COVID-19 pandemic in 2020. Twenty-two LION members reported providing loan relief for 47% of their one-hundred active loans. The forty-seven loans that received relief totaled \$1.8 million.

Additionally, seven new loans were made by four LION members specifically to provide pandemic relief. The seven new loans totaled \$64,500.

Suspending loan payments was the most common type of pandemic relief. Payment suspensions ranged from several months to loans that were still suspended as of the January-February 2021 survey. Forgiveness of interest payments for simple loans with interest-only payments was also common. Deferring interest until a later time was another form of relief provided for some loans. Lastly, some loans were modified so that loan payments were interest only (no principal repayment) during the pandemic.

The following are illustrative survey response notes describing the pandemic relief provided by LION lenders:

*"Increased loan amount twice as startup business adjusted to COVID-19"*

*"Interest payments suspended for the year"*

*"Loan was a bridge to SBA pandemic relief loan"*

*"No payments due in 2020 and no interest charged"*

*"Payments suspended 9 months"*

*"Payments suspended at least through March 2021"*

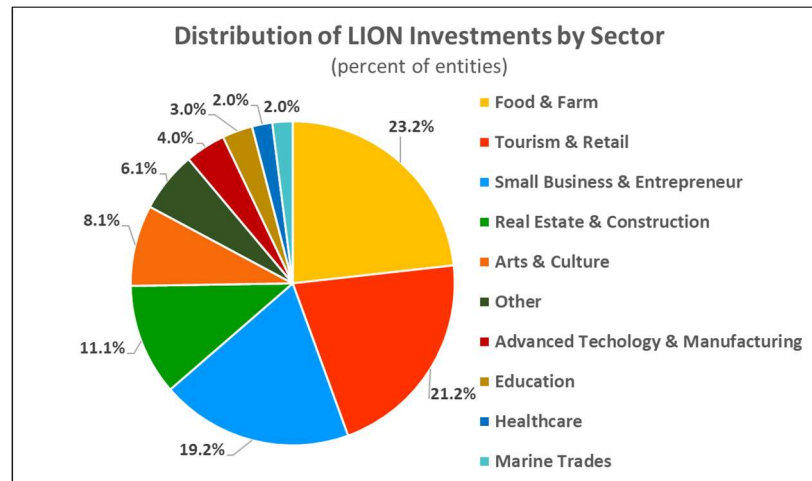
*"All payments suspended for 1 year"*

*"Offered modification but this was declined due to no need"*

**Roughly estimated, LION lenders have, so far, forgiven \$25,000 to \$50,000 of interest payments by providing pandemic relief to borrowers.**

## Profile of entities receiving investments

Through 2020, a total of at least 313 investments were made in 96 entities. These investments were distributed among Businesses (282), Real Estate (15), Non-Profits (10), and other entities (6). The median amount invested per entity was \$28,750<sup>1</sup>, with a range from \$1,000 to \$2.2M.



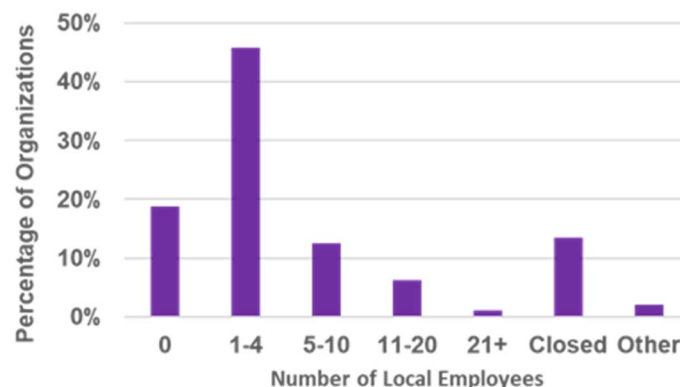
Investments were made in all economic sectors listed by EDC Team Jefferson. Based upon the number of entities receiving financing (not the amounts received) the top three sectors were:

- Food & Farm: food production, grocery, farms, fishing and aquaculture
- Tourism & Retail: restaurants, entertainment, retail, hospitality
- Small Business & Entrepreneur: service businesses, breweries, small businesses

These were followed by:

- Real Estate & Construction: real estate development, mortgage, home repair, solar
- Arts & Culture: performers, performance venues, galleries
- Advance Technology & Manufacturing: hi tech and manufacturing enterprises

The 96 entities that have received LION investments together had over 450 full or part time employees at the end of 2020.<sup>2</sup> While there may not be a direct link between a LION member investment and employment, each investment has contributed to the entity's operations. While mostly less than five employees in size, the entities that have received LION investments span a larger range of employee size.<sup>3</sup>



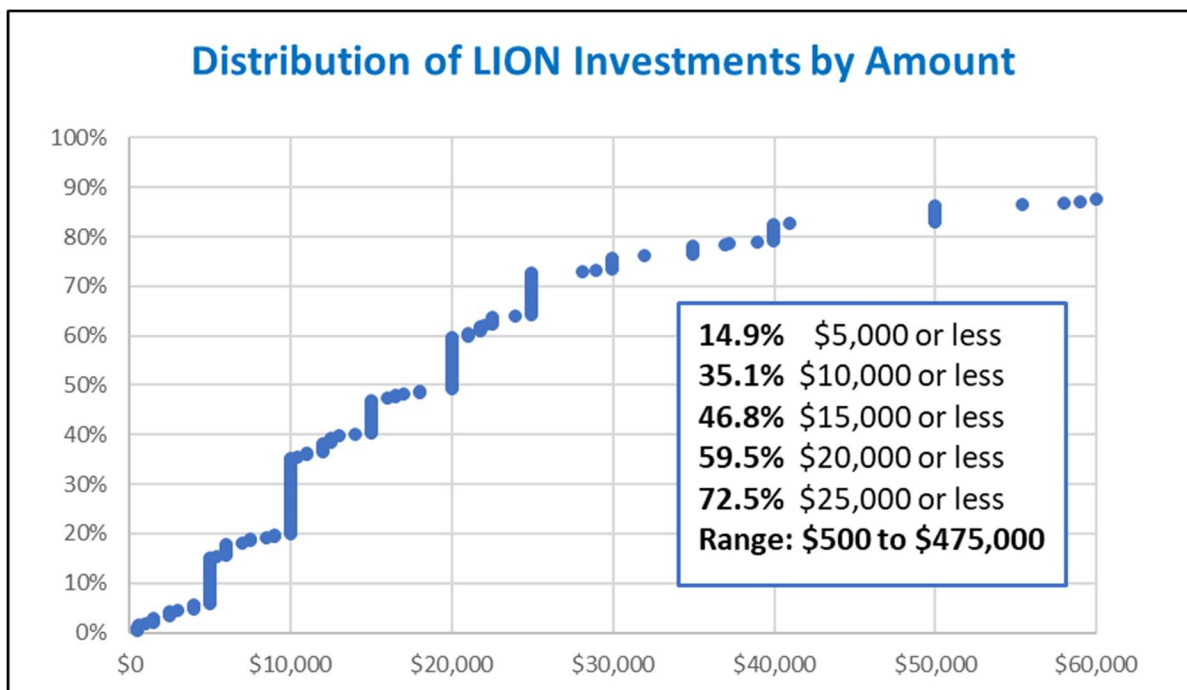
<sup>1</sup> Half received more; half received less.

<sup>2</sup> This estimate does not account for employees temporarily furloughed due to the pandemic.

<sup>3</sup> Zero employee entities include real estate loans, moved away, temporarily closed, etc.

## Profile of 313 investments by 44 LION members

The median LION investor has made 4 deals totaling \$66,500. However, the total investment made by a single LION member ranges from \$5,000 to \$1.9M. And the number of investments made by an individual LION investor ranges from 1 to 45.



The 313 investments by LION members spanned a wide range of dollars with the majority of the investments being \$20,000 or less.

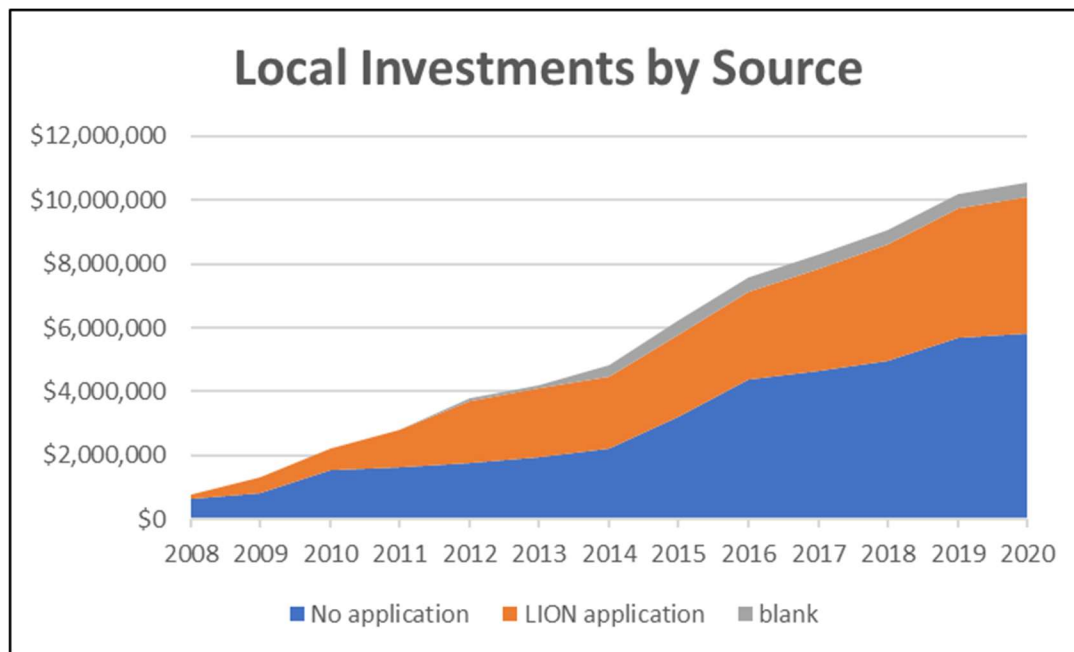
- Most common investment amount was \$10,000
- Smallest investment was \$500
- Largest investment was \$475,000
- Median investment was \$20,000

These ranges illustrate that local investing can be accessible to many.

Sometimes a given business opportunity draws interest from multiple LION members. Over 40% of the business opportunities had more than one investor participate.

## Profile of financing by source of applicants

Investors learned about entities seeking financing via Business Opportunity (BO) applications submitted to LION members through EDC Team Jefferson, and by other means. As the data below illustrates, LION serves an important role in making local investors accessible to many community businesses and non-profits who otherwise might not know about this community resource.



Business Opportunity submissions were the largest source for numbers of investments made:

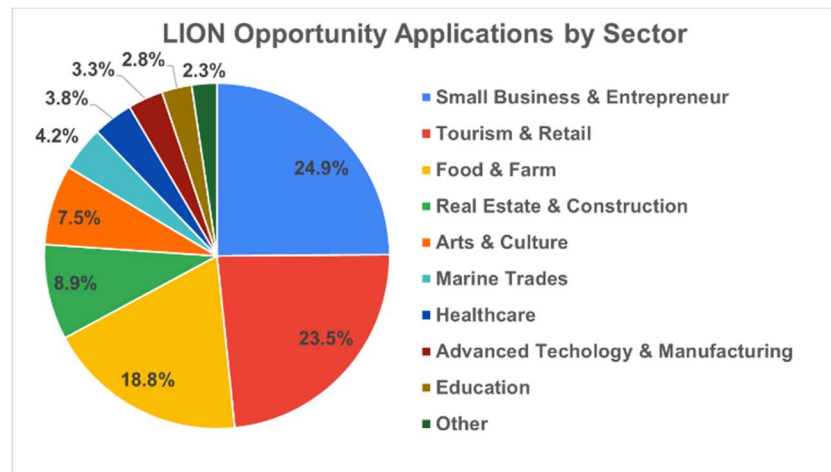
- Business Opportunity applications submitted to LION accounted for 189 investments (\$4,260,147 total).
- Opportunity that became otherwise known to the investor accounted for 117 investments (\$5,827,450).
- Eight of the investments (\$460,697) had unidentified sources.

Cumulative dollars invested in entities from non-Business Opportunity sources are significant.

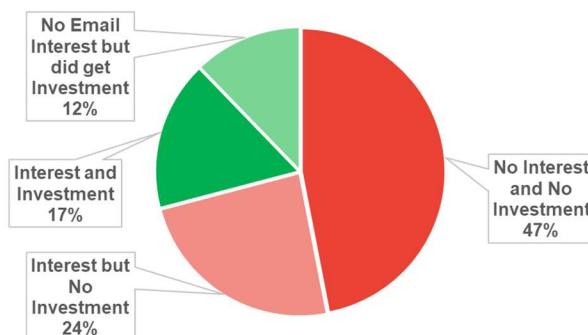
- Many of the non-Business Opportunity sources are second or subsequent investments made in an entity that originated from a Business Opportunity submission. In other words, once a relationship is established between investors and an entity, subsequent financing needs are often met with these investors without further Business Opportunity applications.

## Distribution profile and outcome of 212 Investment Opportunity applications submitted to LION

The distribution of the 212 Business Opportunity applications submitted to LION investors shows a considerable variation across the Jefferson County economic sectors used by EDC Team Jefferson. Entities from the Small Business & Entrepreneur and Tourism & Retail sectors together accounted for about half of the submissions. Food & Farm, Real Estate & Construction, and Arts & Culture together accounted about one-third of the applications. Entities from the remaining sectors submitted fewer applications. This might indicate opportunities to reach out to these sectors, particularly the Marine Trades which has a large number of relatively small employers.

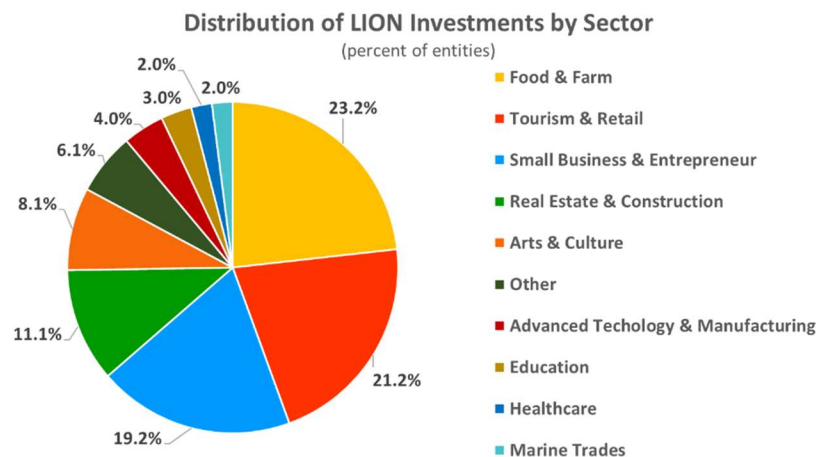


**Outcome of Investment Opportunity Applications**



About 47% of the 212 Business Opportunity applications submitted to LION attracted no interest from the LION investors and received no investments. LION members showed interest in hearing a presentation but did not then invest in 24% of the opportunities. 17% of the applications had interest and investments. Some 12% of the applications did not generate email interest but never-the-less did receive investments.

The distribution of LION investments by sector reveals a greater preference for Food & Farm entities and less preference for Small Business & Entrepreneur than the percentage of opportunity applications in these sectors.



## Profile of investment terms

Most LION investments were loans:

- 85% were loans,
- 10% were equity, and
- 2% were mixed equity/loan
- 3% were not specified

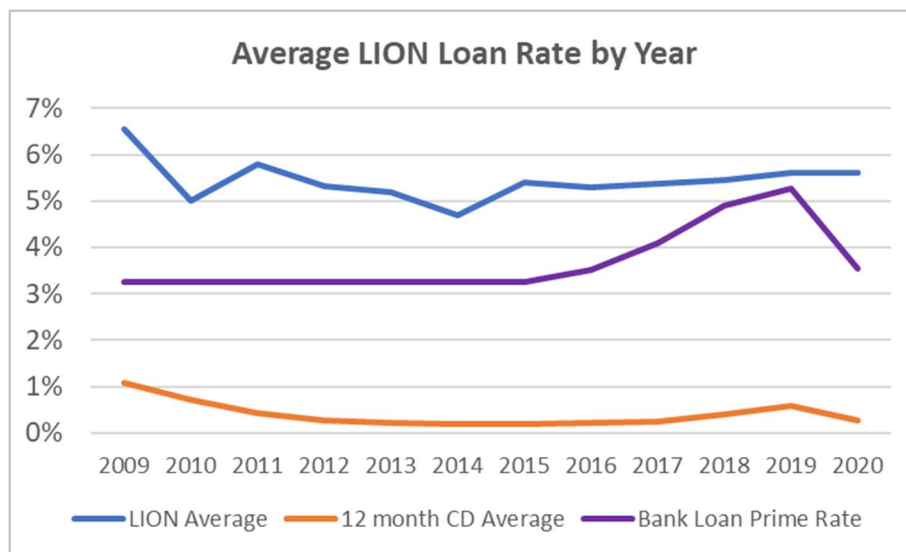
Most LION loans were unsecured:

- 84% were unsecured
- 16% involved some form of collateral

LION lenders have opted for a range of loan interest rates:

- 77% of the loans were made with interest rates of 5% to 6%
- 4.7% were 0% interest loans
- Interest rates varied from 0% to 8.5%
- The average interest rate was 5.4% (excluding 0% interest loans)

Interest rates charged by LION lenders have been, on average, consistently between 5% and 6%, substantially higher than CD rates, and higher than the bank loan prime rate (although lower than LION borrowers likely would be charged if they could get bank loans).



Most loans were medium and short duration:

- 41% of the loans were for 5 years, and 76% were for 5 years or less
- Loan durations ranged from 3 months to 30 years
- The average loan duration was 5.37 years (because of 28 loans that were 10 years or more duration)



## Profile of investment status

The status of the 313 LION member investments as of the end of 2020 is shown below, both as a percent of number of investments and as a percent of dollars invested.

Status	by Number	by Dollar
Repaid	35.5%	34.2%
Current	33.5%	41.1%
Defaulted	11.2%	8.8%
Modified	10.2%	8.8%
Owned	3.5%	1.4%
Other	3.2%	2.0%
blank	2.9%	3.8%

- Repaid**      Loan has been repaid in full with all interest.
- Many LION investors use repaid monies to re-loan within the community. These amounts are included within the \$10.5M total amount reported on the surveys.
- Current**      All payments have been made, even if some payments were late.
- Defaulted**      Stopped making or missed payments.
- Some Defaulted loans may later change to Current or Modified status.
  - Some permanently defaulted loans had partial repayment.
  - For reference, the Small Business Association default rate based on number of loans is 17%.
- Modified**      Payment terms have been modified, but loans are current with modified payments.
- LION investors can be more flexible than commercial lenders in responding to changed circumstances with their borrowers.
  - As summarized on page 2, LION members provided important loan flexibility and relief in 2020 in response to the pandemic.
- Owned**      Equity investments
- Other**      Responder specified conditions
- For example, a loan made to a non-profit was converted to a donation.
- blank**      Responder did not specify

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