

NEPA Circle of Aunts and Uncles Membership Agreement

Last updated: 5 October 2020

1. NEPA Circle of Aunts and Uncles' Overview

Our Circle of Aunts and Uncles (CoAU) is a community project to provide low-interest loans and social capital to under-resourced entrepreneurs who are leading new or growing businesses, in order to co-create a more equitable, compassionate, sustainable, and vibrant local economy within or impacting Wayne County, Pennsylvania.

2. The Circle of Aunts and Uncles' Vision

Our CoAU envisions a prosperous regional economy that supplies basic needs to the local population, works in harmony with our natural ecosystem, supports vibrant, joyful, and inclusive community life and has broad-based business ownership reflecting the demographics of our population.

3. The Circle of Aunts and Uncles' Operation

Our CoAU capitalizes a revolving loan fund housed and managed by The Wayne County Community Foundation (WCCF), a 501(c)3 foundation, operating in Wayne County since 1992. Our CoAU provides social capital to under-resourced and/or mission-driven entrepreneurs in the region. Further, our CoAU recommends terms for the WCCF to provide loans to a select subset of these entrepreneurs.

- A. **Financial Capital** – Members of our CoAU donate funds to the WCCF's *CoAU Revolving Loan Fund* on a recurring basis (with some exceptions, see below).
- B. **Social Capital** – our CoAU leverages non-financial resources to support the borrower businesses beyond loan dollars. The group has extensive professional experience in business, law, architecture, design and real estate, and connections in many other sectors. For example, aunts and uncles may spread the word about the business to friends and colleagues, become customers themselves, provide marketing, management & sales advice, and/or make connections to potential buyers, reporters, agents, seasoned colleagues in the same industry, local suppliers, storage opportunities, and/or other resources.
- C. **Loan Terms** – our CoAU recommends loans up to \$12,000 (usually \$5000) with a length of 3 years or less and at interest rates from 2% to 4%. Loans must be for a specific purpose such as purchase of equipment, tools, locally supplied goods/seed/feed/ingredients, or brick and mortar upgrades; not for general operating expenses, payroll, marketing activities or refinancing existing debt. Loan terms will be specific to each borrower, and may include delayed principal repayment (balloon payments, e.g. after harvest) and penalties for late payments, etc.
- D. **Sub-circles** – each borrower receives a 'sub-circle' made up of one or more aunts and uncles who are committed to regularly connecting the entrepreneur to social capital that will help them thrive. In some cases, members of sub-circles provide professional services to the entrepreneurs themselves. Sub-circles meet throughout the loan period, at the discretion of the sub-circle and borrower. Sub-circles receive administrative support from and provide regular insights on the borrower to the WCCF (or to WCCF's loan servicing contractor).

4. Roles and Responsibilities of Aunts and Uncles

The WCCF's *CoAU Revolving Loan Fund* (Fund) is capitalized by individual donors. These individual donors, referred to as 'aunts and uncles', collectively create our Circle of Aunts and Uncles (CoAU). Aunts and uncles have critical roles to play in the capitalization and success of the Fund.

A. Capital Contributions

To become an aunt or uncle, an individual must initially contribute a minimum of \$1000 (may be paid-in over 12 months) to the WCCF's *CoAU Revolving Loan Fund* (or \$1500 per couple). Contributions are generally a tax-deductible charitable gift to the Wayne County Community Foundation (but consult your tax advisor). Aunts and uncles are asked to further commit to a recurring annual donation of at least \$500 per person.

B. Mandatory Participation in our Circle

All aunts and uncles (except 'silent members', see below) are required to participate in our CoAU activities including: a) Read and appropriately respond to CoAU emails to stay informed and connected, plus, b) promote and frequent the businesses that have borrowed from the Fund.

C. Expected Participation in our Circle

Aunts and uncles are expected to attend CoAU gatherings (typically held twice per year). These gatherings are critical to the success of our CoAU and are a chance to meet the entrepreneurs (applying borrowers) and ultimately vote on their loan applications. A confirmation of attendance is needed at least 10 days in advance of a gathering (announced via email). If someone confirms, but cancels less than 48 hours in advance, then the attendance fee is still due to the host (see below).

Furthermore, aunts and uncles are expected to join and regularly attend at least one committee or a sub-circle throughout the year. The committees are how we organize and operate our CoAU (see Section 8 below). And the sub-circles support a borrower during the term after they are recommended for a CoAU loan.

Aunts and uncles are also expected to support local entrepreneurs and businesses by purchasing locally made products and buying from locally owned retailers. Aunts and uncles should be promoting the local economy and local businesses to their friends and family.

D. Encouraged Participation in our Circle

Aunts and uncles are encouraged to host a CoAU gathering, typically including networking time, a meal, and a short presentation from one or more applicant entrepreneurs. Each attendee to a CoAU gathering will pay a pre-determined fee (not to exceed \$25) and BYOB. The host arranges for the location (whether at host's home, restaurant private room, or rental space), the food (e.g. decide menu with restaurant or contracted caterer, place take-out orders, or sometimes host-prepared) and basic beverages (water, coffee, tea). Gatherings could also be held in the host's business office location, or of one of our entrepreneurs, or another suitable venue (but cannot be open to the public during the gathering).

Aunts and uncles are encouraged to host sub-circle or committee meetings. These are smaller in size. Aunts and uncles are encouraged to provide refreshments.

Aunts and uncles are encouraged to provide advice, social capital, and connections to any and all borrowers who are in a field or have a need that the aunt or uncle has expertise or experience in.

Examples of this include a one-time meeting or phone call, an extended mentorship relationship, pro bono assistance in a field of expertise such as: finance, legal, insurance, construction, business management, real estate, food (from farming to retail), manufacturing, marketing, fashion and the arts, connection to a successful or experienced friend and/or colleague, and connections to business opportunities. However, aunts and uncles must realize that a borrower may or may not follow their advice, and that it is the entrepreneur's business, their decision, and not a requirement to obtain or maintain a loan from the Fund.

5. Silent Aunts and Uncles (also other entities or donors)

Individuals or entities that wish to donate to the Fund but not attend gatherings or engage with the entrepreneurs. Such donations are welcome, as these donations contribute a more equitable, compassionate, sustainable, and vibrant local economy in our region.

Silent aunts and uncles are not required to attend any events, read newsletters, nor provide any social capital or time commitments to the CoAU and its borrowers. Silent aunts and uncles forgo their ability to vote on loans and participate in CoAU decision-making.

6. Non-financial Social Capital Contributors

In certain and special circumstances (determined by the CoAU Steering Committee), when an interested individual has uniquely specific or strongly beneficial knowledge, expertise, and/or social capital but does not have the financial ability to contribute the minimum amount to the Fund, said individual may be invited to join our CoAU as a social capital aunt or uncle. Said individual will be required to provide a minimum of 2 hours a month supporting our CoAU borrowers through the social capital and technical assistance mentorship outlined in Section 3B above.

7. Confidentiality

Aunts and uncles of the CoAU may receive sensitive information regarding entrepreneurs and their businesses. This includes but is not limited to financial statements, business plans, and personal information. All applicant and borrower information must be kept confidential unless otherwise noted.

8. CoAU Fiscal Responsibilities and Governance

Our CoAU is NOT itself a legal entity, does not maintain a bank account or any funds. Rather, our CoAU consists of the individuals who have and are regularly donating to the WCCF's Fund. Similar to a 'donor advised fund', our CoAU has basic insight (not oversight) and makes recommendations to the WCCF for how to distribute those funds. The WCCF is fully responsible for managing the WCCF's Fund **and may encounter situations that result in different actions than our recommendations**. The WCCF will be subcontracting the loan servicing (including collections) to HNB and/or other local banks, and WCCF is authorized to take up to 1% of the returned funds towards this cost and/or its own overhead costs.

Our CoAU has two standing committees:

- A. Steering Committee – helps promote the health and growth of the Fund and makes decisions regarding the operation of our CoAU. The Steering Committee may periodically set priorities for the characteristics of entrepreneur businesses to be encouraged to apply and be funded (e.g. agriculture, manufacturing, in need of downtown renovations, etc.). This committee also maintains the list of active aunts and uncles, and regular communications with them, as well as our public messaging, web & social media presence, etc.
- B. Loan Applications Committee – maintains our CoAU's loan application process, receives the entrepreneur applications, meets with applicants, and then decides if an applicant is appropriate and prepared to present to the CoAU. This committee may provide coaching (or arrange for another

entity, e.g. SBA, SBDC, Stourbridge Project) to help applicants prepare their pitch, and recommends appropriate loan terms for each. This committee decides the format of the presentation(s) and the process for voting on loan approval(s) at our CoAU gatherings. If approved by the CoAU, this committee finds a willing aunt or uncle to lead a sub-circle for on-going support of each borrower and communicates the recommended loan terms to the WCCF. The WCCF may work with members of the CoAU, and/or a local bank in drawing up and finalizing the necessary legal documents for each loan's closing.

Circle of Aunts and Uncles Membership Agreement

Checks should be made out to the Wayne County Community Foundation, and sent with the signed agreement below to: Wayne County Community Foundation, 214 Ninth St. Honesdale, PA 18431

I. Contribution of Funds (print name(s), initial donation of at least \$1000 or \$1500/couple.

I/WE, _____ (CONTRIBUTOR/S) am donating \$ _____ to the Circle of Aunts and Uncles Revolving Loan Fund (FUND), which is a fund managed by the Wayne County Community Foundation (WCCF), a 501(c)3 charitable organization.

I/WE, the CONTRIBUTOR/S, also promise to donate \$ _____ (at least \$500/person) as an annual recurring donation to the FUND.

All donations shall be made payable to the **Wayne County Community Foundation**. CONTRIBUTOR/S will receive a letter acknowledging the amount and date of each donation. All donations shall be used towards the Circle of Aunts and Uncles (CoAU) activities per this Membership Agreement.

II. Aunt and Uncle Expectations (initial only one)

_____ I/WE, the CONTRIBUTOR/S, will commit to the role of **an aunt or uncle**, and the mandatory and expected participation as listed in Section 4 of the Membership Agreement. I/we authorize WCCF to provide the CoAU Steering Committee with my contact information and a copy of this document.

_____ I/WE, the CONTRIBUTOR/S, will operate as a **silent aunt or uncle** as listed in Section 5 of the Membership Agreement.

_____ I/WE, the CONTRIBUTOR/S, will commit to the role of a **social capital aunt or uncle** and the associated time commitments as listed in Section 6 of the Membership Agreement. I/we authorize WCCF to provide the CoAU Steering Committee with my/our contact information and a copy of this document.

III. Liability (initial all)

_____ I/WE, the CONTRIBUTOR/S, understand the risks associated with the FUND and of lending to undercapitalized entrepreneurs and small businesses.

_____ I/WE, the CONTRIBUTOR/S, waive my/our rights to pursue any legal action against the WCCF, the FUND, and the CoAU.

IV. TERMINATION/MODIFICATION OF MEMBERSHIP

CONTRIBUTOR/S may voluntarily withdraw from the CoAU at any time, by providing written notice to the WCCF. All donations made to the WCCF shall be non-refundable, but the CONTRIBUTOR/S will not

be obligated to make further annual recurring donations. CONTRIBUTOR/S may also notify the CoAU that they wish to change their classification to be Silent Aunt/s or Uncle/s. Membership may also be terminated by the CoAU if it is determined that a Member(s) is/are acting contrary to the terms of this Agreement or are not acting in the best interest of the CoAU. If this is to be considered, the Member(s) shall be invited to a meeting of the CoAU Steering Committee where the issue of termination will be considered.

CONTRIBUTOR/S ADDRESS: _____

PHONE: _____ **EMAIL:** _____

CONTRIBUTOR/S SIGNATURE/S: _____

DATE: _____

9. Final Note to Potential CoAU Aunts and Uncles

Our CoAU thanks you for your interest in supporting a vibrant local economy in the Wayne County and northeast PA. We believe that a strong local economy, with an array of unique small businesses, promotes equity and equality. It is a studied and known fact that dollars cycle more times throughout a community when spent in a small locally owned business. Small business and local entrepreneurship provide opportunity to some of the underserved and undercapitalized sections of our society—such as immigrants, returning citizens of all ages, and community members without formal higher education.

Lastly, our CoAU is meant to be both engaging and fun. Aunts and uncles are encouraged to build relationships with other aunts and uncles in addition to the entrepreneurs. The group has a much simpler loan application and review process and focuses strongly on relationships to serve entrepreneurs who are unable to access capital through most—if not all—traditional sources of funding. There will always be good food, good conversation, and a strong mission to serve our community.

10. CoAU Visualization

The following diagram attempts to illustrate how our CoAU intends to operate:

