

**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING ) Order No.: S-16-1963-16-CO01  
whether there has been a violation of the )  
Securities Act of Washington by: ) CONSENT ORDER  
)  
Working Capital for Community Needs, Inc.; )  
)  
Respondent. )

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Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions (“Securities Division”) and Respondent Working Capital for Community Needs, Inc. enter into this Consent Order to settle the allegations presented below. Respondent Working Capital for Community Needs, Inc. neither admits nor denies the following Findings of Fact and Conclusions of Law:

**FINDINGS OF FACT**

Respondent

1. Working Capital for Community Needs, Inc. (WCCN) is a Wisconsin private nonprofit organization, which encourages economic development in Latin America.

Nature of the Offering

2. To encourage economic development in Latin America, WCCN facilitates microfinance lending in the region by acting as an intermediary between investors and its partner agencies.

3. Specifically, WCCN operates Capital for Communities Funds,<sup>1</sup> which lends funds to Latin American community development agencies, such as microfinance institutions, social enterprises, alternative credit agencies, and producer cooperatives. Capital for Communities Funds also lends funds to United States nonprofit organizations, which serve low-income people in Latin America.

4. WCCN raises capital for Capital for Community Funds by issuing investors promissory notes. WCCN’s repayment of these promissory notes is dependent upon its receipt of payment from its partner agencies, which in turn rely on repayment from their borrowers.

5. WCCN offers investors promissory notes with a maturity date from between two to five years. These promissory notes provide an annual simple interest rate of between zero and four percent. Promissory notes issued by WCCN are not secured.

6. In the past, WCCN offered and sold its promissory notes in Washington to members of its organization. In doing so, WCCN relied on the Securities Act of Washington’s nonprofit exemption, which exempts from registration

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<sup>1</sup> Capital for Communities Funds is part of and not a distinct entity from WCCN.

1 securities sold to people or relatives of people who, prior to their solicitation, were members of, contributors to, or  
2 listed participants in the nonprofit organization.

3 7. However, from approximately 2009 to 2014, WCCN also offered and sold its promissory notes in Washington  
4 through a registered online broker-dealer, which ceased operations in 2014.

5 8. Washington investors who purchased WCCN promissory notes through the online broker-dealer were not  
6 members of WCCN and had no prior relationship with the organization. WCCN sold a total of approximately  
7 \$210,000 of promissory notes to Washington residents through the online broker-dealer, with an average investment  
8 amount of approximately \$200.

9 9. Each Washington resident who purchased a WCCN promissory note received a prospectus documenting the  
10 terms of the investment and risks associated with the investment, as well as financial information for WCCN.

11 10. WCCN represents that there are no outstanding promissory notes sold to Washington residents through the  
12 online broker-dealer. According to WCCN, it has fully repaid each Washington investor's interest and principal,  
13 according to the terms of his or her promissory note. WCCN further represents that it has not received any complaints  
14 from any Washington investors related to its sale of promissory notes.

#### 15 Registration Status

16 11. WCCN is not currently registered to sell securities in Washington and has not been previously registered to do  
17 so.

#### 18 Failure to Comply with Nonprofit Exemption

19 12. On October 18, 2004, WCCN filed a Notification of Claim of Exemption with the Securities Division, citing  
20 the Securities Act of Washington's non-profit exemption. The Securities Division then issued WCCN a Nonprofit  
21 Exemption Notice, effective October 25, 2004.

22 13. WCCN's issuance of promissory notes to Washington residents through an online broker-dealer from  
23 approximately 2009 to 2014 did not comply with the Security Act of Washington's nonprofit exemption because the  
24 sales were made to investors, who had no prior relation to WCCN.

25 Based upon the above Findings of Fact, the following Conclusions of Law are made:

#### CONCLUSIONS OF LAW

1. The offer and sale of WCCN promissory notes as described above constitutes the offer and sale of a security as  
defined in RCW 21.20.005(14) and (17).

2. The offer and sale of these securities through the online broker-dealer was in violation of RCW 21.20.140  
because no registration for the offer and sale is on file with the Securities Division and because no valid claim of  
exemption exists under the Securities Act of Washington's nonprofit exemption.

#### CONSENT ORDER

Based upon the foregoing and finding it in the public interest:

1 IT IS AGREED AND ORDERED that Respondent WCCN, its agents, and employees shall each cease and  
desist from violating RCW 21.20.140, the securities registration section of the Securities Act of Washington..

2 IT IS FURTHER AGREED that Respondent WCCN shall be liable for and shall pay the Securities Division  
3 the costs and expenses incurred in the investigation of this matter in the amount of \$1,000.

4 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

5 IT IS FURTHER AGREED that Respondent WCCN enters into this Consent Order freely and voluntarily  
6 and with full understanding of its terms and significance.

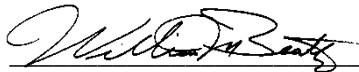
7 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent WCCN waives its right to a  
8 hearing and to judicial review of this matter.

9 Signed this \_\_\_\_1<sup>st</sup>\_\_\_\_ day of \_\_\_\_\_July\_\_\_\_\_ 2016.

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11 Working Capital for Community Needs, Inc.

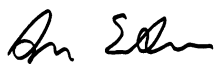
12  
13 By \_\_\_\_\_/s/\_\_\_\_\_  
14 Jeanne Duffy  
Director of Operations, North America

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16 SIGNED and ENTERED this 11th day of July 2016.

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19 William M. Beatty  
20 Securities Administrator

21 Approved by:

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24 \_\_\_\_\_  
Suzanne Sarason  
25 Chief of Enforcement

Presented by:

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Eric Palosaari  
25 Financial Legal Examiner

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Reviewed by:



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Jack McClellan  
Financial Legal Examiner Supervisor