STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

Community Impact Technologies, Inc., d/b/a
Semble

                    Respondent.

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Order No.: S-16-2073-17-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO
ENTER ORDER TO CEASE AND DESIST,
TO IMPOSE A FINE,
AND TO CHARGE COSTS

THE STATE OF WASHINGTON TO: Community Impact Technologies, Inc., d/b/a Semble

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent Community Impact Technologies, Inc., d/b/a Semble, has violated the Securities Act of Washington. The Securities Administrator believes these violations justify the entry of an order against the Respondent to cease and desist from such violations and to charge costs pursuant to RCW 21.20.390, and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondent

1.   Community Impact Technologies, Inc., d/b/a Semble ("Semble") is a Nevada entity formed on September 13, 2011, with its principal place of business in Bellevue, Washington. Semble's primary business is assisting nonprofits in raising money to fund new projects or renovations, by either (a) helping them to get loans from banks, or (b) facilitating the issuance of investment notes to supporters of the nonprofit.

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Nature of the Conduct

Overview

2.   The Washington State Securities Act ("the Securities Act") contains broker-dealer registration requirements designed to protect investors. For example, the registration provisions help to ensure that broker-dealer personnel are properly trained, that the broker-dealer is financially healthy, that investors receive adequate disclosures, and that the broker-dealer is complying with applicable regulatory standards. These protections, and their counterparts in other states and on the federal level, have been a key part of securities markets for over eighty years.

3.   Since approximately January 2012, Semble has acted as an unregistered broker-dealer engaged in the business of effecting transactions in securities. Semble facilitates offerings of notes by nonprofits to their supporters ("supporter notes"), marketing the notes as "social impact investments" which allow investors to receive an investment return while supporting a desirable project. Semble has effected securities transactions of supporter notes in approximately 42 projects, totaling approximately $35.8 million. To facilitate these offerings, Semble uses its online platform to provide a wide variety of services to the issuers before, during, and after the supporter note offerings. Semble dedicates significant portions of its website to advertising these services for nonprofits.

4.   Semble generally facilitates supporter note offerings under RCW 21.20.310(11). This section of the Securities Act provides an exemption allowing nonprofits to sell securities to existing supporters of the nonprofit without registering the securities, subject to certain filing requirements. However, the Securities Act still requires registration for broker-dealers which transact the exempt securities. As detailed below, Semble provides the key services associated with broker-dealers, but is not registered as such.

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Services Provided by Semble

5.   Semble provides several services to help an issuer prepare for a supporter note offering. Initially, Semble provides a free consultation, analyzing the entity's finances to determine whether to pursue bank lending, to issue supporter notes, or to seek a combination of the two. If the nonprofit decides to contract with Semble to assist in raising money from investors, Semble charges a "setup fee" from $2,500 to $5,000, based on the "size of the loan and potential complexities of the project." In supporter note offerings, Semble gives the nonprofit advice on how to structure the offering by setting up a new LLC which will also be involved in the transaction. Semble also drafts the offering documents for the supporter notes, makes exemption filings with the Securities Division, and, in the majority of investment offerings, helps to create a marketing campaign for the supporter notes. For the marketing campaign, Semble may create videos to advertise the offering or written materials to be sent to potential supporter note investors.

6.   After assisting with the initial setup for the supporter note offering, Semble uses its online platform to conduct the sale of notes for the issuer. Semble advertises the investment offering on a page on its website, and publicizes the offering to a list of potential investors provided by the issuer. On the page, Semble provides details relating to the investment, such as the proposed use of funds, the total amount sought, and the interest rate offered by the issuer. In at least one instance, Semble has included financial statements for the nonprofit, projections for cash flows from the new project, and instructions for investors to set up an IRA or to roll over money from a 401(k). Semble advertises the offering to potential investors, using a supporter list provided by the issuer. Investors then create an account on Semble's platform to make a commitment (initially nonbinding) for a certain investment amount. Semble also obtains a credit profile for potential investors as part of the signup process, and fields questions from potential investors through its website. Semble charges a fee to the nonprofit issuer "based on the size and complexity of the project" for the use of its online platform.

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7.   Generally, the issuer will set a minimum amount of total investment commitments for the offering to be completed (for instance, the issuer might seek $1 million, but be willing to go ahead with a scaled-down project if they raise $500,000). If the issuer receives a sufficient total commitment, Semble provides various services to complete the transaction and to service the supporter notes post-closing. Semble also handles all funds for the supporter notes, both for the investor's initial payment and for the ongoing payments on the notes. Semble opens and administers a master "FBO" account for the issuer, along with sub-accounts for each investor. Its responsibilities then include "collecting sale proceeds and issuing the notes on behalf of the issuer . . . collecting borrower loan payments and directing them to the underlying note investors," and "facilitat[ing] any subsequent transfer of notes post-issuing." Semble charges a fee between 0.15% and 0.30% of the total size of the offering for these services.

Registration Status

8.   Semble is not, and has never been, registered as a broker-dealer in the state of Washington.

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

CONCLUSIONS OF LAW

1.   The offer and/or sale of the supporter notes described above constitute the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

2.   Because Semble's activities described above constitute engagement in the business of effecting transactions in securities for the account of others, Semble is a broker-dealer as defined in RCW 21.20.005(1).

3.   Semble has violated RCW 21.20.040 by offering and selling securities while unregistered as a broker-dealer in the state of Washington.

NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order, pursuant to RCW 21.20.390(1), that Respondent Community Impact Technologies, Inc., d/b/a Semble shall cease and desist from violations of RCW 21.20.040.

NOTICE OF INTENT TO IMPOSE FINES

Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent Community Impact Technologies, Inc., d/b/a Semble shall be liable for and shall pay a fine of $20,000.

NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent Community Impact Technologies, Inc., d/b/a Semble shall be liable for and shall pay the costs, fees, and other expenses incurred in the administrative investigation and hearing of this matter, in an amount not less than $5,000.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. The Respondent may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If the Respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist, to impose any fines sought against the respondent, and to charge any costs sought against the Respondent.

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Signed and Entered this 27th day of February, 2017.

William M. Beatty
Securities Administrator

Approved by:

Presented by:

Suzanne Sarason
Chief of Enforcement

Adam N. Yeaton
Financial Legal Examiner

Reviewed by:

Jack McClellan
Financial Legal Examiner Supervisor

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