

**Solari + 63,000 Communities + Stock Market + the
Popsicle Index = A Wealthier Safer World for Our Kids
and For Us**

A Design Book
for
Solari Stock Corporations

Version 2.2

Solari, Inc

1998



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Preface

A. A New Business Parable

It's been three years since Sarah and Susan Banks had the revelation over coffee at their Aunt Mary's restaurant, where Sarah had worked summers putting herself through college. They had returned to Oak Hollow, the old neighborhood, to bury their grandmother – the family matriarch. Sarah would graduate with her MBA from State University in two months and Susan was a graphic designer in New York. The old neighborhood was tired and becoming tattered, but they liked it.

Why couldn't they set up a business here, near their roots? Did they have to live a thousand miles away to make a decent income? No, they concluded over coffee. Things wouldn't be so bad if they got the commercial property owners to spruce up Oak Street, tore down the rotting warehouse on Acorn Lane and found home buyers for the boarded up houses across from the vacant tool and die shop. With some common sense and smart marketing, Oak Street could draw customers from the Community College being built on the old switching yard just south of Oak Hollow.

Now it's three years later and Oak Hollow is bustling. The Banks sisters incorporated Oak Hollow Solari Stock Corporation (Oak Hollow Corp) shortly after Sarah's graduation and immediately began organizing residents to remove graffiti and work with the city to tear down the dilapidated warehouse on Acorn Lane. The sisters issued special stock in their company to residents who volunteered for community clean-ups or to tutor kids at Oak Elementary. In that way, residents became equity shareholders of the new neighborhood business, with some sitting on the board of directors.

With venture capital funds from private investors, the Banks sisters persuaded the City Manager to match OHC funds with property improvement loans. Many owners made improvements with the loan funds. After failed attempts to get absentee owners of boarded-up houses and deteriorated commercial buildings to clean up their properties, Oak Hollow Corp purchased and repaired the homes and rented them to residents with an option to buy. It also bought and renovated three key Oak Street commercial properties. Those properties are being leased to a print shop, a restaurant, and a bookstore – all catering to traffic from the neighborhood and the Community College. Traffic from customers and potential customers increased substantially after the Oak Street businesses owners convinced the city fathers to remove a traffic diversion installed years before to route cars around the edge of the neighborhood. The increased traffic on Oak Street attracted other new businesses – a new hardware store, a gas station, and an auto parts store.

As Oak Street began to look better, neighborhood residents started shopping there instead of driving to the strip mall a few miles away. The pharmacy is healthy again, Millie's Hair Salon has hired two more hair stylists, and Bill's convenience store expanded next door to add a green grocer's section. Susan set up a graphic design studio above the print shop, and Sarah splits her time between managing Oak Hollow Corp and the renovation of the old tool and die shop.

The empty factory building will now accommodate a data processing franchise that will employ 50 Oak Hollow residents and which already has major contracts with the City Hospital and the Community College. On the drawing board is a business incubator and training center owned by OHC that will provide affordable space for business start-ups. The data processing company, incubator and commercial real estate acquisitions were all financed by a venture capital fund.

At the end of three years, Oak Hollow is more secure, looks better, there are more jobs in the community, and residents can shop in their own neighborhood. The Banks sisters are starting to see a profit, and so are Oak Hollow shareholders.

B. Showing You the Way

In America today, there are thousands of Oak Hollows – undervalued neighborhoods filled with cultural vitality, but largely ignored by the economic and technological forces moving the rest of the country. And there are many thousands more people like the Banks sisters – profit-motivated entrepreneurs who have the energy, ideas, and commitment to turn these neighborhoods around, but who need tools to identify and implement the best business models to use and to locate sources of venture capital.

The following **Solari Stock Corporation Design Book** provides such a model. Compiled by Solari, it is presented as a first-time guide for neighborhood entrepreneurs. It does not have all the answers. In fact, after six years, it is still being developed. But hopefully, it can help get you started.

You can help build the Design Book by sending your feedback to Solari

(catherine@solari.com) or posting in through Solari's website. (See www.solari.com).

These web sites can also link you to other profit-motivated neighborhood entrepreneurs. By working together, we can deliver high returns in your neighborhood.

A Solari Design Book for Creating Street Equity

Version 1.3

Executive Summary

A. New Technology + Old Values = More Profits for Communities

Every week the stock market seems to hit record highs. The gains in the stock market – coupled with relatively stable interest rates – are deflating current yields. Meanwhile, advances in technology are eliminating intermediaries, reducing the costs of production and permitting more diverse production sources. Faced with these market conditions, investors are increasingly turning to emerging markets abroad.

In fact, the best investment opportunities are the emerging markets here at home. Superior rates of return can be found right in our own backyards – in thousands of urban and rural neighborhoods across America.

This Design Book describes how to make money in America's newest emerging stock market. It is directed at entrepreneurs who understand America's neighborhoods and their market potential. If you are such an entrepreneur or think you would like to become one – or know someone who fits this description – this Design Book is for you.

New technologies leveraging traditional American values are key to raising yields and unlocking value in communities. By removing middlemen, opening up new markets, expanding education and training, and increasing the flow of information, these technologies enable undervalued communities to leap over the barriers that have isolated them from full participation in the national economic life. The process centers around the creation of a **Solari Stock Corporation** – the purpose of which is to combine community intellectual capital with equity venture capital to produce high-yield results for entrepreneurs, investors and residents.

How much can Solari Stock Corporations impact our communities? Consider this: A typical low-income neighborhood with about 4,000 households has an average household income of \$20,000 annually. That neighborhood's spending power is about \$80 million. That is a lot of money. In wealthier neighborhoods, the number rises. Today, a high percentage of this kind of neighborhood spending for purchases and services is spent outside of the neighborhood. And what earnings are generated within the community create little value.

As a result, neighborhood businesses might typically have a price/earnings ratio of about 2x to 4x – compared to 20-30x for your typical mainstream business. Today, few investors are willing to invest in local ventures – let alone at these market multiples. The markets simply view businesses in low-income communities as high-risk, with low growth potential and little liquidity.

The presence of a strong Solari Stock Corporation can change all that. It can make it possible for new and enhanced neighborhood businesses to capture at least 50% of the neighborhood's spending power. If these enterprises registered a profit margin of 3%, that would translate into \$1.2 million of profits for local businesses – before the multiplier impact of more employment generating more spending.

A Solari Stock Corporation can also raise the price-earnings multiple of neighborhood businesses – by sharing data, enlisting community performance feedback, lowering risk, and web trading. If a 23x multiple is achieved – and if the Solari Stock Corporation recaptures just 50% of the neighborhood spending power – local business equity values would grow from \$2 million to as much as \$28 million. And that's just in one neighborhood. Imagine the impact of a large network of Solari Stock Corporations nationwide!

B. Steps to Solari Street Equity

The steps to building street equity in a neighborhood economy are based on common sense and common ownership. Implementation requires hard work, profitable investment opportunities, the right tools and a little luck.

Step One. Get the Philosophy.

Entrepreneurs prosper when they create benefit for others. A Solari Stock Corporation creates street equity when you, the local entrepreneur or resident, and the whole neighborhood profit from its success and share in the upside. The idea is not to profit the old way – by driving out the poor and gentrifying the neighborhood – but to generate high yields on investment by increasing in tangible ways the prosperity of those who live, work or own property in the community.

Step Two. Get the Knowledge.

Learn everything you can about how the money works in your neighborhood. Learn about your physical assets, residents and their skills, businesses and their strengths, surroundings and politics. Start a Community DataBank and build it into an alternative on line media presence locally.

Step Three. Get the Neighborhood Going.

Initiate changes in your neighborhood. Begin by taking three or four actions that will make your neighborhood a better place to live, shop, work – and turn a profit. For example, encourage the police to board up an abandoned building, organize a graffiti paint-out and alley clean-up, and request higher wattage street lights from the city. Celebrate your success with your neighbors. Throw a block party.

Step Four. Get the Solari Stock Corporation Started.

Incorporate a for-profit Solari Stock Corporation to be the catalyst for creating street equity. Involve residents and business owners as stockholders and directors. Assemble a staff and a network. Find high-yield investment opportunities. Develop a Solari Stock Corporation business plan that focuses on increasing the performance of current public and private investment, improving the profitability of existing neighborhood businesses and attracting new ones. Leverage the expansion of businesses with new computer-based and telecommunications-based technology. Tie this expansion to increasing jobs targeted at neighborhood residents. Implement a strategy to bring outside investment to the neighborhood.

Step Five. Get the Technology.

New information technologies are revolutionizing how business is done and who the winners will be. By combining an understanding of these technologies with your own knowledge of the neighborhood, you are uniquely positioned to achieve exceptional returns for your shareholders. You'll have the tools to discover new ideas about how businesses succeed, and open up new opportunities for investment and new markets for goods and services.

Step Six. Get the Opportunity.

The Solari Stock Corporation has many ways to raise yields in a neighborhood. Opportunities include:

- reengineering existing public and private money flows;
- raising per household incomes by creating jobs and new businesses;
- raising the earnings multiple of neighborhood businesses by increasing liquidity through data dissemination, performance feedback, better risk management and trading on the World Wide Web; and
- increasing the amount of money that stays in the neighborhood instead of flowing outside.

Step Seven. Get the Money

Where are you going to come up with the capital? Most of what you need is in your own backyard. If you consider the income that flows to rent, mortgages, groceries, medical expenses, and other day-to-day services, undervalued communities have substantial undervalued and underperforming assets – tangible and intangible assets or other resources – that can yield value to the community and create street equity. Just use the Popsicle Index.

The Popsicle Index is the % of people in a neighborhood that believe that a child can leave their home, go to the nearest place to buy a popsicle and come home alone safely.

The Popsicle Index is Solari's index for identifying and tracking capital gains opportunities in communities). Once your neighborhood has increased yields on existing resources, outside investors will be interested. They not only bring in capital but also ideas, experience, assistance for improving the Solari Stock Corporation's performance. The real money comes when the stock shares of the Solari Stock Corporation trade and the model spreads to other communities.

C. Fourteen Ways That Solari Stock Corporations Create Value

The following list illuminates the 14 ways that Solari Stock Corporation's help community residents and businesses create value for themselves and for the shareholder:

1. Provide continuous learning and performance feedback on how to make the Popsicle Index go up.
2. Align incentive systems, including community control/ownership of real estate and businesses.
3. Increase yield on private investment by organizing consumers to optimize delivery of private goods and services – particularly those that relate to "technological convergence" – and reduce deployment risks:
 - Telecommunications
 - Networking/ISP
 - Cable
 - Utilities
 - E-Commerce & Media
 - Financial Products/Services
4. Increase yield on public investment by organizing consumers to optimize delivery of government goods and services.
 - Healthcare
 - Housing
 - Welfare
 - Education
 - Municipal Services
 - Regulation
 - Transportation
 - Government Contracting
5. Organize community business syndicate to increase productivity, reengineer import/export ratio, provide products and services through the Community DataBank/alternative media (management, data servicing, product development, networking, accounting, telemarketing, legal, etc.), and liquefy the syndicate's equity (channel venture through a layered "B" share plan and provide reliable real-time disclosure).
6. Create incentives for upgrading information infrastructure and networking the neighborhood.
7. Lower community risk and the government and corporate risks of serving the community; reduce the market share of organized crime within the community.
8. Improve yield on community time and reduce cost of living.
9. Facilitate business incubation, venture investment, and lending.
10. Provide place-based trading vehicle: increase liquidity for community and provide place-based pricing mechanism.

11. Use information liquidity to improve equity multiple and reengineer capital gains to community businesses and consumers.
12. Build mindshare for wealth-creation and performance-based economic model.
13. Provide high-yield investment opportunities in America's emerging markets.
14. Create networks of trust.

What Is a Solari Stock Corporation™?

A Solari Stock Corporation is a for-profit stock corporation designed so that its stock can be publicly traded in the stock market while its voting stock is under the control of community entrepreneurs, residents and businesses that is limited by charter to a defined neighborhood area. The Solari Stock Corporation is in business to achieve maximum return for its shareholders. The Solari Stock Corporation links private capital, private sector know-how and technology with local entrepreneurs who have the ideas, neighborhood knowledge and drive to produce exceptional returns. The chapter is organized as follows:

A. Mission

The mission of the Solari Stock Corporation is to generate exceptional business profits and returns to shareholders. Its business strategy is to raise the neighborhood's Popsicle Index by understanding and applying the following core concepts:

Information. The Solari Stock Corporation fits the description of a "living company," because it thrives on information to continually adapt to its changing environment. (See *The Living Company*, by Arie De Geus.) The Solari Stock Corporation has to maintain a continuous learning infrastructure on how to optimize the Community Capital – the assets and resources – of the neighborhood. That means that the Solari Stock Corporation, whether through a high-tech information system or a low-tech grapevine, constantly monitors its neighborhood. The Solari Stock Corporation must know everything of importance that goes on in the neighborhood – from which buildings are no longer occupied and which residents have moved out to which family is growing and how much the local businesses are making. Mobilizing and understanding the community is what gives the Solari Stock Corporation its competitive advantage over outside business interests in these communities.

Alignment. The Solari Stock Corporation seeks win-win activities and transactions that simultaneously benefit multiple stakeholders in a neighborhood. The Solari Stock Corporation engineers everyday incentives to bring frequently clashing interests into common alignment by supporting mutually beneficial outcomes. That's what helps increase the Popsicle Index and Community Capital. For example, the Solari Stock Corporation can show residents, landlords, and business owners that removing graffiti will improve everyone's safety. Residents benefit from the increase in freedom and the decline in person-on-person crime. Landlords benefit from the reduction in vandalism and the increase in net operating income. The local restaurant owner benefits when foot traffic grows from adjacent business expansion. Getting the incentive systems to work properly is

central to increasing the Popsicle Index, because it facilitates the optimization of time, skills, and savings within the neighborhood.

Money Flows. The Solari Stock Corporation analyzes and reengineers public and private dollars and related incentive systems to improve return on investment and the Popsicle Index in the neighborhood. One of the common misconceptions about undervalued neighborhoods is that they lack money. The logic seems straightforward. These neighborhoods are poor because there's not enough money to go around. But in case after case, this logic is wrong. The problem is not the amount of money flowing through these neighborhoods but how it is being used. Understanding how to make better use of the public and private money in an undervalued community often provides the starting point for the Solari Stock Corporation's first profit-making venture. For example, look at how and with whom the local community college contracts out services, including everything from housekeeping to data processing. If the opportunity is right, redirect the flow of these contracts to neighborhood businesses.

High-Yield Investment. The Solari Stock Corporation promotes performance-based investment that enhances the knowledge and skills of the businesses and workforce and increases the neighborhood Popsicle Index. The Solari Stock Corporation starts by showing how to produce high yield. Often this will involve reengineering money currently flowing in the neighborhood to generate better returns. For example, the Solari Stock Corporation could reengineer a government training program that moves residents to jobs outside the neighborhood to a Solari Stock Corporation effort that trains residents to work in neighborhood-based jobs. Without increasing the amount being spent on training, the Solari Stock Corporation has lowered the cost to local private businesses of hiring and training entry-level staff and in so doing, increased their profit margins. Once the Solari Stock Corporation understands how to reengineer current investment for better returns, it can then market specific business ventures and the neighborhood as a whole to outside investors.

Access. The Solari Stock Corporation provides residents and local businesses access to information, ideas, skills, tools, and training that will enhance the Popsicle Index and Community Capital and enable the community to function more efficiently. The Internet is a key component of this access. For example, through the Internet, the Solari Stock Corporation will link residents struggling with absentee landlords to intervention programs that have been effective in other cities. Or the Solari Stock Corporation will link business owners to management training that will prepare them to seek expansion loans or investment.

Pricing/Liquidity. The Solari Stock Corporation also provides outside investors access to information about the performance of the community, its Popsicle Index and its particular business ventures. This increased access to information is a prerequisite for improving the "liquidity" of stock shares, which will only trade efficiently when a great deal of information about community assets is available so that pricing can be accurate. Why is this liquidity so important? Liquid assets trade at a higher multiple than non-liquid assets. Today, a corporation that trades in the stock market has a market value of about 20 times its annual earnings. Non-traded companies, by contrast, typically have a market value, depending on the business, of less than five times their annual earnings. In other words, making community assets more liquid will increase their value. And increased trade in community assets is key to optimizing the Popsicle Index in a community.

Performance. The Solari Stock Corporation will promote its own high performance by making publicly available consistent and reliable data on the community's performance, its Popsicle Index and the profitability of local businesses. These data provide a feedback mechanism to alert the community and the Solari Stock Corporation of needed initiatives. Good data also provide a basis for sound financial analysis for marketing neighborhood businesses to investors. Finally, good data align the community's intellectual capital – its skills and local knowledge – with the financial capital and expertise of the capital markets to maximize return to Solari Stock Corporation shareholders.

B. Performance Measures

The Solari Stock Corporation's goal is to generate high yield for investors. It does so by positioning itself in investments that can leverage the rise in the Popsicle Index. For example, as residents' incomes rise, more households will buy cars. Using its knowledge of the community and how rising incomes affect spending patterns, the Solari Stock Corporation invests in a local gas station that enjoys increasing sales and profits. As a result, the value of the Solari Stock Corporation's shares increases.

1. The Popsicle Index. Do we feel safe in our place? The Popsicle Index is the % of people who believe that a child can leave their home, go to the nearest place to buy a popsicle and come home alone safely. We find it is a good estimation for fundamental economic health, or Community Capital.

2. Community Capital. Community Capital includes all the assets and resources in a community. It includes tangible assets as well as such intangible assets as the talents of the residents and the guiding hand of strong community organizations. Community Capital ideally finds ways to estimate and value everything that the community has to work with and that works for/against the community to create/destroy street equity. Communities have five asset categories:

- a. **Physical Assets:** Buildings, land, roads, sewers, parks.
- b. **Residents & Their Knowledge:** Demographic features, such as age and education, but also the skills, talents and energies of the residents. Everyone has something to contribute. Numerous tools can increase and leverage the value of their knowledge and relationships and their ability to cooperate in understanding and helping Community Capital and the Popsicle Index to rise..
- c. **Money Flows:** Personal income, local business profits, and government programs are sources of money, which can be used to improve the community.
- d. **Community Fabric:** Ties that bind a community together – through churches, veterans' groups, schools, and clubs – are a great asset.
- e. **Unique Community Assets:** Perhaps the neighborhood has a one-of-a-kind historical landmark or is close to a regional transportation hub.

Many of these assets may not have a market price. An ideal community databank would look at both market value as well as all assets that affect market value for the neighborhood and, consequently, for the Solari Stock Corporation.

3. Measures of Asset Use. How well a community's assets create market value depends on how efficiently they are being used. Improving efficiency involves both increasing positive assets in a community and decreasing negatives that keep a community from realizing its potential. Positive assets might include, for example, low unemployment, a good stock of housing for home ownership and easy access to jobs and services. Negatives might include high crime rates, lack of affordable transportation and government rules that diminish the benefits of work or the value of assets.

By looking at how your neighborhood uses its assets, the Solari Stock Corporation will learn how to help your neighborhood determine what additional assets it needs and how better to use the assets it already has. One of the key tasks for a Solari Stock Corporation is to assist the market in understanding its neighborhood so the market can value existing assets that are currently being overlooked.

C. What Makes the Popsicle Index and Community Capital Rise?

There is no magic formula for making the Popsicle Index and Community Capital rise in any given community because each community is different. Despite their individuality, however, many communities have enough similarities that we can identify some common steps Solari Stock Corporations can undertake to make these communities' Popsicle Index and Community Capital rise.

1 . Improve Knowledge Management. Information is fundamental to the success of the Solari Stock Corporation business model. Collect and disseminate as much information as possible about the community and about the steps to making the Popsicle Index and Community Capital rise.

2. Create an Infrastructure for Networking. Informal communications networks – like those found in churches and clubs – or networks using established telecommunications systems – like the telephone – are a good place to start. In the long run, the community will need a modern telecommunications and information processing infrastructure. But in the final analysis, networks are more than just hardware; they consist of people sharing knowledge.

3. Reengineer Individual Incentives. With the right incentives, people will invest their income, time and assets in a way that will contribute to increasing the Popsicle Index and Community Capital. For example, homeowners and renters may react differently to rising property values; owners may support it while renters oppose it. Increasing the rate of home ownership in a community tends to shift the alignment of incentives toward greater support for improving property values.

4. Reengineer Public/Non-Profit Investment, Services, and Regulations. Redirect the flow of government dollars away from activities and incentive systems that decrease increasing the Popsicle Index and Community Capital and toward activities and incentive systems that increase increasing the Popsicle Index and Community Capital. For example, the new welfare reform law provides states greater discretion over the use of public assistance dollars. This opens up opportunities for using these funds to transition welfare

recipients into the workforce. Also, reform the government rules that dictate how private individuals and businesses spend their time and money to ensure their decisions align with market-based incentives. For example, many government programs – health, education and housing – pay service providers – hospitals, schools and landlords – a fee regardless of the quality of service they provide. Changing fixed fees to performance-based fees will increase the value of public investment. Solari Stock Corporations can work with the local business community as well as local non-profits, such as Community Development Corporations (CDCs), to focus on activities best performed by those organizations, rather than activities best performed by the private sector.

5. Reengineer Private Investment. Redirect private investment away from less productive and toward more productive activities. Private sector investment can be misallocated due to government interference, the lack of good information, or other market imperfections. It can also be misallocated because the private sector misperceives profit opportunities in undervalued communities. Changing those perceptions opens the door to higher yield investment.

6. Invest in Skills and Access to Tools and Information Services. Economists call this human capital investment. They have learned it is the most important investment of all. Some of the activities into which a Solari Stock Corporation can channel more resources are those that educate, train and equip community residents to work more productively in an information-based economy and to take an active part in a continuous learning community.

7. Reengineer the Export/Import Ratio. Raise the level of goods and services produced within but sold outside the community and reduce the level of goods and services produced outside but consumed within the community. The higher this ratio, the greater the multiplier effect of increased investment on the value of increasing the Popsicle Index and Community Capital.

8. Align Community Interests With Rising Popsicle Index and Community Capital. Increase the percentage of community ownership and participation in business ventures, real estate and other assets in the community through their stock ownership in the Solari Stock Corporation. As the equity value of these assets increases, the market value of Solari Stock Corporation shares will increase. As this happens, the wealth of each participating member of the community will also increase, creating a positive market dynamic between the performance of individuals, the community and the Solari Stock Corporation.

9. Make Accessible Consistent and Reliable Information. When the Solari Stock Corporation provides outside investors access to consistent and reliable information about the performance of the community, its Popsicle Index and Community Capital and its particular business ventures, it creates a foundation for greater liquidity – and higher prices – of Solari Stock Corporation shares, by raising the price/earnings multiple.

D. The Solari Stock Corporation DataBank/Alternative Media

Local businesses that Solari Stock Corporations invest in will have to meet high performance and reporting standards. The Solari Stock Corporation can ensure those

standards are achieved by creating the Solari Stock Corporation DataBank to provide technological, administrative and other support services to community entrepreneurs and residents. The Solari Stock Corporation DataBank could be structured as a for-profit business or joint venture between the local Solari Stock Corporation and another company..

By having the Solari Stock Corporation's oversee, finance and /or manage the Community Data Bank, a community makes sure it has mastery of how all the money works in its place in a manner focused on creating wealth and well-being for the people in the community. In addition, it can perform competitively priced back-office functions for neighborhood businesses and, eventually, for other business as well. Many of the neighborhood businesses served by the DataBank could occupy the same building as the Databank – for example a centrally located former warehouse that has been converted into office space.

The services the Solari Stock Corporation DataBank could provide as a business and job incubator and services to its neighborhood business customers include:

bookkeeping	data processing	marketing	information searching	inventory management
record-keeping	customer service	recruiting	mail processing	concierge services
archiving	correspondence	information storage/retrieval	debt collection	car pooling services
paralegal work	telephone answering	record-checking (credit/security)	bill-paying	office security
janitorial services	building maintenance	event planning	travel arranging	courier services

Many of these services are performed using digital technologies, including telecommunications and information processing. They greatly augment every business, but few small businesses can afford to provide all of them in-house. Some services would be used regularly and others intermittently by different businesses at different times. Arranging for each service individually would add to their overhead. These businesses prefer the one-stop shopping provided by the Solari Stock Corporation Databank with an incubator/back office function.

For Solari's business aggregation model for ideas on consumer and business aggregation opportunities that could lever off of the knowledge flow of a community databank, see Solari Circles at www.solarivillage.com

The Community DataBank operates in Solari Stock Corporation neighborhoods and hires its workforce from those same neighborhoods. New employees go through a rigorous skills assessment and training program. By following this location and training strategy, the DataBank is able to operate close to its customers while providing them with competitively priced services, due to an ample supply of low-cost labor and existing training programs. Future clients might include government agencies, financial institutions (like credit unions), non-profit organizations, health care providers and businesses in nearby neighborhoods.

The DataBank model works best in communities with a sufficiently large base of small businesses and access to a large enough pool of unemployed and under-trained heads of household, retirees interested in continuing part time and full time work, and workforce reengineered by large organizations.

Critical to achieve the benefit of the Databank is to provide healthy information to the community about how the Popsicle Index and Community Capital are doing, what is causing them to go up, what is causing them to go down, and the benefits to members of the community when they rise. The more literate the community is about how to collaborate in a way that generates increased wealth with their individuals actions, the easier the learning process gets. This function can evolve to an alternative media function, particularly with the benefit of the internet and on line publishing and radio talk shows.

The Solari Stock Corporation DataBank may be able to capitalize on the government's growing desire to get better returns for taxpayers' investments – particularly in the area of training. Current government training programs tend to have high cost and low impact. By offering local government an option for reengineering its training and employment programs, the Solari Stock Corporation DataBank can tap into local government training dollars while improving the performance of the government's training and employment programs. At the same time, the DataBank will be in a good position to expand into providing cross-cutting business services..

Community support for a Solari Stock Corporation DataBank will likely be strong. The presence of many households looking for jobs and to start new businesses has implications for everyone living in that community. In general, less than optimal household income means: (1) low levels of consumer spending (so there are few stores and limited consumer choices); (2) low levels of savings and investment (so there are few banks and little credit being offered); and (3) high levels of commercial vacancies (the business district is blighted). The community is primed for a model that will help to turn this situation around and raise the Popsicle Index and Community Capital.

The Solari Stock Corporation DataBank can raise the Popsicle Index and Community Capital by:

- providing jobs – including entry-level employment;
- training workers in marketable skills;
- enabling neighborhood businesses to procure needed services within the community;
- exporting services to businesses outside of the neighborhood;

-
- reducing business costs by group buying of office supplies, equipment and other business essentials;
 - creating knowledge “liquidity” in the community about how all the money works and providing alternative on line and radio media about “how the money works”
 - improving the quality of business services;
 - saving entrepreneurs time to focus on core functions;
 - making the neighborhood more attractive to outside investors by supplying essential functions which, if not done well, can hurt a business’ profitability;
 - aligning incentives so that everyone in the neighborhood works to ensure a high yield;
 - raising incomes and spending power in the community;
 - increasing sales and profits of other businesses in the community;
 - improving real estate values;
 - increasing the local tax base; and
 - positioning the neighborhood to receive better public services.
 - Providing support information services to help package and manage consumer aggregations
 - Providing support information services to help package and manage business aggregation
 - Providing support information services to help develop and manage Solari Leveraged Buy-outs
 - Providing information services to help develop and support community currencies and barter networks
 - Providing information services to help develop and support Solari Circles
 - Providing information services to develop and support a Solari REIT (Real Estate Investment Trust)
 - Providing information services to support Community Offerings of stock; to track and report stock valuations and other disclosure on stock performance.

Because the Solari Stock Corporation is widely invested in the community and its businesses, the increase in the Popsicle Index and Community Capital will lead directly to an increase in the value of the Solari Stock Corporation’s shares of stock. When these shares are traded, the magnitude of the capital gains will be as much as five-fold greater.

Structure of a Solari Stock Corporation

The organizational structure for your Solari Stock Corporation is largely determined by the legal nature of the Solari Stock Corporation as a fiduciary financial institution that invests in business ventures. It is also determined by the need to ensure that incentives between management and shareholders (including employees and local entrepreneurs) are aligned in such a way as to maximize profits and return on equity.

This chapter is organized as follows:

- A. Structure: Charter and Bylaws..... 17
- B. Governance..... 20
- C. Management (Legal, Finance, Operations, Information) 21
- D. Staffing..... 21
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- F. Auditors and Systems 23
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A. Structure: Charter and Bylaws

The Solari Stock Corporation’s business form can vary, depending on tax and liability issues under different state laws. Possible legal structures include:

- the sole proprietorship,
- general partnership,
- limited partnership,
- business trust,
- “C” corporation,
- “S” corporation, and
- limited liability corporation.

Look into all of these structures before making the final decision about which is best for your Solari Stock Corporation. But the most applicable – and most frequently used – structure is apt to be the “C” corporation.

The “C” corporation has the following attributes:

- transferability of ownership interests;
- limited liability of owners (i.e., liability is limited to the assets of the entity itself);

- “double” taxation of income (i.e., the entity’s income is taxed at both the corporate and shareholder levels);
- separation of management and ownership; and
- perpetual life (i.e., it does not dissolve when its owners die).

The limited liability corporation is used mostly by businesses providing professional services, while the “S” corporation is limited in the number of classes of stock it can issue and the number of shareholders it can issue this stock to.

What state should you form your Solari Stock Corporation in? The logical choice would appear to be the state in which your neighborhood is located. But the actual choice can be influenced by state taxes and business laws. Many corporations are formed in Delaware, in large part because of Delaware’s flexible, comprehensive and business-friendly corporate statute.

The typical state corporate statute provides that a corporation comes into existence when its articles of incorporation (sometimes referred to as a “charter”) are filed, together with the required fees, with the Secretary of the State.

At a minimum, the Articles of Incorporation state:

- the name and address (an in-state address, which may be a mailbox at a company like CT Corp. formed for the purpose of serving as an in-state agent for out-of-state corporations);
- the agent for service of legal process;
- the corporate purpose (which often can be generalized to any lawful purpose of a corporation in the state);
- the number of authorized and issued shares, their par value and their terms; and
- the name and address of the incorporator (who frequently is the attorney who has formed the corporation on behalf of a client).

Other corporate attributes may also be included – such as how many directors there are, whether the shares carry preemptive rights, whether there is cumulative voting, what constitutes a quorum of the directors, and how many directors must vote to change the Articles of Incorporation. The more provisions of a corporation’s structure are specified in its Articles of Incorporation, generally, the more difficult it is to change such provisions and the more control is centralized in the hands of the shareholders.

As a rule, after a corporation has been formed and issued shares, the board of directors will be established, will adopt the corporation’s Bylaws and will elect the corporation’s officers.

The Bylaws of your Solari Stock Corporation guide the directors and officers in the management of the corporation. These Bylaws usually provide:

- how and when directors and officers are elected,
- what their duties are,

- what powers the corporation and its officers have,
- when the annual meeting is held,
- where the corporate offices are located,
- what committees of the board are formed and what they are responsible for,
- whether and how often corporate audits are performed,
- when the corporation's fiscal year ends, and
- how the corporation merges with another corporation and how dividends are determined.

In addition, these Bylaws should discuss certain corporate formalities that must be observed – such as the holding of stockholders' and boards' of directors meetings, and the passage of resolutions authorizing the corporation to enter into major contracts, purchase property and carry on other major activities.

Other legal considerations for the typical corporation formed under state law are:

- state and federal securities law issues governing the issuance and transfer of shares of the corporation (see the University of Cincinnati Law School website containing many of the applicable federal securities law statutes at <http://www.law.uc.edu/CCL>);
- qualification of a corporation to transact business in states other than the state of formation;
- use of the corporate name, and words that may or may not be used in the corporate name;
- federal, state and local corporate, employment and other taxes;
- regulation of businesses that conduct certain types of operations, such as banking, mortgage banking, sale of insurance, sale of securities, sale of real estate, the rendering of financial advice and the practice of law, medicine, engineering and other professional services requiring licensure under state law; and
- fair credit reporting statutes, Americans with Disabilities Act, fair housing laws, equal employment opportunity and occupational health and safety laws and state and federal environmental protection regulation.

A helpful summary of corporate and other business related legal provisions in Delaware can be found on a website offered by the law firm Richards, Layton & Finger. This firm is one of the largest law firms in the State of Delaware and specializes in, among other things, Delaware corporate law. You can visit the website at [http://www.hg.org/guide-delaware.htm#BUSINESS ENTITIES](http://www.hg.org/guide-delaware.htm#BUSINESS_ENTITIES) and [http://www.hg.org/guide-delaware.htm#ABOUT THIS GUIDE](http://www.hg.org/guide-delaware.htm#ABOUT_THIS_GUIDE). See also the "virtual law library" website maintained by the Indiana University Law School at <http://www.law.indiana.edu/law/v-lib/lawindex.html>.

B. Governance

The Solari Stock Corporation will be governed by a Board of Directors elected by the voting stockholders. The members of the board of directors owe a fiduciary duty to the corporation and its shareholders, although, at least in Delaware, the courts respect the “business judgment rule” under which the members of the board of directors are protected from liability for their decisions as long as such decisions are made in good faith. The officers of the corporation, usually elected annually by the directors, are responsible for carrying out day-to-day management of the affairs of the corporation, subject to the provisions of state corporate law, the Articles of Incorporation and the Bylaws.

Service as a director or officer of a Solari Stock Corporation represents an important business assignment that carries with it commensurate duties and responsibilities. The Board of Directors, by majority at a meeting of the board or by unanimous written consent, will take certain actions, such as:

- appointment of committees of the board,
- election of directors,
- authorization of bank accounts, and
- authorization of the corporation to transact business in foreign states, purchase real estate or enter into major transactions, sale of authorized shares of the corporation, and entry by the corporation into major contracts.

A Solari Stock Corporation needs to attract and retain experienced and conscientious directors and officers. These directors and officers have obligations to discharge duties owed to their institution and to the shareholders and creditors of their institution, and to comply with federal and state statutes, rules and regulations. These duties include the duties of loyalty, trust and care.

These duties require directors and officers to act as prudent and diligent business persons in conducting the affairs of the Solari Stock Corporation. This means that directors are responsible for:

- selecting, monitoring, and evaluating competent management;
- establishing business strategies and policies;
- monitoring and assessing the progress of business operations;
- establishing and monitoring adherence to policies and procedures required by statute; and
- making business decisions on the basis of fully informed and meaningful deliberation.

Officers are responsible for running the day-to-day operations of the institution in compliance with applicable laws, rules, regulations, and the principles of safety and soundness. This responsibility includes implementing appropriate policies and business objectives.

Directors must require and management must provide the directors with timely and ample information to discharge board responsibilities. Directors also are responsible for requiring management to respond promptly to criticism. Open and honest communication between the board and management of the corporation is extremely important.

C. Management (Legal, Finance, Operations, Marketing, Information)

The management of the Solari Stock Corporation consists of officers of the corporation appointed by and under the control of the board of directors of the Solari Stock Corporation.

Management should be comprised of positions specifically responsible for legal, financial, operational, and information technology functions of the Solari Stock Corporation. Position descriptions, covering qualifications, duties, and compensation, will need to be drafted and implemented. These positions would include:

- **Legal counsel.** Responsible for ensuring compliance with corporate, U.S. securities, investment banking, and intellectual property laws.
- **Financial control.** Responsible for devising and implementing standards and controls for underwriting, valuing, managing, and marketing financial products and services, as well as for cost accounting and audit requirements as applied to financial institutions and information technology firms.
- **Operations.** Responsible for planning for and overseeing business-related functions, including staff recruitment and supervision, relations with the board of directors and shareholders, and contracts with outside vendors.
- **Marketing.** Responsible for analyzing, spotting and exploiting market opportunities for financial services and products and for neighborhood-based services and products, and for developing and implementing a strategic marketing plan for the Solari Stock Corporation's businesses.
- **Information Technology.** Responsible for planning for and overseeing the operations and maintenance of the hardware, software, and network necessary to a financial product and advisory service enterprise.

Recruitment to management positions will be critical to the success of the Solari Stock Corporation. The corporation will need to attract and retain competent individuals who understand the investment business, know the problems and potential of small business enterprises, and have an intimate familiarity with their community. The right compensation package is key to a successful recruitment strategy. Compensation is also the main mechanism for achieving management's alignment with the Solari Stock Corporation's goal of optimizing neighborhood Community Capital and maximizing returns to shareholders. The best compensation system for management is a modest base salary with the bulk of compensation contingent upon the financial performance of the Solari Stock Corporation, for example, through stock options.

D. Staffing

Staffing for your Solari Stock Corporation will be determined by the size of the Solari Stock Corporations' community databank/alternative media operation, its investment portfolio and

the types of businesses the Solari Stock Corporation invests in. In general, the Solari Stock Corporation will need to recruit and retain people with the following skills:

- **Community Leadership** – innovativeness, demonstrated ability to earn recognition in the community, capable of representing and communicating the interests of the community to insiders and outsiders;
- **Small Business Skills** – knowledgeable of the nuts and bolts, and risks and rewards of running small business enterprises;
- **Specialty Business Skills** – familiarity with accounting, bookkeeping, tax preparation requirements, and labor rules (useful both in running the Solari Stock Corporation and in advising and overseeing the small businesses the Solari Stock Corporation invests in);
- **Neighborhood Planning** – knowledgeable of local social conditions, local economic conditions, and local government, including the role of the local CDC and the effect of local laws and regulations on the community;
- **Real Estate** – experienced in the local real estate market, real estate laws and real property management (real estate brokerage and property management licensing would be a plus);
- **Commercial Banking** – familiarity with underwriting and managing a portfolio of business loans; knowledgeable about existing lending opportunities for small businesses in the local community, including SBA business loan programs and CRA requirements;
- **Information Systems** – skilled with using PCs, mainframes, LANs, WANs, and web servers; and
- **Software** – experienced with the latest PC- and LAN-based software, especially business applications; familiarity with Visual Basic, JAVA, and other programming languages.
- **Research** – knowledgeable about quantitative modeling and data analysis, especially as applied to identifying, tracking, and analyzing business trends and products.
- **Communications** – familiarity with PC-based desk-top publishing, multimedia tools for displaying quantitative, textual, visual and aural information, and using the Internet to advertise and communicate.
- **Media** – familiarity with alternative media, including on line publishing and internet and short wave radio and its application to local communities.

The compensation package for your staff should be designed to align their incentives with the corporation's objective of increasing the Popsicle Index and Community Capital and earning high yields on capital. Some form of employee stock ownership would achieve such an alignment as well as offer certain tax advantages to the Solari Stock Corporation.

E. Information Infrastructure

To foster the frequent flow of information into and out of the Solari Stock Corporation, the office should be equipped with a communications and information processing system capable of handling large flows of digital data. Such a system would include standard office equipment, such as phone lines, telephones, and personal computers. Internet connectivity is a must, whether by direct connection or dial-up modem. A direct connection to the Internet via a T1 line would be ideal.

Additional requirements to support information interchange include several software programs, most importantly an electronic mail package. Other necessary programs include word processing, spreadsheet and database software. Because data manipulation will be so important to the Solari Stock Corporation, the database software and related applications should be well supported with the necessary equipment and technical support services.

F. Auditors and Systems

The venture businesses in which the Solari Stock Corporation invests entail certain types of risks, one of which is financial management risk. The neighborhood entrepreneurs, for the most part, are interested in the sales and marketing and subject matter aspects of the business, not in accounting, bookkeeping, data collection, and other financial management related tasks. They would most likely welcome assistance with these overhead functions.

A centralized accounting and financial management system offers the opportunity for cost savings and access to expertise that a small business owner might not otherwise be able to afford.

Require each business that receives funding through the Solari Stock Corporation to purchase (or be given) a sophisticated but easy-to-use, on-site system for bookkeeping, tax reporting and payment, data collection and inventory that is maintained by or downloaded to the Solari Stock Corporation on a regular basis. The Solari Stock Corporation could contract this work out, or it could participate in a joint venture – the Solari Stock Corporation DataBank – that provides these services and systems.

If a business runs into trouble or is not meeting the goals established by the Solari Stock Corporation, the Solari Stock Corporation can provide troubleshooting services. Centralized and shared data collection across Solari Stock Corporations enables each Solari Stock Corporation to learn the “best practices” of successful businesses, identify changes in local market conditions by following leading indicators, and coordinate joint business activities, such as cooperative marketing campaigns.

G. Disclosure Requirements

The Solari Stock Corporation will have to be audited annually by an independent accounting firm in accordance with GAAP and other regulatory standards applicable to fiduciary institutions, such as those promulgated by the SEC. The Solari Stock Corporation will have to issue quarterly and annual reports to its stockholders on the financial condition and financial performance of the Solari Stock Corporation over that period. To ensure the integrity of all its transactions, the Solari Stock Corporation will also need to maintain this financial information with continuous website updates, available to the public.

The Solari Stock Corporation would need to have internal controls and audit standards for software and disclosure for the community databank as well as performance measurements such as the Popsicle Index and Community Capital measurements.

H. Financial Structure

Two classes of equity ownership – “A” and “B” shares of stock – will ensure that the controlling interest in the Solari Stock Corporation remains with the community, while enabling the Solari Stock Corporation to access capital and other resources to achieve high performance for all stakeholders.

Class “A” shares are *restricted voting* stock. Restricted means they cannot be traded – only the Solari Stock Corporation can buy them back. And voting means that only class “A” shareholders have the power to choose the board of directors of the Solari Stock Corporation. A *controlling majority* (minimum of 66 2/3%) of class “A” shares should be issued to *local* residents and entrepreneurs, who contribute their financial capital, intellectual capital, or services. The remaining minority of the “A” shares should be issued to insiders or outsiders able to enhance the performance of the Solari Stock Corporation.

Class “B” shares are *unrestricted non-voting* stock. That means they can be freely traded by anyone but the purchasers cannot participate in selecting the board of directors of the Solari Stock Corporation. Class “B” shares will likely be targeted at outside investors for the purpose of raising capital, but can also be purchased by local investors looking for high returns. They are truly unrestricted.

“A” Shares Bring in Community Commitment and Management & Technical Knowledge and Skills. Because each Solari Stock Corporation concentrates its activities and investments in a single community, the residents and entrepreneurs of that community will want to have the final say on what the Solari Stock Corporation does and how it does it. Restricting majority ownership of “A” shares to community members helps achieve that objective. In addition, resident owner-controllers can add value to the governance of your Solari Stock Corporation, by collecting and providing community data, using their knowledge and contacts to identify local opportunities and obstacles, and in general lending legitimacy to the decisions of the Solari Stock Corporation.

But outsiders can add value to the governance of your Solari Stock Corporation, too, which is why you should want to bring them in as minority shareholders, members of advisory boards or partners. Outsiders can bring in business, financial and technological skills learned in corporate or institutional settings outside the community. These are the sorts of skills and types of knowledge that are usually not available to small entrepreneurs or the residents of undervalued communities. Outsiders also bring perspective. Their experiences beyond the community can help the Solari Stock Corporation manage larger strategic issues, like the possible impact of proposed changes in government regulations. Majority control is kept in the hands of local residents and entrepreneurs by limiting outside ownership of outstanding “A” shares. However, the key to successful outside participation is internal discipline to make sure that training and design books and other software tools are

used to make sure that all knowledge and skills are transferred to members of the community or are accessible to them.

“B” Shares Bring in Capital Focused on Financial Performance. “B” shares serve two purposes for the Solari Stock Corporation. First, they enable it to raise capital from outside investors looking for high yields. Second, they provide the primary means for measuring the success of the Solari Stock Corporation in increasing the Popsicle Index in its community – the value of the “B” shares express the market’s assessment of the Solari Stock Corporation’s success. In order to appeal to the traditional capital markets, the “B” class of stock should be similar to the standard issue of a mutual fund or venture capital fund. Unfamiliar-looking investment vehicles are often viewed as risky by the market, which will heavily discount them. “B” shares are normally issued when the board of directors has identified a new investment opportunity for which it seeks to raise more capital.

Pricing “A” and “B” Shares. The value of the total outstanding “A” and “B” shares equals the equity value of your Solari Stock Corporation portfolio. But it is the performance of the “B” shares in the market that drives this equity value. Because “A” shares are not traded, they will have no real market price. Only “B” shares, which are traded, will have a price that reflects the market’s assessment of the performance of your Solari Stock Corporation. This does not mean that the “A” shares are worthless. They will have a value, except it will be a value determined by the Solari Stock Corporation – the value at which the Solari Stock Corporation would be willing to buy them back. Usually, this buy-back price is set at par with the market price of the “B” shares.

Every community is different. Some are more open than others to outside experts, advisors and investors. Adjust your Solari Stock Corporation’s financial structure accordingly. For example, if your community has limited tolerance for outside involvement, reduce the maximum percentage of “A shares that can be held by outsiders. Whatever you choose, the goal should be the same: to align the interests of the Solari Stock Corporation with the community and outside interests to ensure that strong incentives are in place for raising the performance of the Solari Stock Corporation as it improves the Popsicle Index and helps to optimize Community Capital.

I. Performance Criteria

The Solari Stock Corporation should make performance information available on the Internet to facilitate trading in and pricing of its “B” stock. (See the earlier discussion in “Performance Measures.”) In addition, the Solari Stock Corporation’s board of directors should set performance criteria for management that would spell out the Solari Stock Corporation’s standards for success.

Performance criteria should include:

- the internal rate of return (IRR) on equity,
- the rate of growth in The Popsicle Index, and
- the change in the price of “B” shares.

These performance criteria would serve as *targets* that management would aim for, *benchmarks* for tracking how well management has performed, and the *basis* for determining performance-based compensation.

Stock Disclosure & Trading

Once the Solari Stock Corporation has issued shares of “B” stock, it will want to start “listing” them on public vehicles that allow investors to evaluate the price of their shares and trade in those shares.

A. The Future Is Now

In early 1996, Spring Street Brewing Company completed the first web-based initial public offering (IPO) of stock (a primary offering). This stock offering raised approximately \$1.6 million and was completed without the assistance of an underwriter or investment banker. After the stock offering, Spring Street established a bulletin board on its website which allowed interested buyers and sellers of Spring Street stock to trade those securities (secondary market trading). Spring Street’s use of the web for IPOs and secondary trading of securities was innovative and generated a tremendous amount of attention from the media and regulators. The Spring Street offering demonstrated that the web can be an effective and efficient tool for small businesses to raise capital and facilitate secondary market trading of those securities.

The primary offering and secondary market trading of the securities through the web are subject to state and federal securities laws. Over the past year, the Securities and Exchange Commission (SEC) has issued various guidance on web-based offerings and trading to ensure that such mechanisms are in compliance with federal securities laws.

Because federal and state securities laws are extremely complicated and the penalty for violation of these laws can result in both civil and criminal actions, all issuers should consult with an attorney who is knowledgeable of federal and state securities laws and regulations prior to commencing any primary offerings or secondary market trading.

B. Primary Offerings

The Federal Securities Act of 1933 requires the registration with the SEC of any form of securities sold to the “general public.” In addition, each state also has its own securities laws and each state has the final authority as to which securities can be sold in its jurisdiction. The typical process of selling securities to the “general public” is usually very complicated and expensive and requires the assistance of various third parties such as lawyers, accountants, and investment bankers.

The securities laws provide a few exemptions from the normal process which reduce the cost and burden of issuing securities for small businesses. The most commonly used exemptions include: Regulation A offerings, Small Corporate Offering Registration (SCOR), intrastate offerings and private placements. The first three of these exemptions are

effective web-based primary offering mechanisms. Because private placement regulations prohibit general solicitation of the securities and generally limit the number of non-accredited investors (i.e., investors that are not sophisticated or wealthy as defined by the securities laws), web-based offering of private placements have significant limitations and have been less common.

The following is a brief discussion of the first three exemptions:

Regulation A offerings (Reg. A) are the most commonly used web-based primary offering mechanism. These offerings allow companies to raise up to \$5 million in any 12-month period. There are no restrictions on the qualifications or number of the investors, there are no restrictions on the resale of securities, and the issuer can do some forms of advertising and general solicitations. The federal securities laws do not require audited financial statements of the issuer, however, some states require audited financial statements. Issuers must file a limited registration statement with the SEC (and depending on the state, filings with the state securities commission). Several examples of Reg. A offerings can be found at <http://www.virtualwallstreet.com/trading/> and related sites.

Small Corporate Offering Registration (SCOR) refers to offerings of up to \$1 million a year with a minimum stock price of \$5.00 per share. These offerings are also known as "Uniform Limited Offering Registrations" (ULOR). Securities issued pursuant to SCOR are freely tradable and there are no ongoing SEC reporting requirements. Once again, securities issued pursuant to SCOR are subject to state securities laws. Recently several SCOR issuers have used the web as a method to offer their securities. An example of a SCOR offering can be found at <http://www.eaglebrewing.com/stock.htm>.

Intrastate offerings (also known as **Community Offerings**) are exempt from the registration requirements of the federal securities law (although they are still subject to state securities laws). Generally, the intrastate exemption specifies that:

- the offering is allowed in only one state;
- the issuer must be a resident of the state;
- the issuer does the majority of its business in that state;
- there are no dollar limits on the amount of capital that can be raised;
- there are no SEC filing requirements; and
- the offering can be made to the general public.

Once the intrastate offering is completed, generally there are no federal securities law restrictions on the resale of the stock as long as the stock is sold to resident investors. A web-based community offering, therefore, could be an alternative method for Neighborhood Investment Corporations to issue securities.

C. Secondary Trading

Shortly after Spring Street established its bulletin board on its web site for secondary trading system of Spring Street stock, the SEC requested that Spring Street suspend trading on

that site. In March 1996, the SEC set forth guidance to which outlined the steps required for web-based trading systems to ensure regulatory compliance.

Specifically, the SEC requires:

- the use of an independent agent, such as a bank or escrow agent, to receive checks from buyers payable to the seller of the security or the bank;
- disclosure that the share on the shares are not traded on any registered securities exchange or through NASDAQ; and
- record-keeping of all quotations posted on the bulletin board and of all securities transactions effected through use of the system. These records should be made available to the SEC upon reasonable request.

Since issuing guidance on the Spring Street secondary market trading system, the SEC has been closely monitoring other secondary market web-based trading sites. For a variety of reasons, secondary market trading of stocks has been fairly limited to date. For an example of a web-based secondary market trading site, link to <http://www.realgoods.com/stock>.

Building a Business Plan for Your Solari Stock Corporation

The business plan articulates what the Solari Stock Corporation is going to do and how. The process of creating the plan breaks down into four steps: (1) gather and analyze information about your neighborhood; (2) define activities which the analysis shows can be pursued profitably; (3) create an organizational structure appropriate to the planned activities; and (4) establish a system to regularly receive feedback and use it to continually improve performance. This chapter is organized as follows:

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As you build your Solari Stock Corporation you should work with the list of options below

and explore additional options of your own design. Keep in mind that this is only a framework. Only you can determine which options are right for your community.

A. Gather and Analyze Information About Your Neighborhood

Begin by gathering information – which could be no more difficult than talking to your neighbors – about:

- **The Economic Environment** – Who and what is doing business in the neighborhood? What has business turnover been like? Where do people shop for food, clothes, and entertainment?
- **The Human Environment** – What people live here? How big are their families? How much money do they have to spend? Why types of jobs do they hold? What are their skills? What do they value and enjoy? What are they good at? What tools could they use well?
- **The Social Environment** – What churches are active and who belongs to them? Are there any other organizations, like fraternities or sororities? Are there supportive service institutions, like housing for the mentally disabled or the homeless? Are people proud of their community? Despairing? Full of hope? How serious is the crime?
- **The Political Environment** – Who has the power to initiate actions in your community? Who has the power to stop actions (including the actions of your Solari Stock Corporation) Who controls the major resources in your community? Is organized crime present and what is their influence with local enforcement, courts, businesses and government? Can these risks be assessed and avoided?
- **The Physical Environment** – What is the land being used for? What shape are the buildings in? Who owns them? What are they worth?

Once you have a grasp of these factors, you can begin the critical analysis which answers the main question: How can the Solari Stock Corporation increase the Popsicle Index and various components of Community Capital – and how do its shareholders profit from that activity?

1. Assemble Information

Talk to the people you know – the grocer, the pharmacist, the funeral director, the minister, the retired school teacher who lives next door. Ask them such questions as: “Who has lived or worked here the longest? Who always seems to know what’s going on? Who seems to know everybody else?” Then, go and talk to those people. Learn what they know. Make their intellectual capital a part of your intellectual capital. Look at publicly available data on your community too.

2. Build a Community Data Bank/Alternative Local Media

A Community Data Bank is a repository of critical information about your neighborhood. There are two ways this information can be stored – on maps or in a relational data base.

Mapping assets and cash flows helps you visualize forces that affect businesses in a particular community. Mapping is not an abstract exercise in community planning. It is a vital part of the Solari Stock Corporation's strategy for optimizing the Popsicle Index and Community Capital.

The basic map is geographical, encompassing all territory within the boundaries of the community and showing streets and natural features, such as parks and rivers. A second map shows land uses, including single-family housing, schools, hospitals, apartments, commercial buildings, and vacant lots or boarded-up buildings that are ripe for reuse. A third map shows land ownership on a parcel-by-parcel basis, including mortgages, easements, liens, and other encumbrances. You may want to create other maps too that illustrate significant characteristics of your community that affect the Popsicle Index, such as where crimes occur or per capita income levels.

As the number of stockholders grows, map their addresses. By layering the maps, patterns and relationships will emerge. For example, you may notice that the First State Bank has loans outstanding on the majority of the distressed properties, or that 90% of the crime occurs along two particular streets. These patterns will direct you to possible actions for increasing the Popsicle Index.

All data are not suitable for mapping. For example, resident skill levels or city leadership profiles (including leadership skills) cannot be easily depicted spatially. This information should be cataloged in a relational data base, such as Microsoft Access or SQL. Eventually, you will be able to use this information to measure changes in neighborhood characteristics that impact the Popsicle Index and Community Capital – such as changes in income, skill levels, delinquency rates and other variables over time.

Building a Community Data Bank need not be too daunting. Where possible, use public information sources. Local government agencies maintain in publicly accessible form a lot of information about communities, including building permits, zoning controls, school district information, certificates of building occupancy, condemned properties and commercial licenses. There may also be information relevant to you on the Internet. (See the list of “hot links” in Appendix A.)

Use your own community and your network. Your neighbors can be your best data sources. You may want to offer shares in the Solari Stock Corporation in exchange for data or for residents who agree to provide and update their data on a continuing basis.

A fuller description of the types of maps and data that should be part of your Community Data Bank can be found below:

Maps and Data for Community Data Banks

- **Physical Maps.** Include street maps, land-use maps, school district maps, topographical maps, and telecommunications infrastructure. It is most useful in working in a neighborhood to obtain or produce a parcel map which shows

- individual properties which can become the template for logging other geographic information. Often, such maps can be obtained from local governments.
- **Property Information Maps.** Tax assessor or local recorder data will include the names and addresses of property owners (local or absentee), the names of lenders on title, and assessed property value. A field survey of residential and commercial buildings can rate building condition on a scale of 1 to 5. Be sure to indicate vacant lots and vacant buildings.
 - **People Maps.** Income, age, sex, ethnicity, income spent for housing, overcrowding, family size, and other useful information are available from the U.S. Bureau of the Census. This information is available, with some limitations, on a census block basis. There's another people map that can't be derived from the census; it's a map of the neighborhood's roots, family ties, and informal networks. Given their integral underlying strengths, neighborhoods with deep roots and long traditions are fertile grounds for neighborhood investment. Knowledge of neighborhood roots and networks provides invaluable information to the Solari Stock Corporation about how to align the interest of residents with the interests of business and government investment.
 - **Skill Maps.** Gross Community Capital is affected significantly by the job skills held by community residents. A skills map is a listing of current and historical skills in the current population of a community. This information is important when attracting new business ventures. If, for example, the Solari Stock Corporation determines that there exists a workforce skilled in data processing or related fields, that knowledge will be important when marketing the neighborhood to investors and entrepreneurs. It would also be useful to existing employers and for planning educational activities. Don't forget to include the skills of retirees. Behind their wealth of experience is a willingness to share, often on a purely voluntary basis.
 - **Neighborhood Business Maps.** Inventory community businesses by type and location. Inventory products and markets. Measure: sales in the community and outside the community; business employment in the community and outside the community; business ownership in the community and outside the community; relationships among businesses in the community and outside the community; and business debt by type, amount and source. Assess the potential for outsiders to use community businesses and products.
 - **External Business Information.** Inventory outside businesses and organizations that provide services in the community. Where do residents shop? Where do they buy gas? Where do they attend high school? Where are their hospitals? Where do they bank? Assess the potential to replace externally provided goods and services with community-provided goods and services on a profitable basis.
 - **Community Connection Maps.** Identify consumers or potential investors with cultural, emotional, or other ties with the community. This exercise identifies people who don't now live in the community, but who care about the neighborhood and who might participate in some way in its economic revitalization. It's an inventory of

former residents who maintain connections. Look for them through the churches. Get the addresses of high school graduates. Check out reunion organizers. Try to assess networks and families of current residents, like the adult children of long-time residents who have moved out to the suburbs but come back to the old neighborhood to visit their parents and old friends.

- **Power and Influence Maps.** Politics plays a powerful role in most neighborhoods. Observant residents might say that their neighborhood is non-political because they haven't seen a politician there in ten years. A wise resident would reply that the absence of politicians signals that the neighborhood is of no importance politically, which might explain the buckled sidewalks, the slow police response, and the garbage left in the alley after the trash is picked up. Neighborhoods are the smallest definable geographic unit existing in both the economic system and the political system. They win and lose as they are buffeted by the winds of politics and economics. Control of the future comes only through understanding the dual influence of economic and political forces. Power and influence maps chart the political forces. Map, or chart, power and influence by starting with **formal power** – list all of the elected officials whose jurisdiction includes the neighborhood. Be sure to include the existing Community Development Corporation (CDC) if there is one. Then chart the **professional power** structure by listing all of the government employees whose decision-making and resource allocations affect the neighborhood. The most sophisticated and perhaps important chart is the map of **informal power**. List those individuals who are not elected officials and not government employees but who can or do influence public decision-making and resource allocation. Examples include leaders in industry, the church, chambers of commerce, law, and universities. Also take stock of their friends and adversaries.

The objective of power mapping is to develop an understanding of the forces that can and do affect the future of the neighborhood, and to start the process of alignment. Alignment looks for power players whose interests, motivations and aspirations are consistent with those of the Solari Stock Corporation. Alignment is also a feedback mechanism for forming the objectives of a Solari Stock Corporation so they are supportive or more compatible with the interests of key power players. When full or partial alignment is achieved with key players, resources and public policy will flow to support Solari Stock Corporation initiatives. The purpose of power and influence mapping is to find, form and cultivate the alignments that will advance the interests of the neighborhoods.

- **Money Maps™.** Money maps are an effective tool for increasing the Popsicle Index and Gross Community Capital. Neighborhoods are like islands in an economic river flowing with cash. In high-income neighborhoods, much of that money washes ashore, but in low-income neighborhoods the money flows on by. To map money flows, start with household income and expenditures – the sources and uses of most residents' funds. Then track these flows. To find the ultimate source of most people's incomes, look around the local economy and identify major employers or cash generators, such as a military base, a hospital, a community college, a warehouse, or a manufacturing center. How much of this income is earned in the community and how much outside of it? Then look at government payments to

individuals for welfare, housing and child care. Tracing the uses of household funds could be more difficult but just as revealing. How much is spent on what and where? How did they pay? With cash or on credit? How much is saved? Where are savings kept – banks, thrifts, credit unions, or mutual funds? Once these money flows are identified and understood, the Solari Stock Corporation can launch strategies for redirecting some of that flow to the neighborhood. The first approach should be to increase the neighborhood's share of employment by institutions generating money flows. The second would be to develop business enterprises that service those institutions – data processing, janitorial, child care, transportation for the elderly and disabled, food services, etc.

3. Analyze Obstacles to Increasing the Popsicle Index and Community Capital

What needs to be changed to make this neighborhood a better place to raise a family or start a business? You should compile two short lists: (1) three to six neighborhood negatives that have the most powerful negative impact on the community; and (2) three to six neighborhood negatives that can most easily be reversed by the Solari Stock Corporation. Comparing the two lists will provide direction for your initial Solari Stock Corporation strategies.

Obstacles to Increasing the Popsicle Index and Community Capital

- **Physical** – natural features and infrastructure. Are the sidewalks broken along the commercial frontage? Is there adequate street lighting? Is traffic diverted around the commercial area? Are there bars or other nuisance businesses? Is parking inadequate? Are there garbage dumps or “brownfields” (heavily polluted sites) blighting the neighborhood? Is public transportation unavailable or inconvenient?
- **Intellectual** – lack of access to education, tools and information; poor quality of schools and community colleges. Where do students go to school? In public or private schools? Inside or outside the community? How do those schools compare with other schools in the area? Are there libraries? Do the libraries offer computer services and Internet access? What colleges and universities are nearby? What programs do they offer? Business? Computers? Vocational?
- **Alignment of Incentive Systems** – conflicts in incentive systems due to patterns of current commercial and residential real estate ownership and compensation mechanisms; public or private intermediaries; and the pattern of employment. Do federally assisted housing programs encourage poor management? Are non-profit groups, like charitable hospitals, afraid of for-profit competition? Do gangs provide self-esteem not available at home or school? Do tenants fear that community revitalization will result in their displacement? How dependent are residents on public sector employment? On public forms of assistance?
- **Political** – What local or other government policies, regulations, or resource allocations negatively impact the neighborhood and the ability to do business there? Does the city or other government entity – like a public housing authority – own property that is boarded-up or poorly maintained? Do public investments in infrastructure by-pass the neighborhood? Is police protection inadequate or insensitive? Are the schools well supported? Is the CDC helping?

- **Social/Attitudinal** – What views and behaviors of residents and outsiders affect the neighborhood? Is there a crime problem? Is there a shortage of role models? How do community security concerns impact current business profitability and the ability to attract additional businesses and customers? Does the neighborhood have a negative image that affects potential commerce?
- **Economic** – Is there an absence of entrepreneurial skills? Are banks reluctant to make business loans in the neighborhood? Are the residents so poor that little income exists to drive a local economy? Are there sufficient savings? Is there sufficient discretionary income? Is unemployment high? Are jobs scarce or hard to get to? Is high amounts of government subsidy resulting in low or negative return on investment on both government and private investment?
- **Health** – Is there a lack of access to quality health care or health care insurance? What are residents' health care needs – prenatal care, pediatric care, or geriatric care?
- **Financial Risks** – Do residents and business owners lack access to financial products and services, such as insurance, savings, and investment planning and services? What is the presence of organized crime? How many people in the community or with business dealings in the community make money from the community failing (getting kids on Ritalin and other legal drugs, illegal drugs, prostitution, gambling, money laundering, pedophilia and child kidnapping for sex slavery and auctions, gentrification, arms trafficking, mind control, prototyping or using non-lethal weapons etc., increased prison construction and enforcement)

4. Analyze Strengths for Increasing the Popsicle Index and Community Capital

The art of neighborhood investment is to see strengths where others see only a distressed community. This is the most creative component of building a successful Solari Stock Corporation. Even the most troubled communities have enormous and usually untapped strengths. The trick is to find them and put them to work. (For additional help, see *Building Communities from the Inside Out*, by John P. Ketzman and John L. McKnight, published by ACTA Publications, Chicago, Illinois, 1993.)

Community Strengths for Raising the Popsicle Index and Community Capital

- **Physical** – Consider natural features and infrastructure. For example, the local telecommunications system might support the installation of a neighborhood network in residential housing, businesses and organizations, by providing a grid for planning, bartering, and reengineering the time, service and investment flows in the neighborhood. While the vacant housing stock may be tattered, its low price might be used to market the neighborhood to new homeowners. The presence of mixed-use properties might open up opportunities for work-at-home businesses. The community may enjoy easy access to good transportation – roads, trains, or buses.
- **Intellectual** – What is the potential for enhancing access to education, tools and information? Are there quality schools and community colleges accessible to residents? Do resident skill sets match up with employment or service needs of nearby institutions and enterprises? Are hospitals or universities capable of lending

their expertise?

- **Alignment of incentive systems** – What is the potential for creating alignment in incentive systems? Are the current owners and managers of commercial and residential real estate motivated to keep their buildings in good shape and operating efficiently? Are government-funded private and public “intermediaries,” like schools, hospitals and CDCs, properly motivated to provide quality service to the community? Do current business owners and workers cooperate to better the community? What are the possibilities for rearranging the way things get done in government to create a win-win for residents, business owners and the local government?
- **Political** – What is the potential for building new relationships or renewing old ties that realign government or business policies in a manner that would increase the Popsicle Index? For instance, would the mayor or city council be open to proposals for improving bus service or privatizing garbage pick-up in the neighborhood? Is campaign fundraising fueled by the profits of those who make the Popsicle Index go up or go down? Does real estate ownership benefit from a rising Popsicle Index or does government subsidy and financing mean that absentee owners do not care and so do not support and pressure the political leadership accordingly?
- **Social/Attitudinal** – What positive attitudes of residents and outsiders can reinforce investment so that the Popsicle Index goes up? What are residents proud of about themselves, about their neighborhood and about their city? Can this pride be mobilized, for instance, to organize tenants to take over the management of assisted housing?
- **Economic** – What is the potential for introducing entrepreneurial skills? What is the potential to increase imports of neighborhood consumer dollars and decrease exports? What is the potential for neighborhood enterprise to assume services provided from outside community on a profitable basis? Develop an inventory of products and markets. What, for example, is the potential for enhancing access to quality health care and health care insurance through technologies, such as on-line systems, tele-health services, and reengineering opportunities with health care providers? What is the potential for outsiders to use community businesses or products? How can the underground economy be safely tapped to support the Popsicle Index?
- **Financial Risks** – What is the potential for enhancing access to financial products and services, including insurance? The information you have gathered about your community might help financial entities better assess the risks and rewards of doing business there.

5. Analyze Resources to Increase the Popsicle Index and Community Capital

List the resources that might be tapped to benefit the neighborhood. Use the maps you have created – especially your Solari Money Maps your power and influence maps and your community maps. Then go to City Hall and your local CDC to look at the budgets for community development, redevelopment, housing, capital improvements (streets, parks

etc.), and services, including police, fire, health, and recreation. You are now armed with powerful information about the resources available for your community. As you list these resources ask a series of questions about each: Is the resource flowing to my neighborhood? Is my neighborhood getting a good return on the investment? How can my neighborhood increase the return on this investment? And how can political, business and community interests be aligned to accomplish this?

A fuller description of the types of resources that may be available for your community can be found below:

Resources for Your Community

- **Improved community services.** For instance, if crime is a problem, negotiate with the Police Department to improve police presence by opening a neighborhood sub-station (provided by the neighborhood using vacant housing or storefront), expanding the use of foot or bike patrols (cheaper than cars), or assisting with a neighborhood watch group. If there are problems with derelict buildings, approach the Building or Health Department for stricter enforcement of the building code. Similar pressure could be brought to bear on municipal agencies responsible for trash collection, park maintenance, road repair, street lights, fire, and emergency medical services.
- **Libraries, schools, community colleges, and universities.** Local educational institutions are an invaluable resource to any Solari Stock Corporation. They should be a part of any skills training or employment counseling initiatives. They can usually provide language instruction in communities with large populations of non-native English speakers. They might offer computer support for increasing community access to the Internet. They might provide sources of professional and business services and advice. They might provide volunteer labor for the community or internships for people in need of career-building experiences.
- **Hospitals, clinics and social services.** Hospital-based health care services are among the most expensive services provided to any community. And hospitals are often located in low-income communities. In those communities, they are often provided in circumstances that do not warrant the cost but for the unavailability or lack of knowledge about cheaper alternatives. Community-based health care services not only promise to reduce health care costs – which should attract the attention of hospitals or local HMOs – but also increase the quality and accessibility of health care in low-income communities.
- **Public investment in infrastructure, redevelopment, housing and neighborhood improvements.** Communities spend millions of dollars each year on capital investment projects for transportation, housing, and public office buildings. Much of this money is funneled through Federal programs, many of which were intended to serve the needs of low-income or moderate-income residents. All too often, these objectives remain unfulfilled, primarily because local politicians and program administrators prefer to pursue other priorities. Learn these programs, know their

rules, and use that knowledge to persuade local officials to direct development money and jobs into your community through profit-making projects that will increase the Popsicle Index.

- **Churches and religious institutions.** Like educational institutions, religious organizations offer many high-value resources. They often provide the social, moral and spiritual glue that creates a healthy spirit in a place. Their buildings can serve as a forum for community meetings. Their congregations provide a source of skilled and concerned labor, and a source of potential shareholders in the Solari Stock Corporation. Their staff can offer assistance in building community trust, improving community communication, and developing relationships with outside organizations. Solari's business models are spiritually and faith based and require that 10% of profits are tithed to organizations providing spiritual leadership to communities. We believe this level of sustained private investment is essential to ensure healthy community economies conducive to successful high performance entrepreneurship.
- **Private corporations and enterprises in the metropolitan area.** As a profit-motivated business entity, the Solari Stock Corporation will need to develop mutually rewarding and long-term relations with large regional businesses. These businesses can offer advice, capital, products, customers, distribution channels, skilled labor, and specialized services to your Solari Stock Corporation.
- **Syndicates of businesses and community leaders that can attract new business on a national basis.** State-wide or national organizations of community leaders and businesses offer another avenue for gaining knowledge and advice for creating Solari Stock Corporation and identifying investment opportunities in low-income neighborhoods.
- **Current or potential customers or traffic flow that can be captured.** Some resources sit on the edge of your community without coming in, or merely pass through without stopping. These residents of bordering communities or suburban commuters represent an untapped resource, a potential customer base for an improved or expanded array of consumer services or retail businesses.
- **Financial institutions – thrifts, banks, credit unions, CDFIs.** Many financial institutions are publicly chartered and regulated, making them subject to meeting public purpose requirements. These requirements include targeting credit at low-income communities. Find out which institutions in your city or region have lending goals that businesses in your neighborhood can take advantage of. And use them.
- **Community-based cooperatives or investment clubs.** In some communities, consumers and/or producers have banded together to eliminate the middleman by forming cooperative associations. Find out if this is true in your community and whether you can copy an existing model. Many cultures and communities have a tradition of small-scale investment clubs – members make regular contributions to a savings fund which they take turns using as a source of investment financing, including the purchase of consumer durables. These investment clubs can be an excellent means for funding micro-enterprises in your neighborhood.

6. Review Points of View

Develop a list of who stands to benefit from raising the Popsicle Index and Community Capital in your neighborhood and who is likely to feel left out or harmed. Once you understand how they would win or lose, you'll know how they are likely to react to the activities of a Solari Stock Corporation and will be able to plan accordingly. You'll also be better able to position yourself and the Corporation so that you, the Solari Stock Corporation and the community capture a share of the benefits and, if appropriate, use them to compensate other's losses.

This list should include:

Community Residents: – Elderly – Children – Parents – Employed (different skill levels) – Unemployed – Self-employed	Real estate users – Renters – Landlords – Single-Family – Commercial – Multifamily – Public Housing – Property managers – Brokers – Homeowners	Companies and other enterprises that could benefit– Telecommunications (local and national) – Software companies (includes developers) – Networking companies – Business service companies – Retail companies (including on-line)	Companies (cont'd.) –Neighborhood Networks – CTC Net network – Net Day network – Consumer product companies – Auto and auto part companies – Other manufacturing companies – Solari Network – Other Solari Stock Corporations
Community exiles: – Entrepreneurs – Potential customers – Potential investors – Potential commission sales people	Financial service and product companies – Banks – Consumer credit – Mortgage banks – Brokers – Mutual funds – Insurance	Health care providers – Hospitals and clinics – Pharmacies – Nursing homes – Doctors – Dentists – Nurses	Government and Non-Profit Organizations – Politicians – CDCs – Welfare agencies – Churches and synagogues

7. Assess Risks

The better you understand the Solari Stock Corporation business risks, the better you can plan for and deal with them proactively. The Solari Stock Corporation faces all of the same risks as any new business – plus other risks that result from experiences that are unique to low income communities.

Among the risk that a Solari Stock Corporation can expect to encounter are the following:

- **Political Risks.** Organized and even unorganized groups in the community might oppose the formation of a Solari Stock Corporation if they feel threatened or mistrustful. You will also need to be mindful of the unique fears in some communities that result from failed promises of the past or fears of being exploited. There may be some people or groups in your neighborhood who do not want to see profits made in the community. Building trust early will help minimize these risks. Other risks include changes in government policies and political leadership in the city or community. Perhaps the greatest risk arises from simple misunderstandings that get blown out of proportion. If you such problems, particularly if they appear in the press, it may be helpful to go to those who already have the public trust, like religious leaders, for advice and support.
- **Competitive Risks.** Even as you and your Solari Stock Corporation plan for improving your community, neighboring communities and businesses could be making plans of their own. They might see you as a threat to their market position. Be strategic in your business planning and try to anticipate how other businesses will react. Again, look at the role that organized crime and its legal businesses may play as your competition.
- **Market Risks.** Not all business risks will be the result of conscious actions by your competitors. Sometimes impersonal forces can be just as important. Tastes change, including tastes about where to live, what to buy, how to spend free time. If that happens to your Solari Stock Corporation, you will need to change too. Also, broader economic forces can impact your business. A major industry in the region might decline due to foreign competition. This risk increases the more your local economy is dominated by a single employer or industry.
- **Community Risks.** Communities can change too. For example, the community might experience the emigration of key entrepreneurial or professional groups. Crime might spill over from a neighboring community. The population might get older. By themselves, these changes may not be bad, depending on how the Solari Stock Corporation responds to them. The point is to be prepared.

B. Action Steps

1. Neighborhood Action Plan: Take Immediate Steps to Increase the Popsicle Index and Community Capital

The first objective of the Neighborhood Plan is to make your neighborhood a better place to raise children and grow businesses that benefit current residents. This should be

undertaken before you seek changes in government or try to raise private capital for investments or introduce new technologies. The goal of the plan is not to describe the perfect community; rather it is to identify what can and must be done over the next two or three years to create a safer, more supportive environment for families and entrepreneurs.

The plan should be short, simple, and understandable after no more than a 15-minute discussion. The plan should lay out specific initiatives and avoid the general or theoretical. The hard work of planning is assembling community information. The plan itself should appear not be complex – it's simply a list of initiatives to improve the neighborhood, including a list of who is responsible for each initiative and a schedule of when each will happen.

A typical Neighborhood Plan could do the following:

- Find the owners of all boarded-up houses. Then try to line up the buyers. Then, have the city and AB Bank jointly lend to a local carpenter to buy, rehabilitate and sell these houses to first-time home buyers. Work with AB Bank for the marketing and financing to first-time home buyers.
- Direct city capital improvement funds to repair Main Street commercial strip sidewalks.
- Organize block captains to initiate bimonthly street and alley clean-ups. Use city sanitation trucks. Follow each clean-up with a picnic supported by the Main Street Merchants Association.
- Meet monthly with the City Building Department to review code compliance on properties listed on attached slum-busting list.
- Meet with local CDC or Redevelopment Authority officials to gauge their plans for your community and let them know that you and your community have plans of your own.
- Establish senior citizen mentoring program for Elementary School students.
- Meet with Police Chief to establish community policing program in association with block clubs. Start with zero tolerance campaign for narcotic sales.
- Approach the national guard for non-violent assistance in especially troubled areas, e.g., with spotlights.
- Unify signage on Main Street. Develop theme for banners. Celebrate improvements with Main Street Arts Festival, organized by the Merchants Association with block clubs, the elementary school principal, and the City College Arts Department.

Plans can be more complex, but beware of becoming overwhelmed. It's more important to accomplish something than to have grandiose but unattainable goals. One way to deal with multiple initiatives is to prioritize them and spread them over three or more years. You may want to put some easier initiatives in the first year to achieve quick victories.

Suggestions for Neighborhood Planning

Following are some suggestions for a planning process for your neighborhood. You will undoubtedly skip a few steps and add some of your own. One principle is key: *involve your neighbors*. A Neighborhood Plan has to be your neighbors' plan. That doesn't mean they have to vote on it, or that you must hold many neighborhood-wide meetings. Just find effective ways of talking to various parties in your neighborhood – like a telephone tree – so that the product makes sense to people and so that they support the outcomes.

- **Establish a small advisory group.** Small is important to getting the work done, but you should have some diversity of interest as well. In addition to business leaders, look for religious leaders, educators, activists, or just plain folks. But remember, you are forming a for-profit company and whoever you choose to advise you must support that goal. Also, appoint a plan leader.
- **Assemble community information.** This is where you can leverage the community's existing intellectual capital to better understand the advantages and challenges your community possesses.
- **List the changes you want to make.** Be very specific. Set priorities.
- **List actions or initiatives you propose.** Set priorities for action based on which initiatives are easiest to accomplish and which are most critical to making the neighborhood a better place.
- **Identify partners.** Taking the top six or seven priorities from your lists, identify people whose support and partnership you will need (small business leaders, parents most active in the schools, teachers, politicians, pastors, homeowners, resident leaders, CDCs, other agency staff) to implement your initiatives. Think about how you can align the objectives of each partner.
- **Talk it up.** Put your list of initiatives into a simple format and discuss it with everyone you can think of. Use existing networks. Meet with people on the power and influence map. Pitch your plan as a preliminary list of initiatives – at this stage you are genuinely seeking feedback, not marketing.
- **Take notes, amend, and regroup.** You are going to learn a lot from your discussions; so learn from them and be willing to change your list of initiatives.
- **Get commitments from partners.** Take the amended plan to partners that are critical to implementation and negotiate their involvement. Again, seek points of alignment – this should be a win-win negotiation. Get specific time-based commitments. Be clear. Put things in writing. Make sure you include the power-players in the community. If key political or public agency commitments are not forthcoming, amend the plan to include an organizing effort directed at securing those commitments in the future.
- **Finalize the plan.** With commitments of partners in hand, produce the written document that says what you plan to do, who is in charge of implementing each initiative, when activities will begin and be completed, and who has agreed to partner on each initiative.
- **Designate a Plan Manager.** This person is responsible for monitoring progress and delegating responsibilities to plan partners. This may be an appropriate role for the President or CEO of the Corporation.

- **Launch the plan.** Plan an event involving as much of the community as possible to announce day one of the process for making the neighborhood a more decent, supportable place to live and do business in. Invite the partners. You are now marketing a vision of the neighborhood's future. Generate enthusiasm and excitement.
- **Continuously assemble information.** Find ways to continuously update the neighborhood data base. Map neighborhood improvements. Keep an eye open to new developing problems and new opportunities or resources.
- **Amend the plan.** The plan should point the direction, but not be a rigid framework. When circumstances dictate, change plans. Take advantage of opportunities and change priorities when common sense says to change. Record the changes, make them public and discuss them with affected parties and partners.
- **Regroup and evaluate.** At least every six months, the plan manager should meet with the advisory group and key partners to evaluate progress against projections. If you're behind schedule, you'll need to change the schedule or resolve the problem.
- **Celebrate.** Celebration is the best way to get residents and partners involved and keep them involved. Celebrate victories as they occur. If you move the bad guys out of an abandoned house, throw a block party. If Mrs. Victor gets a job at the pharmacy, send her a rose bush and two teenagers to plant it. And plan a big celebration on the plan anniversary dates. Invite all the partners. Highlight victories and spell out next year's plan. Hand out T-shirts emblazoned with the neighborhood logo at every opportunity. Build neighborhood identity. Build neighborhood pride.

While every neighborhood is different, accumulated experience in neighborhood improvement planning provides useful guidance. Consider the following before you begin:

- Don't blindly accept your city planning department's notion of what constitutes a community plan – textbook land use planning may be of little use to distressed neighborhoods.
- Be specific. General goals and objectives don't yield results. Concentrate on stating directly what you are going to do and how you will do it.
- Give serious attention to real crime and perceptions of crime. Communities that don't feel safe will not prosper. Graffiti and drug dealers devalue Community Capital. Look into community-oriented policing and a private citizens' program called "Safe Streets Now."
- Stress alignment in plan making. Find points of interest overlap to maximize community buy-in.
- But don't be afraid to disagree with one another. Part of your job involves mutual education.
- Involve kids. If you do, parents will follow.
- Do a *charette*. Gather your neighbors for a brainstorming session on ideas for improving the neighborhood.
- Avoid too much process and consensus-building. One positive act can speak

- louder than a million meetings. Government, citizen participation and elaborate planning numbs the minds and ultimately thwarts participation and buy-in.
- Don't go to the city with plans until you have worked them through the community a bit. You need some neighborhood buy-in to give credibility to your proposal before you try to work it through the local power structure.

Menu of Neighborhood Actions

- Facilitate more community ownership of real estate. Controlling what goes on in a community is easier if you control how real estate is used. (We are working at Solari to develop a design book for how churches and faith based organizations can start Neighborhood Real Estate Investment Trusts and use stock and stock options and other securities to help communities buy back land and real estate and increase property values without increasing tax and other burdens to residents).
- Acquire decaying houses and renovate them for sale to first-time buyers. Decaying buildings drag down community real estate values. Home ownership builds community commitment and stability.
- Convert apartment buildings into tenant-owned cooperatives. Tenants make the best property managers if the incentives are properly aligned.
- Establish a zero tolerance program for truancy. Exact fines with community service options. Keeping school children in school helps reduce random acts of crime as well as increasing the return on education.
- Approach the local college or university for help with professional services and advice, not just from professors but from undergraduate and graduate students too. For instance, the Architecture Department can help design and plan a new street-scape for the commercial district, or improve the appearance of the community park.
- Establish computer learning centers in apartment projects. Try to get governments and businesses to donate surplus equipment.
- Adopt a school. Team up with the principal to beautify and improve the neighborhood school.
- Organize street beautification projects. The community may have the purest soul in the world, but appearances still matter. Clean up trash, paint house fronts, beautify parks, and eliminate graffiti.
- Start a "Safe Streets Now" franchise. This model uses small claims courts to pressure owners of run-down properties and owners who rent to drug dealers to clean up their business practices.
- Set up a housing rehabilitation loan program with a local bank.
- Expand recreational opportunities for youth. A lot of wanton damage can be

avoided and positive identification developed through sports.

- Improve parking in commercial areas. Is on-street parking safe and convenient? Is off-street parking needed? Space can usually be found in vacant lots or by tearing down derelict buildings.
- Promote the neighborhood through banners and festivals. Look for common identities for creating a neighborhood theme and proclaim it to the world.
- Reroute traffic patterns. If traffic is too heavy in residential areas and too light in commercial areas, work with the city to get it rerouted. If no one knows you're there, add street signs.
- Gain control over key real estate in the neighborhood. Buy, lease, or accept conveyance from government owners; buy or lease from private owners; and regulate other property owners through code enforcement.
- Build a community data bank. Create a depository of information from the community about the community for the community. Evolve it into an alternative media source that helps improve literacy on "how the money works" and supports transactions to help reengineer it better---like a Solari Leveraged Buyout or Consumer Aggregations. Evolve this into a profitable local alternative media capacity on "how the money works."
- Contact "Main Street USA" for more commercial revitalization ideas.

2. Develop Reengineering Plan to Increase the Popsicle Index and Community Capital

Once you have begun tackling what you can just by using resources within the neighborhood itself, turn your attention to the outside. There you can find more options for increasing Community Capital without making heavy capital investments. These are mostly to be found in government and the non-profit sector. Many communities have adequate cash flow, especially when government spending is taken into account. The problem is that they don't get a good return on this existing investment. Adding to a community's capital stock when returns are low or negative won't improve the situation – and is likely only to make it worse. Eliminate those inefficiencies that make your neighborhood a bad place to invest – reengineer existing money – and new investment dollars will start flowing in.

Education and Training. Education and training programs are an easy target for government reengineering and are likely to yield a high return for your neighborhood. The dollars are greater in the education programs than in the local employment programs. Reengineering of education dollars is more easily done at the local level, since most education dollars are paid locally or through the state via property taxes. This gives local property owners more say in how they get spent. And small entrepreneurs have easier access to these dollars.

Insist that government training dollars go to pay for work in the neighborhood rather than

just training. For instance, community colleges typically are funded on an Average Daily Attendance basis. Work with your state government and local school board to change the formula so that colleges earn a bonus based on their graduation rate or employment placement rate. This could be applied to high schools too.

Most community colleges are looking for more students. The Solari Stock Corporation could guarantee those students. In return, the community colleges could offer classes based on an approved curriculum and an experienced teaching staff. The Solari Stock Corporation also could provide space in the community for community college teachers to teach accredited classes to local students. Or the Solari Stock Corporation could write its own curriculum built on outcome-based measures – such as number of jobs filled or dollar increase in income – and adapt the occupational and community programming offered by the college. The careers that make the most sense depend on the demands of the local market. These are likely to be anything dealing with health, child care, equipment use, or technology.

Community Policing. Every neighborhood benefits when there is less crime. Try to understand the crime in your neighborhood. Is it a reality or just a perception? Either way, it is reducing the Popsicle Index in your neighborhood and will need to be addressed. To get your facts straight, consult the crime statistics of the local police department. Most provide this information on a neighborhood basis. Also, search the newspapers and talk to residents, local businesses, and community-based organizations.

You will want to know:

- What are the *actual* sources of the crime problems? Residents? Outsiders coming into the neighborhood? Gangs from within or outside the neighborhood?
- Where are the crime problems occurring? In rental properties? In business establishments? On the streets?
- Map locations and types of crime.
- Is enforcement and judicial actions addressing root problems or are they supportive of other agendas: policing drug franchises, covert operations, seizures for budget support, headlines, quotas, gentrification, etc.

There is no single solution to controlling crime. Various methods should be tried. But all need to involve the community. The Police cannot do it alone. You should consider some or all of the following:

- Start a Neighborhood Watch or comparable resident-based community policing programs;
- Work with social service programs to help reduce crime in the neighborhood, especially for youth and teens;
- Use your knowledge of crime to help the police target their resources at particularly troublesome areas or places within the neighborhood; and
- Involve the school system, if it isn't already being proactive.

Community Development Corporations (CDCs). Although the Solari Stock Corporation is

a for-profit model for optimizing value in communities, non-profit organizations, like Community Development Corporations (CDCs), have roles to play. CDCs need to concentrate on doing that which they do best and leave the market players to do the rest. Some CDCs are already willing and able to play and do so very well. They should be encouraged by the Solari Stock Corporation to focus on their strengths. For other CDCs, however, playing this role will require a change in attitude and a shift toward performance-based standards. These will require more work on the part of the NETCorp before they will yield much value.

CDCs differ across communities. Make an assessment of your local CDC as part of your community mapping. Do you even have a CDC? Is it small or large? Is it active or inactive? Who directs it? What does it do? What should it do more of? What does it do too much of? How good is it at raising money?

Once you have an understanding of the value of the CDC as a community asset, you can plan how best to optimize it. In some cases, the CDC may be approached as an equal partner in the Solari Stock Corporation's turn-around strategy for the neighborhood. In other cases, you and the Solari Stock Corporation may need to educate the CDC about performance-based standards of conduct and help it to adopt these standards before you involve it in any of the Solari Stock Corporation's projects.

Safe Streets Now: A For-Profit Model. Safe Streets Now is an organization out of Oakland, California, that has developed one of the most successful models for reengineering crime control. Their model uses the civil court system to leverage neighborhood participation in an organized effort to reduce drug-related crime and increase the quality of life in communities. By by-passing the police and criminal courts, this model avoids the inefficiencies of the existing law enforcement system. By focusing on the self-interest of property owners, it realigns the interests of property owners to enlist their assistance in improving safety.

The genius of Safe Streets Now lies with its strategy of treating neighborhood crime not as a social problem but as a private property management problem. When neighbors have accumulated sufficient evidence of drug activity in or around a particular building, they first request the owners to clean up the building and evict troublesome tenants. If the owners fail to respond, the residents then take them to small claims court for maintaining a public nuisance. This threat is magnified by the number of neighbors who file, because each complainant is eligible for a separate cash judgment from the property owner. The prospect of large financial penalties usually convinces owners to address the problem. (See <http://www.ecis.com/~noslo/streets.html>.)

With the right approach, Safe Streets Now could operate along the lines of the Solari Stock Corporation's for-profit model. Start by contacting the Safe Streets Now organization for advice on setting up a program. Then research who owns which troubled properties in the neighborhood. Assemble a group of neighbors willing to keep watch on these properties, record their observations, report suspected criminal activities to the Solari Stock Corporation and police, and, if necessary, file lawsuits against uncooperative property owners. Cooperative owners who clean up and upgrade their buildings will receive help with tenant evictions, help mediating tenant-landlord disputes, help with learning how to control crime, and could be encouraged to employ a tenant-based management firm.

The Solari Stock Corporation uses Safe Streets Now to raise the Popsicle Index by:

- leveraging neighborhood information – collects and disseminates data on property owners and crime;
- achieving alignment – makes the interests and actions of property owners congruent with those of community residents;
- reengineering the money flows – reduces expenditures on crime-fighting, shifts profits from negligent landlords to responsible landlords, and directs the proceeds from civil judgments into for-profit businesses;
- making high-yield investments – in training, rehabilitation and repair, and property management, all of which increase local employment and profits;
- increasing access and liquidity – reduced crime increases the flow of people and goods in the neighborhood and the value of real property; and
- improving accountability and performance – tracks decreased crime rates, increased occupancy, improved home sales, increased property values, increased tax assessments, and improved quality of life on the street.

The Solari Stock Corporation profits immediately from receiving a percentage of civil judgments, from increasing business for its property management, tenant screening, crime control training, and property improvement businesses (if it has them), and from buying properties at bargain prices from disgruntled owners. Over the long term, the Solari Stock Corporation also profits from the impact a safer environment has on local property values, retail sales to local businesses and local business profits.

Reengineering. The following additional reengineering options may apply to your neighborhood. Most require a firm understanding of what government programs exist, how they work, and how they affect your neighborhood; and of what non-profits operate in your neighborhood, what their goals are, and how effective they are at achieving those goals. You may need to educate yourself before you get started. Fortunately, many government agencies and non-profit organizations provide easily accessible information about their programs through the Internet.

Menu of Reengineering Options

- Review all government contracting in the area to determine the list of possible government reengineering opportunities.
- Change government contracts to shift government-provided activities to competitive, private and locally based providers.
- Enforce Title 3 to increase local employment on government-funded projects where local employment can increase productivity.
- Assess potential for current businesses and entrepreneurs to replace services

- provided by government outside the community. (For example, who is hauling the community's trash?)
- Use Section 8 vouchers and certificates for home ownership and lease purchase.
 - Obtain waivers to facilitate the ability of home-based businesses to compete for all government subsidized and non-subsidized commercial property management.
 - Use public tear-down funds to eliminate properties that decrease the Popsicle Index.
 - Reengineer health care using tele-health or community-based delivery.
 - Help set up a non-profit charter school – when school vouchers come.
 - Use tax credits for investing in employee-owned businesses.
 - Pool the Earned Income Tax Credit when employers create new jobs.
 - Reward employers for providing naturalization assistance for immigrants. They not only make good employees but add strength to many declining neighborhoods.
 - Get public housing managers to provide language training to non-English-speaking residents and naturalization training to immigrant residents.
 - Establish mobile health centers and learning centers.
 - Get community people to work with community colleges. They complement one another's skills. Usually, community people can find the jobs and know how to keep people in the jobs, while educators simply know how to teach in the classroom.
 - Promote volunteer (or modest pay) medical care by drawing on practitioners residing in the community. Key is identifying health care resources already in low-income neighborhoods, like retired nurses aides or EMS personnel. Much care does not require physicians. Also, these people know how to save money. If possible, coordinate with a local clinic to increase work opportunities for neighborhood residents.
 - Get HMOs to finance electronic networks. They benefit from getting more customers and from avoiding more expensive forms of care. Also, public hospitals could save on emergency room care.
 - Combine health care reengineering with education reengineering. Part of the problem with health care is that people in these communities do not know or believe that there is adequate health care available. They need to be taught to be proactive about their health care needs.
 - Create a skills bank. This does not simply track existing occupational skills but it keeps track of who had what skills in previous occupations, e.g., those of retirees, the historical skills.
 - Use shares or other benefits, including stock and stock options, from the Solari Stock Corporation to reward community people, including the elderly, who volunteer to mentor other people. Retirees might be willing to volunteer or work at the minimum wage. They would be training their future health care workers. It would give them the feeling of being needed and productive. They need to be admired.
 - Encourage local businesses to provide volunteer services. Funeral directors are the

center of community activities in low-income communities. They might be willing to ferry the elderly or provide other transit services at odd times, such as at night.

- Use public works for targeted capital improvements and to create jobs in the community.
- Looks into opportunities to start barter networks and community currencies.

3. Develop an Investment Plan to Increase the Popsicle Index and Community Capital

In one respect, picking your investments will be the easiest part of your job. Many communities are under-developed. But in other respects, this is the most difficult thing you'll ever do. As an investment company, a Solari Stock Corporation is in the business of making investments. Making the right investments – making investments that yield a high return for the community, for the Solari Stock Corporation shareholders, and for outside investors – is the key to its success.

The following example is intended to help get you started thinking about how to leverage the community's resources – like its data bank – to attract outside investment. Use your data to demonstrate how increasing residents' incomes will raise spending in the community on specific goods and services. For instance, let's say your data show that if the income of the people in your community (population 4,000 households) grows from \$10,000 to \$20,000 per year per household, then monthly telephone bills will rise from \$18 per month (under the new federally mandated "E-Rate," a reduced rate for people in low-income communities) to \$75 per month per household. The increase in annual gross sales for the telephone company will be $(\$75 - \$18) \times (4,000 \text{ households}) \times (12 \text{ months}) = \$2,736,000$. This will get their attention.

Let's also say that the Solari Stock Corporation wants to invest in a data servicing center in its community. This data servicing center will hire 100 community people formerly on welfare and is able to pay them a living wage of \$20,000 per year. With an employment multiple of five, the total employment in the community will rise to 500. But for this venture to work, you need data servicing contracts. The local telephone company is already outsourcing data processing to a company that employs people in an area where the average telephone bill is \$100 per month. This level of expenditure is not likely to change if the telephone company outsources elsewhere. But if the 100 jobs were created in your community, the impact on the telephone company would be:

$$\begin{aligned} & (100 \text{ data servicing jobs}) \times (5 \text{ job multiple}) \times (\$75 - \$18 \\ & \text{increased monthly expenditure per household}) \times (12 \text{ months}) \\ & = \mathbf{\$342,000 \text{ increased gross revenue.}} \end{aligned}$$

It is in the interest of the telephone company to invest in your Solari Stock Corporation and create a more robust market for itself. The positive press coverage that the telephone company gets from this venture increases the value of its investment even more. In this example, the telephone company invests in the Solari Stock Corporation, which invests in businesses in the community, which get their customers partly from the telephone company.

This works with any type of business where the community data bank – plus informed analysis – will show these results.

The following menu is a list of other potential high-yield investments that Solari Stock Corporation. could make. Whether they are the right investments for your Solari Stock Corporation depends on a careful evaluation of the business model underlying each investment and the circumstances within your own community.

Menu of Investments

- Start a jitney or free shuttle bus service between a major tourist site and the Main Street merchants. Understand the economics of buying and operating a shuttle bus, and how it might be financed or supported by local merchants. Look into the use of advertising and its possible spin-offs. This shuttle service could also be used to ferry the elderly.
- Buy a multifamily or mixed-use property, rehabilitate it, and turn it into a cooperative for the owner/tenants. For example, there is a 20-unit apartment building with commercial space located on Main Street. It is being offered for sale by the local redevelopment agency. Find out who owns the building, what the deal was, why it failed, and the relevant history (kinds of business tenants, etc.). Evaluate what it might be worth. Look at alternative uses and pros and cons of each. Learn how to identify potential tenants, including permitting residents to use commercial space for small businesses. Learn how to go about acquiring financing and title.
- Broker advertising for attractive trash cans. Clean up the neighborhood while getting some revenue.
- Form a professional services cooperative. Members would donate a certain number of hours of their service in return for a certain number of hours of service from professionals from other disciplines. This could also be extended to non-professional services, e.g., people who will wait in line, baby-sit, or grocery shop.
- Provide a neighborhood "I'll get the answer from government" service. In many neighborhoods, there are countless questions that never get quick and satisfactory answers from government agencies. This service would get those answers for a fee (based on time or some other measure). The benefit to the customer would be to save them time. The benefit to the community is that the information could be disseminated and shared to save everyone time, while making money at the same time.
- Start an investment-oriented bridal registry. Encourage couples to register with the Solari Stock Corporation for "wedding gifts." Except in this case, well-wishers would deposit gift money with the Solari Stock Corporation that could be used by the couple to fund a downpayment on their first business or home.
- Offer a neighborhood real estate disclosure service. Everything you ever wanted to know about a property but could not find out easily. Where state laws permit, this would supplement real estate broker services, which only go so far, and would give buyers, potential buyers (and potential sellers too) more complete information about real estate in the neighborhood. By disclosing all there is to know, even about

- properties not technically for sale (they don't know it yet), the market would get primed and transactions would be done with more understanding on everyone's part.
- Open a tool library/rental service, but on a small scale. It's expensive to buy the tools necessary to repair/renovate houses and commercial space. Rather than everyone buying one of every tool, a cooperative could rent them out to members for a nominal amount.
 - Provide work on demand. Sometimes you just need somebody to help for an hour or two, or maybe even more. It's not enough to hire someone, but too much to impose on a friend or relative. This service has a pool of people for short-term assignments.
 - Create a cooperative taxi service or hauling service. Some people have a car. Others need a ride. Match up the two. Some people have a truck. Others need a haul. Put them in touch. Check local regulations and insurance requirements first.
 - Form a buying club. This is a simple cooperative that provides members with discounts. Further discounts could be based on amounts purchased, or any labor donated. This would work well with data compiled from the neighborhood about goods/services that they are having trouble getting or getting at a good price.
 - Purchase, take an option to purchase, or facilitate the community's acquisition of real estate. It could be a land bank, a land trust, single-family housing, multifamily housing, or commercial real estate. Solari Stock Corporation could finance resident buy-outs of public housing or other types of assisted housing that may be mismanaged. Or think about starting a Solari REIT.
 - Joint venture with outside businesses to invest in your community, including, for example, mortgage banks for home financing; construction firms to build new single-family homes; financial institutions to provide credit; or telecommunications companies to introduce smart cards.
 - Provide networking and telecommunications infrastructure. Or get someone else to provide it and focus on increasing the demand for networking services. Approach schools and government agencies for networking opportunities. Introduce various on-line services, like real estate listings, travel listings and entertainment listings.
 - Provide improved financial services and products. Introduce ATMs, on-line banking, smart cards to substitute for lack of traditional banking services in the community. Tie into government's shift to electronic payments systems for benefits, wages, and purchase orders.
 - Facilitate financial or intellectual capital investment in community businesses with attractive growth potential. It is never too early to bring outsiders into the local business development process. They offer more than just money, they also offer advice about which businesses are likely to do best in your neighborhood.

- Facilitate improved business plans, incubation centers and syndicates of resources for community entrepreneurs and businesses. Many small businesses lack the know-how for growing out of their current rut. A simple, standard approach to business planning would help kick-start the process.
- Facilitate back-office, business planning, data and other venture skills to support local business and their skills – marketing, mailing and product development, either individually or in syndicates. If a local business decides to move, expand or change its business lines, it will probably need help with timely, affordable business services.
- Develop a business specializing in the clean up of “brownfield” sites. These are highly polluted areas, many left over from long-gone manufacturing industries, located in or near urban centers. The presence of these unattractive and often dangerous plots of land usually precludes any neighborhood redevelopment. But Federal programs, especially tax benefits, can be used to turn this situation around.
- Create a farmers’ market. Makes use of an unused warehouse, train station, or open field in the community. These markets provide good quality fruits and vegetables at low prices for residents. See what food staples small farmers in your region can supply directly to your community in a manner that is more profitable for your community and nearby farmers to trade direct. Back this up with internet connections between rural and urban communities that can facilitate direct trade. They also attract customers from outside the

neighborhood. If successful, they can expand to include a flea market, barter exchange, craft fair, etc.

- Promote the cultural products of the community. If the community has strong ethnic ties, these should be worked into almost any business plan to raise community pride and create a “unique selling proposition” for the community. The community identity could be incorporated into a street fair or broadcast over the world wide web. Cultural promotion could be as easy as changing local street names, modifying the “look” of storefronts, or erecting appropriate monuments.
- Make alliances with community colleges for employee training. Community colleges are the natural source of job training and remedial education. You want to position your Solari Stock Corporation to take advantage of educational and training vouchers (which are coming) and the negative experience with proprietary schools. The real dollars are in the educational system and not the labor training system. Solari Stock Corporation and Community colleges make natural partners. Community colleges get money based on students attending classes. In some communities, there are adult education and job training programs which focus on special needs populations or GED equivalency and English as a second language. These provide chances for the Solari Stock Corporation to support education and eventually make it part of their business. They can and should offer the funding source real results based on students getting and keeping real work. If they are employing people somewhere else, this is a natural way to make money by building the skill levels of their employees.
- Attract franchising or licensing operations to the community. Existing franchising concerns, like those in the fast food business, provide good entry-level jobs, train staff to achieve management positions, and teach budding entrepreneurs real business skills.
- Attract retail business to the community. Retail businesses tend to have low start-up costs and are easily set up in unused commercial space.
- Replace services provided outside the community. Gas stations, dry cleaning, grounds maintenance, home repair, plumbing, etc. are services demanded in all communities.
- Enable businesses to buy or hold options on real estate rather than renting. Most businesses in low-income neighborhoods occupy rented space.
- Create positive themes in names and architecture, by changes in zoning and through tearing down and improving land use, to increase rental occupancy levels and home ownership.
- Attract non-retail businesses into the neighborhood in a manner that enhances neighborhood skills. Data processing or light manufacturing businesses may be attracted by the availability of low-cost but motivated labor in your neighborhood.

- Help residents of HUD-assisted housing projects relocate as they build work skills and income and move to convention real estate quarters.
- Find new owners for HUD-assisted buildings that lose their current owners due to stricter enforcement actions by HUD. Good opportunity for tenants to transition to ownership.
- Build a Computer Technology Learning Center. A computer learning center can teach computer skills and help link residents in your neighborhood.
- Create cooperative marketing association for local businesses. Advertising costs can be spread among several complementary businesses. Publish and circulate a community newspaper that advertises local businesses.
- Redesign commercial storefronts. Changing the look of the commercial district can enhance community identity and increase business traffic.

4. Develop a Technology Plan to Increase the Popsicle Index and COMMUNITY CAPITAL

The information revolution is fundamentally changing the way people, businesses and communities interact and make money. For example, grocery store scanners not only speed checkout time and improve the accuracy of the cash register, they enable stores to keep inventories to a minimum and track customers' varying tastes. But the greatest changes to come are in electronic commerce. Electronic commerce will soon enable individuals to create powerful new financial identities for the conduct of person-business relations. For instance, cash is now dispensed by robots (ATMs), payroll checks are automatically deposited, mortgage payments and utility bills are automatically deducted, and personal financial information is available online.

These changes extend to business-business relations too. It is now much easier for a small entrepreneur to locate sources of capital, research possible business opportunities, and connect with other entrepreneurs. And these changes are affecting how individuals and businesses relate to communities. Although many services, especially financial services, are not readily available in the low-income neighborhoods, the advent of powerful new electronic delivery methods provides an opportunity to start supplying such services to these communities.

In addition, outside investors looking for new ways to raise yield could invest in an entirely new method of service delivery mechanisms. By conducting business electronically, the community could capture data about itself and its habits which would then create the opportunity for information-based wealth in the community. In effect, the role of electronic commerce within a community would be to create an ever-expanding cycle of wealth creation which would benefit the community, Solari Stock Corporation shareholders and outside investors.

The Technology. The convergence of **computing, telecommunications, and entertainment** (or media) technologies is driving the build-out of advanced

telecommunication networks. Advanced telecommunication means much more than just voice and data communications; it means the building of an infrastructure that facilitates the use of information and provides the catalyst for new business opportunities as it applies to the low-income communities. Over the next two to five years, very sophisticated and highly capable technologies will be developed or improved upon. These include:

- **The Internet.** The Internet is the backbone network for the exchange of information between individuals and businesses. The Internet has experienced unprecedented growth in usage and capacity over the past 10 years. In 1986, the Internet backbone could be characterized as a 3-foot wide garden path. Today, this same backbone is comparable to a 16-mile wide super highway. It is this capacity, combined with common communication protocols, that is extending the reach of information to the common household. However, to truly experience the benefits of such a world-wide communications infrastructure, the “last mile” networks must exist.
- **Full Service Networks.** Full Service Network is the descriptive terminology for the “last mile” of new telecommunications infrastructures being built by the Regional Bell Operating Companies (RBOCs), such as Ameritech, Bell Atlantic, Bell South, as well as Teledesic, the cable operators, Hughes (DirecTV, Direct-PC), etc. The good news is that the “last mile” is being built and there will be competition.

These “last mile” networks are capable of carrying vast amounts of data, multi-channel broadcast video, video on demand, video teleconferencing, and voice. The network capacity that enables these services is commonly referred to as “bandwidth”. It is the exponential increase in bandwidth that is driving the creation of new services. And it’s these services that will make new business opportunities possible.

- **Network Computing Architectures.** Network computing architecture is another way of describing distributed computing. These architectures increase the ability for very rich computing applications to exist in an environment that does not require a large capital investment on the client side. In other words, you don’t need a large, costly computer in the home or small business to accomplish tasks that required large expensive computer systems in the past.
- **Digital Television.** Television as we know it today is slowly disappearing. The three network paradigm (NBC, ABC, CBS) is a thing of the past; the 40-channel cable system is being replaced by 200+ channel systems. Think of the possibilities this will open up: digital content (video) creation, digital editing, virtual sets, video compression, interactive television, network capacity, etc. is fostering the growth of channels of information and entertainment targeted at specific markets and interests (e.g.: C-SPAN, BET, BET-on Jazz, MSNBC, CNN, CNN2, CNN-SI, etc.). This list goes on and continues to grow. The point is that the television is becoming much more than the passive “idiot box” of the past. It is evolving into an information terminal with valuable consumers at the

receiving end – another tool for you and your Solari Stock Corporation to create new business opportunities with in your community.

- **PC-TVs / TV-PCs.** The merger of information consumption with entertainment has created a market for a new product, hybrid PC-TVs (Gateway 2000 “Destination series,” WebTV, etc.). These are low-cost personal computers / Internet terminals that reside in the family rooms/living rooms throughout America, thus creating a new pathway to the consumer.

How the technology works is less impressive than the wealth of new applications that the technology creates. The technology is nothing more than a tool for opening up new possibilities, creating a thriving environment for the development of new businesses or the enhancement of existing businesses.

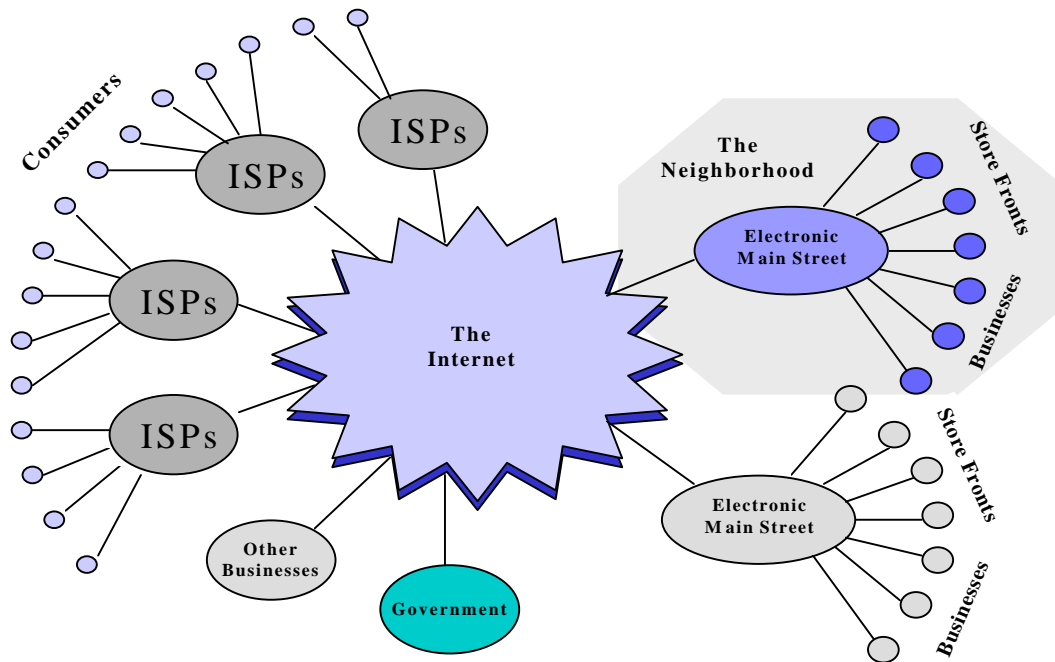
What’s the point of all of this technology to a Solari Stock Corporation interested in investing in businesses in low-income neighborhoods? Let’s start with the goal. You want to attract businesses and consumers into a low-income neighborhood. First, clean the neighborhood up, reduce the crime, and reroute the traffic. Technology can enable the NETCorp to create with far less work a “virtual neighborhood” (but with real businesses) in the world of information technology. This “virtual neighborhood” has clean streets, low crime, and no traffic problems. The difference is that it exists on the Internet.

Advanced telecommunications networks coupled with other technologies are the pathways that will bring consumers and businesses into these neighborhoods. These, in turn, will bring in the money and attract the investment that allows your neighborhood – the *real* neighborhood – to clean up its streets, reduce its crime, and reroute its traffic.

What follows are examples of the types of businesses and services this new technology could bring into older low-income neighborhoods.

Electronic Main Street. The technology and networks we’ve described provide direct access to millions of consumers and businesses. A business can be created, retail or otherwise, that can market directly to customers. Expanding on this premise, you can build a virtual neighborhood, starting with an “Electronic Main Street,” in your community.

First, you must build the infrastructure of your Main Street. Start by creating an integrated information provider service point. This entails an Internet Service Provider (ISP) and hosting service center built and maintained by the community (your “virtual” neighborhood). This is where the computers and major network connections reside and is the hosting environment for the various “store fronts” and businesses to be built by the individual entrepreneurs in your neighborhood. This infrastructure provides servers and a development environment for the creation and hosting of technology-based businesses. The diagram below illustrates this concept.



Once the Electronic Main Street is established the business can start to flourish. Examples of possible business are:

- Publishing services (web site creation and maintenance for businesses within as well as outside the neighborhood);
- Creative Design and Graphics (design and development of the visual assets used in web sites and media);
- Financial Services (general online banking services for the dissemination of government program funds, clearing of electronic commerce transactions, micro-loan consolidation and payment, etc.); and
- Retail, Training and Education.

Publishing Services. Web sites are being created at lightening pace. This creates a real need for good publishing services that can create and maintain a “good” web presence for businesses. Start in your own neighborhood with entrepreneurs developing businesses that could benefit from a web presence. Later, you can expand outside the neighborhood.

Creative Design and Graphics. Underlying every good web design and/or media design are the visuals. A solid business can be built on this service alone. It’s just a matter of harnessing the creative talents that exist in your community and applying the appropriate tools and environment so that designers can express themselves in a productive and profitable way. The products of this business include:

- simple drawings;
- complex illustrations;
- digital photography;

- audio and video; and
- all the elements of a good media composition.

This business can also create and maintain libraries of assets which can be purchased and/or licensed for use.

Financial Services

Electronic payment systems provide an opportunity for Solari Stock Corporation to function as quasi-community banks. Many banks hesitate to build branch offices in older communities, due to high fixed costs and security concerns. Solari Stock Corporation could inexpensively create an electronic financial system accessed by customers through low-cost but secure terminals placed throughout the community. Through such terminals, residents could access bank accounts, withdraw cash, pay utility bills, and arrange for electronic deposits of their benefit checks or paychecks – in other words, perform all the normal banking functions. They could get added benefits by pooling their members' income payments – everything from government benefits to wages and salaries – and *guaranteeing* electronic deductions for fixed expenses, like rent, telephone, gas/electric, cable TV, or auto loans.

If necessary, a third party could provide a re-guarantee of the Solari Stock Corporation's guarantee. The value of this guarantee, added to the low-cost of the electronic payment mechanism, would enable Solari Stock Corporation members to win price concessions from landlords, telephone companies, gas and electric companies, cable companies, and automotive finance companies. The Solari Stock Corporation could earn the float on these payments and charge a servicing fee.

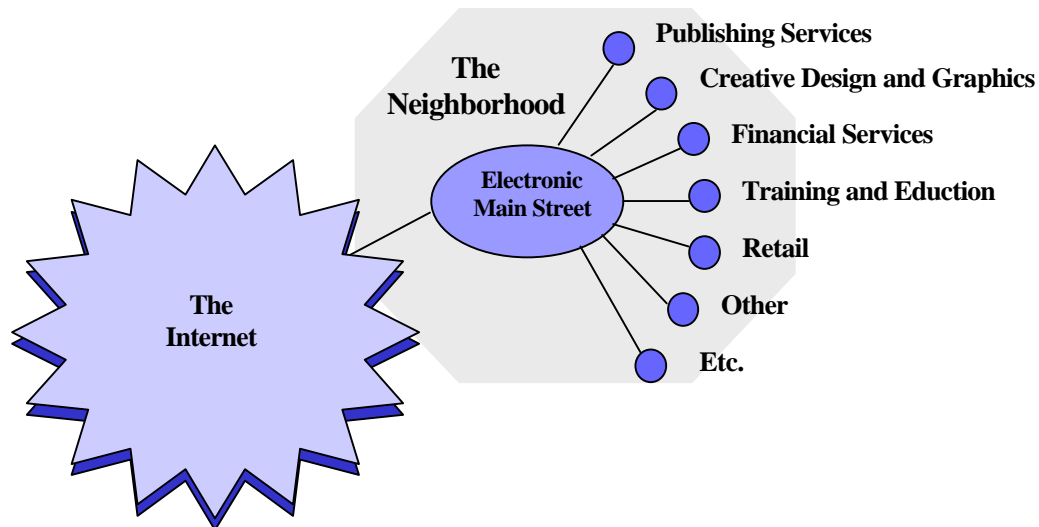
All of these financial services could be combined into a **Personal Money Management Network** that would meet the demands of households as well as local businesses, including:

- **Money switching:** Technical provider of the payments function; instantaneous without float; low barrier to entry.
- **Configuration and float management/data collection:** Local to the community; collect data about the community; intra-community transfers.
- **Identity checking and authorization:** Assure against risk of errors on both sides of the transaction; contain any risk within the community.
- **Re-insurance:** Open and illuminated redundant protocols to assure integrity.
- **Financial and community system integrity:** Protect against unauthorized access to financial and personal information.
- **Credit card and related affinity group systems:** Deposit benefits to account; works like a debit card.
- **Delivery of related financial and non-financial services and products:** Allow users to access account balances and other status reports.

Retail Services. The Internet, or World Wide Web, provides abundant access to the consumers of the world. This access creates the opportunity for businesses to directly market their products and ideas. The possibilities are endless. With this technology, you will be able to turn a personal interest, e.g., in sports paraphernalia, into a virtual store front. Many successful businesses get started that way. Whether your interest is food, art, collectibles, automobiles, books, or music, there are ways of establishing profitable retail businesses using the Internet as a tool. Especially good candidates for web-based commerce would be traditional area businesses with high overhead costs that could provide their goods and services more efficiently through a web-based model where overhead is lower.

Training and Education. Proper training is fundamental to using any tool. There is and will continue to be the need for basic skills training in the technology tools of convergence. These tools are the networks, the software, the computers, and the concepts. A business can be established to provide these service within your community and to other such communities facing the same impact of technological growth. This business could also expand into government-funded educational initiatives, such as distance learning, providing additional service and value to your community, while creating a profitable business utilizing this new technology infrastructure.

Once fully realized, the Electronic Main Street will become a full-service, independent business community within your neighborhood, as illustrated below.



Keys to Success. For electronic commerce to succeed, it has to win the confidence of the community:

- The technology must be able to guarantee an acceptable degree of security and privacy for users. Any data which a user enters should be secure from outside manipulation or access.
- Community users must be able to access the network. Because computer ownership and on-line access may be limited, an alternative delivery mechanism – like a neighborhood network – is needed so that all members of the community can get access.
- The system must be reliable. Reliability is essential for any system that touches a person's or business's financial identity. Without this identity, the person or business ceases to exist, as far as the financial market is concerned.

To ensure the success of electronic commerce in your community, different participants are necessary.

- Community businesses, organizations and residents must be involved. They know the community and its needs the best and are the main consumers.
- Banks, computer technology companies, and telecommunications companies, which represent vital components of the network, can aid in its design. Credit Unions, if available, make ideal partners as they circulate savings back through the people who deposit their savings and in the neighborhood.
- Utility companies make up another important user group that should be involved. They not only receive payments through the system but also control other important flows into the community, such as electrical power, gas and cable television.

Any significant legal or regulatory matters must be thoroughly researched. For example, the Community Reinvestment Act is currently directed toward the geographical location of a bank. However, electronic commerce does not follow traditional geographic boundaries. CRA will have to be reexamined in light of the boundlessness of electronic commerce.

Summary. The creation of the Electronic Main Street is not the only avenue to enhancing the value of communities. However, the creation of a network of Electronic Main Streets could snowball into a national infrastructure of neighborhoods and entrepreneurs that will introduce investment and growth into low-income communities across the country.

Other electronic commerce opportunities in older low-income neighborhoods include:

- Using a variety of available funding to develop neighborhood networks.
- Leveraging investment by telecommunications and networking companies in network infrastructure.
- Creating Community Data banks to increase community business flow, community employment and skills, and community marketability
- Using Smart cards to replace traditional banking services. You might start with

residents receiving federal benefit payments, since these will convert to an electronic payment system by 1999.

- Creating a barter network over the Internet to keep value within the community. For instance, a painter could offer to exchange one weekend of painting to an auto mechanic willing to repair a car.
- Creating a community currency.
- Securitizing stock and data through primary and secondary web trade operation.

Postscript

Today marks another milestone for the residents of Oak Hollow. It has been five years since the Banks sisters incorporated the Oak Hollow Neighborhood Equity & Trust Corporation. The OHC held its annual shareholders meeting and approved a deferral of distributions of dividends in order to reinvest profits in Oak Hollow businesses.

At precisely 5:00 p.m., Sarah Banks called the meeting to order. The Board of Directors presented the following report to the shareholders:

Last week we mailed to each shareholder and posted on the website our annual report, the audited financial statement, the board of directors' annual certification of no conflicts, and the audited statement of changes in the Popsicle Index since incorporation.

During the past year, The Popsicle Index is up 15%. Profits from the Community DataBank (including website news and radio talk shows), the Micro-Enterprise Toolshop and investments in businesses started in the last five years contributed to 62% of the growth in our estimate of community capital. The increase, the third consecutive increase for your corporation, was also due to the completion of the renovation of the Roxy Theater (which will be home to the very successful Christian gospel "top dogs" that the area churches have been sponsoring) the receipt by 20 residents of their Associates degrees and later employment by neighborhood businesses, increase in local home ownership to 46% of all households, a reduction in grand theft by 8%, and an overall increase in real estate values of 6%.

The completion of our neighborhood data base two years ago enabled several shareholders to create a Health Care Cooperative. By identifying residents who were not members of the Oak Hollow Health Maintenance Organization and leveraging the value to the HMO of their membership, the residents received funds for home improvements. Home insurance costs have dropped, thanks to the consumer aggregation deal we negotiated with Chubb Insurance in which we get automatic discounts for every annual increase in The Popsicle Index.

The meeting adjourned at 6:00 p.m. The Oak Hollow story is now the stuff of legend. The Solari Stock Corporation is considered a national leader in business opportunity incubation and aggregation. The Micro-Enterprise Toolshop, located in the old community databank shop, operates its back-office business 24 hours a day, seven days a week, and has grown to 75 employee-shareholders. It has spawned five other new businesses, which last year moved into the newly renovated space on Oak Street. The neighborhood network links together the businesses on Oak Street and Acorn Lane, the community databank, the public library, the Community College, and residents. As part of an active network of 1,200 similar corporations, the Oak Hollow Net Corp. contributes to and benefits from the collective business experiences of several thousand community entrepreneurs – all to the benefit of the residents of Oak Hollow.

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