THE MONTANA LOCAL FOOD FINANCING PARTNERSHIP (MLFFP)

MISSION WEST COMMUNITY DEVELOPMENT PARTNERS

MLFFP OVERVIEW

The Montana Local Food Financing Partnership (MLFFP) is an initiative led by Mission West Community Development. Supported by the Healthy Food Financing Initiative and administered in partnership with Hopa Mountain and the Montana Department of Agriculture, the MLFFP is dedicated to improving access to nutritious food in underserved communities, creating good quality jobs, and revitalizing low-income areas across the state.

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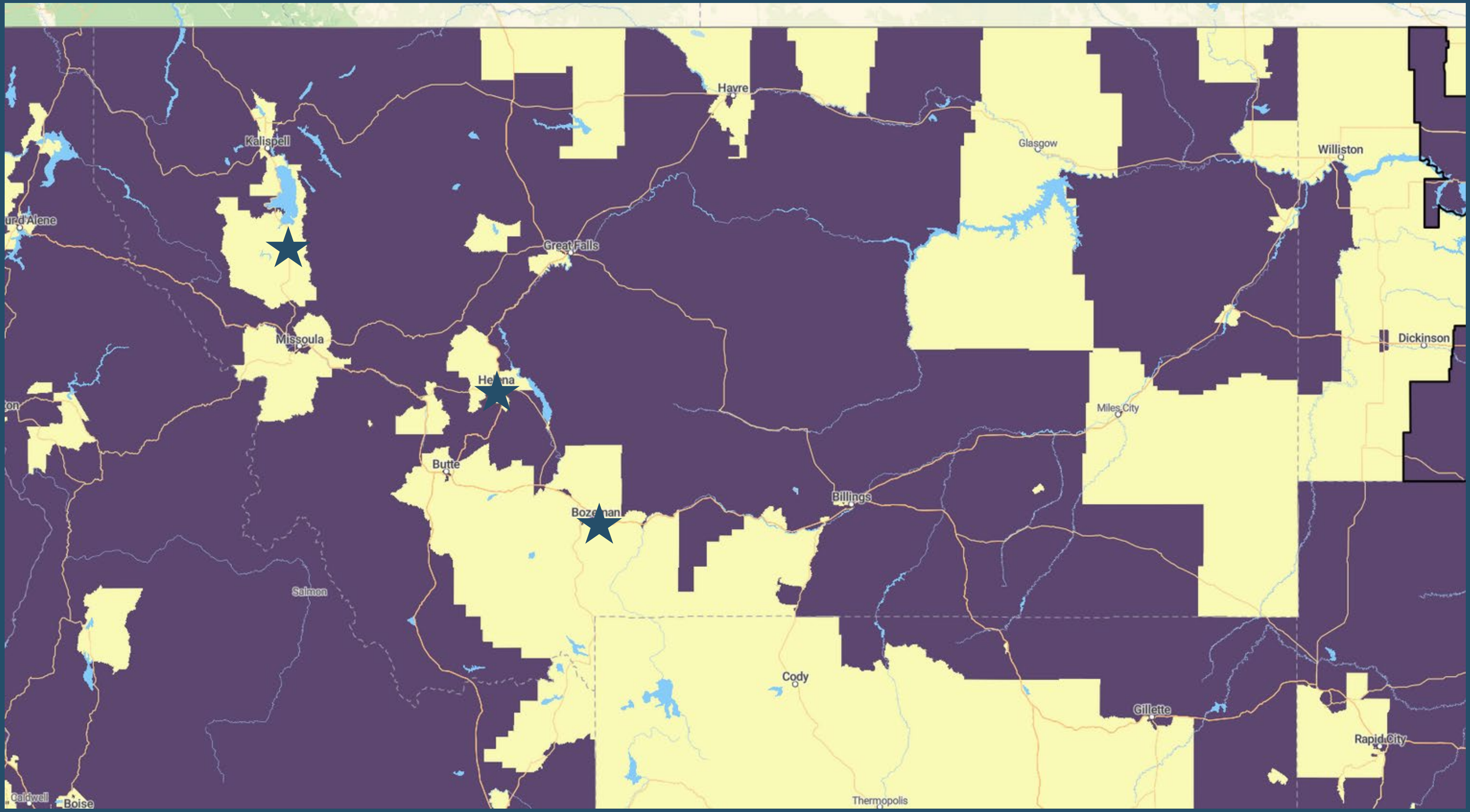
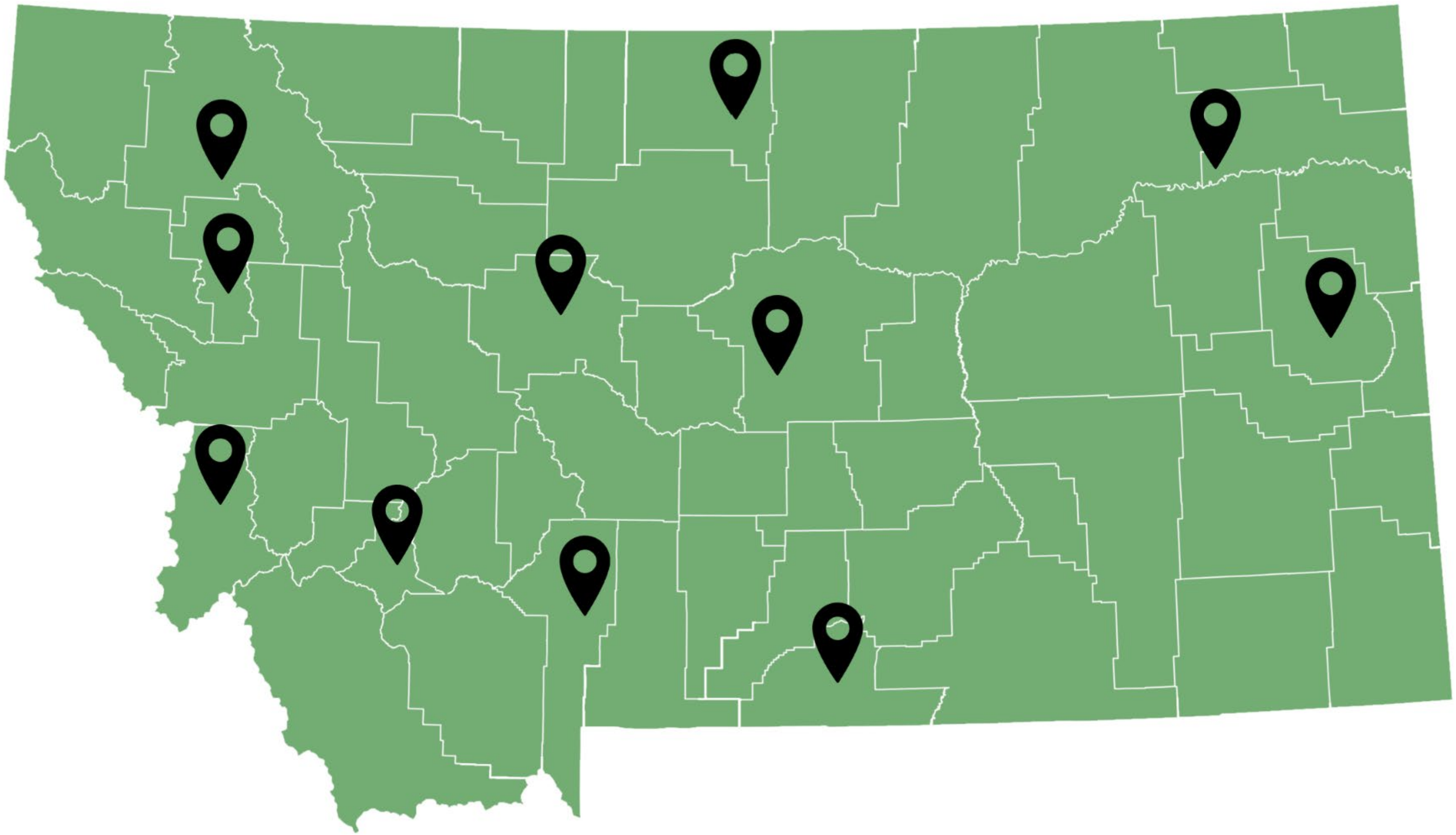
HOPA MOUNTAIN

MONTANA DEPARTMENT OF AGRICULTURE ESTABLISHED 1893



https://www.investinginfood.com/eligibility/

MT FADC Network



https://agr.mt.gov/Food-and-Ag-Development-Centers

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TWO APPROACHES TO MLFFP FUNDING

GRANT MATCH PROGRAM

CREDIT ENHANCEMENT PROGRAM

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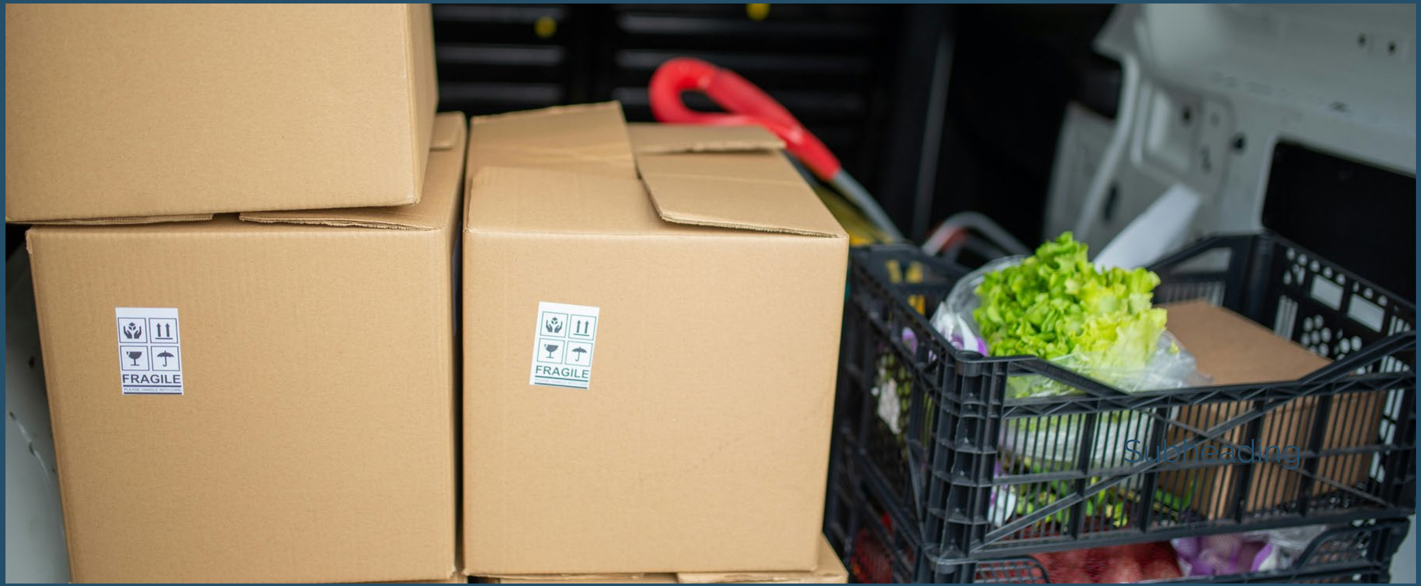
GRANT MATCH PROGRAM



The MLFFP Matching Funds Program was created to help eligible businesses meet the 50% cost-share requirement of the Montana Growth Through Agriculture (GTA) grant. Recognizing the value of broader support, the program may also be applied toward other comparable state grant programs with cost-share requirements.

https://missionwestcdp.org/MLFFP/

CREDIT ENHANCEMENT PROGRAM

COLLATERAL SUPPORT

INTEREST RATE REDUCTION

COLLATERAL SUPPORT

The Collateral Support Program is designed to help small businesses and entrepreneurs in the Montana's healthy Food Business' obtain the necessary financing by providing additional collateral in the form Certificates of Deposit (CDs) to secure loans. This program helps borrowers meet or beat the loan-to-value ratio required by banks, reducing risk for lenders and potentially lowering interest rates.

Additionally, the CD will be partially or fully released during loan repayment as the LTV ratio improves and may be converted into a grant to the borrower under certain conditions.

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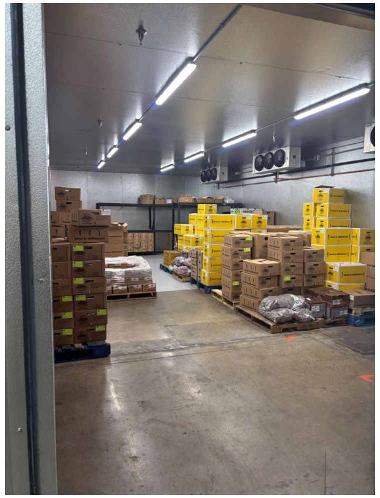
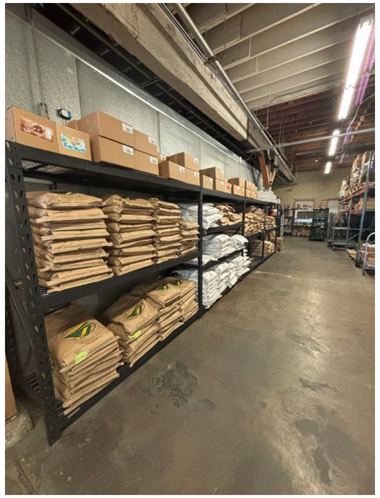
INTEREST RATE REDUCTION

The Interest Rate Buydown Program is designed to make financing more affordable for businesses in the healthy food industry by reducing the interest rate on loans for a specified period using the 5-4-3-2-1 buydown method.

This method provides a gradual increase in the interest rate over the first five years, improving cash flow and financial stability for the borrower.

This method may also give Mission West the ability to negotiate a 5-year adjustable rate on behalf of the borrower.

Credit Enhancement In Practice

MWCDP developed legal agreements to help structure the CD, who can access and when, when the lender can liquidate, etc.

- Pledge Agreement
- 3-Party Agreement

Western MT Growers Co-op – Missoula, MT

- $50,000 in Collateral Support
- $16,000 in Interest Rate Reduction

Lessons Learned:

- Non-Depository Financial Institutions
  - Adding an additional bank was complicated
- CD Structure
  - 0-1% Interest Rates
  - Annual Renewal When Possible
- Reporting
  - Commitment Letter, Account Summary, Transfer Receipt, Check Copy, etc.

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Credit Enhancement In Practice Cont.

WINTER KISSED FARM

Winter Kissed Farm – Stevensville, MT
- Grant Match
  - $43,000 to match GTA Grant
  - New Equipment

CENTRAL MONTANA FOOD HUB

Central Montana Food Hub – Martinsdale, MT
- Collateral Support - $100,000
- Funding through multiple partners including local banks, The Mansfield Foundation, The MT Department of Ag., and MLFFP
- New building & Equipment

FAT TOADS FARM PANTRY

Fat Toad Farm Pantry– Bozeman, MT
- Grant Match
  - $15,000 to match GTA Grant
  - New Equipment

MW
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Lessons Learned

- Have projects identified and have those conversations during the application process.
- Have discussions with different types of lenders to troubleshoot potential issues.
  - Work with them to create control documents, processes, etc.
- Understand the landscape of your service area
  - Who is doing what already?

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