

Quarterly Investor Letter  
2/16/15

We're halfway through the current quarter and I'm just now sending you our quarterly investor letter for last quarter. I apologize for the delay. We've been busy serving a time-sensitive pipeline of clients, prospects and leads.

The GFDA team remains focused on doing everything we can to get announced projects into construction, help make new expansion/startup/attraction announcements happen, and moving key projects forward to improve the competitiveness of the Great Falls market.

### **Strategic Plan**

Last month, the Board adopted our new Strategic Plan for 2015-2017, though with the ever-changing economic environment we'll adapt it quarter to quarter. The plan has 12 strategic priorities in Business Development, Competitive Improvements, and GFDA Capacity. It's an aggressive plan that builds on recent successes, addresses weaknesses, and is focused on producing significant, long-lasting results.

### **Business Development**

We also adopted a new Business Development Plan for 2015. Last quarter we completed our 2014 effort to meet face-to-face with over 100 site selection consultants across the country that we didn't have relationships with. This year, we're focusing on: 1) strengthening our client referral network to insure that no opportunity slips by because the entrepreneur or existing business isn't aware of what we can do to help make their project happen; 2) targeting face-to-face meetings and well-researched proposals to specific companies and site selectors in key industries; and, 3) improving our digital presence through an innovative new website and social media.

### Manufacturing Partnership

Last quarter Rebecca Engum began her new position as our Manufacturing Partnership Director. Jason Nitschke joined our team as our new Small Business Development Center Director. This addition to our team will enable us to focus more attention on continuing to grow our manufacturing base. Manufacturing employment in the Great Falls metro area grew by 20% in the last two years compared to national growth of only 2%. However, our manufacturing employment is still less than 60% of the national average.

We've retained an agricultural processing industry consultant who is developing three business cases in market niches that we have competitive advantages in. Based on the consultant's market knowledge, and input from existing food manufacturers in our region and Montana agricultural leaders, the three niches selected are pulse fractionation, specialty malting, and sprouted grains processing. The business cases will document our region's competitive advantages in each agri-processing niche. When completed over the next 6 months, we'll target companies to present the cases to.

### Workforce

We've commissioned a Labor Demand Certification that will survey 100 employers in Great Falls to help identify the hardest to fill positions, and successful recruitment techniques being used by local companies. We continue to work with our partners to help companies with workforce education and training. This is only part of the solution. With unemployment back under 4%, we need to do more to boost workforce recruitment to relocate to Great Falls. To that end, we've set a goal of

getting 500 more new apartments under construction in the next three years, in addition to the units already under construction. We will also continue to work on retail, dining, recreation and entertainment enhancements to make our community more attractive to potential employee recruits.

More needs to be done to attract new residents, but we just don't have the resources to mount a relocation campaign at this time. Other communities have produced results with campaigns focused on social media, story placement, providing support materials for local company employee recruitment efforts, and influencing the various community rankings that get published.

### **Great Falls AgriTech Park**

We've been putting great effort into making the Park a reality in 2015 with two, possibly four, companies scheduled to break ground. We plan to construct the rail, road, water and sewer improvements for the first 5 lots this year, in partnership with the City of Great Falls, Pacific Steel & Recycling, and Montana Specialty Mills. We are close to announcing two international companies that plan to purchase and start construction this year on lots 3, 4 and 5. We're working with site selection consultants who have a client interested in optioning lots 6 and 7 for a 2016 project.

### **Lending**

We've used our loan funds since the start of October to help make two deals happen that otherwise would have not been able to move forward. We loaned \$151,000 to the Fenner family ranch and timber operation in Babb to launch a sawmill operation. We loaned \$450,000 to the Great Falls Animal Foundation to finance equipment that will enable the Foundation to finish and open the animal welfare center this year.

We're working on 7 loan deals right now, all eager to get into construction or close on their property purchases. With the increase in lending activity, we've posted a new position of Lending & Marketing Associate to help us process deals more quickly. Back last winter, I didn't replace our Loan Officer position when it became open. Since then, we've put an additional \$2 million to work in loans so we're in better shape to add back another lending position. We also plan to invest in a new loan portfolio management system that is designed to help us generate the myriad of reports we must submit to federal and state agencies.

We have \$7,737,869 in outstanding loans on our books, none of which are delinquent, \$32,700 committed, and \$2,028,587 available to make new loans. We also manage \$9,432,274 in SBA 504 loans and can make an unlimited amount of new loans under this program.

### **Financial**

Through January (7 months into our fiscal year), we're running in the black by \$22,711. We've paid down \$56,942 of principal on our operating loans that we borrowed for the AgriTech Park and launching the MicroBusiness Fund. We have a balance of \$302,025 left to retire over the next few years, down from the original amount of \$490,000.

We've invested \$1,642,142 so far in the AgriTech Park, comprised of \$771,600 in state and federal grants, \$140,000 in water and sewer funds from the City of Great Falls, \$25,000 from Cascade County, and \$705,542 of GFDA private investor funds. Our goal is to break even on the project. We've netted \$311,208 from the first two lot sales, leaving a balance of \$394,334 left to recover through future lot sales.

We're financially stable with \$8,240,048 in assets, \$6,984,522 of which is in net assets, though most of this is permanently or temporarily restricted in loan funds. We've expensed all AgriTech Park costs as they have been incurred due to the speculative nature of the project. We have no delinquent loans, but have expensed an allowance for loan losses totaling 5.4% of outstanding loans to cover future losses should they occur.

### **Forward Great Falls Investment**

Investment payments continue to be strong. Your support has been tremendous! We've reached 76% of the Forward Great Falls 5 year campaign goal, securing new and increased investment commitments every quarter. Recent successes have generated a new optimistic spirit in Great Falls. We need to turn this optimism into the investment of dollars needed to insure we continue to generate successes.

### **Leveraging Your Investment**

We continue to be successful in leveraging your investment to secure additional funds. Every dollar of local money is used as match to leverage at least another dollar, doubling the resources we have to put to work in the Great Falls region. We've submitted 5 major grant applications in the last 4 months. We are seeking \$1,120,787 from the U.S. Treasury's Community Development Financial Institution Fund to continue to grow our loan capital so we can keep financing gaps to make projects happen that otherwise would not. This program requires a 1:1 local match that we were able to document.

On our second try, we asked the EPA for \$400,000 to create a Brownfield Assessment Program that would enable us to help developers defray the large upfront expense of determining the extent of contamination on potential redevelopment properties. We have asked the Montana Department of Agriculture for \$50,000 to put together additional business cases in four more agricultural processing niches. And, we submitted two applications totaling \$75,000 to the City of Great Falls for Community Development Block Grant funds to increase our loan capital and business development services.

We plan to submit two more significant grant applications before the end of the fiscal year. We also plan to work with our bank partners to try to secure equity-like loans, called EQ2, as part of our effort to grow our loan capital base.

### **Thank You!**

Thank you to all our investors for believing in the future of Great Falls and making that future happen!

Contact me anytime if we may be able to help your business or real estate endeavor. We want all of our investors to prosper!