



2012 ANNUAL REPORT

Montana CDC's mission is to provide business financing that can transform the lives of individuals and strengthen community prosperity.



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Cover: Nova Café owner Serena Rundberg; photo by Tom Robertson



Friends of Montana CDC,

At this time each year, I have the pleasure of pausing for a moment and reflecting on our accomplishments in the year prior. The results first come to me as statistics—number of jobs that our clients created, new businesses we’ve financed, amount of dollars into our most impoverished areas, number of people in our business trainings. Watching those numbers climb each year gives me confidence that we are fulfilling our mission.

However, those statistics can’t impart the full story of how our communities brighten from the work of each business owner, entrepreneur, and community we worked with in 2012.

Take the Nova Café, for example. This downtown Bozeman landmark is packed with locals and tourists alike from the early morning through the lunch hour. In early 2012, the café’s owner, Serena, was faced with leaving the downtown area when she learned that she couldn’t get financing for her costly kitchen upgrades. We were able to provide the money she needed with the help of the Small Business Administration’s Community Advantage program. Serena’s welcoming atmosphere and great food couldn’t be replaced in Bozeman’s downtown, and we got to enjoy thank-you letters from her employees, patrons, and local officials. The café is so loved that I even saw an employee with a Nova Café tattoo.

Tri-State Restaurant Supply, based in Kalispell, is one of our favorite stories of 2012. Jim Bliss, owner of Tri-State, worked with Montana CDC’s consulting team for over a year before he was eligible for a loan. He reworked his business model, made changes to his operations, and, according to Jim, “fell in love with spreadsheets.” Today, Jim has received two loans from Montana CDC and owns a thriving business. We also learned a lot from him, and because of the work we did together, Montana CDC began offering lines of credit which helped so many businesses last year.



I am also filled with pride when I drive through the urban renewal district in Billings. We’ve been talking with planners and developers in Billings for years to find projects that could start the revitalization process in what was once a flourishing meat packing district that’s been in decline for years.

Today, with the help of a Montana CDC New Markets Tax Credit enhanced loan, there’s a new \$30 million dollar professional building with 400+ employees to spark development of other services and businesses in the neighboring blocks. I am hopeful for the day when each declining neighborhood in our Montana and Idaho communities can get a similar spark.

Through the stories in this annual report you will see that every day we have the privilege to work with steadfast entrepreneurs who strengthen the foundation of their communities. We measure our work in numerous quantifiable ways, but the true mark of our success comes from the accomplishments of the people we serve.

Thank you for your continued support.

Dave Glaser, President



KASEY + FLORA BUOY

Flora and Kasey have been together since their high school days in Idaho. They always knew they wanted to build a business, but along the way, they found time to start another venture—a family. The couple has three children, and both the business and the family are thriving.

“Running Alpine Granite has been great and wonderful for our family,” says Flora. “It offers us a lot of freedoms that we would not otherwise have if we worked for someone else.”

PAID IN THE LAST 5 YEARS
80% OF LOAN
PAYOFFS
HAPPENED BEFORE MATURITY DATE



VICTOR, MT

ALPINE GRANITE ACCENTS



Kasey Buoy’s artisan craftsmanship can transform a slab of granite into a custom countertop. His wife, Flora, has a natural instinct for business. Fresh out of college, they decided to combine their skill sets and open a small business—Alpine Granite Accents.

Like many start-ups, their operation began in a garage, and they were rapidly outgrowing the space. With an eye on the future, they decided to expand. Their search for appropriate commercial property and facilities led them to a 2.5 acre parcel of land in the Bitterroot, where they planned to build a showroom and manufacturing facility.



“Montana CDC allowed us to expand the business in a way we couldn’t do before.” — Flora Buoy

All economic indicators were directing them to follow their instincts and expand, but the reality of securing financing presented a challenge.

Kasey and Flora approached their local bank, but quickly learned they would not qualify for a traditional commercial loan. Even though they had the skills, experience and dedication to succeed, they lacked the assets and proven track record required to be bankable. Realizing the gap, their banker contacted Montana CDC for assistance and together they were able to construct a financing package suitable for Kasey and Flora.

“Montana CDC allowed us to expand the business in a way we couldn’t do before,” says Flora. From

their state-of-the-art facility, Kasey and Flora continued to work hard to build their business—along with their family and, within a few years, they were able to refinance the Montana CDC loan with their original bank. Today, the Montana CDC loan has been paid off and business is thriving. Flora and Kasey have five full-time employees and plans for ongoing expansion. Their business model and timeline will soon have them entering into new product development and enhancing their existing showroom. Alpine Granite is proof that through hard work and flexible financing, successful and sustainable businesses can continue to thrive in Western Montana.



BOZEMAN, MT NOVA CAFÉ



In 2005, Serena Rundberg left her career in Silicon Valley, California and moved to Bozeman, Montana to pursue her passion for cuisine. She purchased an existing restaurant on Main Street—the Nova Café—and began her culinary pursuit. Now a hip downtown mainstay, the Nova Café, like its owner, is known for its strong sense of style, as well as its unique menu of locally-sourced food served by an outgoing and much-loved staff. However, in 2012, The Nova Café required some major facility renovations and equipment upgrades in order to keep up with demand and new health code regulations.



SERENA RUNDBERG

Serena strives to be an integral part of the Bozeman community by supporting local artists, farmers, producers, other businesses, and most importantly, her employees. While the restaurant closed for the remodel, Serena made sure her employees were well taken care of by providing each one a week's worth of pay. She treats her employees like family and they return the favor through hard work and dedication to the business—some going as far as tattooing the café's logo on their arm.



"We love downtown and are happy to bring more jobs to Bozeman. Our loan from Montana CDC helped us stay in this location."
— Serena Rundberg

Nova Café's needed repairs were expensive. As with most businesses that require construction improvements, the café's leased space didn't qualify as collateral for a standard commercial bank loan. Serena's banker suggested she contact Montana CDC for financing. Montana CDC was able to utilize the SBA 7a Community Advantage Guarantee to shore up collateral along with capital from the Goldman Sachs 10,000 Small Business Initiative to provide Serena with the loan she needed for upgrades. The loan allowed Serena to complete the necessary improvements and keep her 14

employees downtown, adding a full-time barista position and additional prep shifts.

The Nova Café, which just earned the honor of "Best Breakfast in Bozeman" for the fifth consecutive year, is continuing to thrive and contribute to the vitality of downtown Bozeman. The café's new barista says it best: "I'm thrilled to have a job downtown. It's exciting to work in a local business that allows me to support myself, especially in these difficult financial times." That's music to our ears.



KALISPELL, MT

TRI-STATE RESTAURANT SUPPLY



Like many small business owners, Jim Bliss was not prepared for the economic downturn. His business, Tri-State Restaurant Supply, which distributes specialty kitchen and coffee supplies, was hit hard by the recession and was not showing signs of a timely recovery. Although Jim was working day and night to adjust operations and keep his company afloat, his cash supply and inventory were dwindling. Jim knew he needed cash to survive. Upon learning he was not eligible for bank financing, Jim came to Montana CDC. Even though Jim was an expert in the restaurant supply business, he recognized his limitation when it came to understanding and managing from his financial statements.



JIM BLISS

Jim learned about the restaurant supply business from decades in the business as an employee, partner, and owner. His dream was to create a business based on his passions that was woven into the economy of Kalispell. He considers his customers and staff his friends and cultivates a fun atmosphere at the office. "I have a lot of great people in my life—employees, family, and most importantly, my partner, Shelly," says Jim. It has taken all of these people and more to make this business work, and I never take that for granted."

1 OF 28 
LINES OF CREDIT
TO BUSINESSES ACROSS MONTANA



"I knew what the numbers meant, but Montana CDC taught me how to look at them." — Jim Bliss

Our Small Business Development Center Director worked with Jim for over a year to overhaul his bookkeeping and equip him with the essential tools required to stabilize and strengthen his business. "Montana CDC came to my rescue," Jim exclaims. "They walked me through months of spreadsheet after spreadsheet."

One year later, Jim had created a lean and nimble business. He applied and was approved for financing at Montana CDC. Jim credits our business consulting services for helping him learn the value of making business decisions based on his financial statements. But the relationship didn't stop here.

As the economy started to turn around the demand for Tri-State's products and services grew quickly. A few months prior, Jim was in need of cash to stay alive, and suddenly, he needed capital to grow. This time Jim needed a line of credit, which Montana CDC was able to provide.

Today, Tri-State Restaurant Supply employs 14 staff with offices in two cities and continues to serve the entire state of Montana—an irrefutable success.



HELENA, MT

HELENA'S CINEMARK PROJECT
\$7.75 MILLION

Total Economic Impact: \$17 Million

37,000 sq ft expansion of Helena theatre
to accommodate new 3D technology

Partners: Alan Nicholson of the Great Northern
Town Center and Mountain West Bank



COEUR D'ALENE, ID

KOOTENAI MEDICAL CENTER
\$11.3 MILLION

Jobs Created or Retained: 55

58,000 sq ft to expand access to health care

Partners: The Parkwood Development Group
and U.S. Bank



NEW MARKETS TAX CREDITS



**\$52.5M: TOTAL DOLLARS INVESTED | 529 JOBS CREATED OR RETAINED
OVER 277,000 SQ FT CONSTRUCTED OR REHABBED**

From East Billings to downtown Helena to Northern Idaho, 2012 was a year that jobs were created, communities were revitalized, and low-income areas began to see sparks of new growth. Thanks to the U.S. Treasury's New Markets Tax Credit (NMTC) program, which enables Montana CDC to help provide incentives for private investment in

projects in low-income areas, communities across Montana and Idaho are experiencing renewed growth and opportunity.

In Helena, where Montana CDC has worked on four NMTC projects, the community now has new office space in a historic downtown neighborhood,

a health center where an old grocery stood, and a new job-creating Cinemark Theater in the Great Northern Town Center. Mark Esponda from American Federal Savings sees nothing but upside. "I think it's a win-win. This program allows us to bring money into low-income areas, to enhance areas that need to be revitalized."

And in Northern Idaho, thousands of rural residents now have much-needed access to quality health care thanks to the Kootenai Medical Center in

Coeur D'Alene. According to Maria Bustria-Glickman of U.S. Bank, "NMTCs can help projects meet the needs of growing cities and towns. Attracting needed professional services also has catalytic effects, which is important to us—and to the community."

Thanks to the NMTC program, Montana CDC will continue to help build communities all across Montana and Idaho.

"NMTCs can help projects meet the needs of growing cities and towns. Attracting needed professional services also has catalytic effects, which is important to us—and to the community." — Maria Bustria-Glickman, U.S. Bank

BILLINGS, MT

BILLINGS GSA FEDERAL BUILDING
\$25.8 MILLION

Jobs Created or Retained: 400

Total Economic Impact: \$58.5 Million

Partner: Boyer Development and Wells Fargo

IN 2012 AWARDED OUR 3RD ALLOCATION
OF NMTC FUNDS FOR **\$60 MILLION**
AMOUNTING TO \$156 MILLION SINCE 2008



HELENA, MT

LAST CHANCE BLOCK
CROWLEY FLECK OFFICE BUILDING
\$7.6 MILLION

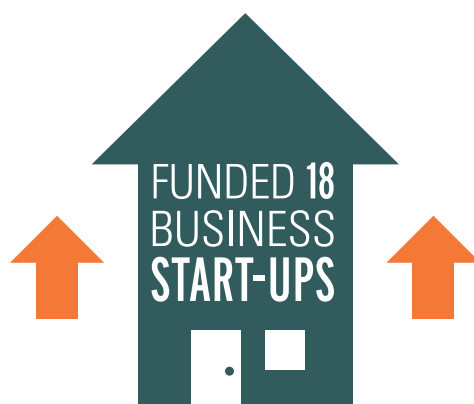
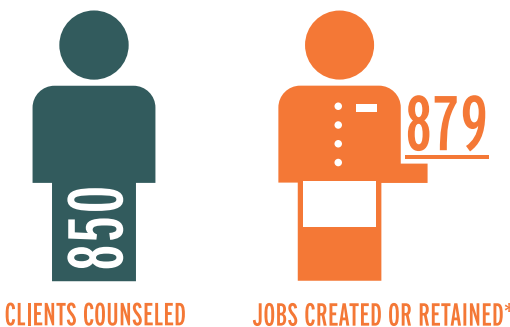
Catalytic building in the Last Chance
Gulch Development

Asset building opportunity for professionals
returning to Helena to raise a family

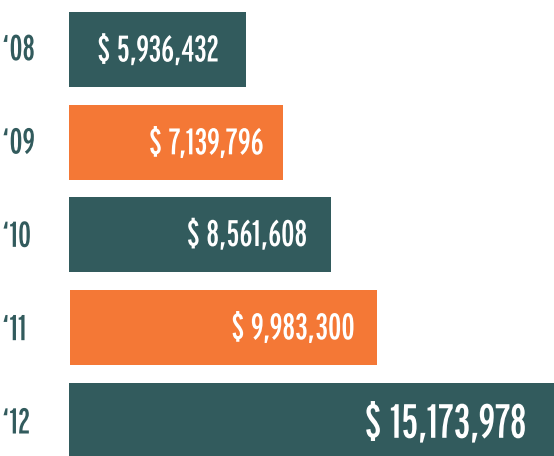
Partners: Dick Anderson Construction and
American Federal Savings Bank



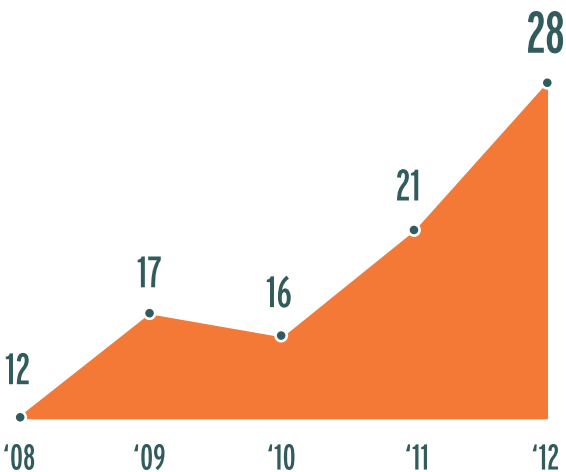
2012 PERFORMANCE OVERVIEW



LOANS OUTSTANDING TO MONTANA BUSINESSES



NUMBER OF LOANS TO LOW-INCOME PLACES*



*A business may have multiple loans

SINCE 1986 MONTANA CDC HAS LENT OVER

\$162MIL

TO OVER

450

BUSINESSES...

CONTRIBUTING TO OVER

2,400

JOBS CREATED OR RETAINED*

*This includes the Revolving Loan Fund and New Markets Tax Credits



*This includes the Revolving Loan Fund and New Markets Tax Credits **Montana CDC's Procurement Technical Assistance Center (PTAC)

LOAN IMPACTS

	'08	'09	'10	'11	'12
Number of loans	27	32	33	64	60
Number of businesses financed	22	26	23	44	45
New business starts	N/A	9	10	18	18
Total dollars lent	\$2,913,366	\$2,944,529	\$3,461,762	\$5,235,483	\$7,120,519
Number of loans to low-income people	13	8	12	32	24
Number of loans to low-income places	12	17	16	21	28
Number of loans to women business owners	13	24	16	34	31
Number of loans to rural businesses	16	20	29	43	40
Number of loans to minorities	1	0	4	14	3
Number of Native-owned businesses served	0	0	1	5	2
Total amount leveraged from other financing/equity	\$10,906,843	\$30,424,600	\$23,300,945	\$24,799,430	\$58,189,203
Jobs created	82	78	55.5	211	119
Jobs retained	39.5	138.5	39	130	231

\$7+ MILLION
IN LOANS TO MONTANA
BUSINESSES

NEW MARKETS TAX CREDIT IMPACTS

	'09	'10	'11	'12
NMTC project \$ into highly distressed MT communities	\$22,300,000	\$17,700,000	\$24,500,000	\$52,450,000
Permanent jobs created or retained	285	98	234	529
Square footage constructed or rehabbed	92,267 sq ft	139,159 sq ft	135,000 sq ft	277,148 sq ft
Total wages (10 yr) - construction and ops	\$15,978,572	\$6,080,104	\$11,445,399	\$47,883,694
Total economic impact direct/indirect (10 yr)	\$48,821,839	\$22,988,359	\$42,982,391	\$115,648,292

CONSULTING IMPACTS

	'08	'09	'10	'11	'12
New businesses created	19	27	29	27	15
Jobs created/retained	391	431	381	322	382
Total capital infusion to businesses receiving consulting services	\$17,358,673	\$20,369,261	\$34,651,070	\$20,170,073	\$5,300,391
Clients counseled	171	275	252	878	850
Attendees at business trainings	598	677	551	1336	1685
Total dollar amount awarded in federal contracts	n/a	n/a	n/a	\$50,823,353	\$121,150,246

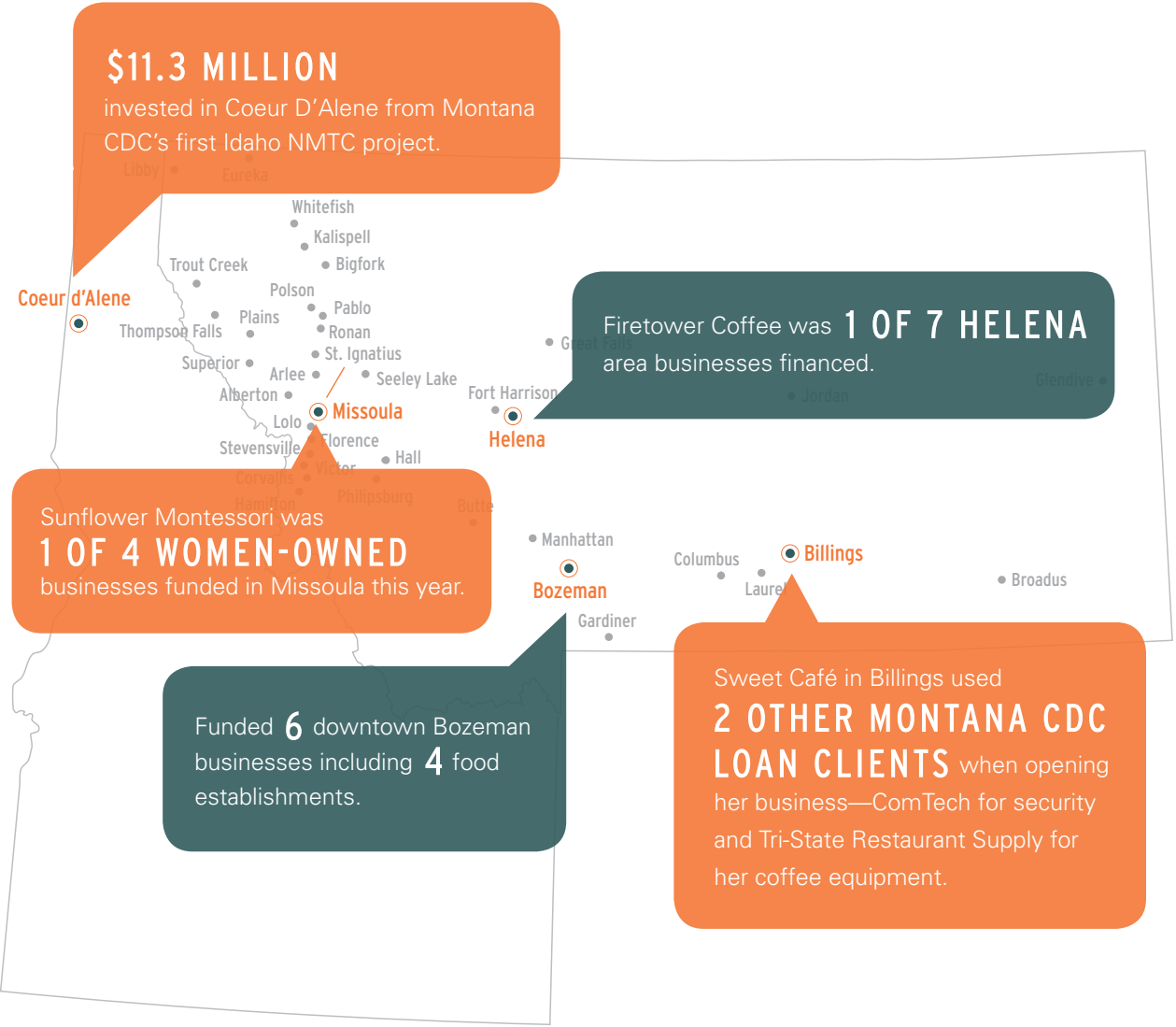
40 LOANS TO
RURAL BUSINESSES



OUR REACH



Montana CDC's loan portfolio represents borrowers from Coeur d'Alene, ID to Glendive, MT. Our reach is broad, but we still maintain relationships with all our clients to support their business needs and objectives from introduction to loan payoff.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION*

ASSETS	FY12
CURRENT ASSETS	
Cash and cash equivalents	7,191,855
Receivables from federal programs	586,317
Loans receivable – current portion	2,455,925
Prepaid expenses	10,000
Total current assets	\$ 10,244,097
NONCURRENT ASSETS	
Investment in limited liability companies	11,655
Loans receivable, noncurrent portion	12,574,208
Allowance for loan losses	(1,554,635)
Property and Equipment (net of accumulated depreciation of \$133,486)	1,670,185
Total assets	\$ 22,945,510
LIABILITIES AND NET ASSETS	FY12
CURRENT LIABILITIES	
Accounts payable	80,347
Accrued liabilities	64,011
Due to other agencies	709,719
Current portion of long-term debt	562,959
Total current liabilities	\$ 1,417,036
LONG-TERM LIABILITIES	
Advance	24,390
Long-term debt, net of current portion	8,790,330
Total liabilities	\$ 10,231,756
NET ASSETS	
Unrestricted	
Designated for lending	7,302,116
Undesignated	2,731,961
Noncontrolling interests in TMF	65,561
Total unrestricted net assets	\$ 10,099,638
Temporarily restricted funds	2,523,763
Permanently restricted for lending	90,353
Total net assets	\$ 12,713,754
Total liabilities and net assets	\$ 22,945,510

STATEMENT OF ACTIVITIES*

SUPPORT AND REVENUES	FY12
Grants and contracts	
Federal	2,558,510
Private	691,928
Total Grants	\$ 3,250,438
Interest earnings	888,595
Revenue participation	37,312
Loan fees	143,470
NMTC fees	1,498,116
Other	15,437
Total support and revenues	\$ 5,833,368
EXPENSES	
Program services	
Business loans	2,289,448
Business consulting	421,371
Administration	1,067,033
Total expenses	\$ 3,777,852
Change in net assets consolidated	\$ 2,055,516

*The Statement of Activities and Consolidated Financial Position presented as of 12/31/2012 were audited by CohnReznick LLP. These have been derived from the complete financial statements. Available upon request to: Steve Klimkiewicz, CFO, Montana CDC, 229 E. Main St. Missoula, MT 59802

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Clients of Sustainability Group (2)
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Suzanne LaFetra Trust
The Dennis and Phyllis Washington Foundation
The Gadfly Trust
US Bancorp CDC
US Administration for Children and Families – Community Economic Development Program
US Small Business Administration Microloan Fund
US Treasury CDFI Fund
US Treasury Small Business Lending Fund
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Goldman Sachs Foundation
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Stranahan Foundation
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US Small Business Administration
US Treasury CDFI Fund
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PHOTOGRAPHY

Page 10:
Ginny Emery, *Wandering Albatross Photography* (top); Courtesy of GSBS Architects (bottom)

Page 11:
Courtesy of GG Studio (top); Courtesy of Mosaic Architecture (bottom)

All others: Tom Robertson Photography (tomrobertsonphoto.com)

DESIGN

Six Pony Hitch (sixponyhitch.com)



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