

MONTANA HOMEOWNERSHIP NETWORK, INC.
NEIGHBORWORKS CERTIFICATES OFFERING CIRCULAR

I. SUMMARY OF OFFERING

ISSUER: MONTANA HOMEOWNERSHIP NETWORK, INC.
D/b/a NeighborWorks Montana (NWMT)
509 1st Ave S.
Great Falls, MT 59401

SECURITIES: NeighborWorks Certificates (“NWCs”)

NWCs vary in amounts with varying (but fixed) maturity dates at varying (but fixed) rates of interest. They are unsecured. There is no limit as to the total amount of NWCs that may be offered.

The NWCs are offered to individuals residing in Montana. Entities either registered in Montana, or who have their principle place of business located in the state, are also eligible. Individuals and entities not located in Montana may also be eligible depending on their home state’s security laws, and eligibility will be determined on a case-by-case basis.

The NWCs are non-negotiable and not assignable. There is no public market where NWCs are traded or sold and none is expected to develop. AS A RESULT, INVESTORS WHO PURCHASE NWCs SHALL HOLD THEM UNTIL MATURITY, as they are not redeemable, under any circumstances, during the term of the NWC.

The NWCs constitute “Securities” under the securities act of the State of Montana. They are exempt from registration as they qualify and are defined as an issue of a non-profit organization. Receipt of notices of exemption from the Montana Commissioner of Securities and Insurance, or any other state securities Administrator, does not signify that any such securities Administrators have approved or recommended the NWCs, nor have the Administrators passed upon the accuracy of this offering circular or the merits of the offering. Any representation to the contrary is a criminal offense.

Purpose: Proceeds of NWCs will be used to expand the issuer’s mission of creating opportunities for families and individuals to live in affordable homes in strong communities. In particular, the proceeds will be used to create loans for various real estate projects, and for lending to low and moderate income Montanans to accomplish the mission.

Repayment: The principal source of repayment of NWCs will be from amounts received in repayment of loans made to individuals and entities under the issuers’ various lending programs.

Date of Offering: The offering of NWCs will commence on June 1, 2014. There is no termination date for the offering.

Financial Statements: This offering circular does not contain financial statements of the issuer, audited or otherwise. Prospective purchasers of NWCs are entitled to review financial statements of the issuer, which shall be furnished upon request. The issuer also has financial statements, including annual audits, located on its website (www.nwmt.org).

Repayment of NWCs is dependent upon the financial condition of the issuer.

II. HISTORY/OPERATIONS OF THE ISSUER

NWCs will be issued by the Montana Homeownership Network, Inc. (dba, NeighborWorks Montana), a Montana nonprofit corporation (“NeighborWorks”). Its principal office is located at 509 1st Ave South, Great Falls, Montana 59401.

NeighborWorks is a Montana affiliate of NeighborWorks America network. It was organized as a Montana, nonprofit corporation on November 28, 2001, and ever since, has strived to create opportunities for Montana’s families and individuals to live in affordable homes in strong communities.

NeighborWorks accomplishes this mission through lending that promotes affordable and stable housing, and through loans and programs that allow low to moderate income Montanans become homeowners. NeighborWorks has various lending programs (described in Section III), all of which have market appropriate interest rates. NeighborWorks Montana is certified through the Department of Treasury as a Community Development Financial Institution.

A volunteer Board of Directors oversees NeighborWorks. The organization also has a staff of 10 that oversees day-to-day operations, including reviews of loan applications and oversight of homebuyer education and counseling.

III. USE OF PROCEEDS

The proceeds from the NWCs will be used to originate loans for various real estate projects, and to provide loans to individuals to accomplish homeownership for low and moderate income Montanans. Proceeds from this offering will expand these lending programs.

NeighborWorks’ team of loan specialists review the applications for each loan to ensure that all lending meets NeighborWorks’ lending guidelines. These guidelines are available for any investor to review.

NeighborWorks has also directly purchased properties with the intention of developing and selling them to qualified buyers. Proceeds may be used to provide loans to borrowers purchasing these properties which may include manufactured homes on leased land or homes on fee simple land.

The following sections provide more detail on the various programs that proceeds may be used for.

A. Equity Equivalent Investment (EQ2) Program

EQ2 Program loans assists with closing costs and down payment assistance for individuals whose family income is at or below 125 percent of the HUD median income guidelines. EQ2 loans rates vary between 1.5% to 6.25% and are scaled to family income (lower income receive lower rates, higher income receives higher rates). The lending periods range from 15 years to 30 years, and the loans are a second mortgage on the borrower's home. Investors in the EQ2 program are typically banks who invest in order to serve low and moderate income borrowers and to access lending programs offered only through banks who invest in the Program.

B. 20+ Community Second Program

The 20+ Community Second program loans provide up to 20% of total financing needed for borrowers whose income is at or below 120% of the area median income based on family size, and who are working with participating lenders in the loan pool. Loans are between \$10,000 and \$50,000 and allow borrowers to provide as little as 1% of the home purchase price as down payment. This product is particularly relevant, and affordable, for people in Montana's urban areas (Billings, Bozeman, Great Falls, Helena and Missoula) where FHA loans requiring mortgage insurance are the only other option for some borrowers and are more expensive. Borrowers are required to take a homebuyer education class and participate in a one-on-one counseling session from a NeighborWorks Montana partner organization.

The 20+ loans are second mortgages on the borrower's home. NeighborWorks currently offer these loans at an interest rate no more than 2% higher than the first mortgage rate.

C. Resident Owned Communities (ROC)

With Resident Owned Communities, or ROC, NeighborWorks provides financing so that manufactured home community members may purchase the land and become resident-owned communities. Resident homeowners form a corporation to own and operate the community, with each member-household owning one membership interest in the corporation.

NeighborWorks has financed 7 of these projects since the program began in 2011. ROC loans are secured by a trust indenture, and have varying interest rates of up to 4%. Deferred loans may be made on ROC projects where NeighborWorks Montana is able to access grant funds for the specific project. NWMT is a certified ROC Technical Assistance Provider through the ROC USA® network.

D. Real Estate Development and Acquisitions (REDA) Program

REDA loans finance multi-family housing developments that create and preserve affordable rentals. This lending is generally short-term and for the acquisition of property or an existing project, for pre-development funds during the development process, or to bridge the investor capital for a Low Income Housing Tax Credit project. Under REDA, NeighborWorks has lent nearly 10 million to fund over 1000 units of housing.

The REDA lending policies are approved by the Real Estate Development and Acquisition Committee of NeighborWorks' Board of Directors. This Committee also approves REDA loan applications after these applications have been reviewed by NeighborWorks' staff.

At circulation, the REDA interest rate was set at 5.5 percent for most loans.

E. Real Estate Purchases.

NeighborWorks has directly purchased real estate with the purpose of re-selling it to qualified buyers, including facilitating purchases of property for partner organizations (see notation regarding Thaniel subdivision in IV.i.). It also is currently invested in a LLC that develops and renovates housing units.

F. Loan Loss Reserves/Guarantees.

NWMT may use some proceeds of these or any other funds it receives to fund loan loss reserves or to fund loan guarantees as allowed under the Department of Treasury, Community Development Financial Institution rules.

IV. RISK FACTORS

Risks are involved in investing in the NWCs of which investors should be aware. These risks include:

a) Source of Repayment. The principal source of repayment of NWCs will be amounts repaid to NeighborWorks for its loans. So if NeighborWorks lacks enough borrowers that it can lend to, or if too many borrowers default, repayment would be adversely impacted.

b) Lack of Marketability. NWCs will be non-negotiable **and not assignable**. There is no public market where NWCs are traded or sold and none is expected to develop. As a result, investors who purchase NWCs should intend to hold them until maturity.

c) Reliance on Grants. NeighborWorks requires individual borrowers to undergo its homebuyer education and counseling program before the borrowers receive loans. NeighborWorks believes that this program has successfully assisted in achieving its low default rates. However, NeighborWorks relies extensively on grant money to conduct this

program. Should this grant money cease, NeighborWorks' education program would be in jeopardy. Without adequate counseling for individual borrowers, it is possible that default rates could increase.

d) Reliance on NeighborWorks America. NeighborWorks America provides capital to help NeighborWorks Montana operations, including staffing costs. In turn, NeighborWorks America relies on Congressional funding. Should anything happening to this Congressional funding, or to another NeighborWorks America funding source, it would directly affect NeighborWorks Montana's operations and may cause staffing layoffs that causes inadequate oversight over lending and operations.

e) Continuity Issues. Like any non-profit, NeighborWorks runs with minimal staffing. Its current success is dependent on the knowledge and skills of its current staff, so any one employee leaving may disrupt operations. NeighborWorks is working to systematically prevent any continuity issues, but it nevertheless remains a risk factor.

f) Insufficient Collateral for Loans. The collateral securing NeighborWorks' loans is ordinarily a deed of trust on the property or project that the loan finances. However, for lending to low and moderate income borrowers, NeighborWorks' loan will always be second to the financial institution lending the money to purchase the home. For Resident Owned Communities, loans are usually secondary and the collateral is typically insufficient to cover the loan in the early years. So in the event of default, the value of the collateral may be less than the amount owed on a loan and there may be other entities holding prior liens or deeds of trust on the same collateral.

g) Lack of Government Oversight. As a non-profit, this offering is exempt from both Montana and federal registration and reporting requirements for securities. This means that there are less safeguards against fraud and mismanagement than with registered, reporting securities.

h) Changes in Non-Profit Status or Law. NeighborWorks currently has a non-profit, tax free status. A change in this non-profit status, or a change in law regarding the taxability of non-profits, would have significant effects on NeighborWorks' operating capital. Any such change could hinder re-payment.

Likewise, should the NWCs later become non-exempt under securities law, NeighborWorks may have to cease offering the NWCs. Discontinuation of the NWCs sales may disrupt NeighborWorks operating capital, and jeopardize re-payment.

i) Other Creditors. NeighborWorks has used lending from other financial institutions as well as other loan funds. As of September 30, 2015, it owed a total of \$1,575,000 on eight notes under the EQ2 or Patient Capital program from banks and financial institutions—with the earliest maturity in 2019 with interest rates varying between 2% and 3.25%. NWMT has borrowed \$500,000 from Opportunity Finance Network, maturing 9/30/17 with an interest

rate of 3.75%, and \$250,000 from Domestic and Foreign Missionary Society of the Protestant Episcopal Church, maturing on 12/31/17 at an interest rate of 3.75%. Other notes include investments from Goodworks Ventures LLC, maturing 8/1/19 at an interest rate of 4%, and two private investments with varying terms and rates. NWMT has loan participations with Community Housing Capital, National Housing Trust and NeighborWorks Capital Corporation. In addition, NWMT assisted its sister organization NeighborWorks Great Falls (NWGF) in the purchase of lots in the Thaniel subdivision in Great Falls, incurring a note for \$1,080,000 at 0% interest, along with a purchase and sale agreement with NWGF for the full price of the lots. Total debt at 9/30/15 is \$4,105,740.

Should NeighborWorks struggle to pay all its liabilities, a court may conclude that the financial institutions have priority over any other liabilities including the NWCs. Put another way, the institutions could be entitled to be paid in full before any repayment could occur for NWCs.

V. PROPERTY OF THE ISSUER

NeighborWorks owns several promissory notes. These notes are outlined in detail in NeighborWorks financial statements that are available on its website.

NeighborWorks also directly owns several properties that it sells to qualified buyers. At circulation, NeighborWorks owns property valued at \$2,116,149.

VI. TERM OF NWCs

NWC Notes are available for a term of five (5) to thirty (30) years with a minimum investment of \$10,000 with no maximum investment. The interest rate offered is determined by NeighborWorks based on recommendations of the Real Estate Development and Acquisition Committee with input from the Finance Committee and will depend on the amount invested and length of investment. Interest rates are expected to range between 2 and 4 percent with quarterly interest payments.

Each NWC Note will be evidenced by a certificate in the name of the investor setting forth the amount, interest, and term of the investment. Once issued, the terms of the certificate cannot be modified. The issued certificate is not redeemable, under any circumstances, during the term of the NWC Note.

All payments will be sent to the investor named on the certificate at the address that appears in NeighborWorks' books. Interest payments will be made quarterly, and the principal paid at maturity. Upon maturity, the NWC Note must be presented for payment. If the investor fails to present the certificate within thirty (30) days after its due date, the NWC Note shall be automatically renewed for a term of six (6) months at the current six-month rate.

NWCs are not federally insured, are non-negotiable and not assignable. There are no provisions for early redemption of an NWC Note. An investor who purchases an NWC Note should intend to hold it for its full term. Because NWCs are an investment and not a contribution, investors who purchase NWC Notes should not expect to receive a charitable deduction in connection with their purchase. Interest paid or accrued on the NWCs will generally be taxable as ordinary income to the investor.

VII. PLAN OF DISTRIBUTION

The Staff of NeighborWorks are the only persons authorized to sell NWCs. No compensation will be paid to these persons in connection with the offering of NWCs apart from the normal compensation they receive in the course of their work for NeighborWorks. This compensation will not vary depending upon the success of the NWC Note program. There is no underwriting or selling arrangement between NeighborWorks and any broker-dealer, and there have been and are no past, present, or anticipated future dealings with broker-dealers, investment advisers, or financing organizations in connection with the offering of NWCs.

VIII. LITIGATION

NeighborWorks is unaware of any pending or threatened material legal proceedings, or proceedings known to be contemplated by governmental authorities, administrative bodies or other persons, to which NeighborWorks is or may be a party or to which any of its property is or may be subject.