

MONTANA HOMEOWNERSHIP NETWORK, INC.
NEIGHBORWORKS CERTIFICATES OFFERING CIRCULAR

I. SUMMARY OF OFFERING

ISSUER: MONTANA HOMEOWNERSHIP NETWORK, INC.
D/b/a NeighborWorks Montana (NWMT)
17 5th St S
Great Falls, MT 59401

SECURITIES: Gallatin Impact Fund Certificates (“GIFCs”)

GIFCs 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 GIFCs that may be offered.

The GIFCs are offered to individuals residing in Montana. Entities either registered in Montana, or who have their principal 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 GIFCs are non-negotiable and not assignable. There is no public market where GIFCs are traded or sold and none is expected to develop. AS A RESULT, INVESTORS WHO PURCHASE GIFCs SHALL HOLD THEM UNTIL MATURITY, as they are not redeemable, under any circumstances, during the term of the GIFC.

The GIFCs constitute “Securities” under the securities act of the State of Montana and the Federal Securities Act. 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 or the SEC, does not signify that any such securities Administrators have approved or recommended the GIFCs, nor have the Administrators or the SEC 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 GIFCs will be used to expand the issuer’s mission of strengthening communities by providing education and financing that gives every Montanan the opportunity to live in a home where they can thrive. In particular, the proceeds will be used to create loans for various real estate projects in Gallatin County.

Repayment: The principal source of repayment of GIFCs 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 GIFCs commenced on April 15, 2023. 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 GIFCs 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 GIFCs is dependent upon the financial condition of the issuer.

II. HISTORY/OPERATIONS OF THE ISSUER

GIFCs will be issued by the Montana Homeownership Network, Inc. (dba, NeighborWorks Montana), a Montana nonprofit corporation (“NeighborWorks”). Its principal office is located at 17 5th Street South, Great Falls, MT 59401. The mailing address for the organization is PO Box 1025, Great Falls, MT 59403.

NeighborWorks Montana 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 strengthen Montana communities and give every Montanan the opportunity to live in a home where they can thrive.

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

A volunteer Board of Directors oversees NeighborWorks Montana. The organization also has a staff of 18 that oversees day-to-day operations, including reviews of loan applications and oversight of homebuyer education and counseling. Kaia Peterson has been the Executive Director since 2020 and has been a senior leader of the organization since 2013.

III. USE OF PROCEEDS

The proceeds from the GIFCs will be used to originate loans for various real estate projects to expand housing solutions in Gallatin County.

NeighborWorks’ team of loan specialists review the applications for each loan to ensure that all lending meets NeighborWorks’ lending guidelines as defined and approved by NeighborWorks Montana’s board of directors. In addition, an Impact Fund Advisory Board, comprised of loan pool investors, will provide limited guidance to NeighborWorks Montana in the administration of this fund. Each investor with \$250,000 or more invested will have a seat on the advisory board.

The fund targets will be to support projects serving renters and homebuyers. At least 60% of the fund dollars and projects will serve households making less than 80% of the area median

income, and the highest income levels served will be 150% of the area median.

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

A. Short-Term Gap Financing

NeighborWorks Montana provides short-term gap financing for multi-family and single-family housing developments that create and preserve affordable rentals and homeownership units. This lending may be for the acquisition of property or an existing project, for pre-development funds during the development process, construction, or to bridge the investor capital for a Low-Income Housing Tax Credit project. Terms are typically up to three years with flexible payment terms that may include deferred or interest only payments. Rates range from 0.00% up to 1.00% below primary financing rates, depending on project impact and need.

B. Long-Term Gap Financing

NeighborWorks Montana provides long-term gap financing for multi-family and single-family housing developments that create and preserve affordable rentals and shared ownership approaches such as manufactured home communities, community land trusts, and housing cooperatives. Loans may be amortized up to 40 years with a term up to 20 years. Rates range from 0.00% up to 1.00% below primary financing rates, depending on project impact and need.

C. Loan Loss Reserves/Guarantees

NeighborWorks Montana 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 GIFCs of which investors should be aware. These risks include:

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

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

c) 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 happen 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.

d) Government Funding Related to COVID Response. NeighborWorks Montana has been the recipient of significant funding in the past few years related to meeting community needs in response to the COVID-19 pandemic. As these programs were rolled out quickly by federal, state, and local government some of the compliance requirements are still not clearly defined or consistently interpreted by the government agencies administering these funds. Changes in compliance requirements could impact grant and loan terms, including the potential for recapture of funds which could negatively impact NeighborWorks Montana's ability to pay on other obligations.

e) Continuity Issues. Like any non-profit, NeighborWorks Montana 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 Montana works to systematically prevent any continuity issues, but it nevertheless remains a risk factor.

f) Economic Shifts. As with any loan fund, NeighborWorks Montana's loan fund and borrowers may be subject to and affected by large economic shifts. Rising costs of housing including factors such as interest rates, inflation, and building material and labor costs impact the number of new borrowers who can utilize NeighborWorks Montana programs, and can impact loan repayment for existing and future borrowers.

g) Insufficient Collateral for Loans. The collateral securing NeighborWorks Montana's loans is ordinarily a deed of trust on the property or project that the loan finances. In most cases NeighborWorks Montana's loans are subordinate to other financing and funding sources, and the collateral is typically insufficient to cover the loan in the early years. 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.

h) 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 fewer safeguards against fraud and mismanagement than with registered, reporting securities.

i) Changes in Non-Profit Status or Law. NeighborWorks Montana 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 Montana's operating capital. Any such change could hinder re-payment.

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

j) Other Creditors. NeighborWorks Montana has used lending from other financial institutions as well as other loan funds. As of September 30, 2022, it owed a total of \$7,867,960 on seventeen notes under the EQ2 or Patient Capital program from banks and financial institutions—with the earliest maturity in 2023 with interest rates varying between 2.00% and 3.00%. NeighborWorks Montana has borrowed \$500,000 from Opportunity Finance Network, maturing 12/31/23 with an interest rate of 3.50%; \$500,000 from Community Benefit Financial Company, LLC maturing 1/22/2026 with an interest rate of 2.00%; and \$77,102 from the CDFI Fund maturing 7/18/2035 with an interest rate of 3.00%. Other notes include eighteen private investments with varying terms and rates.

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

V. PROPERTY OF THE ISSUER

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

NeighborWorks Montana also directly owns several properties that it sells to qualified buyers. At circulation, NeighborWorks Montana real property assets valued at \$142,230.

VI. TERM OF NWCs

GIFC Notes are available for a term of one (1) to thirty (30) years with a minimum investment of \$10,000 with no maximum investment. The interest rate offered is determined by NeighborWorks Montana 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. The most recent offering was 2.00% for ten years with quarterly interest payments.

Each GIFC 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 GIFC Note.

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

GIFCs are not federally insured, are non-negotiable and not assignable. There are no provisions for early redemption of a GIFC Note. An investor who purchases a GIFC Note should intend to hold it for its full term. Because GIFCs are an investment and not a

contribution, investors who purchase GIFC Notes should not expect to receive a charitable deduction in connection with their purchase. Interest paid or accrued on the GIFCs will generally be taxable as ordinary income to the investor.

VII. PLAN OF DISTRIBUTION

The Staff of NeighborWorks Montana are the only persons authorized to sell GIFCs. No compensation will be paid to these persons in connection with the offering of GIFCs apart from the normal compensation they receive in the course of their work for NeighborWorks Montana. This compensation will not vary depending upon the success of the GIFC Note program. There is no underwriting or selling arrangement between NeighborWorks Montana 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 GIFCs.

VIII. LITIGATION

NeighborWorks Montana 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 Montana is or may be a party or to which any of its property is or may be subject.