



Capital for Communities –
Opportunities for People

New Markets Tax Credits Deal

Grain Processing Co-op Purchases Additional Operation

Deal Location

Northern Texas

Borrower Profile

The borrower in this deal is a grain processing cooperative made up of 375 farmers from Kansas, Nebraska, New Mexico and Texas who are educated in the art of milling and baking flour and corn. The cooperative specializes in wheat and corn used by sophisticated food manufacturers. The products are "identity preserved," allowing for a higher quality end products.

Area of Greater Economic Distress

The milling operation is located in a Particularly Distressed census tract. In addition, the area is in an Economic Development and Housing Hot Zone.

Description of the Deal

The headquarters for the cooperative are located in Texas, so the organization decided to act when it saw the opportunity to expand its wheat milling operations into another location of the country. It purchased an existing milling operation and equipment facility using financing from a lending partner.

Loan Purpose and Features

The purpose of this loan was to refinance the existing debt from the lending partner financing and make additional improvements to the facility.

Benefits to the Borrower

The purchase of this facility allowed the borrower to expand its operations and obtain additional ownership opportunities. The purchase potentially provides the farmers in the cooperative an increased income as it provides a larger market for the wheat and corn they produce. This deal allows the borrower to participate in a growing and appreciating wheat operation that has potential to increase their shareholder value.

The combination of a lower interest rate and longer amortization term translates into a lower debt payment for the borrower. Under CRF's non-NMTC loan purchase program, the borrower would have a \$252,000 annual debt service. However, with the benefit of NMTC, the borrower's debt service is only \$204,000 annually. Overall, the NMTC allows the borrower to save \$48,000 annually with a total savings of \$336,000 over the seven year compliance period, keeping cash in the business to support growth by adding a new employee or new equipment.

Benefits to the Lending Partner

The lending partner, Colorado Lending Source, earned a fee on this transaction. The deal also allows the lending partner to help a business in the region.

Benefits to the Community

This deal allows for the retention of 42 jobs in the community, with the potential of new job creation.

Terms of the Loan

Loan Amount: \$2,500,000

Payment: TBD

Term: 25 Years

Collateral Type: Second Real Estate Mortgage on commercial property

Value of Collateral: \$11,000,000

LTV: 82%

Owner Occupancy: 100%

Additional Financing Attracted: \$6.5 Million

Closing Date: January 2005

Strengths of the Deal

The borrower has held good profits the last three years providing good debt service coverage. In addition, the market for this higher quality "identity preserved" wheat is growing, giving the cooperative more opportunities.