

Mountain | Plains Regional Native CDFI Coalition Update

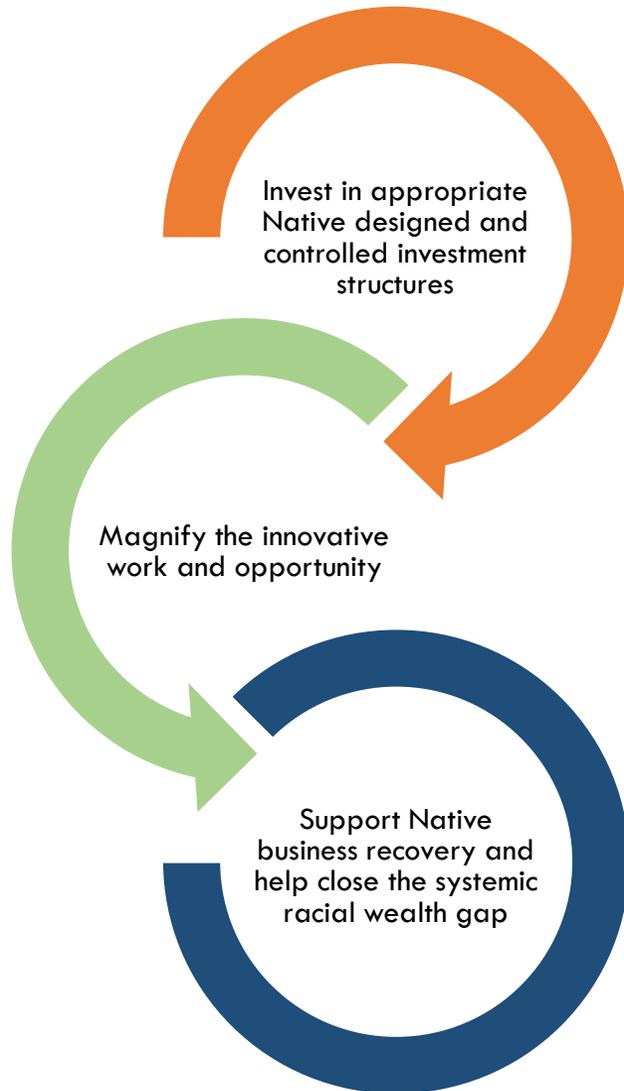
MOVING BEYOND COVID-19 & THE RACIAL WEALTH GAP | Strategies to Lead Recovery Efforts August 13, 2020 |



With support from
Jael Kampfe & Gerald Sherman
BAR K MANAGEMENT CO.



ROLE FOR PARTNERS | Invest Regionally Into Racial Equity Work



GROW LEADERSHIP & EXPAND OUR COLLECTIVE

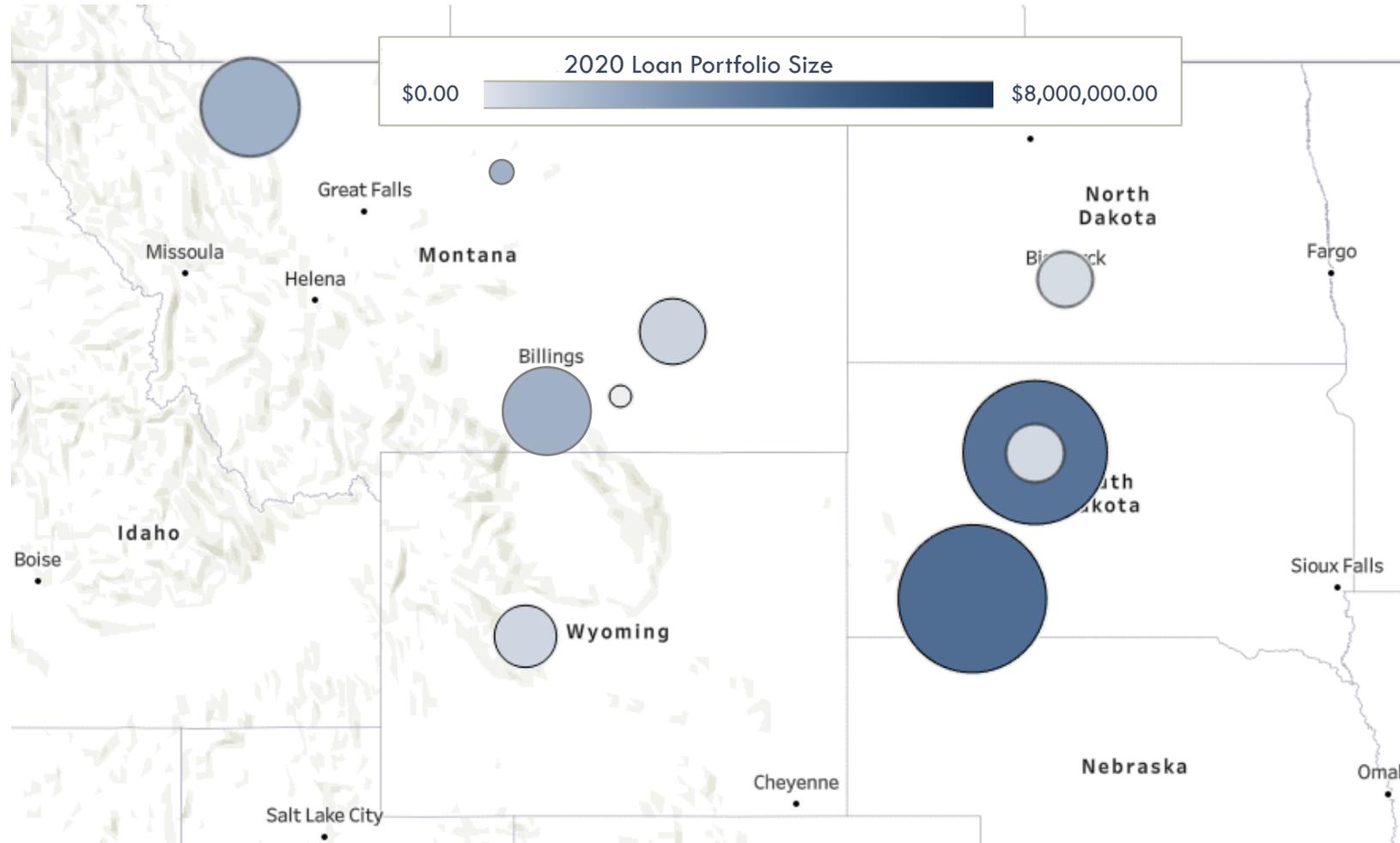
Our country is experiencing national destabilization as racial economic disparity and injustice is further unearthed and the COVID-19 pandemic threatens our economies.

The Mountain | Plains Regional Coalition is positioned to provide strategic leadership, model partnerships, and innovative solutions led by nationally recognized Native community economic development leaders.

The Coalition welcomes philanthropic and investment leaders equally committed to **the change this moment requires**. Partner with the Coalition to learn more, strengthen collective approaches, and deepen investment into challenging systemic racial inequity.



MOUNTAIN | PLAINS REGIONAL NCFDI COALITION | Coalition Members



4 states



10 Native CDFI



Combined Portfolio Size: \$17 M



MOUNTAIN | PLAINS REGIONAL NCFDI COALITION | Member Information

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MOUNTAIN | PLAINS REGIONAL NCDFI COALITION | Current Strategy

STRONGER TOGETHER

Native Mountain | Plains region NCDF leaders know that they share homelands, overlap of economies, and common values within cultures. It is for these reasons that the coalition organized as a regional strategy to provide vital support and strength.

Since sharing the outcomes of the initial survey “Mountain | Plains NCDFI Regional Coalition: Covid-19 Impacts April 24, 2020” on Native Businesses, the Coalition has expanded to include 2 additional NCDFIs and has deepened and extended membership commitment to each other.

Currently the Coalition is focused on strengthening their collective financial analysis and management capacity, while collaborating to build regional strategies. These strategies include re-aligning products and services to support business recovery and closing the systemic racial wealth gap, ultimately working to expand and diversify investor relationships and deepen collaborative funding.

Coalition Expansion

- Work collectively with 10 NCDFIs
- Meeting now – Dec. 31.
- Hold bi-weekly meetings
- Organize weekly working groups

Financial Analysis & Management Capacity Building

- Assess capacity
- Build 5-month workplan
- Deepen understanding of MPS*
- Share tools, templates, etc.

Build Regional Ag Lending Capacity

- Four-state regional agriculture market study

Regional Strategic Response

- Fortify key regional institutions
- Stabilize Existing Businesses
- Ignite Innovation
- Challenge Racial Inequity

Deepen, Expand & Diversify Investor/ Relationships

- Build regional & collective capacity
- Expand relationships & network
- Impact investors, banks, PRIs
- Strengthen investment into the region

*Minimum Prudent Standards



MOUNTAIN | PLAINS REGIONAL NCDFI COALITION | National Leaders in Agricultural Lending



Strong Native agriculture leadership



Regional market study

The Mountain | Plains region has larger land-based tribes with economies largely driven by agriculture. Consequently, some of the strongest Native leadership in agricultural lending is coming from this region. Combined between four of the Native CDFIs (Four Bands, Lakota Funds, Akiptan, NACDC) there is a combined staff experience of over 200 years. Leadership in each of these funds is grounded in ranching, using personal experience and expertise to inform Native Agricultural lending. Together, the Coalition is currently seeking funding to pursue a regional agriculture market study over their four-state region that would provide assessment and baseline data for each of them to expand their capacity to serve Native agriculture.



CHALLENGING SYSTEMIC RACISM & STRENGTHENING THE REGION

With the launch of the federal initial Cares Act on March 27, 2020, the NCDI and the Native business sector were left out of relief efforts—once more highlighting the perpetuation of systemic racial injustice. According to the “Regional NCDI COVID Data Report: 4.26.20”, only two percent of Native survey respondents were known to have successfully accessed Economic Injury Disaster Loan (EIDL) and **only 4 percent of survey respondents were known to have successfully accessed PPP in Round One. In contrast, PPP recipients in the four-state region received 73.4 percent of total wages.** Had the 301 Native owned businesses in the portfolio of the eight Native CDFIs in the region been able to access PPP on par with the rest of the region, they would have received between \$2,937,504.64 and \$14,687,508.21* in PPP monies. Based on survey results, it was estimated that Native CDFI portfolio businesses needed between \$3,030,000 and \$7,575,000 in operating capital to meet expenses through June 30, 2020. In light of this systemic inequity, 89 percent of Native businesses in the survey estimated they would be out of operating capital by June 30th, a dire circumstance that PPP funds could have considerably altered.

The persistent racial wealth and income gaps resulting from decades of colonization and asset stripping by federal policy is exacerbated for these small businesses. The Coalition’s regional strategy is designed to support economic recovery in the four-state region of North Dakota, South Dakota, Montana, and Wyoming while directly challenging the systemic racial wealth gap in the wake of the COVID-19 pandemic.



REGIONAL LEADERSHIP | Collective, Innovative, Responsive



STRATEGIC INVESTING

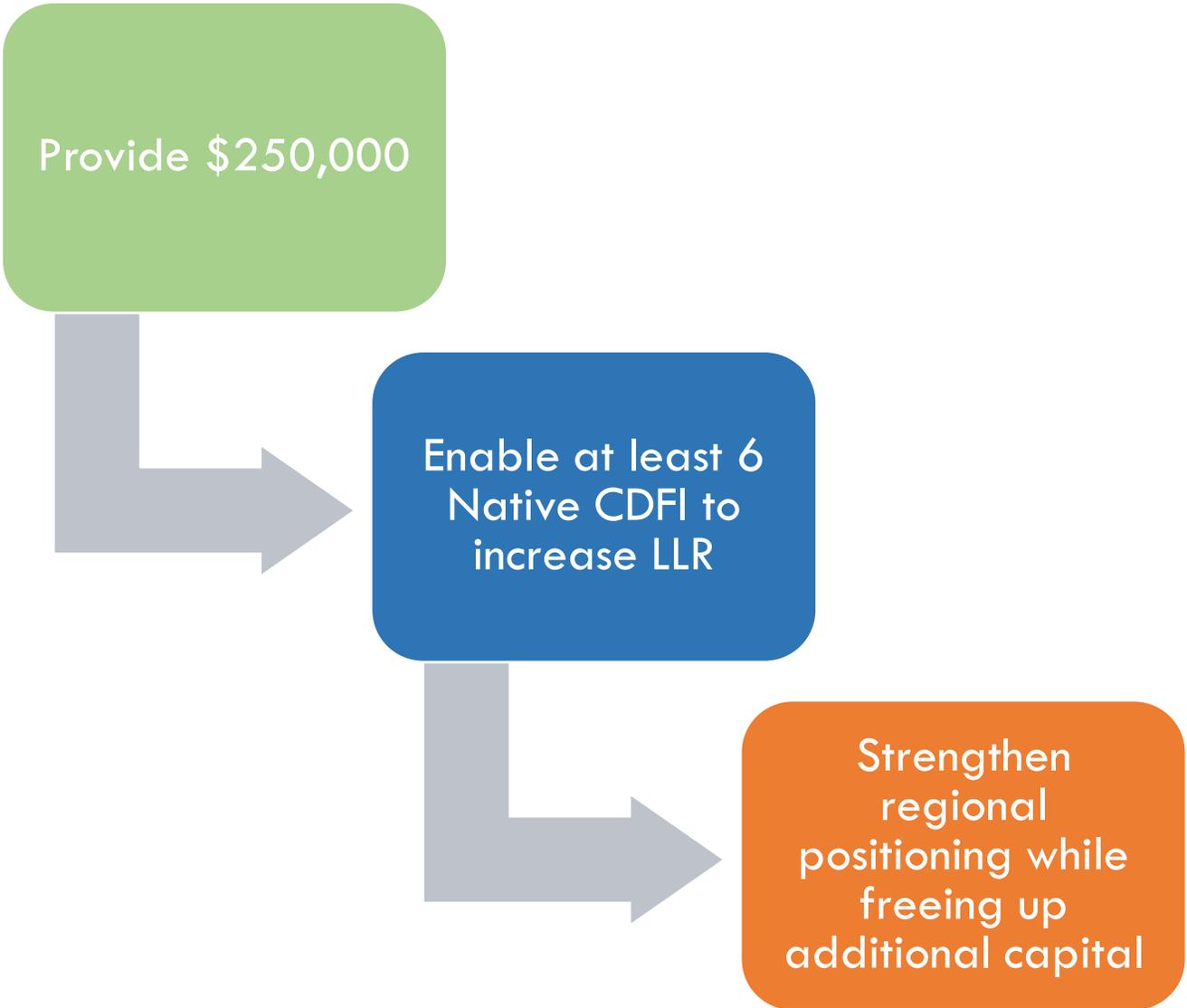
The Coalition is collaborating on a set of products and investment strategies to ensure that Native businesses in the region receive the best support possible.

Whether an emerging fund or a national leader, all NCDFIs have access to best practices, innovations, and stabilization strategies.

The Coalition is currently approaching Wells Fargo for initial investment but will need additional partners to leverage.

* In uncertain economic times a Native CDFI may exercise prudence and increase its loan loss reserves in order to effectively manage risk.





MANAGING RISK

On average, Native CDFIs keep 10% of total portfolio value in loan loss reserves. However, in uncertain economic times a Native CDFI may exercise prudence and increase its loan loss reserves in order to effectively manage risk. The Regional strategic response will provide a total of \$250,000 to enable at least six Native CDFIs to increase their loan loss reserves as their circumstances and management practices dictate. This not only fortifies key regional institutions. It also frees up additional capital to deploy, increasing strategic investment when most needed.



FORTIFY KEY REGIONAL INSTITUTIONS | Operating Support for Business Development Services



\$301k Regional operational support to at least 6 NCDFI



Focus recovery efforts to improve real time pivot and required innovation



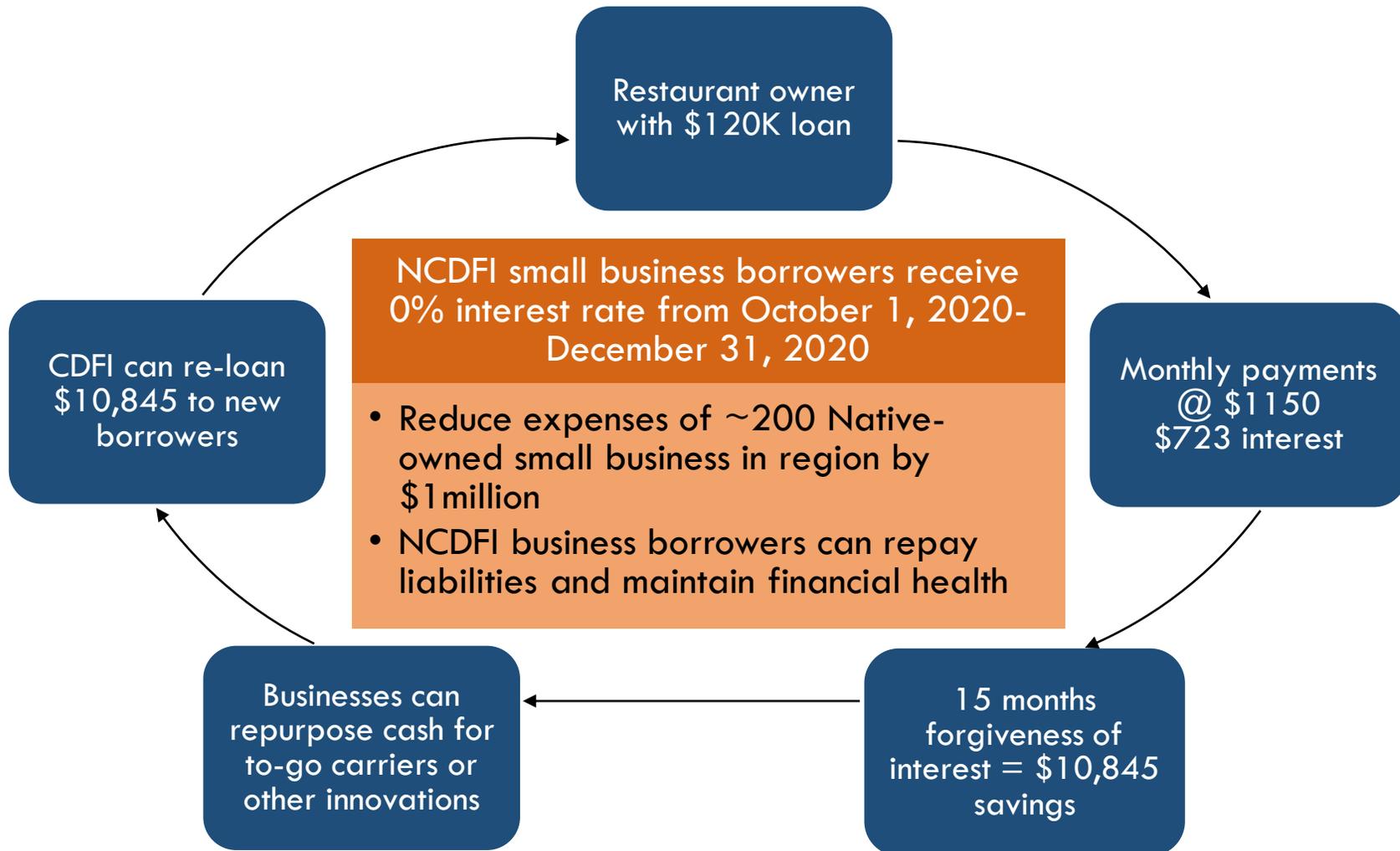
INVEST IN THE PIVOT & INNOVATION

NCDFIs are providing real time response to regional counties with the highest rate of persistent poverty and without the additional systemic investment of federal relief efforts.

As seen in the “Regional NCDFI COVID Data Report: 4.26.20”, three quarters of the Native CDFIs dedicated 50% or more of their staff time to COVID-19 response. The Coalition will provide a total of \$301,000 to support at least six Native CDFIs’ operations and business development services. This funding supports staff to focus on innovation, strengthening their pivot to better lead vulnerable Native communities who are most at risk.



STABILIZE EXISTING BUSINESSES | Subsidize 0% Interest Loans



SUBSIDIZE INTEREST PAYMENTS

Offering principal-only payments provides much-needed financial flexibility to offset revenue reductions stemming from the COVID-19 pandemic. Not only will this be a critical step in small business recovery, but it will further support private sector business development in Native communities by maintaining the solvency of participating Native CDFIs. As Native CDFIs in the region forecast revenue losses from anticipated loan modifications, subsidized interest payments will enable them to repay their liabilities and maintain sound financial health through the economic crisis.





IGNITE NEW NATIVE BUSINESS INNOVATION

During the COVID-19 pandemic, small businesses have sprouted up to meet the new and changing needs of consumers across the nation. An uptake in virtual platforms across almost every industry has increased potential for market expansion for many small businesses. To foster innovation and growth of the business sector within Native communities, the regional strategic response will deploy new small business loans at a maximum 3% interest rate, subsidizing existing loans to maintain equity. Now business ventures or expansions would be receiving below market rates and access to a tailored loan product to incentivize their innovation. A total of \$2 million will be invested into the startup or expansion of at least 20 Native-owned small businesses, resulting in the creation or retention of at least 30 jobs. Furthermore, participating Native CDFIs will build their capacity and increase their portfolios, which will attract additional investments into this impoverished region.



CHALLENGE RACIAL INEQUITY | Equity Bundles

RECTIFYING SYSTEMIC RACIAL ECONOMIC INJUSTICE

Native businesses lack of access to equity is unaddressed nationally and is a major barrier for many Native American entrepreneurs. “MOVING BEYOND COVID-19 AND RACIAL WEALTH GAP” strategy will provide up to 10% of total business project costs as equity to new small business borrowers. A total of \$200,000 will be invested into at least 20 Native-owned small businesses. These strategic financial investments are designed to overcome the systemic racial wealth gap by shifting a business’s balance sheet, which in turn better positions Native entrepreneurs for future borrowing while increasing their cash flow and capacity for loan repayment. With multi-generational persistent poverty, equity bundles begin to rectify systemic racial economic injustice.



MOUNTAIN | PLAINS REGIONAL NCDFI COALITION | INVESTMENT



INNOVATING TO GROWTH |

As the initial data collection demonstrated, the Native Business sector in a four-state region and the NCDFIs that serve them were systemically left out of initial recovery efforts.

Native CDFI leaders have come together to develop innovative and pro-active regional strategies to lead through the economic recovery process. To achieve this, they will need like-minded partners to join them in their efforts.

*\$X is raised
\$X is pending



THE PLACE TO GROW | Patient Capital

INVEST WITH US

When relatives invest in the next generation, they create terms so that the future is successful and sustainable. When we, as a Nation, begin to combat systemic racial economic injustice, the same caliber of investment is required. It needs to be long-term, patient, and invested for success.

For Native CDFIs, often these terms are 0-2% interest rates, interest only payments, long term investments (ideally 10 years), and culminates with a balloon payment. Too often, short term capital is offered to address long term change. When there can be alignment between length of investment and length of loans to Native businesses, success for regional economies can grow.



OUR COLLECTIVE

Banding together creates strength, recognizing that everyone has something vital to contribute. In the bi-weekly calls Coalition members bring ideas and opportunities to the group. Whether an emerging NCDFI or well seasoned, everyone involved is a leader. In their market, leadership in the Coalition is fluid and shared, just as the Coalition itself is designed to respond to opportunities in real time.

Within the Coalition there is awareness of relationship to a greater collective, much like the older women bring more to a feed but everyone contributes something. Together, there is enough to feed The People. Strong, established NCDFIs mentor emerging NCDFI leaders while sharing their own questions and uncertainties. Larger funds, such as Four Bands and Lakota Funds, have more staff support, including development directors, loan departments, and a full time CFO or accountant, all of which contribute to financial strength. Lakota Funds & Four Bands represent two of the largest and most established NCDFIs. Consequently, both funds recognize that they have a unique leadership role in advancing collaborative funding, lending their history and capacity to uplift others in the region, while responding to needs in real time. It is for this reason that Four Bands is taking a leadership role in the “MOVING BEYOND COVID-19 & RACIAL WEALTH GAP” regional strategy.



NEXT STEPS | Invest Regionally Into Racial Equity Work



CONNECT WITH US

There are multiple avenues to connect virtually and continue the conversation about innovation and regional leadership in the Native business sector.

Please let us know what works best for you.

The Coalition is fluid and based on shared leadership. Consequently, we encourage the building of reciprocal relationships and invite all partners to either meet with us individually, as a collective, or through our consulting partner Bar K Management CO. The Coalition is a collaborative effort between NCDFIs with market and operational similarities. It does not intend to establish an intermediary or association.

