



Fair Food Fund

COLLATERAL INITIATIVE + TECHNICAL ASSISTANCE OFFERINGS

Collateral Initiative Overview

The Fair Food Fund intends to administer a collateral initiative to provide additional collateral to encourage third party intermediaries to continue lending to Fair Food Fund mission aligned enterprises within their portfolios which will need additional working capital to reopen or resume their operations post COVID-19. The recipient of the grants and recoverable grants restricted to this collateral pool will be the Fair Food Network (a 501c3), a related entity to the Fair Food Fund. The recoverable grants will be recovered from the remaining grant funds in the pool at the end of the five-year period. We expect that the mix of funding by source of the five-year pool will be at least 75% grants and no more than 25% recoverable grants. We expect to launch the pool with a target of \$500,000. Recoverable grants bearing interest are repayable in full or in part subject to the available funds remaining in the collateral pool at the end of the period. The initial geographic focus of the initiative will initially be Michigan and New England. We intend to allow funders to have the opportunity to geographically restrict their support to the geography relevant to specific mission focus. We intend to expand this vehicle and include additional geographies in the future.

Collateral Initiative Operating Plan

Intermediaries would “sponsor” specific mission aligned deals to the Fair Food Fund Investment Committee for an allocation of collateral of 25-30% per dollar of new credit extended for a period of no more than five years from the Initiative’s inception. The Investment Committee will approve specific deals based on mission and financial viability. Deals approved will also have the option to gain access to our customized technical assistance. Grant funding for the pool will finance technical assistance, collateral and other costs of administering the pool.

We believe our minimum target of \$500,000 pool could move \$2 million of new money to a group of food enterprises that may be at risk of being washed away. This model also allows the fund to leverage third party intermediaries’ underwriting infrastructure, pipeline, and previous knowledge of the borrower to move capital quickly. The collateral initiative will be a closed - end pool so that we would raise grant (first loss capital and administrative expenses) and recoverable grant capital and hold in reserve during the proposed five-year period. The collateral pool receipts during that holding period will be investment income and guarantee fees. The disbursements will be default payments and administrative fees. At the end of the five-year period we will use the remaining grant funds in the pool after funding defaults and administrative fees to retire all or part of the recoverable grant notes issued. The recoverable grant notes will be five-year notes with all accrued interest and principle paid at maturity. The rate offered will be 0.50% simple interest accrued annually. Any remaining grant dollars would become unrestricted and available for use or to roll over to a new collateral pool. The noteholders of our flagship Fund will not be impacted positive or negatively by the collateral or credit exposure of the newly issues collateral initiative notes. The financial reporting metrics will be also be segregated.

Collateral Initiative Criteria

The criteria to qualify for a collateral through the Fair Food Fund Collateral Initiative are outlined below. Fair Food Fund will prioritize collateral to enterprises with the highest mission alignment and potential impact.

1. The enterprise must be mission aligned with Fair Food Fund. Specifically, we seek to increase availability and access to healthy food in low-income communities; create living wage jobs and local economic opportunity; support the long term of viability of small and regional farm operations; and advance businesses led by women and entrepreneurs of color
2. The enterprise must farm, produce, aggregate, or distribute food in the designated regions, including greater Boston and Detroit, where Fair Food Fund is deploying other resources.
3. Priority will be given to:
 - i) Intermediaries who are seeking to secure no more than 30% collateral for their loan. The minimum leveraged required of the collateral is 4:1.
 - ii) Deals where the collateral is activating additional capital that would not be available if not for the collateral commitment.
4. Fair Food Fund will evaluate collateral requests based on the net incremental exposure to existing commitments of the collateral initiative in aggregate. Commitments will not exceed five years and may or may not be used to cover lender collateral shortfalls.

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Technical Assistance Offerings

Whether as part of the Collateral Initiative or our broader pipeline, we offer custom technical assistance to every entrepreneur we work with, to meet them where they are and help them be successful.

1:1 Tailored Support

Leveraging partnerships and a network of consultants, we provide one-on-one consulting to enterprises on a path toward initial financing or long-range growth capital planning. Our goal is to strengthen loan readiness and future success by connecting candidates with experts in the field. Topics of support include business planning, financial management, food-safety compliance, marketing, packaging, operations management, and more.

Grocer Technical Assistance

Fair Food Network offers in-depth technical assistance to grocers, with a keen focus on existing or onboarding Double Up grocers, who wish to add or expand their healthy food inventory so that surrounding residents can make healthier choices while making these changes profitable.

Food Finance Essentials

Fair Food Network is designing a “Food Finance Essentials” training that accelerates entrepreneurs’ ability to operate their business, improve financial literacy, and better position them for financing and investment. The entrepreneur will leave with a better understanding of their business’ financial position as well as a type of ‘financial pitch deck’ they can include with any loan or grant application. Topics will include business model review and tune up, development of historic and forecasted P&L statements, and capital requirements/budget. This training can be conducted virtually or in-person considering current social distancing requirements. Each training will include multiple sessions over the course of 2

weeks from the FFN team alongside additional subject matter experts/partners, facilitated group calls to discuss questions and learnings, and 1:1 coaching and follow-on support from experienced, mentors.

COVID-19 Stress Test Support to Existing Portfolio

We are supporting existing Fair Food Fund portfolio businesses to weather through this moment. This includes a stress test analysis with each business that explores developing operational adjustments to preserve cashflow in three- and six-month business time frames. We are also offering loan deferments and/or modifications and will be available to provide intensive business assistance to support entrepreneurs as they navigate this national crisis. We have been able to provide this support virtually and will shift to onsite meetings and events when conditions warrant.