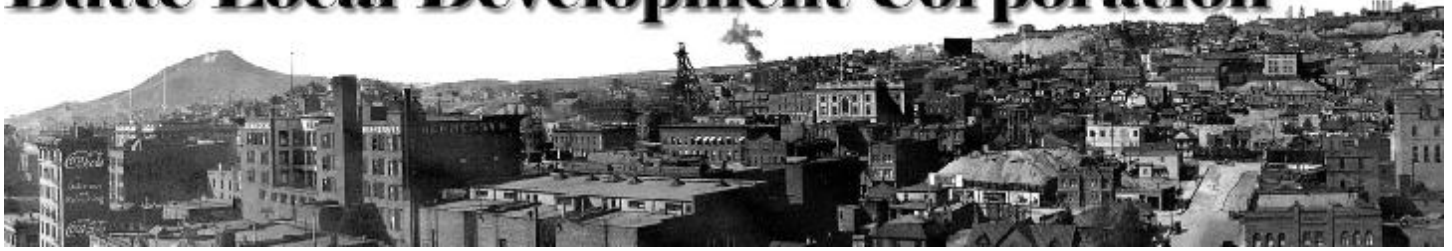


Butte Local Development Corporation



Summer 2003

August 20, 2003

BLDC Loan Program Mitigates Money Matters

The Butte Local Development Corporation's mission is to help create and retain jobs through economic expansion in the city and county of Butte-Silver Bow. To uphold and accomplish this, the BLDC has loaned more than \$11 million throughout Butte-Silver Bow, leveraging many more times over that in

bank and other financing. These funds assist start-up companies, expansions, as well as new, old, or established businesses as well as the recruitment and retention of other businesses. Additionally, the money has helped create or retain 1,122 jobs in Butte.

Evan Barrett, BLDC Executive Director, said that most major cities in Montana have some sort of lending program, which is necessary to make economic development programs more valuable and sustainable.

The BLDC actually has several different funds from which they loan money. These include the US Department of Agriculture Rural Development Intermediary Relending Program, the local Anaconda/Arco loan fund, a Community Development Block Grant, and the US Department of Commerce Economic Development Administration Grant. Those approved for loans through the system typically can borrow at a lower rate than tradi-

tional banks offer, although the BLDC usually works in conjunction with a private bank to complete a financial package.

"Ninety percent of the time, there's a bank in the deal," stated Barrett.

However, one difference between banks and the BLDC is that it is in the nature of the BLDC to take higher risk loans. William Kebe, Butte attorney and longtime chair of the BLDC loan committee, explained, "The reality of it is that we do more high-risk loans. If people could go to a bank they wouldn't need us."

Despite this, only three of the 62 loans granted or administered by the BLDC in the past six years have gone into default. That is a failure rate of 4.8%. Additionally, one of the three failed loans was drawn from Butte-Silver Bow money and not from the BLDC itself. The BLDC only helped administer that loan to Magnum Container for \$178,000.

The biggest hit that the BLDC has endured

was from the insolvent Streaming Solutions. After some of the firm's founders went bankrupt, the BLDC was left with an unpaid balance of \$395,642.

The only other ailing loan was to the founders of the Butte Irish Hockey Team. However, in that case, some of the nearly \$248,000 loan has been recovered.

On the other hand, 14 loans have been paid in full. The money that is repaid to the BLDC is then returned to the vault, enabling it to be loaned to another business in need.

Kebe expressed that the BLDC's loan program is crucial to the economy and those who need money to get going, stay afloat or expand. He also credits Barrett with expanding the loan program and locating funding sources, "Evan knew how to access federal money."

Barrett stated, "Many business projects would not otherwise have become reality without help from the BLDC."

BLDC Board Member Profile



Laura Lee Dunlap

Having served on the BLDC board since 1999, current president Laura Lee Dunlap, is a valuable asset to both the board and the community. As an attorney she operated a private practice for 16 years, and prior to that, she was the Chief Criminal Deputy in the County Attorney's office. Additionally, Laura Lee serves on the Council of Commissioners.

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Butte Teams Up for Mining: Montana Resources Reopening is a Big Hit

Montana Resources, Butte-Silver Bow, the Butte Local Development Corporation, the Mining Task Force, and legislators all teamed up to make the reopening of MR a reality. Also cited for their help were Chief Executive Judy Jacobson and her team, as well as Gov. Judy Martz. Jacobson stated, "It's been a great effort...MERDI worked with us, the BLDC and the county attorney...there were a lot of people working on this."

A three-point plan provided the mine with the necessary financial support. The first part of it includes a \$1 million grant from the county's hard rock mine trust fund reserve, which will be used to upgrade engines on the mine's haul trucks.

The trust contains about \$6 million and was created with proceeds from metal mines tax payments MR was required to pay the state when it was operating. Steve Walsh, vice president of MR, told the Council of Commissioners that if copper were to sell for 85 cents a pound and molybdenum for \$4 a pound, the company would easily put \$1 million back into the trust fund over 10 years.

The second source of assistance is a \$2 million State Board of Investments infrastructure loan that will be used to install 30 electric transformers and 3,000 feet of new power lines at the mine. MR itself is not eligible for the loan, therefore they will pay the loan back over three years through a monthly user fee to the county, which will then pass it on to the state.

The third source is a new industry tax break in which MR will be treated as a new business. It will pay roughly 50 percent of its tax bill for the first five years of operation, and then increase by 10 percent each year after that until it is paying in full. Even with the tax break, Butte-Silver Bow will start collecting considerably more tax money than it is now.

The with MR reopening brings 350 new jobs for Butte. Besides good jobs with benefits, however, the mine creates a significant "spin-off" factor with secondary jobs and services, Jacobson said.

"I couldn't be more ecstatic about what it means to the economy," said Evan Barrett, executive director of the Butte

Local Development Corporation. "I don't think you could overstate the dramatic impact on Butte's economy."

Walsh reported that more than half of the former MR workforce, 175 people, have expressed interest in returning to work. Walsh would not say what workers are earning, but said it is higher than when the mine shut down three years previously. At that time, employees were earning about \$30,000 a year, with good benefits and profit sharing.

Additionally, the BLDC, in conjunction with Butte-Silver Bow and the state of Montana is connecting MR to various job training programs, including workforce investment training monies available through the Montana Department of Commerce and the state's new job training funds administered through the Governor's Office of Economic Opportunity (House Bill 564). Previously existing federal job training programs are also being looked at by MR.