



La Montanita Fund Memorandum

INTRODUCTION

The La Montanita Fund, LLC (“LaM Fund”) provides an opportunity for members of La Montanita Food Cooperative (“La Montanita”) to support farms, ranches, value-added producers, business cooperatives, and other food system endeavors and related businesses, as well as non-food businesses in New Mexico that use the cooperative economic business model, (“Producers”) in the La Montanita food-shed region. The La Montanita food-shed region encompasses a 300 mile radius around Albuquerque, throughout New Mexico and extending into southern Colorado, west Texas and eastern Arizona (“Food-shed Region”). The LaM Fund’s manager is La Montanita, and it is governed by the La Montanita Board of Directors. The LaM Fund will use participants’ investments to collateralize loans made and administered by the New Mexico Educators Federal Credit Union (“NMEFCU”) to Producers to help them scale up production and invest in new crops and products to create as complete a regional nutritional palette as possible and cooperative businesses to help build the regional economy. The La Montanita Fund is a limited liability company subsidiary of La Montanita.

BACKGROUND

La Montanita was incorporated on December 1st, 1976 by three hundred families. Since that time, it has grown to serve three communities in Albuquerque, in Nob Hill, the North Valley and on the University of New Mexico Main Campus, and one neighborhood in each of Santa Fe and Gallup, through its five grocery stores. In October 2013 La Montanita Coop opened its sixth store on Albuquerque’s Westside in the Cottonwood Commons Shopping Center. Its Co-op Trade/Food Shed Project is a wholesale distribution network that serves some 450 local farmers, ranchers and value-added producers in a 300 mile radius around Albuquerque. La Montanita has over 250 full and part-time employees, who receive living wage pay, have a full benefit package, including health and dental insurance, vacation and sick pay, participate in a gain share program, and receive a \$0.50 on a dollar match in their 401k accounts. During La Montanita’s fiscal year ending August 31, 2013, it had over \$32 million in net sales and \$766,484,20 in net income before membership patronage dividends were paid. This is close to the amount generated in 2011 and more than the amount generated in 2012 when employee health care costs were higher than average.

The LaM Fund was formed on July 19, 2010, as a new, wholly-owned subsidiary of La Montanita. For close to a decade, La Montanita has made loans to local farmers and food producers. This loan program provided capital for development to producers. The loans were repaid to La Montanita through scheduled deductions in payments on delivery invoices for goods purchased from participating producer-borrowers. These loans totaled over \$40,000 during 2009 and 2010. During the time it made

these loans, La Montanita had more requests from food system businesses for aid than it could cover. The LaM Fund is the outgrowth of this loan program. It allows La Montanita members to participate in building the local food system. Proceeds from the sale of the Interests in this offering will be deposited in an account with New Mexico Educators Federal Credit Union (“NMEFCU”) for use as collateral for loans approved by the LaM FUND loan committee and made by NMEFCU to Producers based on the recommendations of the LaM Fund Loan Advisory Committee. The loans will be administered by NMEFCU. The LaM Fund closed its first offering on December 31, 2010. In that offering, it raised \$97,000. Two loans, totaling \$1,500 in principal amount were made and have since been repaid. Income for the LaM Fund’s first 12 months was negligible. Of the balance of invested funds of \$95,500, \$7,000 were withdrawn by those investors on December 31, 2011, and \$88,500 were automatically rolled over to remain available for loans. The LaM Fund closed a second offering on December 31, 2011. In that offering, it raised \$9,750 in addition to the \$88,500 funds that were automatically rolled over from the first offering. Eight loans totaling \$86,850 in principal amount were made. The LaM Fund closed a third offering on March 31, 2013. In that offering, it raised \$25,750 in addition to the \$98,250 in funds that were automatically rolled over from the second offering. Net income (loss) for the 12 months ended December 31, 2012 was \$0 on total revenues of \$1,672.29. As of July 18, 2014, loans in the total principal amount of \$58,867.06 were outstanding. In May of 2013 one loan recipient defaulted on the balance of its \$7,000 loan. La Montanita Coop covered the \$3,610.28 balance owed to NMEFCU. The LaM Fund paid \$2,197.53 in earnings in 2014 to 2010-2013 investors , largely consisting of interest paid on the NMEFCU account in which these funds were held.

La Montanita owns and controls the LaM Fund. Both A Interests and B Interests allow for the participation in LaM Fund activities but do not provide ownership of the LaM Fund. They do entitle A and B Interest purchasers to a share of any income from LaM Fund activities, such as loan fees, as determined by the La Montanita Board of Directors, proportional to the number of Interests they have purchased. La Montanita will purchase all A Interests by rolling over its A Interests purchased in the previous offerings. If a loan defaults, collateral provided by A Interests will be accessed first to repay NMEFCU before collateral provided by B Interests is accessed. Please see “Loans to be Collateralized.”

THE OFFERING

The LaM Fund is offering 800 non-ownership, nontransferable participation interests (“Interest(s)”), 100 A Interests and 700 B Interests, at \$250 per Interest for a total of \$200,000 maximum aggregated amount. B Interests are offered to all La Montanita members in good standing (those who have continued to pay their annual dues and whose membership is not expired or are Lifetime members having paid their \$200 Lifetime membership fee) and who are bona fide residents of New Mexico. La Montanita membership is open to all interested parties at a cost of \$15 annually.

A Interests are held solely by La Montanita. NMEFCU will access the proceeds of the sale of A Interests first should a Producer loan default occur. To that extent, these Interests may provide a lessening of risk to other LaM Fund investors. La Montanita will invest \$25,000, by rolling over the funds it invested in the previous offerings from 2010 thru 2014, for a total holding of 100 A Interests, in the 2014 LaM Fund offering.

B Interests may be purchased by current La Montanita Members resident in New Mexico. The price per Interest is \$250. Residence must be established to our satisfaction.

LaM Fund investors will receive non-transferable certificates for the Interests they purchase. The minimum investment per Investor for B Interest Investors is \$250, or one B Interest. The maximum investment for B Interest Investors is \$10,000, or 40 B Interests per Investor.

No commissions on sales of LaM Fund Interests will be paid. Investments in the LaM Fund will only be taken by LaM Fund representatives during the offering period, which may be extended by the Manager. LaM Fund will offer B Interests for sale directly and without any agent. No third party has been authorized to sell or promote LaM Fund Interests, or to be paid any commission. The offering period for the 2015 LaM Fund Offering begins on October 1, 2014 and ends on March 31, 2015, unless extended by the managing member for one or more periods not exceeding a total of 183 additional days. B Interests purchased between October 1, 2014 and December 31, 2014 will be “B-1” Interests and applied to loans maturing on or before December 31, 2015, from January 1 to December 31, 2017; or from January 1, to December 31, 2019, depending upon the investment period of one, three or five years. B Interests purchased between January 1, 2015 and March 31, 2015 will be “B-2” Interests and will be applied to loans maturing on or before June 29, 2016; from June 30, 2016 to June 29, 2018; and from June 30, 2018 to June 29, 2020, depending on the investment period of one, three or five years. See the Loan Structure Chart below. B-1 and B-2 investors may choose a one year term, a three year term, or a five year term for their investments, at the end of which they may withdraw their remaining funds. If an investor does not withdraw the investor’s funds, the funds will automatically be rolled over for successive additional terms. Investments of one year will be rolled over for successive one year terms (unless funds are withdrawn upon notice). Three year investments will be rolled over for either successive one year terms or three year terms, as selected by the investor at the time of investment. Five year investments will be rolled over for successive five year, three year, or one year terms, as selected by the investor at the time of investment. If the investor did not designate a rollover period at the time of investment, and the investor does not respond to a request from LaM Fund with respect to a rollover of funds, that investor’s funds will be automatically rolled over for an additional one year term.

LOAN STRUCTURE CHART

OM Begin	OM End	Investment Date	Investment End Date	Rollover or Withdrawal Date	Loans Funded Maturity Date
2015 Offering					
B1- Oct 1 2014* B2- Jan 1 2015**	B1-Dec 31 2014 B2March 31, 2015	One Year B1-Jan 1, 2015 B2-June 30, 2015	B1-Dec 31, 2015 B2-June 29, 2016	B1-Jan 1,2016 B2-June 30, 2016	B1-≤Dec 31, 2015 B2-≤June 29, 2016
“	“	Three Year B1-Jan 1, 2015 B2-June 30, 2015	B1-Dec. 31, 2017 B2-June 29, 2018	B1-Jan 1, 2018 B2-June 30, 2018	B1-≥Jan 1, 2015 ≤Dec 31, 2017 B2-≥June 30, 2015 ≤June 29, 2018
“	“	Five Year B1-Jan 1, 2015 B2-June 30, 2015	B1-Dec. 31, 2018 B2-June 29, 2019	B1-Jan 1, 2020 B2-June 30, 2020	B1-≥Jan 1, 2017 ≤Dec 31, 2019 B2-≥June 30, 2017 ≤June 29, 2020

- * B-1 Interests are represented in blue

- **B-2 Interests are represented in green

RISK FACTORS

Our business, operations, and financial performance and condition are subject to various risks and uncertainties. We have described below significant risk factors that may adversely affect our business, operations, financial performance and condition or industry. You should carefully consider these factors, together with other information in this memorandum, before making any investment decision about our Interests.

Risks Relating to our Business

Loans that we collateralize will be made to Producers in our Food-shed Region, which encompasses approximately a 300-mile radius around Albuquerque, New Mexico. The borrowers' ability to repay the loans will depend in part on La Montanita's ability to sell their products, as well as Producers' abilities to create and expand other markets.

If the La Montanita business declines for any reason, the ability of the borrowers whose loans we collateralize to repay their loans may be undermined, increasing the loan default rate and the likelihood of a call on collateral for the loans, including the collateral furnished by Investors.

The ability of borrowers to repay loans we collateralize will depend on their ability to produce quality food products.

Significant factors that affect food production include:

- costs of food production,
- availability of labor,
- terms and availability of financing for food producers,
- affordability of production equipment,
- interest rates,
- energy costs,
- demand for goods and services,
- weather conditions and natural disasters, and,
- personal issues including changes in familial situations and health.

Any adverse change in these factors could adversely affect a borrower's ability to repay the collateralized loan, which could result in the loss of our collateral.

Economic conditions that have an impact on consumer spending could materially affect La Montanita's business, which, in turn, could affect our borrowers' ability to repay loans.

The global economic crisis and the ongoing economic uncertainty continue to affect consumer confidence and discretionary spending negatively. While economic conditions have been slowly improving, ongoing economic uncertainty continues to affect consumer confidence and discretionary spending. However, the increased interest in the local foods movement and our participation in that growing sector of the economy has positively affected sales year to date. La Montanita's results of

operations and those of our borrowers may be materially adversely affected by changes in overall economic conditions that have an impact on consumer confidence and spending, including discretionary spending. We cannot assure that various governmental activities to stabilize the markets and stimulate the economy will restore consumer confidence or change spending habits. Future economic conditions affecting disposable consumer income, such as employment levels, business conditions, changes in housing market conditions, the availability of credit, interest rates, tax rates, fuel and energy costs, the impact of natural disasters or acts of terrorism, and other matters could reduce consumer spending or cause consumers to shift their spending to lower-priced competitors.

Our financial success will depend on our ability to properly identify qualified borrowers.

Our loan committee will use specified loan qualification criteria to screen borrowers for the loans we collateralize. To the extent the screening is ineffective, we may suffer losses from borrowers who were not good loan candidates and are unable to repay their loans.

We rely on the New Mexico Educators Federal Credit Union to process and administer the loans we collateralize.

If for any reason NMEFCU is unable or unwilling to provide the loan services, or performs those services ineffectively, our loan program, and therefore our income from it, may be adversely affected. Moreover, the default rate on our collateralized loans may increase, and we could lose our collateral.

You and other security holders will not manage or own the LaM Fund. Rather, La Montanita will be the managing member of the LaM Fund.

You will not be directly involved in the operation, management, or ownership of the LaM Fund by virtue of your status as the holder of an Interest. The LaM Fund will be operated, managed and owned by La Montanita. As the managing member, La Montanita is responsible for, and entitled to act with respect to, all matters not specifically required to be approved by vote of the members. As the sole member, La Montanita has the only vote on all voting matters.

We depend on personnel from La Montanita to manage and operate our business and make our business decisions.

We have no employees of our own. All of our management, loan committee, and other personnel are employees or volunteers with La Montanita and provide us with assistance as part of their responsibilities to La Montanita. Moreover, we do not have funds available to retain our own staff. If the La Montanita personnel are unavailable to us for any reason, our business could be adversely affected.

La Montanita faces significant competition in the grocery and food sales market, which could adversely affect us and our borrowers.

La Montanita's principal methods of competition include quality and regional source of products, service, and pricing. Actions of La Montanita's competitors, or the entry of new competitors in La Montanita's markets, could lead to La Montanita lowering prices in an effort to maintain market share, and also could lead to lower sales volumes. La Montanita's competitors include but are not limited to local, regional, national and international supermarkets, natural food stores, warehouse membership

clubs, small specialty stores, and restaurants. Their businesses compete with La Montanita for products and customers. Some of them are expanding more aggressively in marketing a range of regional, natural and organic foods. Some of these potential competitors may have been in business longer or may have greater financial or marketing resources than La Montanita does. They may be able to devote greater resources to sourcing, promoting and selling their products. If La Montanita's business is adversely affected by competition, its support of the LaM Fund could be eroded. The LaM Fund's borrowers, as La Montanita producers, could also be adversely affected and, as a result, have difficulty in repaying the loans we collateralize.

Our business is subject to regulation, which may become more onerous over time.

We adhere to all state and federally mandated Fair Lending Standards. Our Fair Lending Criteria are attached as an addendum to this memorandum. La Montanita and LaM Fund adhere to all other business and food safety regulations in all our business practices. Changing food safety regulations and requirements could impact our producer-borrowers, most of which are small to mid-sized farms and businesses, and affect their ability to repay loans. In preparation for coming Good Agricultural Practices requirements by the federal government, we educate food producers on coming food safety requirements, working with them as requested to implement GAP practices.

Risks Inherent in an Investment in Us

Although we are a wholly-owned subsidiary of La Montanita, we are a separate entity, solely responsible for our own liabilities. Investors could lose their entire investment.

The only financial resources we have are the funds we received for sale of our A and B Interests. La Montanita received its membership interests in exchange for payment of our start-up fees. Thus, we have very limited resources to meet any liabilities we may incur. Investors may lose their investments if we are required to pay for any liabilities, however incurred.

The Interests you purchase may not hold their value, especially if a collateralized loan defaults and the collateral we furnish is seized.

Your Interests only generate income through interest on the balance in the account holding proceeds of this offering or if the loans we collateralize with the proceeds of this offering generate income through loan fees. If a loan is in default, NMEFCU has the right to seize the collateral we furnished, and we will lose some or all of our asset base and interest on it, including part or all of your investment to the extent that the loan loss exceeds the investment made by La Montanita as the A Interest owner and is in the group of loans that your investment collateralizes.

Longer-term investments may have increased risk compared to shorter term investments, but are not compensated for that risk.

Longer term loans may be riskier than shorter term loans where all other parameters are the same because of the increased opportunity for intervening causes of default and because the interest rates are set even though interest rates could rise in the future. Notwithstanding the possible increased risk, the interest rate on all LaM Fund guaranteed loans will be 5%, so longer term investors are not compensated for any increased risk.

You will have increased risk if you are the only or one of only a few that invest for your term length.

We intend to allocate collateral to loans based on the term of the investment providing the collateral and the term of the loan. If a loan defaults, the loss of collateral will be allocated pro rata over the investments maturing at or after the loan maturity date. Thus, if only one or a few investors provide collateral for a given group of loans, each investor will suffer more loss than if the allocation were over a broader number.

No market exists for our Interests, which are nontransferable. We do not expect that one will develop.

Sale of securities is much easier, and often only possible, when an active trading market for the securities exists. No market exists for our nontransferable, non-ownership, participation Interests. We are taking no action to develop a market, nor do we expect a market to develop. Except for your right to withdraw your remaining investment at the end of the LaM Fund term on December 31, 2015, 2017, or 2019 for B-1 Interests, or June 29, 2016, 2018, or 2020 for B-2 Interests, depending on the investment period you choose, which is limited by any loans in default, your investment in our Interests will most likely be illiquid for an indefinite period of time. If you do not withdraw at the end of the period you specified, the investment will automatically roll over for successive additional one year terms.

Our managing member and owner, La Montanita, controls our ongoing operations, company transactions and other matters. Its interests may conflict with or differ from your interests as an Interest holder.

La Montanita owns all of our outstanding limited liability company ownership interests. As a result, La Montanita is able and will be able to control the outcome of all matters for the LaM Fund. As long as it continues to own our outstanding ownership interests, and as long as it is our managing member, it will be able to direct our decisions, policies, management and affairs, and company actions requiring the approval of members. Its interests may not coincide with your interest as an Interest holder.

We will not make distributions, if any, to Interest holders until 90 days after the close of the LaM Fund year.

We will not make any cash or other distributions to Interest holders until after the end of the LaM Fund's year on December 31, 2015. Any distributions will be contingent upon our revenues and profits, if any. Distributions will be made, if at all, solely at the discretion of the La Montanita board of directors, as the decision authority of our managing member.

The tax consequences of a purchase of Interests may be unfavorable.

We make no representations or assurances about the tax consequences to you of a purchase of Interests. Even if the tax consequences of holding our Interests currently are satisfactory, a change in tax law could adversely affect you. ***You are urged to consult your own tax advisor to determine the tax consequences to you.***

Your participation interest may be diluted in the future.

If we issue new Interests to other investors, your percentage of participation in any income we may have may be diluted.

Your rights and obligations as an Interest holder are described in the La Montanita Fund Investor Agreement. You should carefully review the Investor Agreement with your legal counsel.

You will not have the right to withdraw until January 1, 2016, 2018 or 2020 for B-1 Interests, or June 30, 2016, 2018, or 2020 for B-2 Interests, depending on the investment period you choose, and then only if you have given proper notice and to the extent collateralized loans are not in default.

You may withdraw only if you provide notice of withdrawal within the time periods required, and then only after the LaM Fund term you have chosen has ended. To the extent that your investment must be held as collateral for loans then in default, or to the extent your investment as collateral has been applied against a defaulted loan, you will not be able to withdraw even if you have given proper notice.

Your interests in the LaM Fund may not be transferred.

The Investor Agreement specifically provides that Interests may not be transferred in any way, whether by gift, sale, transfer, pledge, or in any other manner. If a B Interest holder dies, the holder's Interests will be transferred to the Interest holder's estate and will be subject to all restrictions as outlined in the Investor Agreement.

Transfer of your Interests will be restricted by securities laws and your interests may not be offered, sold or transferred except in compliance with those laws.

Even if Interests were to be transferable, no offers, sales or transfers of any Interests issued in this offering may be made except pursuant to registration or an exemption from registration under applicable federal and state securities laws. The Intrastate Exemption of federal law, upon which we are relying, does not permit Investors to sell or transfer Interests to other than New Mexico residents during the offering and for a period of nine months after the last sale we make in the offering. We do not intend to register the Interests. You will need to establish any exemption to our satisfaction. We may require an opinion, satisfactory to us in our discretion, of your counsel, also satisfactory to us in our discretion, that a proposed transfer complies with applicable securities laws. We will put stop transfer instructions in our Interest ownership records.

USE OF PROCEEDS

The maximum amount of proceeds we plan to raise in this offering is \$200,000. We expect to use the proceeds substantially as follows.

Use of Proceeds	\$ if Maximum Raised	% if Maximum Raised
Total Proceeds	200,000	100
Offering expenses	0	0
Collateral Deposits	200,000	100
Administration	0	0

For this fourth offering of the LaM Fund, La Montanita will assume all of the expenses. It has budgeted \$10,000 for costs, including legal, accounting, print, mailing and miscellaneous costs. None of the proceeds from the sale of Interests in the LaM Fund 2014 offering will be used to offset the costs of the LaM Fund during 2014. All proceeds will be used to collateralize loans to regional Producers and at least 80% of the Proceeds will be used to collateralize loans to New Mexico Producers.

We expect to deposit 100% of the maximum proceeds in a single account with NMEFCU for use as collateral for loans approved by the LaM Fund Loan Advisory Committee and administered by NMEFCU.

We do not plan to apply any of the proceeds of this offering to administrative expenses during the fourth year of the LaM Fund. These expenses will be paid by La Montanita. In future years, LaM Fund administrative costs may be paid out of gross income on LaM Fund activities, reducing the amount available for distribution to A and B Interest holders proportionate to the number of Interests they hold.

We do not expect any of the proceeds to be used to pay salaries or other compensation to the managing member of the LaM Fund. The LaM Fund will be administered by La Montanita as part of its ongoing operations. Employees, directors and officers of La Montanita will provide needed administrative support as part of their duties for La Montanita. The LaM Fund's income and loss will be recorded as a division within La Montanita Co-op and will be consolidated into organizational financials for federal tax purposes.

Pending these uses of the proceeds, we intend to invest the net proceeds from this offering in deposit accounts at NMEFCU or in short-term, investment-grade, interest-bearing securities.

LOANS TO BE COLLATERIALIZED

The LaM Fund Loan Advisory Committee ("Loan Committee") will accept applications from Producers in the Food-shed Region who need loans for support or expansion of their food system endeavors and New Mexico cooperative businesses. The Loan Committee will provide the names of approved food Producers to NMEFCU, who will then make and administer the approved loans.

Loan applications will be taken by the Loan Committee on an ongoing basis, in accordance with loan criteria established by the Loan Committee. The Loan Committee will review applications and approve loans on an as-needed basis. Approved loan information will be forwarded to NMEFCU. Loans will be processed and repaid through NMEFCU branches throughout the region.

Borrowers must be members of La Montanita (\$15 annual fee) and NMEFCU (\$5) and pay a \$25 loan application fee at the time of application. A loan processing fee of 5% of the total loan amount will be assessed at the time the loan is made and paid to LaM Fund by the borrower. NMEFCU will charge interest of 5%, compounded daily, on each loan for its services. The LaM Fund charges are the \$25 loan application fee and the 5% loan processing fee, both of which will accrue to the LaM Fund and will provide the LaM Fund income to be disbursed to purchasers of A and B Interests. The interest rate and the LaM Fund charges do not vary because of the length of the loan, which may be up to five years, in the discretion of the Loan Committee. The fees collected, and therefore the income of the LaM Fund, will depend solely on how many applications are received and loans made.

The LaM Fund will use commercially reasonable efforts to obtain the successful repayment of investment loans, both through careful screening of loan request documents and through general collection efforts. LaM Fund borrower Loan Agreements will permit La Montanita on behalf of LaM Fund to collect on defaulted loans through deduction from payments due to the borrowers for product sales to La Montanita when possible. Through La Montanita, the LaM Fund will have access to and use some of the same efforts La Montanita has used in the La Montanita loan program.

Investor Funds will be allocated as collateral for loans as follows:

- All loans maturing within the one-year investment term (“One Year Loans”) will be secured by one-year term investments (“One Year Collateral”).
- All loans maturing on or after the one-year term date and before the three year term date (“Three Year Loans”) will be secured by three-year term investments (“Three Year Collateral”).
- All loans maturing on or after the three-year term date and not later than the five year term date (“Five Year Loans”) will be secured by the five-year term investments (“Five Year Collateral”). One Year Loans, Three Year Loans, and Five Year Loans are each a “Loan Category” and One Year Collateral, Three Year Collateral, and Five Year Collateral are each a “Collateral Category.”
- Roll overs will be reallocated for the period rolled over.

If a borrower does not pay an amount when due, NMEFCU will provide a pre-default notification 15 days after the first missed payment and notify the LaM Fund when the loan is 30 days in arrears. The LaM Fund, with the assistance of La Montanita, will be responsible for collection efforts for repayment of the loan. NMEFCU will have the right to remove funds from the LaM Fund collateral account to cover unpaid loans 30 days after notification of non-repayment of loans, a total of 60 days from the time loans are in arrears. A Interest collateral will cover losses on loans before B Interest collateral is tapped to cover unpaid loans. Should A Interest collateral not cover the total amount of defaulted loans, B Interest collateral will be accessed to cover loan defaults. All B Interests collateral in a Collateral Category related to the Loan Category of the defaulted loan will be decreased proportionately to cover default losses. For each loan in default, each B Interest holder could lose funds in the proportion that the B Interests of that Investor in the Collateral Category related to the Loan Category of the defaulted loan bear to the total B Interests in the Collateral Category related to the Loan Category of the defaulted loan.

DURATION OF INVESTMENT; USE OF FUNDS

The LaM Fund investment term for this offering is one year, three years, or five years, depending on the investment period you choose, beginning January 1, 2015 and ending on December 31, 2015, 2017, or 2019, respectively for B-1 Interests. For B-2 Interests the investment period begins on June 30, 2015 and ends on June 29, 2016, 2018, or 2020, respectively. LaM Fund investors will receive interest on their deposits at the NMEFCU money market rate from the date of deposit until the term ends or the deposits are applied by NMEFCU against defaulted loans. At the end of each year during the term, the LaM Fund general manager will propose to the La Montanita Board of Directors a distribution based on the net income, if any, of the LaM Fund during the year. Investors will receive approved distributions proportionate to the number of A and B Interests they hold. These distributions will be paid to Investors not more than 90 days after the end of the year. Similarly, the LaM Fund will notify Investors of the amount, if any, applied from the LaM Fund account at NMEFCU to loans that have

defaulted. LaM Fund A Interests are held exclusively by La Montanita and will be used first to cover losses if a loan default occurs.

Investors agree to give LaM Fund the authority in its absolute discretion to use funds deposited by the LaM Fund with NMEFCU as collateral to secure NMEFCU loans which

- (1) Meet LaM Fund's criteria, which include loans to food Producers and related businesses in the La Montanita Food-shed Region, and New Mexico cooperative businesses and meet the LaM Fund's Fair Lending Standards (see Fair Lending Standards attachment)
- (2) Are approved by the LaM Fund Loan Advisory Committee according to the committee's guidelines, and
- (3) Might not otherwise be made by the NMEFCU without LaM Fund's collateralization.

All interest accruing to the Investor based on the number of Interests held will continue to accrue solely to the Investor. The LaM Fund will do all due diligence to maintain proper records of deposits and accruals to an Investor's account. Reports will be provided to Investors on a regular basis to apprise Investors of loans collateralized by the LaM Fund program and their status.

By investing, each Investor agrees to maintain funds in the Investor's LaM Fund account for a term of not less than the Fund term selected by the Investor (from January 1, 2015 to December 31 of 2015, 2017, or 2019, respectively for B-1 Interests, or from June 30, 2015 to June 29, 2016, 2018 or 2020 respectively for B-2 Interests) plus 90 days. LaM Fund Investors will receive rollover notification at the end of term, at least 60 days before the rollover date of January 1st or June 30, respectively of the following year. Investors who do not wish to roll over their investments must notify the LaM Fund in writing, by providing an Intent to Withdraw, by November 30, 2015, 2017, or 2019 for B-1 Interests, or by May 29, 2016, 2018 or 2020 for B-2 Interests, depending on the investment period chosen. Without written notification of Intent to Withdraw, LaM Fund will automatically roll over investments for one year roll over terms, unless otherwise designated by the investor, and will continue to do so for successive one year roll over terms unless funds are withdrawn at the end of a roll over term. Withdrawal requests will be honored in order of receipt and will be completed at the end of the term year plus 90 days. The amount of any withdrawal will be decreased by any collateral funds that are applied against the Investor's funds to pay defaulted Producer Loans. The LaM Fund will collateralize no new loans if withdrawal requests are outstanding. La Montanita may not submit a withdrawal request with respect to the A Interests unless and until all B Interests have been withdrawn.

An Investor may end the Investor's participation in the LaM Fund after each term (or rollover term) plus 90 days by closing the Investor's account. The closing of an account is accomplished in the same way as a withdrawal and under the same conditions, except that all funds will be withdrawn. La Montanita may not close its A Interest account unless all B Interest Investors are also closing their accounts, before or simultaneously with the closing of the A Interest account.

The LaM Fund will collateralize no new loans if requests for withdrawal or account closure are outstanding.

By investing, Investors acknowledge that loan collateralization decisions are made solely by the Loan Committee and no individual Investor or group of Investors is in a position to influence the decisions of the Loan Committee, by vote or otherwise.

LaM Fund deposits with NMEFCU are federally insured to \$250,000, and backed by the full faith and credit of the United States Government, by the National Credit Union Administration, a U.S. Government Agency. All deposits will be fully insured under federal law until the deposits are withdrawn or applied against loans in default.

No secondary market currently exists for LaM Fund Interests nor will one exist after this offering. Investment in LaM Fund Interests is not tax deductible; nor is it treated as a donation. Be aware that you may be required to bear the financial risks for this investment for an indefinite period of time.

THE LaM FUND

The LaM Fund is a limited liability company subsidiary solely owned and operated by La Montanita. As such, it is governed according to the same policies that govern La Montanita as set forth in La Montanita's Policy Governance Manual. This manual is available at 901 Manual Blvd. NE, Albuquerque, New Mexico 87107 or on line at www.lamontanita.coop. For financial reporting, the LaM Fund will be recorded as a division within La Montanita Co-op. It will be consolidated into La Montanita's financials for federal tax purposes. A Interests and B Interests are not ownership shares in LaM Fund or the parent La Montanita. Rights and responsibilities of member owners of La Montanita are outlined in its articles of incorporation and by-laws. Those of the LaM Fund are set out in its articles of organization and operating agreement.

La Montanita will maintain, on behalf of the LaM Fund, investor records and distribution payments or deductions due to collateral application for loans in default. La Montanita management will provide operational reporting on LaM Fund activities to the La Montanita Board of Directors during regularly scheduled compliance reporting. The LaM Fund will provide quarterly reports, preferably by e-mail, and an annual report to keep LaM Fund Investors abreast of LaM Fund activities. La Montanita will review the LaM Fund for viability each year.

INVESTOR SUITABILITY

The following must be true for an Investor to be eligible to invest in the LaM Fund A and B Interests.

LaM Fund Investors must be residents of New Mexico.

LaM Fund Investors must determine that an investment in the LaM Fund is suitable for them, must be in a financial position to hold the investments for an indefinite period of time, and must be able to bear the economic risk and withstand a complete loss of the investment in the LaM Fund.

LaM Fund investors, either alone or with the assistance of their own purchaser representatives, must have sufficient knowledge and experience in financial and business matters in general and investments in particular to be capable of evaluating the merits and risks of an investment in LaM Fund Interests.

LaM Fund Investors must recognize that an investment in the LaM Fund is highly speculative, illiquid and involves a high degree of risk, including the risk of a complete loss of LaM Fund members' investment and any possible income generated by LaM Fund deposits.

The Investor must expressly understand and agree that NMEFCU is in no way a partner or guarantor or in any way responsible for any action, or inaction of LaM Fund or this investment, and that any other agreements between the Investor and LaM Fund are solely between those two parties.

The Investor must acknowledge and agree that if a LaM Fund collateralized loan defaults, NMEFCU may withdraw some or all funds, to be used to cover losses incurred, on a B Interest pro-rata basis, after prior application of funds from A Interests.

MANAGEMENT

The LaM Fund has been created and will be guided and managed by a team of experienced business professionals, including members of La Montanita senior leadership. B Interest holders and members of La Montanita as such are not and will not be involved in the managing of the LaM Fund. The La Montanita senior leadership team members and their brief biographies are included below.

General Manger: Terry Bowling
Chief Financial Officer: John Heckes
Membership and Community Development: Robin Seydel
Marketing and Advertising: Edite Cates
Operations Manager: Bob Tero

Other members of the business and professional community that will participate in oversight and guidance as part of the Loan Advisory Committee or as other advisors as appointed by the La Montanita Senior Leadership Team and the Board of Directors include:

Peter Chestnut: Attorney
Brian Reinhardt: CPA, Mackie Reid Accounting
George Kenefic: The Loan Fund

Patrick Malone: “Nurture” capital activist and investor

Biographies of La Montanita Fund Management, Loan Advisory Committee and other Community Volunteers:

Terry Bowling

- La Montanita Food Co-op, General Manager, 2008 – Present
- White’s Fresh Foods, Johnson City, Tennessee, Operations Supervisor: 1993 – 2007
- Publix Supermarkets, Johnson City, Tennessee, Store Manager: 1976 – 1992
- BS Degree, Management, Tusculum College, Greeneville, Tennessee
- Master’s Degree, Management Tusculum College, Greeneville, Tennessee.

John Heckes

- La Montanita Food Co-op, Chief Financial Officer, March of 2006 – Present
- Exhibit Trade Show Marketing, Albuquerque, New Mexico, Chief Financial Officer, 2004-2006
- Gardunos Restaurants, Albuquerque, New Mexico, Controller, 2002 – 2004
- PTS, Inc – dba McDonald’s Restaurants, Albuquerque, New Mexico, Controller 1987 – 2002
- BBA, Finance, University of New Mexico

Robin Seydel

- La Montanita Food Co-op, Membership & Community Development Coordinator, 1985 – Present
- New Mexico Strategic Leadership Institute Fellow
- Colby Sawyer College/ New England College—Guest Faculty
- Southwest College of Botanical Medicine —Faculty
- BS Honors, Social Psychology, University of Cincinnati
- Clinical Herbalist Certification, Dominion Herb College, Vancouver, British Columbia

Edite Cates

- La Montanita Food Cooperative, Marketing and Advertising Coordinator, 2002 – Present
- Founder and Director, The Land and Art Site, 1999 to present
- Various purchasing and merchandising positions, 1992 - 2002
- Director of Marketing, Downtown Dutton LTD., Aug 1981 – May 1983
- BA, Cleveland State University

Bob Tero

- La Montanita Food Co-op, Operations Manager, 2006 – Present
- Luby’s Restaurant, Texas and New Mexico, General Manager, 1980 - 2006
- 2 years of course work: University of Massachusetts, Amherst, MA

Community Volunteers

Peter Chestnut

- Attorney licensed in New Mexico 1975 – present
- Chestnut Law Offices
- La Montanita Board of Directors 1980 – 1990
- La Montanita Finance Committee 1990 – present

George Kenefic

- Director of Enterprise, NM Community Development Loan Fund, Inc. dba The Loan Fund, 2003 - Present
- Director on various community-based organizations' boards of directors
- Small business owner
- UNM, Anderson School of Management, 1998

Patrick Malone

- Social Environmental Community Investor, Slow Money Alliance and the Santa Fe Food, Farming and Finance Committee 2004-Present.
- NM Farm Intern, Season 2004
- Massage Therapist, Health Coach, Herbalist, 1998-2004
- Chef specializing in Health Food, 1993-2001
- B.A. in German with study in Vocal Performance, 1990-1994

COMPENSATION OF MANAGEMENT

Members of La Montanita leadership team assume the duties associated with the LaM Fund administration and maintenance as part of their regular salaried positions, under the "other duties as assigned" clause in their La Montanita job description. No extra compensation for these duties will be paid, either by La Montanita or the LaM Fund. The Loan Committee and other advisors do so as part of the La Montanita Co-op volunteer program out of their commitment to the betterment of the community.

CONFLICTS OF INTEREST AND TRANSACTIONS WITH AFFILIATES

At this time there are no known conflicts of interest between members of management and the LaM Fund. No individual will benefit personally from the LaM Fund program other than the benefits assigned to all Investors in proportion to the number of Interests they hold. Managers of the LaM Fund, La Montanita staff and LaM Fund community volunteers are not eligible for loans from the LaM Fund. No conflicts between the LaM Fund and La Montanita, holder of all of its limited liability company ownership interests, are known, although it is possible that the interests of La Montanita and the Investors might not always coincide. See "Risk Factors."

LEGAL PROCEEDINGS

As of August 25, 2014, to the knowledge of the LaM Fund and La Montanita, no legal proceedings were pending or threatened against the LaM Fund or La Montanita.

PLAN OF DISTRIBUTION

LaM Fund will offer B Interests to currently active members of La Montanita, who are bona fide residents of New Mexico, beginning October 1, 2014 and ending March 31, 2015, unless extended by the LaM Fund managing member for one or more periods not exceeding a total of 183 additional days. B Interests will be sold only by La Montanita management. There are no other authorized LaM Fund representatives.

B Interests will be available for purchase from the La Montanita Administrative Offices at 901 Manual Blvd. NE, Albuquerque, New Mexico 87107. Additionally, LaM Fund B Interests will be available for purchase by La Montanita members resident in New Mexico in conjunction with regularly scheduled member meetings and certain other member events during the offering period. For more information on purchasing B Interests or the dates of the LaM Fund member events, contact Robin Seydel at 877-775-2667 or by email at robins@lamontanita.coop.

HOW TO INVEST

To invest in LaM Fund B Interests, an Investor must read and sign two copies of the Investor Agreement and return them, together with a check for the number of B Interests the Investor wishes to purchase, not to exceed 40 Interests per Investor, to the La Montanita administrative offices at 901 Manual Blvd. NE, Albuquerque, NM 87107.

Each Investor must be a current member in good standing of La Montanita and must provide the Investor's La Montanita member number. Each Investor must represent that the Investor is a bona fide resident of New Mexico. An individual Investor must have the Investor's principal residence in New Mexico. An entity must have its principal office in New Mexico. All of the beneficial owners of an entity formed for the specific purpose of acquiring Interests must be New Mexico residents.

The Investor agreement is available at www.lamontanita.coop website or from Robin Seydel at the La Montanita administrative offices at the address above or by email at robins@lamontanita.coop.

Investors will receive their B Interest non-transferable certificates for the B Interests after their funds have been received and their Investor Agreement is accepted by the LaM Fund in its sole discretion. If an Investor Agreement is not accepted, accompanying funds from the proposed Investor will be returned, without interest, to the Investor at the address indicated in the Investor Agreement.