Prospectus for a Financing Facility for Blooms Trade Inc.

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Blooms Trade Inc is a US company that operates under PACA License #2240904 issued by the United States Department of Agriculture

Executive Summary

This prospectus outlines the key features of a financing facility for Blooms Trade Inc (hereinafter referred to as “Blooms”).

Blooms is a US trade finance fintech company that provides access to revenue-based pre-export finance, cross-border factoring, global payments and FX solutions for fresh produce LatAm exporters to the United States. Blooms’ initial operations are focused on Mexican exporters.

This document outlines a proposed facility's terms, the supply and demand for fresh produce in the United States, and the associated risks. The proceeds of the financing facility will be used to finance a portfolio of secured trade finance transactions comprised of short-term, pre-export finance and cross-border factoring transactions as detailed in this document.

Terms and conditions of the proposed financing facility

Facility type	2 Year Senior Secured Working Capital Loan
Amount	USD 25,000,000
Currency	USD
Borrower	Blooms Trade Inc
Borrowing structure	Syndicated Senior Secured Working Capital Facility to be disbursed in tranches of US$5 million dollars

Blooms risk retention	10%
Underlying assets	Revenue-based PACA Eligible transactions with the following characteristics: 1. Short-term amortizing pre-export finance transactions to eligible growers/exporters with a maximum payment tenor of 6 months 2. Non-recourse cross-border factoring transactions of eligible receivables with a payment period not exceeding 30 days
Coupon	9.50% per annum
Payment of coupon	Quarterly
Disbursement period	Within 18 months of Closing
Disbursement tranches	USD $5,000,000
Repayment schedule	Quarterly
Collateral	1. Rights to cash flows from the underlying assets, including the portion retained by Blooms Trade. Loan to value in pre-export finance 15% and in factoring 80% of each receivable 2. PACA trust rights 3. Pledge on Blooms account where repayment cashflows are received
Servicer	Blooms Trade Inc
Additional covenants	Maximum 6% NPL
Governing law	USA
Jurisdiction	Delaware, USA

Blooms' Business Objectives:

Blooms offers a grower-centric financing platform for growers who export fresh or frozen fruits and vegetables to the USA using structures that comply with the Perishable Agricultural Commodities Act (PACA)[1] framework.

As part of its grower-centric mission, Blooms will be expanding the functionality of its digital platform to empower its clients with tools that include, Financial Planning and Cash-Flow Management, Comprehensive Dashboards for Grower Operations, Commodity Pricing and Weather Data Integration and Predictive Analytics and Scenario Planning.

Additionally, as part of Blooms' ESG policy, Blooms will be partnering with providers of innovative, climate smart technologies to provide education and financing for adoption of technologies that will transform the agricultural supply chain and minimize its environmental impact. Key areas of transformation that Blooms will be focusing on cover four main areas:

1. Minimization of the impact of chemical fertilizers, pesticides and insecticides on the environment
2. Improvement of the soil quality
3. Water quality Management
4. Promotion of native pollinators and other biodiversity initiatives

Blooms believes that supporting its clients in finding climate-smart solutions to maintain and improve their farms is essential to the future of Mexican agriculture and the health of our planet.

Please note that Blooms' is finalizing its first Climate Smart Tech partnership with Bioteksa, a provider of a proprietary agtech called Nanoporters which are composed of organic and biodynamic molecules in several combinations that bring nutrients to crops and compounds to improve soil quality. The Nanoporters are scientifically proven to improve yields and drastically reduce the use of chemical fertilizers.

Regulatory Framework of the Produce Industry in the U.S.

The Produce industry is regulated by PACA, a U.S. Federal law enacted in 1930 to regulate the buying, selling and marketing of perishable agricultural commodities in interstate and foreign commerce. It aims to protect the interests of growers, shippers, and sellers in the produce industry by ensuring fair trade practices, honest conduct and prompt payment for these commodities. PACA provides a framework for resolving disputes and handling complaints related to transactions involving perishable agricultural products. The PACA is administered and regulated by the Agricultural Marketing Service (AMS), an agency within the United States Department of Agriculture (USDA).

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[1] 7 U.S.C. §§ 499a-499t

All participants in the industry are mandated to have a USDA-issued PACA license to trade. In addition, the law mandates that all buyers must comply with prompt payment not exceeding 30 days from the date of acceptance of the commodity. Sellers in a produce transaction can assert trust rights over the assets of a buyer that does not pay promptly and can be executed in the U.S. Circuit courts.

Market Demand for Fresh Produce in the United States

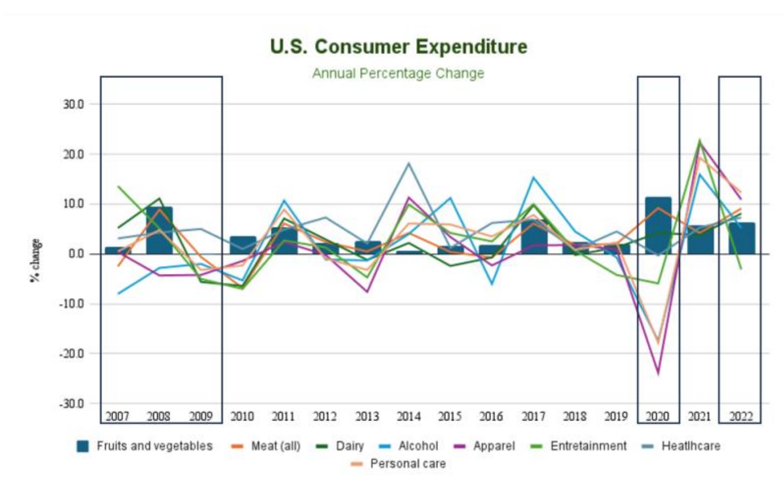
The United States is one of the largest and most dynamic markets for fresh produce globally, driven by consumer preferences for healthy, organic, and diverse food options. US demand can be generally characterized by three major factors:

1. Consistent Year-Round Demand: The U.S. market exhibits strong and steady demand for fresh produce throughout the year. This is particularly true for fruits and vegetables that are out of season domestically or not grown in the U.S. at all, such as tropical fruits and exotic vegetables.

2. Consumer Preferences: There is a growing trend among U.S. consumers toward organic, non-GMO, and sustainably sourced produce. Exporters who can meet these preferences are well-positioned to capture a significant share of the market.

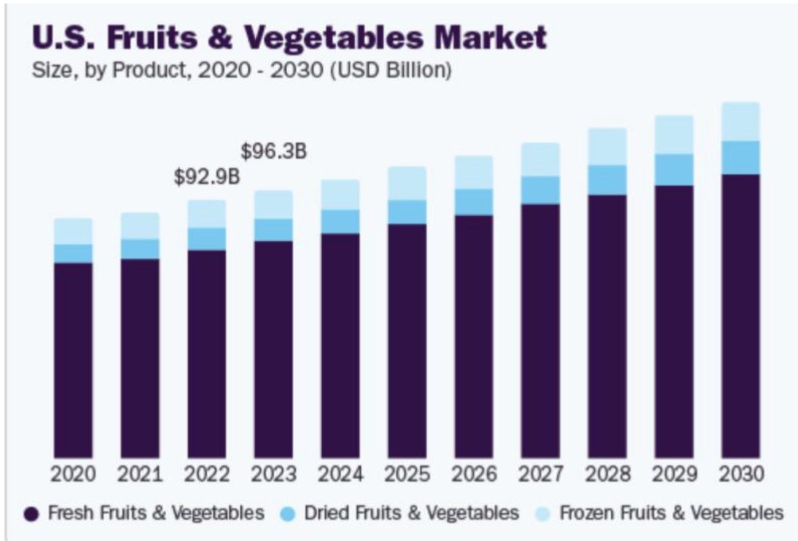
3. Supply Chain Efficiency: The U.S. has highly integrated and efficient supply chains capable of handling large volumes of perishable goods. This integration enhances the reliability of exports, reduces spoilage risk, and ensures timely delivery.

The demand for produce has proven resilient even over periods of recession, such as the period between 2007-2009; COVID-19, and high inflation such as 2022.

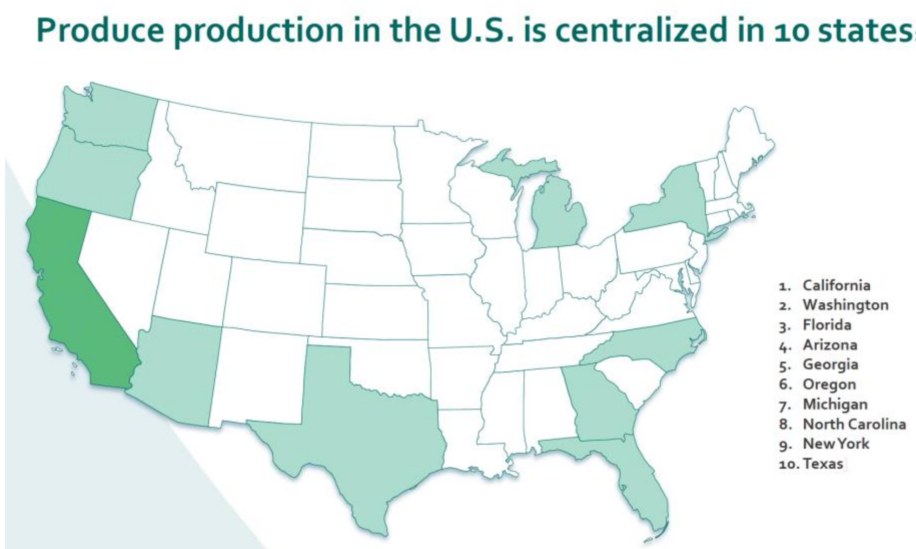


Demand is forecasted to grow at an annual compound rate of 4.1% from a USD 96.3 B value in 2023 for the period 2024-2030. [2]

[2] Grand View Research US Fruits & Vegetables Market.



Concentrated Production: additionally fruit and vegetable production in the United States is very concentrated in only ten states making it impossible for the vast majority of American consumers to source their fruits and vegetables locally.



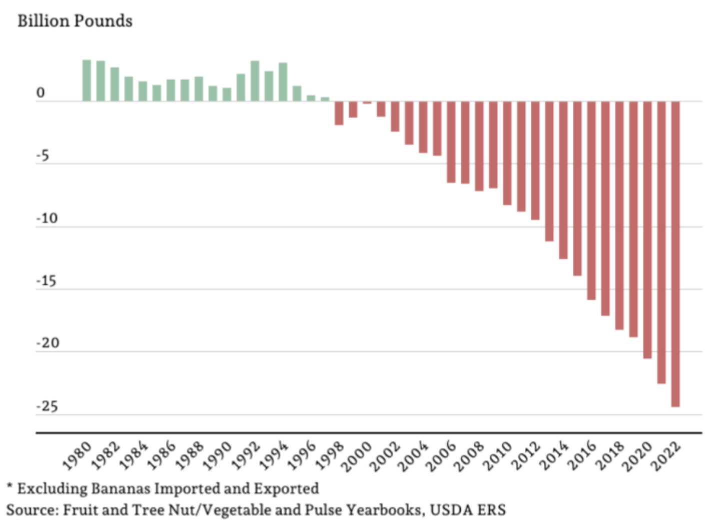
Market Supply for Fresh Produce in the United States

Domestic produce production in the United States is on the decline. Volumes of US-grown fruits reached a peak production of 22.8 billion pounds in 2014 and US-grown vegetables peaked in 2004 at 57.7 billion pounds. Texas A&M AgriLife Research cites a combination of four factors that precipitated the decline in fruit and vegetable production in the United States:

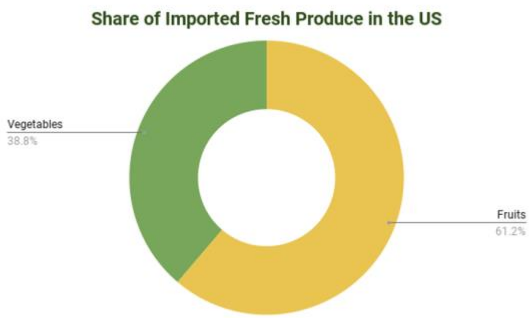
1. NAFTA (now USMCA) taking full effect removing many of the tariff and non-tariff barriers for Mexico and Canada to trade with the United States, two of the largest exporters of produce today. *(Mexico and Canada exported approximately US$19bln and US$1bln, respectively, of fruits and vegetables to the United States in 2023)*
2. Weather shocks and land loss for fruit and vegetable production
3. Labor shortages
4. Growing international competition

Even as domestic production is on the decline, the USDA forecasts significant increases in imports over the next five years with fruit and vegetable imports projected to reach US$51.6 B.

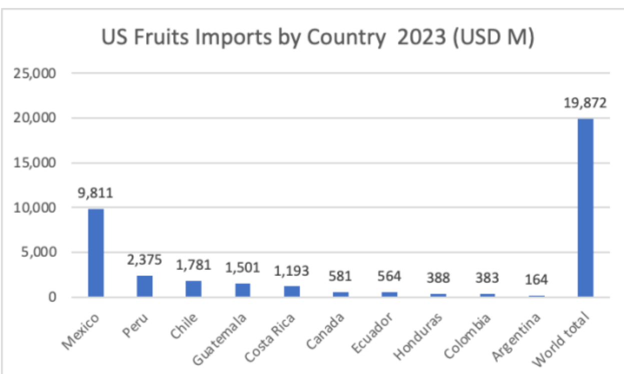
U.S: Fresh Produce Trade Balance 1980-2022 (measure in pounds of produce)

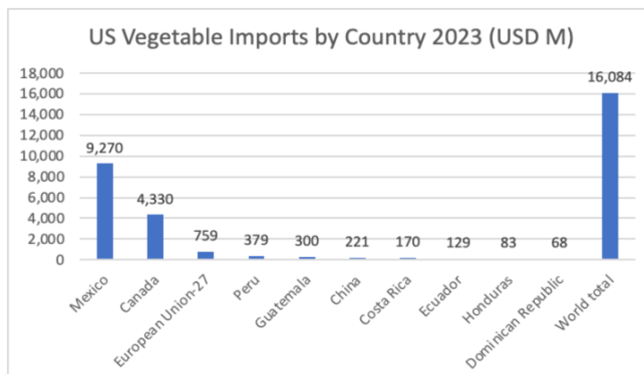


As a result of the aforementioned factors, the United States is highly dependent on imports to satisfy its growing domestic demand.



In response to increasing demand and declining US production, Mexico has become the single largest source of fresh and frozen produce to the US with more than a 50% market share.





Mexico's capture of over 50% of the US's produce imports is explained by four main factors:

a) Climate conditions that allow Mexico to grow and supply produce year-round;
b) Quality of the produce;
c) Proximity to market with lower cost of logistics and faster delivery with longer shelf life,
d) The USMCA agreement.

Produce Production in Mexico

Mexican main export production is clustered in defined regions with a relative concentration in several commodities grown across eight key production states.

Commodity	Value (USD M)
Berries	$ 3,936
Avocado	$ 3,223
Tomato	$ 2,189
Chile	$ 1,210
Broccoli & Couliflower	$ 1,137
Lime	$ 820
Cucumber	$ 553
Lettuce	$ 484
Mango	$ 471
Grape	$ 415
Onions	$ 335
Asparragus	$ 288
Bananas	$ 272

Blooms Team

Blooms' executive team is composed of seasoned agribusiness professionals who have extensive experience in business development, credit risk analysis, structuring, operating and portfolio management. While Blooms Trade Inc. is a newly formed company, it benefits from over 100 years of cumulative experience operating in the Latam agribusiness sector.

Francisco Mere, Co-Founder & Chief Executive Officer

Francisco brings his background as an attorney, agribusiness banker, fintech founder, venture investor and innovator to Blooms. He has over 30 years of experience in leadership positions in Mexican financial institutions, including heading FIRA, Mexico's government owned agribusiness finance vehicle for over eight years, developing Mexico's first fully licensed fintech bank and leading it to a successful exit, and co-founding an exiting a successful financial wellness app, Uellbee. Francisco has acted as an independent board member for various financial institutions and currently sits on the boards of three financial institutions including Monex Grupo Financiero.
https://www.linkedin.com/in/franciscomere/

Miguel Hernandez, Co-Founder & Chief Operating Officer

Executive with 30 years of professional experience with institutions such as FIRA, Cargill, Control Union, Almacenadora Sur, and ED&F Man with a focus on agribusiness operations and Trade & Structured Commodity Finance.
https://www.linkedin.com/in/miguel-hernandez-storey-55640a20/

Rebeca Azaola, Co-Founder & Chief Product Officer

Rebeca brings deep experience in FinTech, credit, risk management and analysis with a background in Econometrics to her role as Chief Product Officer. She has leveraged her

foundational experience focused on institutional financial risk and portfolio risk management to operational roles focused on innovation and digital transformation in the financial sector. In addition to her role as a co-founder of Blooms, Rebeca is the founder of Lif - a platform that measures, reduces, and offsets the carbon emissions and water costs of companies, employees, and customers.
https://www.linkedin.com/in/rebecaazaola/

Mario Gamboa, Co-Founder & Chief Technical Officer
Mario holds a PhD in Financial Economics from Harvard University which has allowed him to develop numerous innovative projects throughout his career including designing financial trading algorithms and machine-learning systems for prestigious hedge funds like AQR Capital Management and State Street Bank as well as developing data-driven products and AI solutions in FinTech, LogTech (logistics), and PropTech (real estate). He is leading the development of AI solutions for Blooms.
https://www.linkedin.com/in/rebecaazaola/

Anissa Roberts, Head of Capital Markets
Anissa is a graduate of The George Washington University. She began her career in commodities at Societe Generale and has focused on Mexico and Brazil during her career holding positions at AMERRA and Agrofinanzas She has spent 20 years working in the agricultural sector with a focus on structured credit.

Mauricio Jimenez, Head of Credit
Mauricio is a trained agronomist and has 27 years of experience in credit analysis with a focus on the Mexican agribusiness sector. He has also played pivotal roles in bringing automated and digital solutions in FIRA and Bankaool and has acted as a leader in Credit and Risk Management for agribusiness portfolios in Banco Ve Por Mas, HSBC, Bankaool, and Banco Internacional.

Blooms Operations:

Business Development

Blooms employs a hybrid model with a product-led-growth strategy with online client acquisition together with direct sales targeting three regions:

Northwest Mexico: specifically the states Sonora, Sinaloa, and Baja California
Where the primary produce crops of interest are tomato, green chili, cucumbers, raspberries, and strawberries.

Central Mexico: specifically the states of San Luis Potosí, Guanajuato, and Queretaro
Where the primary produce crops of interest are Tomato, broccoli, cauliflower, and strawberries.

South Pacific Coast: specifically the states of Jalisco, Nayarit, Colima, and Michoacan where the primary produce crops of interest are tomato, blackberry, raspberry, strawberry and cranberry.

The model follows a hunter and farmer model with a small sales team and a customer success group. Initial vetting is made by both the sales team and customer success as well as via Blooms' digital platform where any exporter can apply for financing and the platform runs an initial screening based on the tax, accounting and credit data information that is accessed directly in *an open banking* fashion.

Transaction Structures:

It is important to note that Blooms only finances PACA Eligible Produce; the eligible produce list includes all fresh and frozen vegetables and a selection of edible flowers.[3]

The most relevant produce items for the Blooms portfolio are: Asparagus, Avocados, Bananas, Bell Peppers, Blueberries, Broccoli, Cauliflower, Chiles, Cranberries, Cucumbers, Lettuce, Limes, Mangos, Onions, Raspberries, Strawberries, and Tomatoes.

All transactions are approved taking into consideration the credit-worthiness of the producer as well as the likely buyers of the product in the United States. Therefore there are credit limits at the producer level as well as the buyer level across the portfolio.

The portfolio's pre-export finance transactions are structured as a joint account transaction between Blooms and the producer which creates co-ownership over the crops and their proceeds. The proceeds are used as working capital for the cultivation of the product. Only 15-20% of the future export revenues are financed via 2-3 disbursements that align with the crop's needs and repayment is taken directly from shipments via the Blooms controlled Monex Account where the buyers are required (and legally agree to via a Notice of Acceptance) to deposit the payment. While the tenor of the pre-export loans do not exceed six months as the payment is gradual via shipments, the full exposure has an average life of between three and four months. The Joint Account Transaction agreement ensures that Blooms has recourse and rights to the product in the case of bankruptcy proceedings in Mexico via a meditation clause in the contract as well as Blooms' rights when produce is in the US.

The portfolio's Non-Recourse Factoring transactions are extended under a Master Factoring Agreement for up to 80% of eligible invoice values. The main eligibility requirements for invoices are: a) within the limit for an approved buyer, b) tenor equal to or less than 30 days and c) relevant supporting documentation granting Blooms' rights of payment while maintaining a security interest in the PACA trust. Additionally, Blooms only allows the purchase of invoices that also have a

[3] The full list of PACA eligible products can be found on the USDA website.
https://www.ams.usda.gov/sites/default/files/media/CommoditiesCoveredbyPACA.pdf

notice of acceptance from the buyer to eliminate any issues regarding quality and quantity of the underlying product.

Credit Process

Blooms' data-driven platform has digitized its credit process, financing requests, transaction documentation and supporting documents via its proprietary platform. The platform is connected to the Mexican Tax Authority (SAT) which allows it to pull all tax returns and online accounting data, as well as all invoices issued and received by a potential client to enhance the accuracy, independence and efficiency of both the credit analysis and the legal analysis.

While the collection of the required information to support the approval of a new financing client and their specific financing requests is digitized, Blooms' credit review process is conducted using a risk model designed by Blooms which analyzes both the data from the exporter and the credit worthiness of the U.S. buyer. It is a prerequisite for underwriting any facility that both parts of the trade relationship meet Blooms' risk appetite. All information is reviewed and then compiled in the Blooms' Credit and Investment Evaluation Memorandum format with the conclusions and recommendations of the Credit Analysis Team.

Information Requirements for Clients:

- Properly organized and registered under the laws of Mexico and are registered and in good standing with the Mexican Tax Authority (SAT).
- Have a proven track record of at least two years of exports to the USA with a stable commercial relationship and provide a list of potential export buyers in the USA which includes the legal name, address and US Tax ID for each entity.
- Have at least US $4Million in annual revenues from PACA eligible exports to the USA
- Have a good credit standing in the Mexican Credit Bureau (Buró de Crédito) pursuant to Blooms' credit risk policy.
- Comply with Blooms' Anti-Money Laundering Requirements
- Have stable commercial relationships with importers in the USA that meet Blooms' risk admission criteria.

The Credit Analysis Team specifically reviews:

- that the export volume reported in the credit application is supported by invoices (registered) with the Mexican tax authorities.
- that the export clients (US Importers) submitted are consistent with the invoices of prior seasons.
- that the credit quality of each of the US Importers named in the credit application using the Produce Blue Book credit score (min. score of 800 is required), as well as Dun & Bradstreet and/or Experian, as determined necessary by the Credit Analysis Team.
- that neither the company nor its shareholders or representatives are listed on any of the AML black lists

- Additionally for Pre-Export Finance lines, the credit history of the controlling shareholders of a company, as well as compliance with all requirements to farm and export and an on-site visit to verify.

All investment and credit facility approvals will have a validity of 360 days from the date approved; in the case a disbursement is not made within 90 of the facility, when a disbursement is requested within the approval period, the Credit Analysis Team will assess whether the conditions under which the facility was approved remain substantially valid.

In the case of factoring facilities, one or more facilities will be approved with a separate facility and risk limit for each combined risk profile of the borrower.

The investment memo along with all supporting documents is submitted to the Investment Committee which is composed of the CEO, COO, CTO, and CCO. The Credit Committee is responsible for finalizing and approving the terms that will be officially offered and documented with the client.

Legal Documentation and Investment Files

It is important to note that Blooms has retained outside counsel on two significant points of its business model and legal documentation.

The first being the type of PACA license and the appropriate legal structures and processes required to have an enforceable security and/or ownership interest in its transactions as well as ensuring that the transactions would maintain eligibility under the PACA trust -ie that Blooms would remain a PACA trustee beneficiary. Thus allowing any non-compliance on part of the producer to be pursued via PACA in US Courts.

Blooms consulted Joel L. McKie[4], an experienced attorney specializing in agribusiness litigation with a focus on PACA, who advised Blooms on both the optimal license (shipper) as well as language to be included on invoices and the Master Factoring Agreement as well as suggestions on the Joint Account agreement with the objective of protecting Blooms' rights under PACA. Blooms further consulted with Pérez Correa, González y Asociados, S.C[5] on how to enable Blooms to enforce its rights as a US company operating under a US Agreement if a client were to enter into bankruptcy (*concurso mercantil*) in Mexico.

The recommendations have been fully integrated into Blooms' two uniform agreements: a Master Factoring Agreement and a Joint Account Agreement, respectively used for factoring and pre-export finance transactions.

[4] A partner at Friend, Hudak & Harris, LLP an Atlanta based law firm, formerly a partner at Hall, Booth & Smith.

[5] Fernando Perez-Correa is a well known bankruptcy lawyer and mediator.

Operationally, once the Credit Committee has approved a facility, the legal documentation process is handled by Blooms' COO who co-signs the agreements and ensures that the terms in the contract match the terms approved by the Credit Committee as well as monitors and controls disbursements for both Joint-Account and Factoring transactions ensuring that Blooms' maintains its PACA trust rights and is in compliance with Blooms' internal requirements.

Blooms requires that all investments have a complete digital file on the platform that includes:

1. All KYC documentation
2. Credit bureau reports of relevant entities and, if required, controlling shareholders
3. Due Diligence report of site visit
4. Pre-approval
5. Credit & Investment Memo
6. Final Approval - what does this look like
7. Investment agreement and related documents
8. Instructions to direct payment
9. In the case of factoring transactions, all invoices and proof of payment delivery documents, as well an Notice of Agreement (NOA)

On-Going Portfolio Supervision

Portfolio supervision post-disbursement is led by the Credit Analysis Team in collaboration with the on-the-ground sales team who act as relationship managers. Any and all post-disbursement documentation - such as notices of PACA rights in case of delayed payment - are handled by the COO.

Structure and Utilization of Funds

Blooms' portfolio consists of two transaction structures, both are revenue-based financing:

1. Pre-Export Financing structured as Joint-Account Transactions[6]:

- Exporters can access working capital to cover production, packaging, and logistics costs before shipment. The financing is closely aligned with the production and export cycle, typically maturing within 3 to 6 months.

[6] Joint Account transactions are defined in PACA "as produce transactions in commerce in which two or more persons participate under a limited joint venture arrangement whereby they agree to share in a prescribed manner the costs, profits, or losses resulting from such transaction. For the pre-export finance transactions, Blooms uses a joint account transaction agreement where Blooms makes a contribution of up to 20% of the future revenues in exchange for a fee and bears no downside risk as the agreement contains a waterfall in payments that allows Blooms to recover the contribution plus the fee first using the controlled account provided by Blooms ot the exporter. The use of this mechanism complies with PACA.

- Comprehensive due diligence is conducted on U.S. buyers to minimize credit risk, ensuring the reliability of receivables, using industry databases (Produce Blue Book[7], USDA PACA database) as well as Experian and Dun & Bradstreet.

- Funds are disbursed against confirmed orders or contracts with U.S. buyers, ensuring that financing is directly tied to revenue-generating activities and reducing the risk of misallocation.

- Blooms files a USC-1 with respect to the transaction in the U.S. and a filing at RUG (*Registro Único de Garantías*) in Mexico

2. Cross-Border Factoring structured as non-recourse factoring:

- Exporters can sell their accounts receivable (invoices) from U.S. buyers at a discount, providing immediate liquidity. The factoring agreements are structured with maturities of up to 30 days, reflecting standard industry payment terms and compliance with PACA.

- Comprehensive due diligence is conducted on U.S. buyers to minimize credit risk, ensuring the reliability of receivables, using industry databases (Produce Blue Book[8], USDA PACA database) as well as Experian and Dun & Bradstreet.

- Invoices are obtained directly from the Mexican Tax Authority via a platform integration, minimizing fraud risk.

- Factoring transactions are filed at RUG (*Registro Único de Garantías*) in Mexico

Risk Analysis

1. Market Volatility

Price Fluctuations: Fresh produce prices can be highly volatile due to factors such as weather conditions, supply chain disruptions, and changes in consumer demand. These fluctuations can impact the value of transactions within the portfolio, potentially reducing the cash flow needed to service the facility.

All Pre-Export Facilities require a signed sales contract with a buyer acceptable to Blooms and a haircut of 85% is applied to the expected revenue to provide a cushion for any price fluctuations.

Demand Shifts: While demand for fresh produce in the U.S. is generally strong, it can fluctuate due to economic conditions, shifts in consumer spending habits, or unexpected events like natural disasters or pandemics.

[7] Produce Blue Book is a data base that provides a credit score rating, a trade practices rating and payment days (aging of the account payables).
[8] Produce Blue Book is a database that provides a credit score rating, a trade practices rating and payment days (aging of the account payables).

Mexico’s proximity and integration into the US Market makes it likely that any reduction in demand would hit the market share of less logistically attractive trading partners.

All transactions are financed with an identified buyer- proving demand for Blooms’ clients eliminating the demand risk at the transaction level.

2. Credit Risk:

Buyer Default: The facility's collateral is based on the cash proceeds from sales to U.S. buyers. If these buyers default or delay payments beyond the maturity of the financing or factoring agreements, it could negatively impact the cash flow necessary to meet interest payments and repay the principal.

Repayment Risk: Blooms mitigates repayment risk in several ways:

1) Operating under the protection of PACA, Blooms ensures that it maintains its transactions secured by PACA’s trust right so that any counterparty payment issues can result:

   a) Filing a claim with the USDA under PACA. Since prompt payment (no later than 30 days) is mandatory by law, the USDA treats any default as a violation of the law that could result in penalties to the defaulter buyer and/or loss of its license and ability to trade in produce of the defaulter and their principals.

   b) Litigation in US District courts. PACA creates trust rights in favor of the creditor over the assets of the defaulter buyer which are bankruptcy remote.

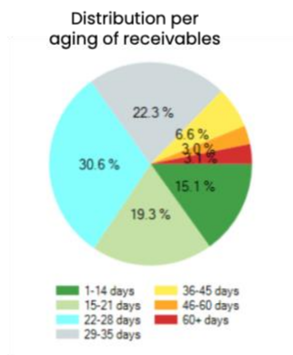
2) With its strict credit requirements including a minimum 800 credit score in the Produce Blue Book and thorough analysis of the repayment capacity of both client and buyer.

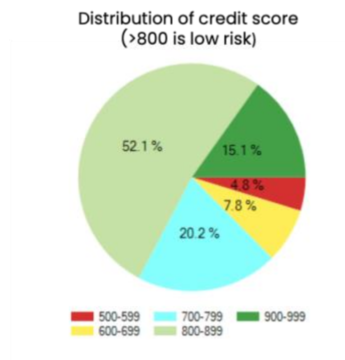
3) Blooms applies a 20% haircut on invoice value for factoring transactions as well as in joint-account transactions. Additionally in Joint-Account transactions, Blooms takes 15% - 20% of the total owed from each shipment - accelerating repayment.

4) Blooms operationally reduces repayment risk by requiring sales proceeds to be sent to a Blooms-controlled account on its Global Payments Platform[9] and requires legal acknowledgement of this from both the producer and the buyer(s).

[9] The account and the payment platform is provided in partnership with Monex USA, a leading payments and FX company operating in the U.S. with MSB licenses in all states.

Credit Risk in the Produce Industry: Due to the unique regulatory environment afforded by PACA, the industry as a whole shows relatively small risk[10]:





Concentration Risk: Relying on a few key U.S. buyers increases the exposure to credit risk. If these buyers encounter financial difficulties, it could disproportionately affect the portfolio's performance.

Blooms monitors such concentration risk and sets limits on U.S. buyer exposure vis-a-vis all exporters.

Performance risk on the exporter in pre-export finance transactions. A grower may obtain lower yields in production or no production at all, affecting the capability to deliver the produce to the U.S. buyer.

Risk is mitigated by Blooms since, to be eligible, a grower has to have a track record of producing and exporting for at least 2 years with a minimum of US$4 million in export revenues. An on-site visit to the production facility and verification of all relevant certification to produce and export are needed. Disbursement is made in 2-3 successive tranches based on progress on production verified by an on-site visit and reports. Maximum amount to be disbursement is equal to 20% of the future revenue of the corresponding season.

In most cases, crops are cultivated using protected agriculture (ie. greenhouses) which mitigates the risk.

[10] Data from Produce Blue Book

3. Operational and Logistical Risks:

Production Risk:

Transportation Challenges: Given the perishable nature of fresh produce, any delays in transportation—whether due to logistical challenges, customs clearance issues, or unforeseen disruptions—can lead to spoilage and financial losses.

Supply and Demand for trucking in the USA remain on par as per Uber Freight's August 7, 2024 report; as Mexico represents 60% of trucks crossing the border, the market supply remains competitive and with more US Companies opening offices or subsidiaries in Mexico - another example of nearshoring - the supply of trucks available for cross-border transit is expected to grow. Support for this estimated growth can be found with examples like Beyond3PL, whose CEO Fernando Galán, announced a US$40 million investment in innovative refrigerated storage containers in 2023. The Mexican government has announced incentives to strengthen its domestic cold chain infrastructure.[11]

Quality Control: The quality of fresh produce can degrade during transit. Ensuring proper handling and storage is crucial to maintaining product quality and avoiding disputes with buyers that could lead to financial losses.

Cold storage and transportation aka the Cold Storage Chain is expanding to meet the greater demand for produce and other perishable items in the US. While it will require companies on both sides of the border to ensure sufficient future capacity, the Mexican cold chain industry is estimated at $4 billion in 2024, and is expected to reach $6 billion by 2029, growing at a CAGR of 12.4%, according to an analysis by Mordor Intelligence.

Additionally, compared to other countries that export perishable goods to the US market, Mexico has a distinct geographical advantage allowing trucks of product to arrive to its markets in as little as 12 hours.

Operational risk at Blooms. Operational risks may arise due to the lack of perfection of transactions and records.

Blooms has banking grade processes and procedures with automations and checks and balances that reduce operational risk. Asset management is conducted using a robust IT platform that is used by agricultural lenders graded by rating agencies and that has been vetted by funding agencies.

[11] https://tranportesmhtjcv.com/2024/01/08/impulso-gubernamental-fortaleciendo-infraestructura-para-carga-refrigerada-en-mexico/

4. Regulatory Compliance Risks:

Changing Regulations: Exporters must navigate both U.S. and domestic regulatory environments. Changes in trade policies, tariffs, or import restrictions could increase costs, complicate compliance, or limit market access.

While Blooms has no control over US or Mexican policies, given the demand for fresh produce in the United States, any tariffs or import restrictions will hurt the consumer and given the US policy targeting inflation it is unlikely that the US would do anything that would hurt consumer purchasing power at the grocery store.

Regarding the trade balance in ag products between the US and Mexico, the USDA describes U.S.-Mexico agricultural trade as “largely complementary”. However, it is interesting to note that Beer and Tequila combined represent 23% of the ag products imported from Mexico to the USA in 2023 and would be a more likely target for any tariffs given the domestic production of beer and distilled spirits if the US government decided it wanted to narrow its already small ag products trade deficit.

Stringent Food Safety Standards: The U.S. imposes rigorous food safety standards. Non-compliance could result in shipment rejections, legal liabilities, and damage to the exporter’s reputation.

Blooms requires all clients to have at least two years of experience exporting to US buyers that Blooms deems credit-worthy implying that they have a track record of successfully navigating and complying with the US Safety Standards.

5. Foreign Exchange Risk:

Currency Fluctuations: Transactions are typically denominated in U.S. dollars, but exporters may face foreign exchange risk if their local currency appreciates significantly affecting the exporter’s profitability.

Blooms’ does not directly have any FX risk as its loan portfolio is denominated in USD and is repaid in USD.

6. *Accounting practices*

Blooms follows IFRS9 for preparing its accounts and creates credit risk reserves using an expected loss methodology.

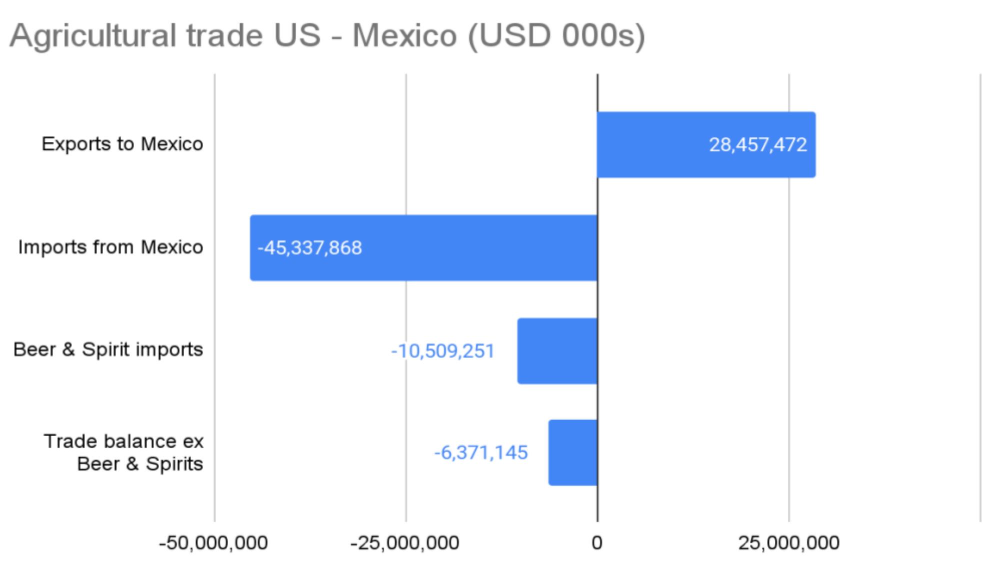
7. *Political Risk*

Trump has been elected President of the United States of America and has threatened to apply tariffs on goods entering the USA with a stated objective is to reduce the USA's overall trade deficit.

The US categories the relationship The United States and Mexico have a complementary agricultural trade relationship, meaning that the two countries tend to export different commodities to each other. The United States exports grains, oilseeds, meat, and related products to Mexico. Mexico imports these commodities to make value-added products like meat, vegetable oil, and wheat products.

The USDA acknowledges the important of imports and their vital and increasingly important role in ensuring that fresh fruit and vegetables are available year-round in the United States. The abundant and secure availability of fresh produce guarantees that American households of all income brackets can have affordable access to fresh produce.[12]

Additionally, agriculture makes up only $16.8bln of the US's approximately US$150bln trade deficit and of that US$16.8bln approximately $10.5bln is represented by Beer & Tequila imports leaving a $6.4blm deficit that encompasses fruits and vegetables representing only 4.25% of the total trade deficit making it an unlikely target for tariffs due to the relatively small size and importance of the category for the American consumers.



Much of Trump's focus on is vehicle manufacturing and China in regards to tariffs and has threatened the use of tariffs as a bargaining chip in its negotiations with Mexico regarding immigration and cartel activity. Trump has also promised to bring down grocery prices and

[12] USDA https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=107008

leveling tariffs on produce would directly undermine that effort. It is also important to note that Trump also threatened tariffs on Mexico during his first term but this was quickly backtracked.

Conclusion

This financing facility is strategically designed to provide experienced fresh produce exporters with the liquidity and working capital required to effectively penetrate and expand in the U.S. market. By offering pre-export financing and cross-border factoring, the facility enables exporters to smooth cash flows which reduce financial strain and allow producers to focus on scaling operations. However, market volatility, credit risk, logistical challenges, regulatory compliance, and foreign exchange exposure (at the producers level) are inherent risks that must be managed carefully. The facility's structured approach—featuring secured collateral, aligned transaction maturities, and due diligence on buyers—aims to mitigate these risks, ensuring a stable and effective financial solution tailored to the needs of fresh produce exporters.