

NEW MARKETS TAX CREDITS

KEIRSTIN BECK – Packard and Dierking, LLC

CRAIG DALE – Capital Peak Partners, LLC

MARK JOB – Citywide Banks

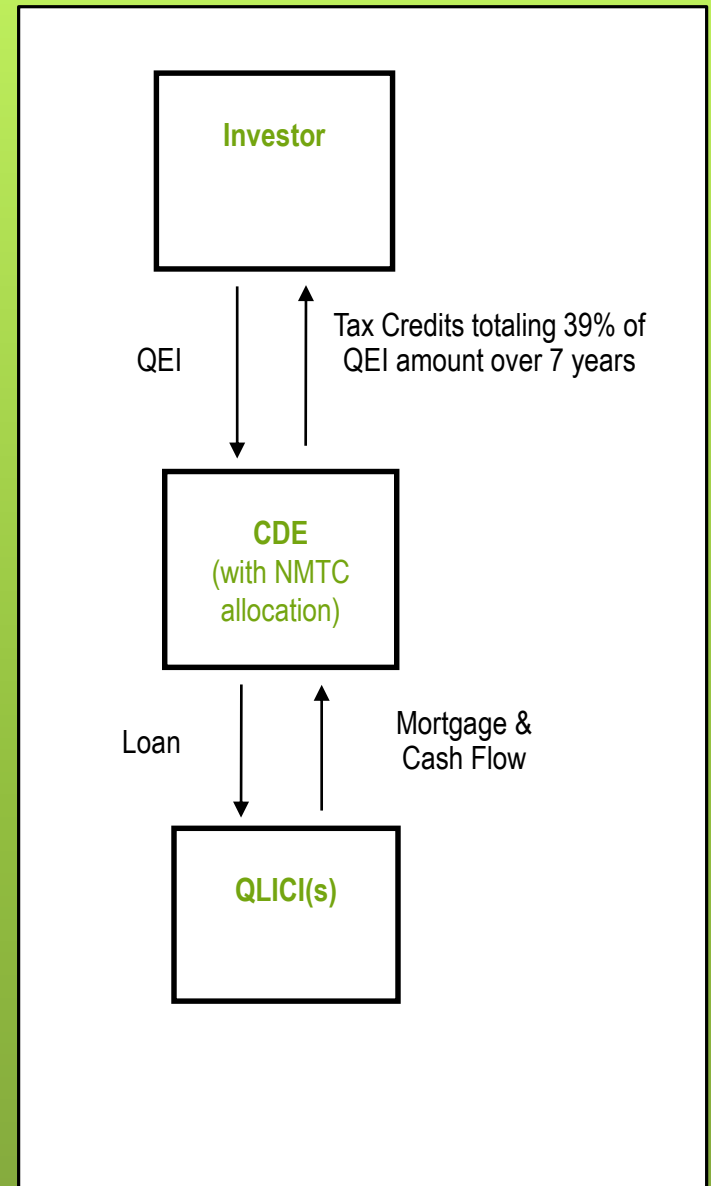
NEW MARKETS TAX CREDITS (NMTC) OVERVIEW

- CREATED AS PART OF THE COMMUNITY RENEWAL TAX RELIEF ACT OF 2000
- NMTC PROGRAM IS DESIGNED TO ENCOURAGE PRIVATE CAPITAL INVESTMENT INTO LOW-INCOME COMMUNITIES
- ADMINISTERED BY THE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND (“CDFI FUND”), AN ARM OF THE U.S. TREASURY DEPARTMENT
- NMTCs ARE ALLOCATED ANNUALLY BY THE CDFI FUND TO COMMUNITY DEVELOPMENT ENTITIES (“CDEs”) UNDER A COMPETITIVE APPLICATION PROCESS
- 2012 & 2013 ROUND OF ALLOCATION = \$3.5 BILLION
- NMTC PROGRAM PROVIDES A 39% TAX CREDIT TAKEN OVER SEVEN YEARS
 - Years 1-3 = 5%
 - Years 4-7 = 6%

- TAX CREDITS ARE SOLD AT THE NMTC LOAN CLOSING FOR APPROXIMATELY \$.75-\$.82 REPRESENTING PRESENT DAY VALUE
- TAX CREDIT INVESTOR'S RETURN IS THE VALUE OF THE TAX CREDITS OVER THE SEVEN YEAR TERM (ROUGHLY 7-12% RATE OF RETURN)
- LOW-INCOME COMMUNITIES ARE DEFINED AS CENSUS TRACTS WITH:
 - Poverty Rates Exceed 20% OR
 - Median Family Income is 80% of Area Median Income ("AMI") or Less
- MOST URBAN AREAS QUALIFY IN THE METRO AREA
- PROGRAM VERY COMPETITIVE NOW SO LOOKING FOR SEVERE DISTRESS:
 - Poverty Rates Exceed 30%
 - Median Family Income is 60% of AMI or Less
- OR LOCATED IN AN SBA HUB ZONE, ENTERPRISE ZONE, URBAN RENEWAL AREA OR BROWNFIELD SITE

- ALLOCATIONS ARE GRANTED TO A COMMUNITY DEVELOPMENT ENTITY (CDE)
- CDEs ARE FOR-PROFIT OR NON-PROFIT ENTITIES WITH A PRIMARY MISSION OF SERVING LOW-INCOME COMMUNITIES
- IDEAL PROJECTS ARE MIXED-USE PROJECTS, COMMERCIAL REAL ESTATE AND NON-PROFIT FACILITIES
- PROGRAM SEEKS TO FIND MAXIMUM COMMUNITY IMPACTS THROUGH TANGIBLE BENEFITS TO SURROUNDING RESIDENTS
- COMMUNITY IMPACTS CAN BE ACHIEVED THROUGH:
 - Job Creation
 - Job Training Programs and Job Fairs Within the Project
 - Better than Average Wages and Employee Benefits
 - Reduced Rental Rates to Minority or Low Income Business Owners
 - Goods and services to low income communities or low income persons

- NMTCS ARE GENERATED WHEN A QUALIFIED EQUITY INVESTMENT (“QEI”) IS MADE INTO A CDE
- 39% TAX CREDIT OVER 7 YEARS BASED ON QEI AMOUNT (5% PER YEAR IN YEARS 1-3, 6% PER YEAR IN YEARS 4-7)
- TO PRESERVE THE TAX CREDITS, THE CDE MUST INVEST “SUBSTANTIALLY ALL” OF THE QEI INTO QUALIFYING LOANS (“QLICIS”) FOR THE FULL 7 YEAR COMPLIANCE PERIOD:
 - PROJECT MUST BE LOCATED IN LOW-INCOME CENSUS TRACT (~40% OF THE US BASED ON 2010 CENSUS TRACT DATA)
 - PROJECT MUST NOT DERIVE MORE THAN 80% OF ITS REVENUE FROM MULTI-FAMILY RENTALS



QUALIFIED EQUITY INVESTMENT

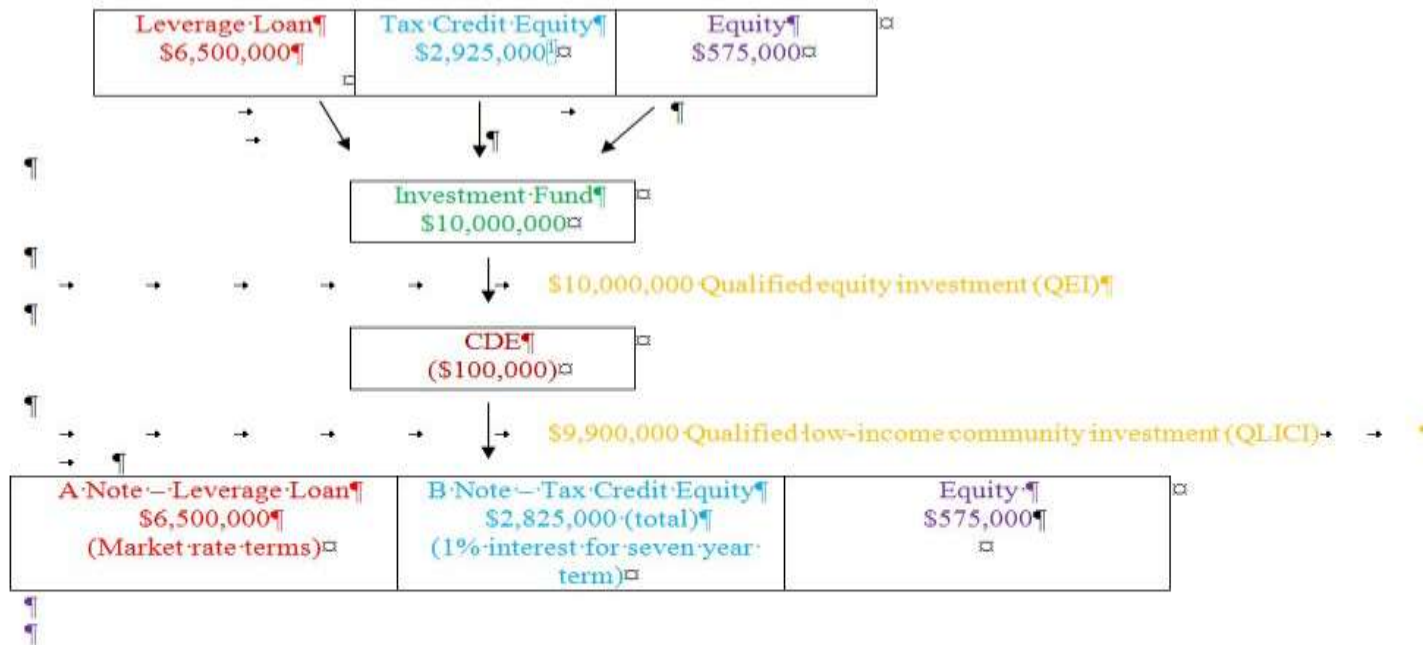
- AN EQUITY INVESTMENT IN A CDE BY AN INVESTOR – EITHER STOCK IN A CORPORATION OR A CAPITAL INTEREST IN A PARTNERSHIP – IN EXCHANGE FOR NMTCS
- THE EQUITY INVESTMENT MUST BE ACQUIRED BY THE INVESTOR AT ITS ORIGINAL ISSUE SOLELY IN EXCHANGE FOR CASH
- QEIS MUST REMAIN INVESTED IN THE CDE DURING THE 7-YEAR TAX CREDIT COMPLIANCE PERIOD
- INVESTORS CLAIM CREDITS STARTING ON THE DATE A QEI IS INITIALLY MADE
- THE QEI MUST BE SUBSTANTIALLY INVESTED (85%) WITHIN 12 MONTHS OF INVESTMENT DATE

QUALIFIED ACTIVE LOW INCOME COMMUNITY BUSINESS (QALICB)

COMMONLY REFERRED TO AS A QUALIFYING BUSINESS WHICH IS:

- AN OPERATING BUSINESS OR REAL ESTATE BUSINESS LOCATED IN A LIC
- A BUSINESS THAT DEVELOPS OR REHABILITATES COMMERCIAL, INDUSTRIAL, RETAIL OR MIXED-USE REAL ESTATE PROJECTS IN A LIC
- A BUSINESS THAT DEVELOPS OR REHABILITATES COMMUNITY FACILITIES, SUCH AS A CHILDREN'S MUSEUM, CHARTER SCHOOLS OR HEALTH CARE CENTERS IN A LIC

NMTC Structure - \$9,900,000 QLICI - \$10,000,000 QEI - NMTC allocation with 1% CDE Fees



\$10,000,000 in NMTC allocation will yield \$3,900,000 in tax credits - spread over seven years - 5% years 1-3; 6% years 4-7. Assumes tax credit investor will pay \$.75 present day value.