NEW MARKETS TAX CREDIT

Thursday, March 27th, 9:35 a.m.

Presented by
Pam Woodell
Senior Vice President
JNA CAPITAL, Inc.

Federal Reserve Bank of Philadelphia presents:

REINVENTING OLDER COMMUNITIES: HOW DOES PLACE MATTER?

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Real Estate Development
Finance
Syndication

NEW MARKETS TAX CREDITS
USED TO FINANCE MIXED USE REAL ESTATE DEVELOPMENT

- Property located in highly distressed area in West Philadelphia.
- Mixed use property includes first and second floor retail and third through ninth floor multifamily rental.
- Deal structure – leveraged model with senior and sub-debt with investor being Sovereign Bank.
- CDE was The Reinvestment Fund, Philadelphia, PA
- Development located on campus of University of Pennsylvania with retail and apartments targeted to graduate students, faculty, and area residents.
- Strong support and cooperation from university and City of Philadelphia.

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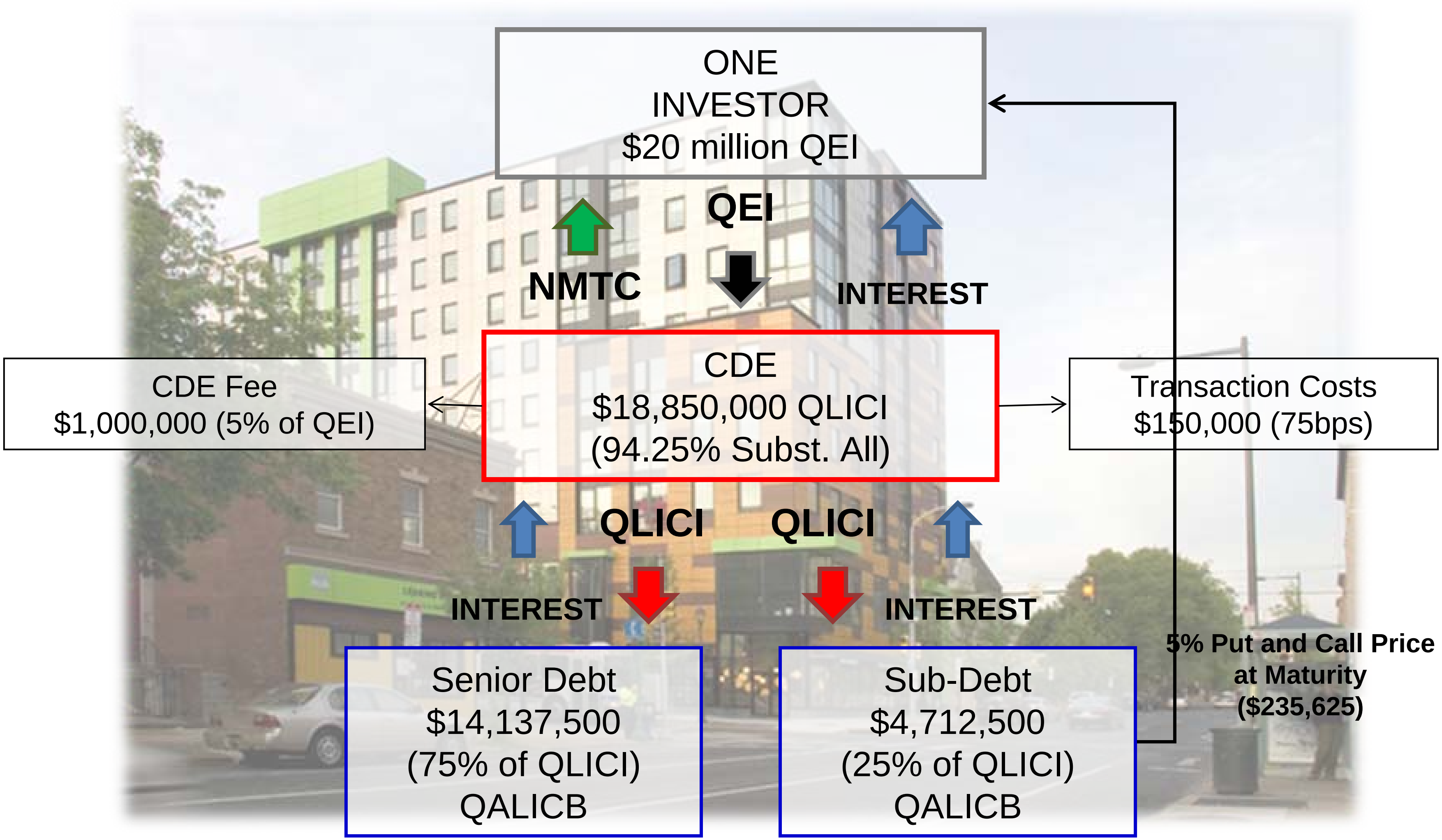
MIXED USE REAL ESTATE TRANSACTION LEVERAGED MODEL



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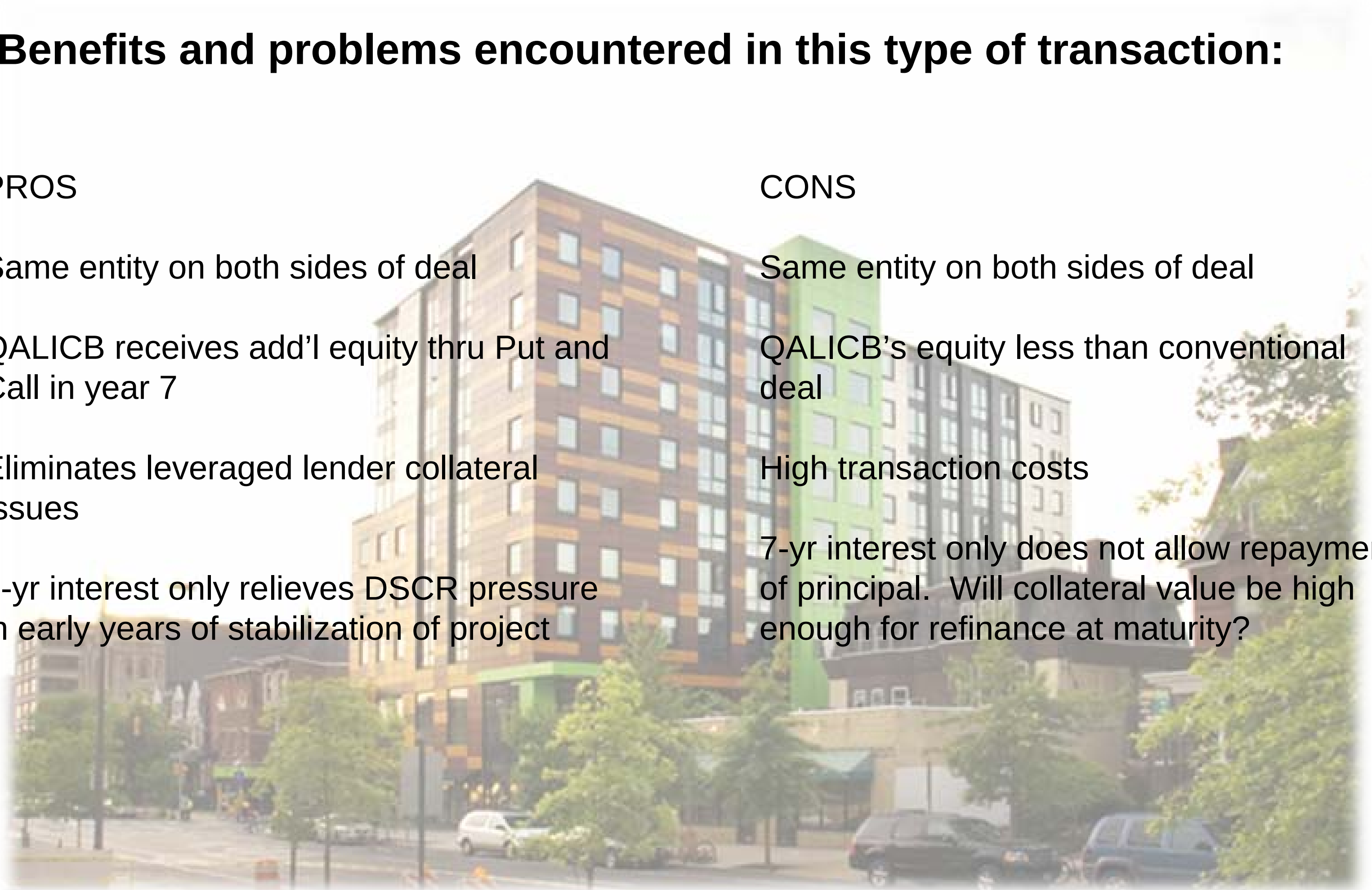
NEW MARKETS TAX CREDITS
USED TO FINANCE MIXED USE REAL ESTATE DEVELOPMENT

Benefits and problems encountered in this type of transaction:



PROS	CONS
Same entity on both sides of deal	Same entity on both sides of deal
QALICB receives add'l equity thru Put and Call in year 7	QALICB's equity less than conventional deal
Eliminates leveraged lender collateral Issues	High transaction costs
7-yr interest only relieves DSCR pressure in early years of stabilization of project	7-yr interest only does not allow repayment of principal. Will collateral value be high enough for refinance at maturity?

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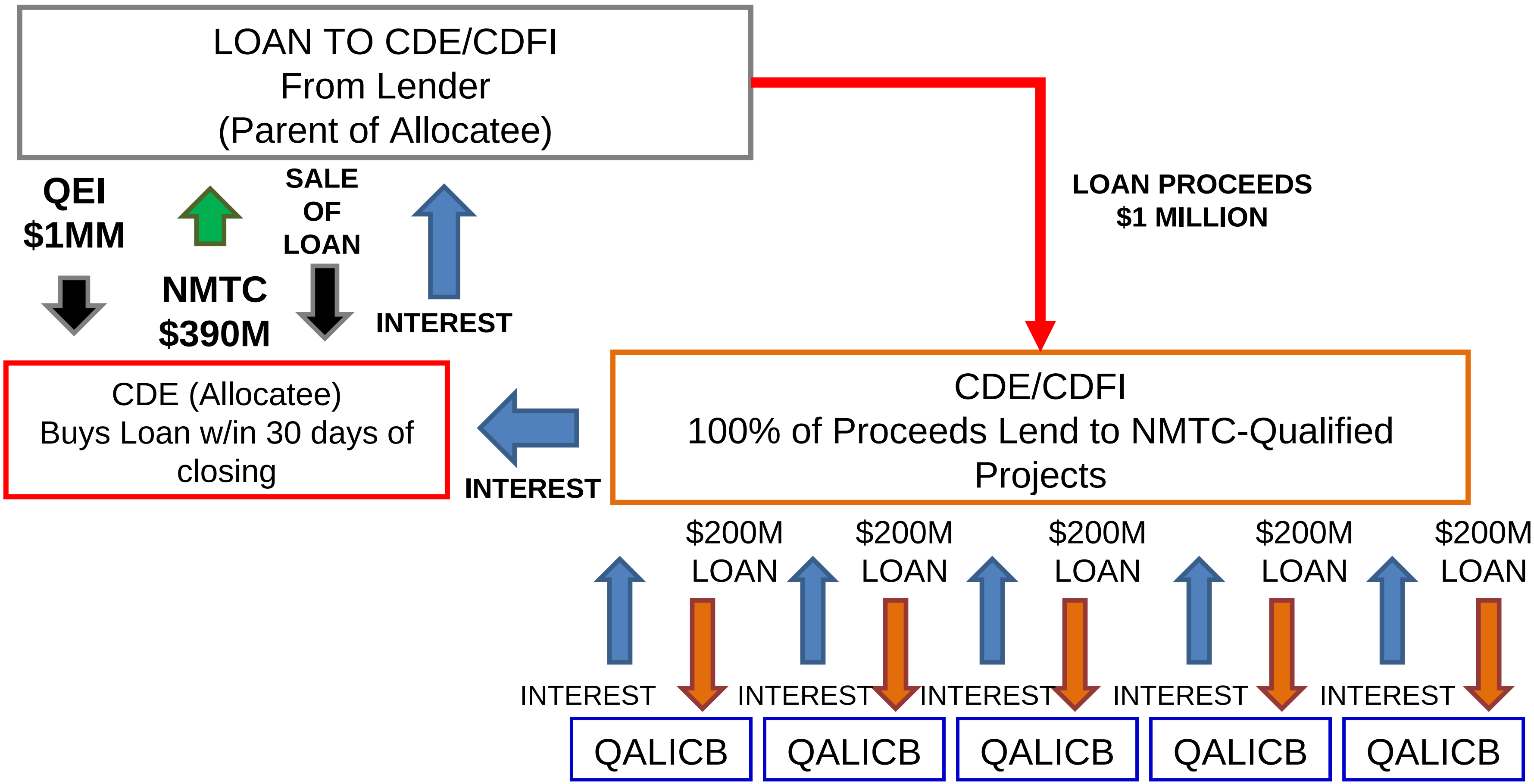
NEW MARKETS TAX CREDITS
USED TO FINANCE OTHER CDEs

- Parent of allocatee provides NMTC-qualified loan to its borrower which is a CDFI/CDE.
- Interest rate of 3.5% for ten years, interest only was recommended by Advisory Board and approved by lender's executives.
- NOFA was sent to those CDFIs recommended by the Advisory Board.
- Each returned application was reviewed using a numeric scoring system. Successful applicants were geographically dispersed over parent's market area.
- Loans were closed with the CDFIs and immediately were sold to the allocatee which "stepped into the shoes" of the lender.
- Each CDFI was given applications, checklists, and QALICB certifications to provide to each of their potential NMTC customers. Upon receipt, each customer's paperwork was reviewed and approved by the allocatee. At that point, the ultimate QLICI could be made.
- CDFI has the flexibility to alter the loan terms from that which it received from the allocatee. Dollars received can revolve upon the repayment of a loan.
- 100% of loan repayable at maturity.

ALLOCATEE LOAN TO CDE/CDFI



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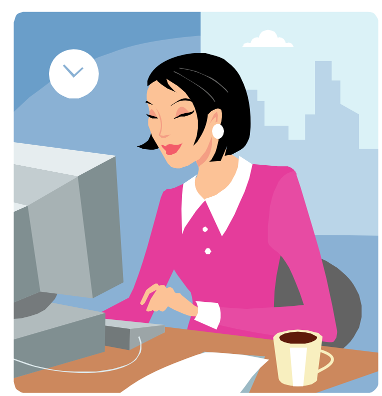
USED TO FINANCE MIXED USE REAL ESTATE DEVELOPMENT

Benefits and problems encountered in this type of transaction:

PROS	CONS
Allows NMTC financing to reach small business owners	Small QEI/QLICIs require greater compliance reporting
Allows CDFI to experience hands on the NMTC process	Working with company without NMTC experience
10-yr interest only period provides increased flexibility in loan terms, ability to redeploy money	10-yr interest only period requires money to stay out 3 years past any NMTC benefit for lender
Ability to amortize loans	Increased due diligence to make certain Substantially All test met



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PLEASE CONTACT US!

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