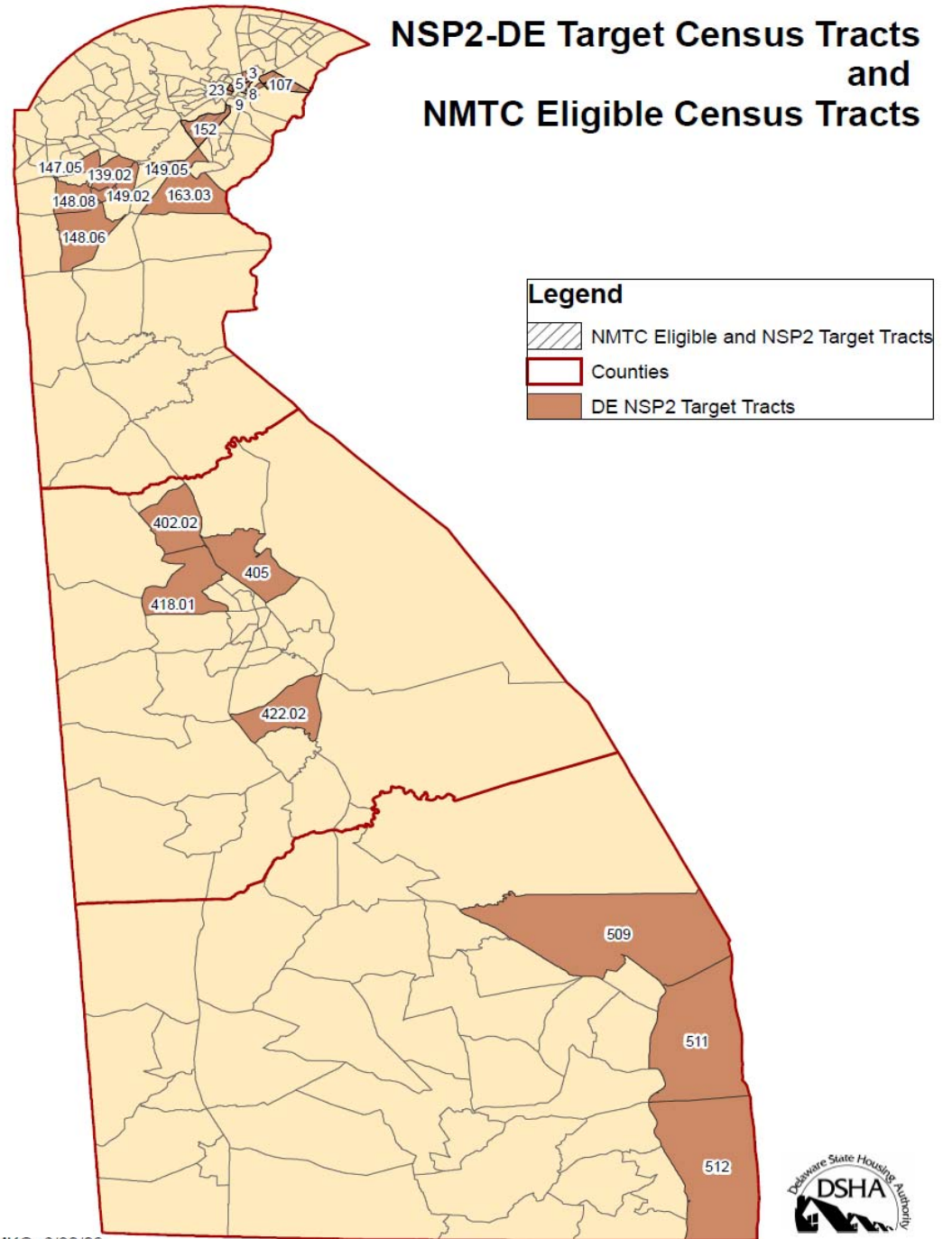


PUBLIC LEVERAGE LOAN SOURCES

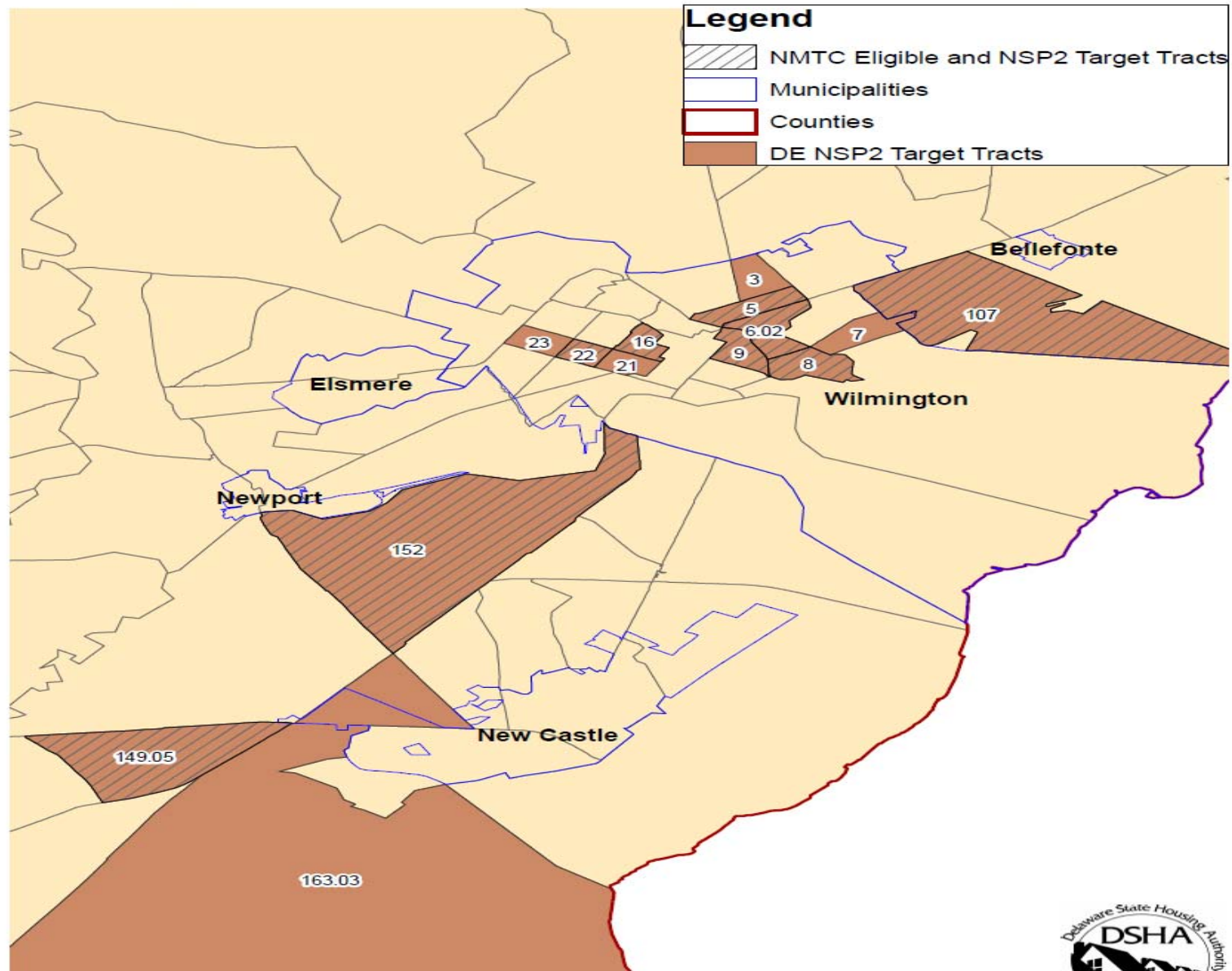
- NSP
- Section 108
- Other

NSP Issues

- Not all NSP CTs are NMTC QCTs



NSP2-DE Target Census Tracts and NMTC Eligible Census Tracts Wilmington Detail



MKG: 6/30/09



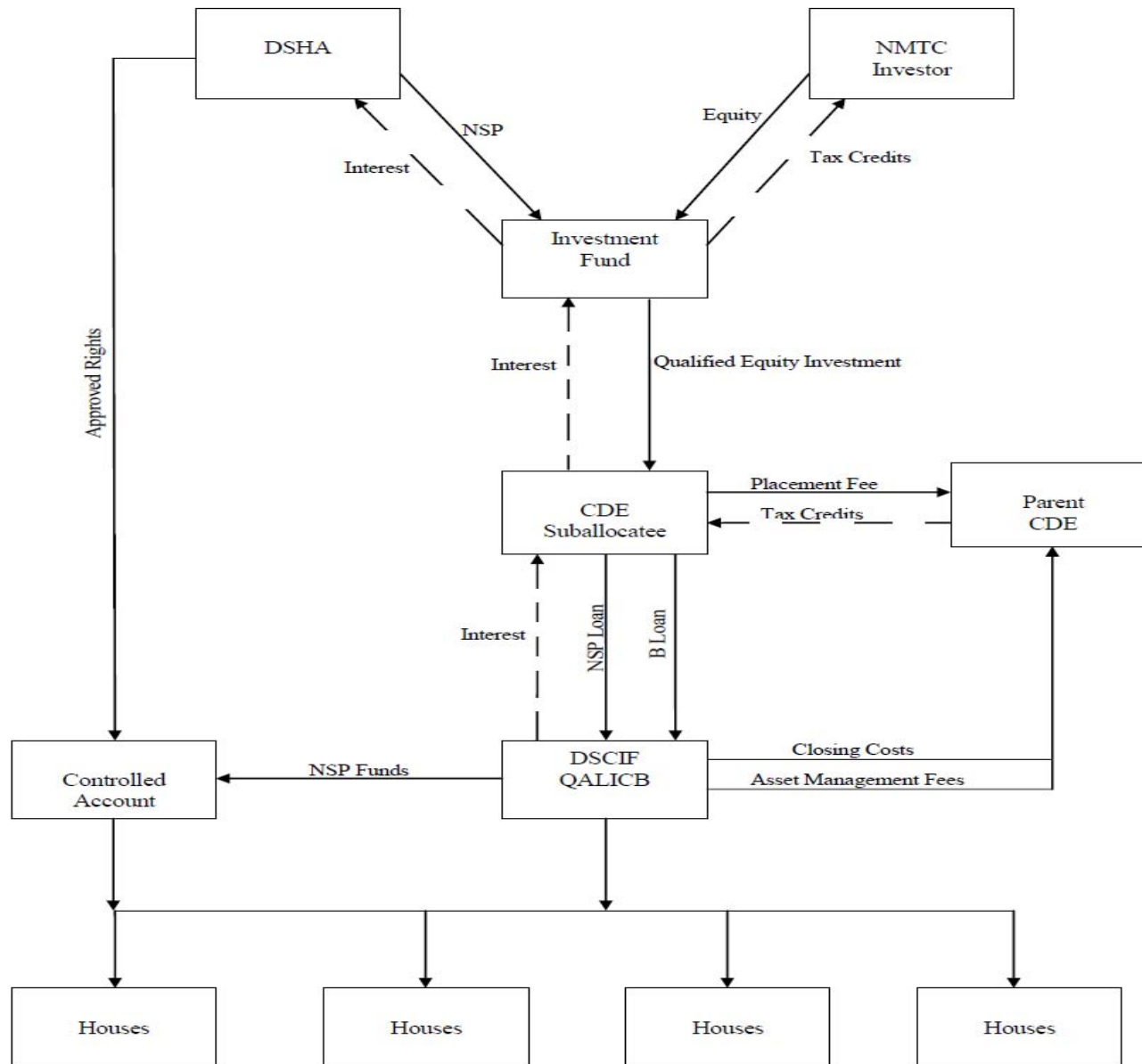
NSP Issues

- Investors may not be comfortable because QALICB's must:
 - Derive 50% of gross income from QCTs
 - Have 40% of assets in QCTs
 - Provide 40% of services in QCTs
- For many CDEs, QCTs need to be High Distress QCTs – another hurdle

NSP Issues

- HUD Drawdown (see diagram on following slide)
 - NSP funds are normally drawn monthly from HUD
 - HUD has agreed in concept to fund leverage loans, but no NSP deal has closed yet
 - Controlling the release of funds at the project level must be carefully documented

NSP & NMTCs



NSP Issues

- Revolving funds
 - If NSP is used as second mortgage financing, it may be repaid during the NMTC compliance period
 - Not all investors are comfortable with unpredictable QLICI repayments and redeployments
 - Sponsor must stay in business to service the loans and manage redeployment

NSP Issues

- Non-Qualified Financial Property
 - Many NSP projects involve homebuyer take-back financing
 - QALICB cannot hold notes (unless it's a builder-seller)

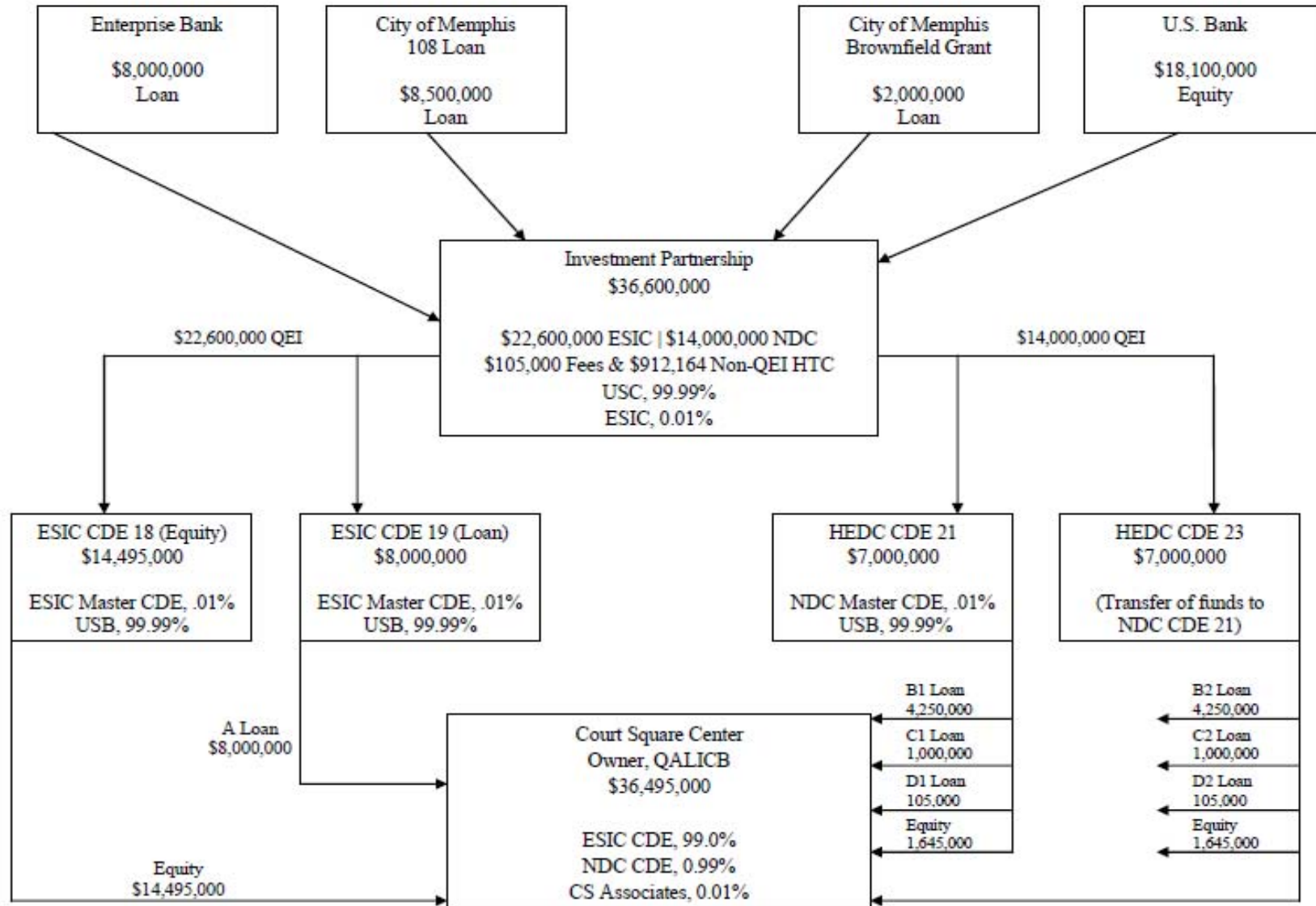
NSP Issues

- Transaction costs are high
 - Not all public sources are prepared to work at NMTCs if the CDEs, lawyers and consultants are eating up all the equity

Section 108 Loans

- Highly flexible terms available
- City borrowing from HUD can be fixed or floating
- Funding all up front; first dollars into the project

Section 108 Loans



Court Square Center – Capital Flow of Funds