

NEW MARKETS TAX CREDITS LESSONS LEARNED

2009 Opportunity Finance Network Conference
Charlotte, NC
October 29, 2009

- Doug Bystry-Clearinghouse CDFI
- Jeff Wells-Opportunity Fund
- Charlie Spies-Coastal Enterprises, Inc.



NEW MARKETS TAX CREDITS OVERVIEW

- APPLICATION/ALLOCATION
- PROJECT SELECTION/QUALIFICATION
- INVESTOR IDENTIFICATION/NEGOTIATION
- FUNDING/LEGAL DOCUMENTATION
- COMPLIANCE/REPORTING





Micro Lender



IDAs

Affordable housing
& community
facilities

NMTC: \$50 MM+
\$35MM



NMTC Benefits:
Finance Large Projects



NMTC Benefits:
Greater Community Impacts




NMTC Benefits:
Attractive Borrower Loan Terms



NMTC Benefits:
New Facilities



NMTC Benefits:
CDFI Fee Income



- Syndication fees
- Asset management fees
- Coverage of legal & accounting expenses



Lessons Learned

- NMTC: The new Ice Age
- Dedicate Substantial Resources
- Significant Professional Expenses




Lessons Learned

- o Indemnification Risk
- o Higher Community Impacts Can Cost More



NMTC & Current Economic Climate

- o Challenging deal hunting
- o Finding Investor Capital
- o Tighter Credit Standards and Higher Pricing
- o Rewards



CEI / CCML
NEW MARKETS TAX CREDIT PROGRAM

Approach and Lessons Learned
OFN Conference Charlotte, NC
October 2009

CCML CEI CAPITAL MANAGEMENT LLC

COASTAL ENTERPRISES, INC.'s MISSION

To help create economically and environmentally healthy communities in which all people, especially those with low incomes, can reach their full potential.

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CCML CEI CAPITAL MANAGEMENT LLC

THE NMTC CONNECTION

- CEI has received \$481 million in NMTC Allocation
- CCML is a for-profit subsidiary of CEI focused on the New Markets Tax Credit Program (NMTC)
- CCML uses a 3E mission-oriented approach to NMTC transaction underwriting

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FOUR PRIMARY THEMES REMAIN THE CORNERSTONES OF CCML'S NMTC ALLOCATION STRATEGY

- **A Rural Focus:** An overall portfolio target of 60% placement in rural/non-metropolitan areas.
- **Working Partners:** A pioneering "Working Partners program" that uses fee sharing to reach deeply into distressed communities
- **Diverse Investors:** Sourcing capital from a diverse array of national institutional investors, community banks, and mission-oriented subordinated lenders.
- **Flexible Terms:** Maximizing impact of NMTC investments on communities by minimizing the cost of capital.

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CEI'S WORKING PARTNER MODEL

- A tool to reach into low-income communities.
- Partners in its core territory and national partners with specific sector experience.
- These partners are our eyes and ears on the ground.
- They have the local knowledge and community connections.
- They embody our Three E priorities to maximize NMTC to distressed communities in their regions.

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For an Allocatee... *"The Buck Stops Here"*

- All Parties need competency beyond social equity
- Allocatees must behave with discipline as the steward of the allocation
- If your partners don't deliver - you as an allocatee own the problem

NMTC is an Allocatee Centric System

U.S. Treasury (IRS & CDFI Fund)

- Program Compliance
- Audits
- System Reporting
- Applications
- Unwinds

Tax Credit Investor

- New Transactions
- Compliance
- Cash flow
- Tax credit protection
- Unwinds

Leveraged Lender

- New Transactions
- Cash flow
- Covenant compliance
- Unwinds

QALICB

- Transaction
- Monitoring
- Payment Collection
- Document modifications
- Unwinds


Multiple Roles of the Allocatee as the CDE Managing Member

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It's good to remember....!!!

Although complex (read Painful) NMTCs provide approximately 25% of the project capital as low/no-cost, non-dilutive equity!



SENIOR CAPITAL
SUB-DEBT
NMTC SUBSIDY
TRUE EQUITY

Project Capital Stack

CCML CEI CAPITAL MANAGEMENT LLC


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Clearinghouse CDFI

- Received \$258 million allocation
- Funded \$218 million in NMTCs throughout California
- Diverse Projects
 - Leveraged and Un-leveraged
 - Project Driven-Not Investor Driven



FOR SALE HOUSING



RETAIL SHOPPING CENTER



MILITARY BASE RE-USE



LESSONS LEARNED

KINDNESS CAN BE COSTLY



Sure, we have room for one more CDE



LESSONS LEARNED

YOU GET WHAT YOU PAY FOR



Our Corporate Attorney Can Handle This NMTC Stuff



LESSONS LEARNED

TWELVE MONTHS GOES BY VERY QUICKLY



We can easily agree on how to deploy the investment in a whole year

O.K.

Investor

CDE



