

Identifying and Pursuing Non-traditional Equity and Leveraged Lending Sources for NMTC Transactions

Self Leveraged Transactions

July 2009

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Apollo Theater

- Landmark building in Harlem, on the National Register
- In need of interior and exterior renovation
- 99-year Lease with ESDC (NYS) – all renovation work requires review by NY SHPO
- Phased renovation project, timing based on availability of funds
 - Phase I exterior envelope, life safety, code compliance, deferred maintenance (2002-2006)
 - Phase II interior renovation



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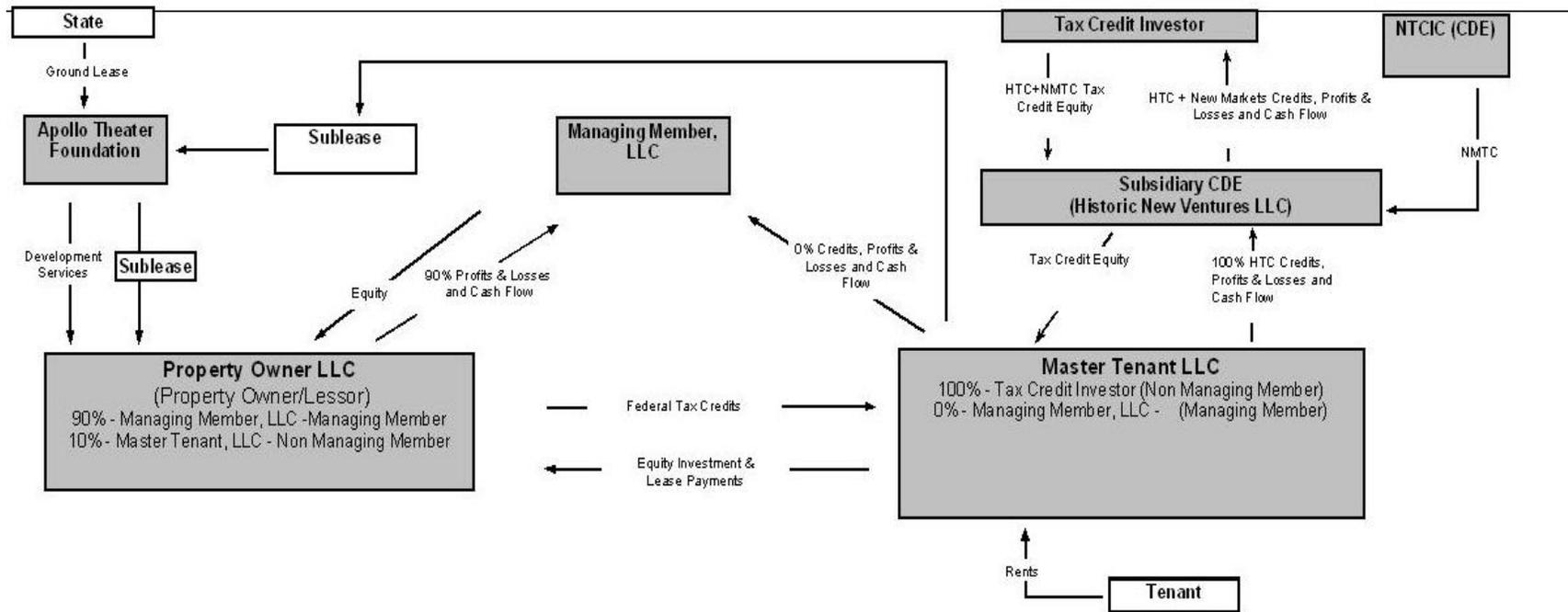
Apollo Theater

- Historic tax credit equity used in NMTC leveraged structure
- Transaction first structured in 2004. In hindsight, other potential leverage sources include:
 - Grant funds from NY EDC
 - Empire State Development Corporation
 - Upper Manhattan Empowerment Zone
 - Fundraising dollars
- Be aware of the restrictions or covenants with your soft money:
 - US Dept of Commerce EDA contributed to 16 month delay
 - Use restrictions recorded against the real estate
 - Grantors may have approval rights over the transaction
 - Educating parties unfamiliar with a tax credit structure can be time consuming



HTC/NMTC Structure Diagram

Master Tenant Structure Diagram



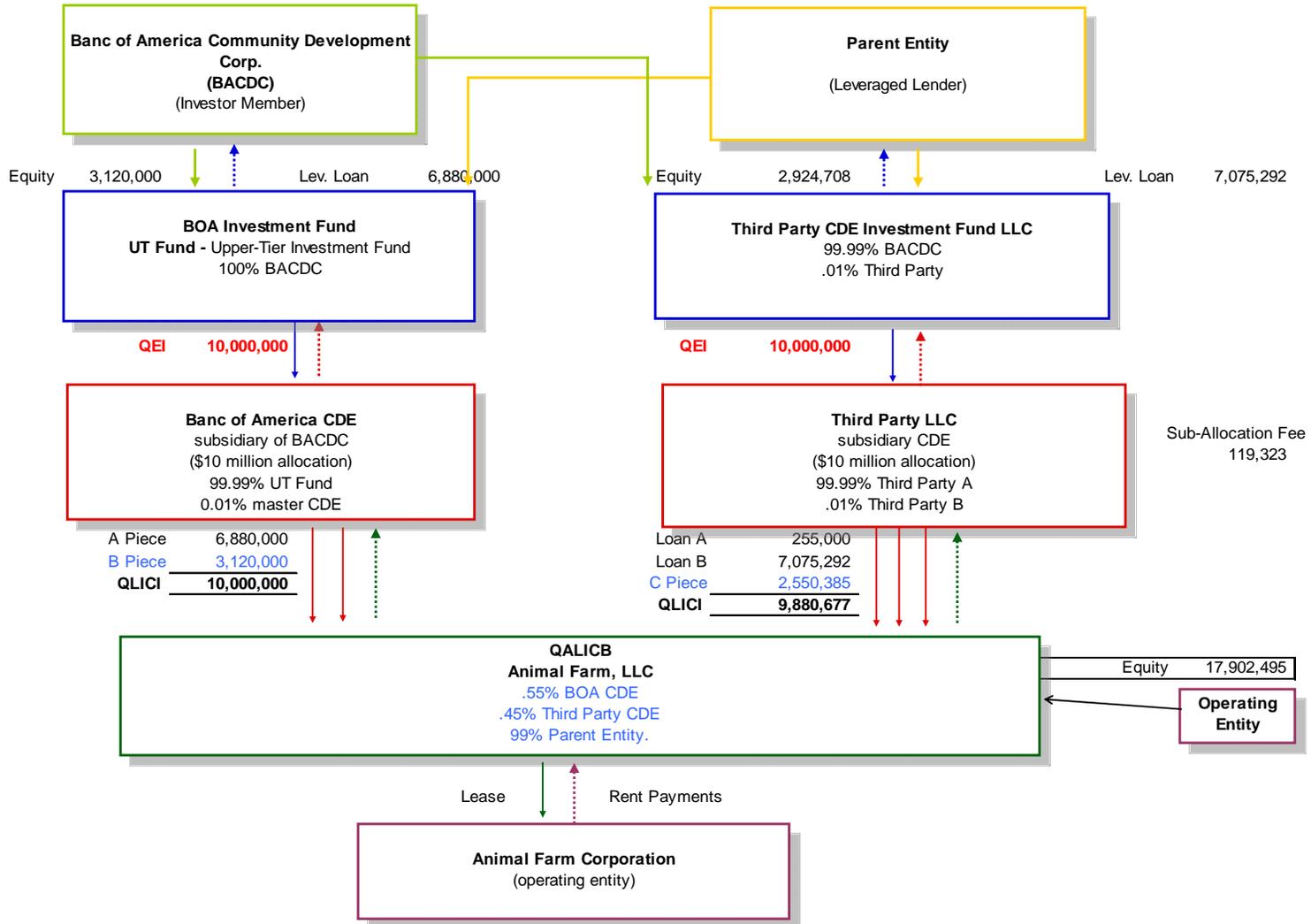


Animal Farm

- Industrial user planned to build a new facility in a rural, economically distressed area
- Challenging times for the industry combined with tight debt markets, company was unable to access traditional leveraged loan sources.
- Parent entity had available cash, acted as the leveraged lender.
- Challenges:
 - Establishing project value for underwriting and tax opinion
 - Consolidation/reporting for QALICB and parent due to SarOx regulations



Animal Farm Industrial Facility - Proposed Investment Structure



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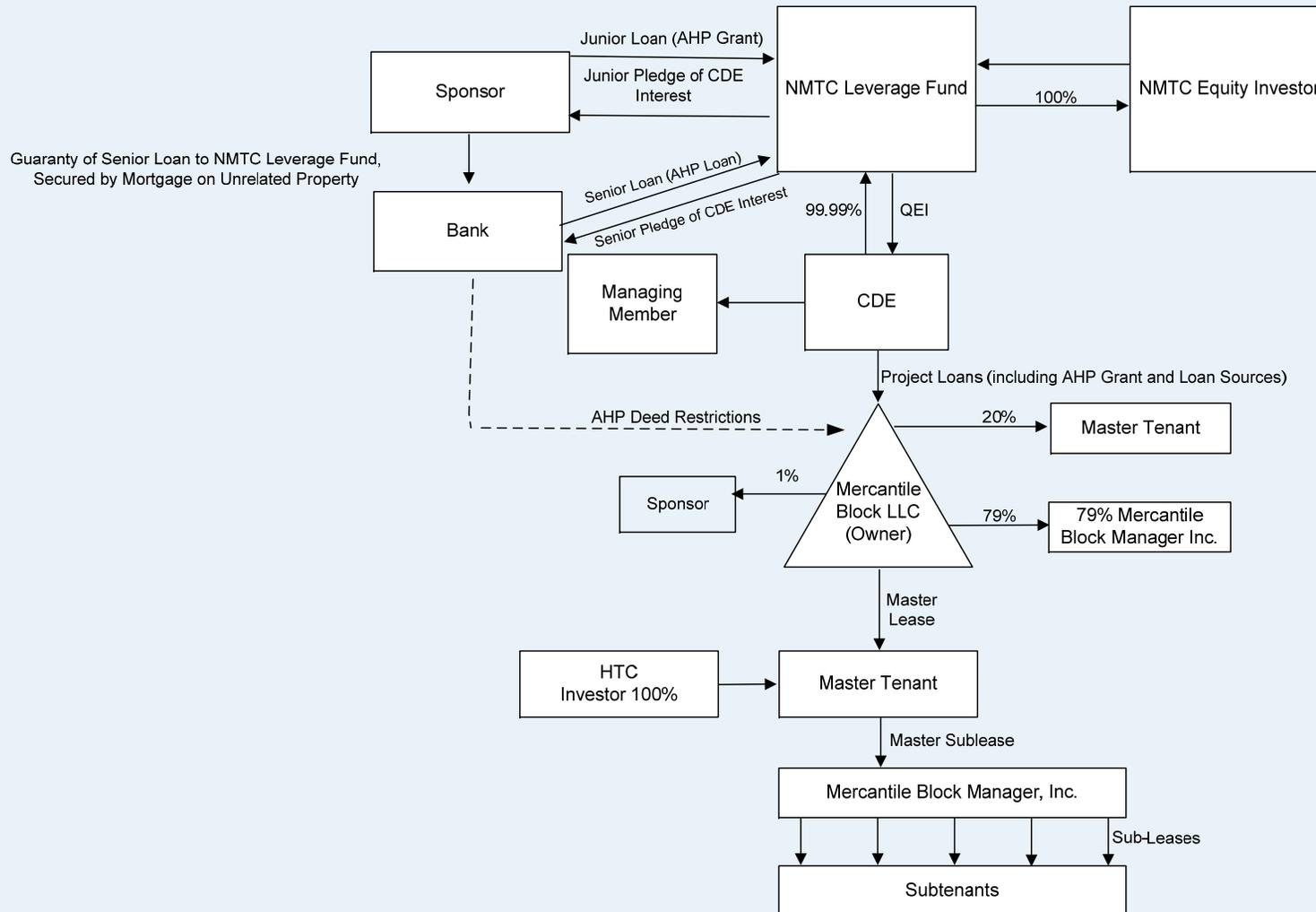
Holland & Knight

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Governmental Sources

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NMTC Structure Chart – Alternative 1



NMTC Structure Chart – Alternative 2

