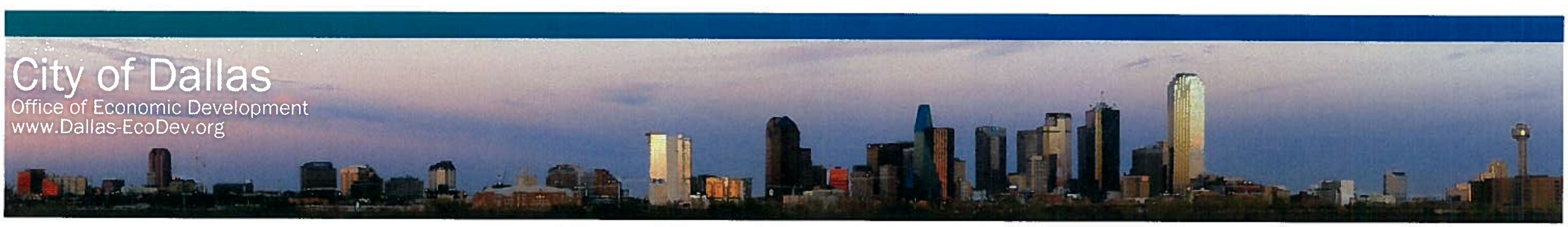
Dallas Development Fund Board Meeting

May 7, 2010



Presentation Components

1. Refresher on NMTC Financing
2. Discussion of DDF Transaction Process
3. DDF "Pipeline"
4. Briefing on Potential South Side Boutique Hotel Transaction
5. Upcoming NMTC Deadlines and 2010 Application Round

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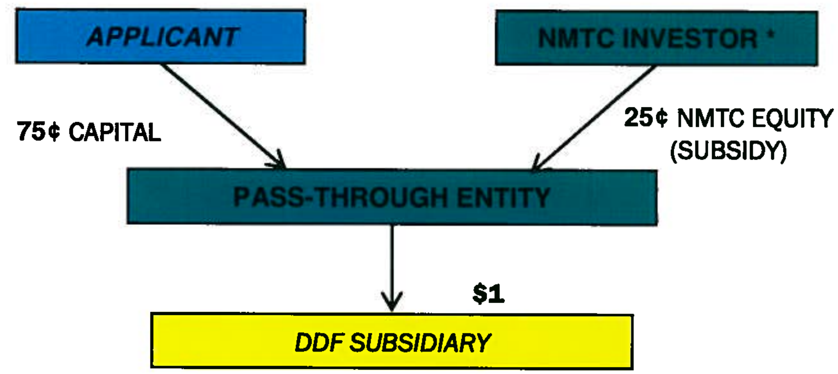
How NMTCs Work – A Hypothetical

NMTCs typically function like a matching grant program.

1. Applicant raises cash (donations, grants, loans, equity), and channels this cash (via a pass-through entity) to a DDF subsidiary. This pass-through entity is created specifically for each transaction.



2. For every 75¢ raised by the Applicant, DDF allocates enough tax credits to generate an additional 25¢ of "NMTC equity." This equity is paid by the NMTC Investor, and is also invested in the DDF subsidiary. Because there is no obligation to repay NMTC equity, it represents a form of subsidy to the Applicant.

*Examples of NMTC investors include large financial institutions, such as JPMorgan Chase, US Bank, Wells Fargo, and Bank of America

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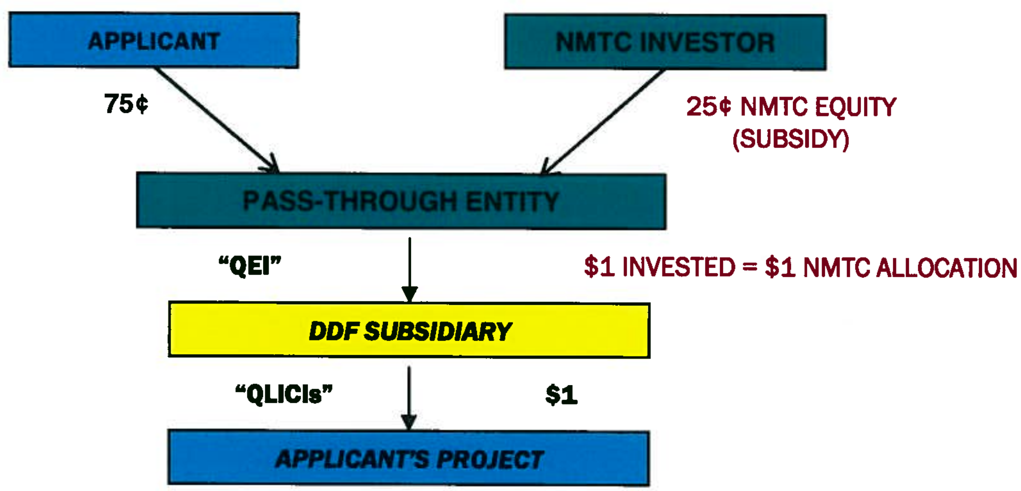
How NMTCs Work – A Hypothetical

DDF (through its subsidiary) then takes the combined funds and loans them to the Applicant. This is called a Qualified Low Income Community Investment, or "QLICI."

This hypothetical transaction uses $1 of NMTC allocation, because a total of $1 gets invested in DDF's subsidiary. (For every $1 of NMTC ALLOCATION, the Applicant gets 25¢ of NMTC EQUITY (subsidy).



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Key Things to Remember

1. $1 NMTC allocation only generates approximately 25¢ NMTC equity (subsidy).

   In other words, DDF's $55 million NMTC allocation is worth approximately $14 million in up front subsidy to projects.

2. Because the program functions like a matching grant, NMTCs can only generate enough capital to finance about 25% of project costs.

   Put differently, the Applicant must identify other financing sources for approximately 75% of costs.

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Key Things to Remember

3. Applicant capital (75¢) must come in an "NMTC-compatible" form.

    - **Funds must be liquid (cash), and must be available up front.**
    - Grants: Agreements must allow funds to flow through intermediaries
    - Loans: Lender must agree not to foreclose on property during the seven-year NMTC compliance period.
    - Bonds: Tax-exempt bonds are sometimes NMTC-compatible, but create complexity and transaction cost issues
    - HUD 108 Loans and other flexible funding sources: Must be carefully structured to allow NMTC compatibility

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Key Things to Remember

4. Not all lenders are comfortable with the NMTC program, so it's best if the Applicant works with a bank that has invested in an NMTC deal before.

5. NMTC pricing does vary over time. In our hypothetical, NMTC equity could be slightly more or slightly less than 25¢. (75:25 ratio is a good rule of thumb.)

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Benefit to the Investor

A common misconception is that the NMTC investor receives $1 of federal income tax credit for every $1 of allocation used.

In reality, the NMTC investor only receives $0.39 of federal income tax credit for every $1 of allocation that is used. This formula is set by the US Treasury.

The $0.39 tax credit is also spread over the 7-year compliance period. It is not received up-front.

The NMTC equity provided by the investor is essentially an up-front payment for this 7-year stream of fedeal income tax credits.

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Benefit to the Investor

So, in our hypothetical $1 NMTC transaction:

- $1 NMTC allocation is used.
- Applicant invests 75¢ of capital in a DDF subsidiary CDE.
- NMTC investor provides 25¢ of equity to DDF subsidiary CDE.
- Investor receives 39¢ of federal income tax credit, over seven years, in exchange for providing 25¢ up-front. This is equivalent to an annual return of 7%.

Year	1	2	3	4	5	6	7	TOTAL
Tax Credit	5¢	5¢	5¢	6¢	6¢	6¢	6¢	39¢

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Example: Gary Comer College Prep High School Project

- $21.5 million NMTC allocation
- Charter School Project Located on South Side of Chicago
- NMTC investor: Northern Trust
- Applicant capital:
    - Donations from Gary Comer Science & Education Foundation
    - Traditional loan from Northern Trust Bank

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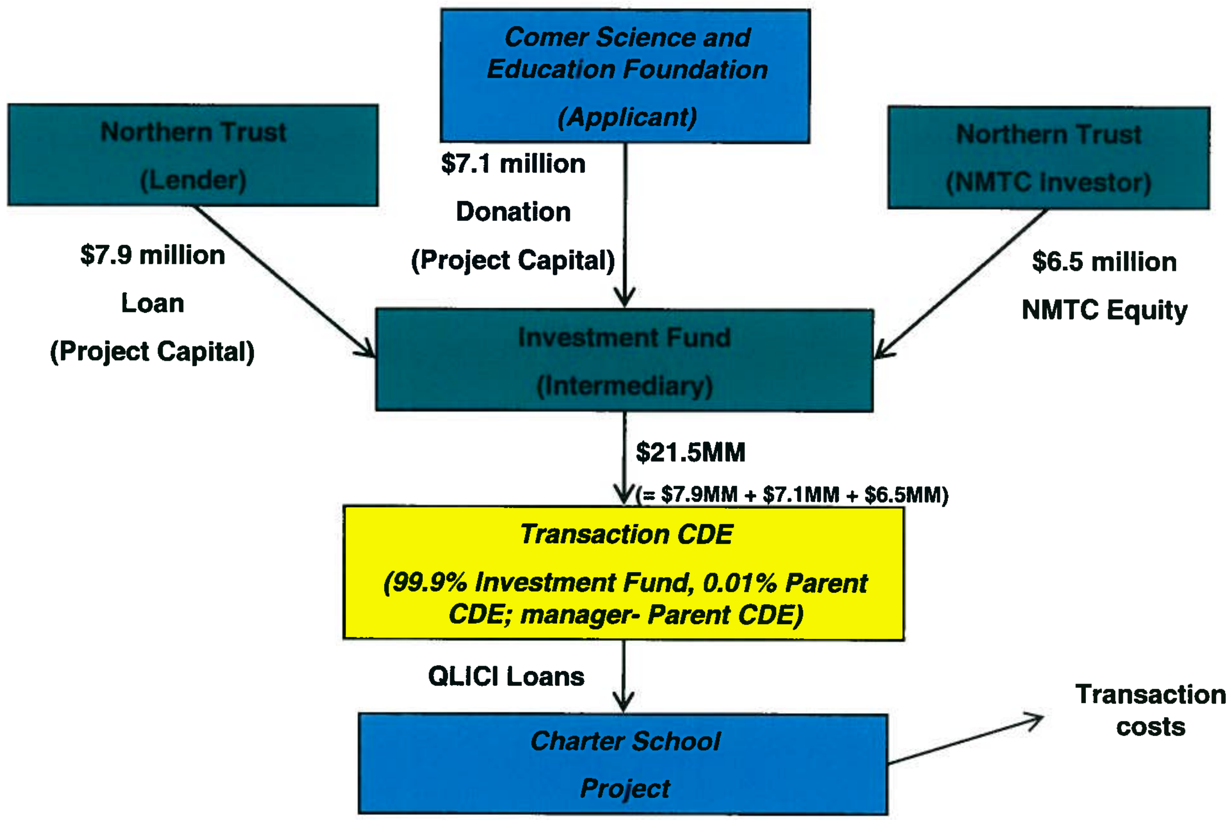
Example: Gary Comer College Prep High School



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Example: Gary Comer College Prep High School

- CDE provides $21.5 million of NMTC allocation.
- Gary Comer College Prep invests $15 million of cash ($7.9 million loan + $7.1 million donation) in CDE.
- Northern Trust (NMTC Investor) invests $6.5 million of NMTC equity in CDE.
- CDE loans these combined proceeds ($15 million + $6.5 million = $21.5 million) to Gary Comer College Prep, and remains the lender for 7 years
- Northern Trust receives $8.4 million in federal income tax credits over seven years. ($21.5 million x 39¢ = $8.4 million)

Year	1	2	3	4	5	6	7	TOTAL
Tax Credit	$1.075 MM	$1.075 MM	$1.075 MM	$1.29 MM	$1.2 9 MM	$1.29 MM	$1.29 MM	$8.4 MM

Major Steps in NMTC Transactions

1. Intake
   A. Web (intake app under development)
   B. Referral from within City
   C. Board/general marketing
   D. NMTC investors
2. Feasibility/Basic Compatibility Review
3. Board Briefing/Feedback
4. Collect Evidence of Other Financing Sources
5. Issue/Finalize Term Sheet
6. DDF Board Resolution to Authorize Closing
7. City Council Authorization
8. Closing

Key Feasibility/Compatibility Considerations

1. Is the project in an eligible Census tract?
2. Is the proposed borrower likely to be a QALICB?
3. Is the project big enough to make sense? (~$5+ million of financed costs)
4. Are the major financing sources lined up/do they appear reasonably likely to be available?
5. Can the necessary financing components flow through the NMTC structure?
6. Basic real estate issues (site control, cleanup, cost estimates, tenants, etc)
7. Is it generally compatible with DDF's mission and Allocation Agreement?
8. Would it help DDF compete for future NMTC allocation?
   - A. High community impact
   - B. Other desirable features (e.g. new investors, lenders, leverage sources, complementary use of other City programs)
   - C. Helps to hit key QEI closing deadlines and show progress

Term Sheet Parameters

1. Ideally issued jointly by DDF and proposed NMTC investor
2. Terms are subject to final DDF and Investor approval prior to closing
3. Sets forth the allocation amount and investor pricing
4. Articulates DDF fee structure
5. Describes basic deal structure
6. Sets investor expectations about legal relationship with DDF (indemnities, unwind plan, etc)
7. Sets borrower expectations about indemnities, ongoing obligations, compliance requirements, etc
8. Reserves DDF NMTC allocation up to a specific amount within a specific time frame (i.e. no double commitments)
9. Sets closing deadlines
10. Obligates borrower to reimburse all DDF costs incurred on behalf of the transaction
11. Overall, helps to limit the scope of negotiations, avoid surprises during the closing process

Major Closing Components

1. Typical real estate due diligence for a loan closing
2. Amended/restated operating agreement for DDF subsidiary involved in the deal (admits NMTC investor as equity partner)
3. Loan agreements between Leverage Lender(s) and Investor
4. Loan agreements between DDF subsidiary and borrower
5. Compliance indemnities from borrower and DDF to investor
6. Servicing, disbursement, and title agreements
7. NMTC due diligence items (evidence of eligible tract, DDF allocation agreement, etc)
8. Closing checklist typically 100+ items!