LADF

LOS ANGELES DEVELOPMENT FUND

Special Meeting *of the* Governing Board of Directors *and* Advisory Board of Directors *of*

<u>The Los Angeles Development Fund</u>
and
<u>LADF Management, Inc.</u>

March 14, 2017

SPECIAL MEETING *of the*

GOVERNING BOARD OF DIRECTORS *and* ADVISORY BOARD OF DIRECTORS *of*

THE LOS ANGELES DEVELOPMENT FUND *and* LADF MANAGEMENT, INC.

MARCH 14, 2017

Tab Table of Contents

1 Board Meeting Agenda

2 Materials regarding Action Item A:

- 2017 LADF Budget

3 Materials regarding Action Item B:

- BOARD MEMO regarding Request for Approval of $10 Million Sub-Allocation of New Markets Tax Credits for the Orthopaedic Institute for Children Project
- LADF Board Resolution
- LADF Management, Inc. Board Resolution
- Resolutions Adopted by Written Consent of the Managing Member of LADF XII, LLC

Tab 1

LADF
LOS ANGELES DEVELOPMENT FUND

AGENDA

SPECIAL MEETING *of the*
GOVERNING BOARD OF DIRECTORS *and* ADVISORY BOARD OF DIRECTORS *of*
THE LOS ANGELES DEVELOPMENT FUND *and* LADF MANAGEMENT, INC.

CITY HALL, ROOM 1050
200 N. SPRING STREET, LOS ANGELES, CA
Tuesday, March 14, 2017 | 2:00pm – 3:30pm

	AGENDA ITEM	PRESENTER	TAB
	Welcome and Call to Order	Rushmore Cervantes	
	Roll Call	Rushmore Cervantes	
1	Discussion Items		
	a. LADF Pipeline Update	Sandra Rahimi	
2	Action Items		
	a. Request for Approval of the 2017 LADF Budget	Sandra Rahimi	Tab 2
	b. Request for Approval of $10 Million Sub-Allocation of New Markets Tax Credits for the Orthopaedic Institute for Children Project	Sandra Rahimi	Tab 3
	Request for Future Agenda Items	Rushmore Cervantes	
	Next Meeting Date and Time of Governing Board	Rushmore Cervantes	
	• Thursday, April 13, 2017		
	Public Comment	Rushmore Cervantes	
	Adjournment	Rushmore Cervantes	

The LADF's Board Meetings are open to the public. Accommodations such as sign language interpretation and translation services can be provided upon 72 hours notice. Contact LADF @ (213) 922-9694.

PUBLIC COMMENT AT LADF BOARD MEETINGS – An opportunity for the public to address the Board will be provided at the conclusion of the agenda. Members of the public who wish to speak on any item are requested to identify themselves and indicate on which agenda item they wish to speak. The Board will provide an opportunity for the public to speak for a maximum of three (3) minutes, unless granted additional time at the discretion of the Board. Testimony shall be limited in content to matters which are listed on this Agenda and within the subject matter jurisdiction of the LADF. The Board may not take any action on matters discussed during the public testimony period that are not listed on the agenda.

Tab 2

Los Angeles Development Fund
Budget (In Full Dollars)
Fiscal Year Ending 12/31/17

Budget Items	2017 [1] PROJECTED Annual Totals		2016 ACTUAL Annual Totals
Revenues			
Placement Fees (*projected*)	1,000,000		0
SubCDE Asset Mgmt Fees (*projected*)	112,500	2	0
SubCDE Asset Mgmt Fees (*in-place*)	375,000		425,000
Fund Mgmt Fees (*in-place*)	36,000		36,000
Expense Reimbursement	126,700		131,100
Interest Income	20		40
Investment Income	200		160
TOTAL REVENUES	**1,650,420**		592,300
Expenses			
Reimburseable Expenses:			
-Audit /Tax Services (SubCDEs, IFs)	94,500		101,000
-Other Reimburseable Expense	32,150		30,050
Audit /Tax Services (LADF)	15,000		16,500
Capital Contributions (Due to Affiliates)	5,000		0
Consultant - Compliance (Ariel Ventures)	12,000		12,000
Consultant - Accounting (J Diaz)	50,000		40,130
Consultants - NMTC Application	30,000		0
Corp Taxes and Fees	12,870		7,990
Insurance - D&O	4,520		4,520
Insurance - Workers comp	2,200		2,200
Interest Expense	0		0
Lease Expense (EWDD)	4,880	3	0
Legal - Organizational Counsel	10,000		1,560
Legal - Transactions	0		0
Marketing Expense (Conferences)	16,500		12,610
Marketing Expense (Website, Social Media)	32,500		0
Other Administrative Expense	2,500		2,260
Payroll Expenses (inc payroll tax)	357,270		357,270
TOTAL EXPENSES	**681,890**		588,090
Budget Surplus / (Deficit)	**968,530**		4,210
Unrestricted Cash as of Jan. 1, 2017	**$1,170,000**		
Projected Cash as of Jan. 1, 2018	**$2,138,530**		

[1] Projections for 2017 assume LADF will close on its $50mm 2015-2016 Allocation Award as follows: $10mm-Q1 2017, $10mm-Q2 2017, $10mm-Q3 2017, and $20mm-Q4 2017.

[2] SubCDE Asset Mgmt. Fees on LADF's 2015-2016 NMTC Allocation will total $375,000 annually once fully deployed.

[3] Lease expense reflects half of projected $9,757 annual rental expense, assuming that the EWDD Lease Agreement receives City Council approval and LADF Board approval by June 30, 2017 and LADF moves into the EWDD offices by July 1, 2017.

Los Angeles Development Fund

Projected Fee Revenue

Years 2016 through 2025

Year	FEE REV. TOTAL [1] Totals	FEE REV. TOTAL % Change	*Projected* PLACEMENT FEES [2] Totals	PLACEMENT FEES % Change	*Projected* SUB-CDE MGMT FEES [3] Totals	SUB-CDE MGMT FEES % Change	*In-place* SUB-CDE MGMT FEES Totals	SUB-CDE MGMT FEES % Change	*In-place* FUND MGMT FEES Totals	FUND MGMT FEES % Change
2016	**461,000**	-	0	-	0	-	425,000	-	36,000	-
2017 [4]	**1,523,500**	*230.5%*	1,000,000	-	112,500	-	375,000	*-11.8%*	36,000	*0.0%*
2018	**713,617**	*-53.2%*	0	*-100.0%*	375,000	*233.3%*	321,350	*-14.3%*	17,267	*-52.0%*
2019	**649,380**	*-9.0%*	0	-	375,000	*0.0%*	260,720	*-18.9%*	13,660	*-20.9%*
2020	**471,675**	*-27.4%*	0	-	375,000	*0.0%*	96,675	*-62.9%*	0	*-100.0%*
2021	**398,055**	*-15.6%*	0	-	375,000	*0.0%*	23,055	*-76.2%*	0	-
2022	**375,000**	*-5.8%*	0	-	375,000	*0.0%*	0	*-100.0%*	0	-
2023	**375,000**	*0.0%*	0	-	375,000	*0.0%*	0	-	0	-
2024	**262,500**	*-30.0%*	0	-	262,500	*-30.0%*	0	-	0	-
2025	**0**	*-100.0%*	0	-	0	*-100.0%*	0	-	0	-
TOTALS	**5,229,727**	*10-year*	1,000,000		2,625,000		1,501,800		102,927	
	522,973	*Avg / year*								

[1] This fee revenue schedule assumes that LADF is not awarded any additional NMTC Allocation after its 2015-2016 Allocation Award.

[2] Projected Placement Fees accrue and are paid at time of closing of each transaction. LADF charges 2% Placement Fees on its allocation.

[3] Projected Sub-CDE Asset Management Fees accrue and are paid quarterly over the 7-year NMTC Compliance Period. LADF charges an annual rate of 0.75% on its allocation for Sub-CDE Asset Management Fees. Total Sub-CDE Asset Management Fees collected for the 7-year NMTC Compliance Period will equal 5.25% on its allocation (0.75% x 7 years).

[4] Projections for 2017 assume LADF will close on its $50mm 2015-2016 Allocation Award as follows:
$10mm-Q1 2017, $10mm-Q2 2017, $10mm-Q3 2017, and $20mm-Q4 2017.

Tab 3

LADF
LOS ANGELES DEVELOPMENT FUND

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, Secretary
DATE:	March 10, 2017
SUBJECT:	Request to Approve a **$10,000,000** New Markets Tax Credits Allocation to OIC Holding Corp. ("**QALICB**") for the Orthopaedic Institute for Children ("**Project**")

SUMMARY

<u>Project Name</u>: Orthopaedic Institute for Children ("**OIC**")

<u>Location</u>: South Los Angeles Neighborhood (CD 9 – Curren D. Price, Jr.)

<u>Project Description</u>: 153,100 SF / Rehabilitation / Community Facility – Healthcare

<u>Sponsor / Developer</u>: Orthopaedic Institute for Children ("**Sponsor**", or "**OIC**")

<u>Ownership</u>:
- Sponsor owns *Land, Building, and Improvements*
- Property to-be-transferred to QALICB at closing

<u>NMTC Investor</u>: Chase Bank ("**Investor**")

<u>Total Project Cost</u>: $ 33,952,000

<u>Total Allocation / QEI</u>: $ 24,500,000
LADF Allocation / QEI: $ 10,000,000 (*2015-2016 Allocation*)
- LADF XII, LLC *(Certified Sub-Allocatee)*

<u>Job Creation (*Direct*)</u>: **50** Permanent Jobs, **150** Construction Jobs

<u>Site Eligibility Criteria</u>: 2010 Census Tract No. 06037224020
- <u>NMTC Eligible</u> and <u>Targeted Distressed Community</u> (*per 2015-16 Allocation Agmt*)**:**
- 33.5% Poverty Rate (*greater than 20%/30%*) – Section 3.2(h)(i)
- 36.0% AMI Households (*less than 80%/60%*) – Section 3.2(h)(ii)

<u>Community Benefits</u>:
- Providing outpatient surgical care to over 600 low-income children per year
- Increasing capacity in urgent care from 23,000 to 37,000 patient visits per year
- Accept low-income children from Medi-Cal insured, uninsured, and underinsured families as patients

<u>Key Compliance Criteria under the 2015-2016 Allocation Agreement</u>:

☑ Sect. 3.2(a):	Investments in, or loans to, QALICBs	☑ Sect. 3.2(b):	Located within Service Area
☑ Sect. 3.2(c):	Approved/Certified Sub-Allocatee	☑ Sect. 3.2(d):	QLICI made to Unrelated Entity
☑ Sect. 3.2(f):	Flexible Product	☑ Sect. 3.2(h):	Targeted Distressed Community
☑ Sect. 3.2(j):	100% QEI Investment Usage	☑ Sect. 3.3(j):	Monetize Only Eligible Existing Assets

Projected Residual Value of LADF QLICI that may be obtained by the QALICB: $ 3,393,000

CONTENTS

SUMMARY 1
SITE ANALYSIS 3
PROJECT DESCRIPTION 3
COMMUNITY AND ECONOMIC BENEFITS 5
DEVELOPMENT TEAM 6
PROJECT FEASIBILITY 8
FINANCING PARTNERS 10
FINANCING STRUCTURE 11
PROJECT READINESS 13
NMTC ELIGIBILITY AND COMPLIANCE 13
DEMONSTRATED NEED FOR NMTC FINANCING ("BUT FOR" TEST) 15
COLLATERAL AND GUARANTEES 15
LOAN REPAYMENT ANALYSIS/EXIT STRATEGY 15
RISKS AND MITIGANTS 16
LADF FEE LOAD AND RESERVES 17
POLICY EXCEPTIONS 17
RECOMMENDATION 17
ATTACHMENTS 17
EXHIBIT A: OIC Flow of Funds (*as of February 23, 2017*, Final Projections Pending) 18

SITE ANALYSIS

The project site is approximately 3.0 acres and located in the South Los Angeles neighborhood. The existing improvements are made up of three buildings totaling approximately 153,100 SF, with the following contiguous address locations:

- 2400 South Flower Street, Los Angeles, CA 90007
- 403 West Adams Boulevard, Los Angeles, CA 90007

The site is under the jurisdiction of Council District 9 of the City of Los Angeles, represented by Councilmember Curren D. Price, Jr. Additionally, the site lies within the following designated economic development areas:

- *State Enterprise Zone*: Los Angeles State Enterprise Zone
- *Revitalization Zone*: Central City
- *Business Improvement District*: Figueroa Corridor

The site is directly adjacent to the 110 Freeway and the LATTC/Ortho Institute Metro Expo Line rail station. Public bus transportation is located nearby on Adams Blvd. and Flower St.

The land uses adjacent to the site are multifamily residential development to the north and east and retail to the west and southwest.

Site Control

The Los Angeles Orthopaedic Hospital Foundation ("**Foundation**") owns the site, and is an affiliate of the Orthopaedic Institute for Children ("**OIC**"). Together, the affiliated nonprofits have owned the site since 1911. As affiliated nonprofits, with a majority of members of OIC's board of directors being comprised of Foundation board of trustees members, the Foundation and OIC have not previously had the need to formalize their relationship with respect to the property in any type of lease or occupancy agreement. However, for purposes of the NMTC financing, they have formalized this relationship in a Memorandum of Understanding.

The OIC operates the three existing buildings onsite – the Ambulatory Surgery Center ("**ASC**")/Clinic Building, Lowman Building, and Hanger Building. At these buildings, the Sponsor provides its orthopaedic healthcare services to children and engages in research and development of new orthopaedic healthcare methods and devices. The Foundation provides financial support and working guidance to OIC in its operation of the property and to further the common mission of the OIC and Foundation.

PROJECT DESCRIPTION

OIC will use the NMTC financing to fund the rehabilitation of two of the three existing buildings, the ASC/Clinic Building and Lowman Building. The Hanger Building (5,600 SF) houses a thrift shop and administrative storage space, and will not be improved as part of the NMTC financing. The rehabilitation of the ASC/Clinic Building was completed in late 2016 and the Lowman Building rehabilitation is expected to start in late 2017 and complete in 2018. Funds for the rehabilitation of the ASC were expended less than 24 months prior to the expected closing date of the NMTC transaction.

The proposed mix of uses for the project's 153,100 SF of space is as follows:

- Ambulatory Surgery Center 13,200 SF – *8.6%*
- Urgent Care Center 9,400 SF – *6.1%*
- Other Clinical (clinics, imaging, radiology) 95,000 SF – *62.1%*

• Pharmacy	4,000 SF – *2.6%*
• Research Laboratory	10,700 SF – *7.0%*
• Administration/Offices	17,700 SF – *11.6%*
• Retail (Thrift Shop)	3,100 SF – *2.0%*
	153,100 SF

The changes in the mix of uses as a result of the rehabilitation are the addition of the ASC, expanded urgent care center, and expanded research laboratory space.

The recently completed ASC is a new addition in the basement of the 38,550 SF ASC/Clinic Building, which also houses other clinical and administrative space. Prior to this build out for the new ASC, the basement was used as storage space. The new ASC contains two operating rooms and six pre- and post-surgical suites. Two "overnight" rooms in the ASC accommodate 23-hour stays, allowing for post-surgical monitoring of complicated cases. The ASC allows disadvantaged children to experience the same seamless, coordinated and continuous expert care – with the same physicians and clinical team throughout an entire episode of care – that a privately-insured child receives. In addition to displaced fractures (*i.e. when the bone snaps into two or more parts and moves so that the two ends are not lined up straight*) and soft-tissue injuries, the anticipated case mix for ASC will consist of bone cysts, benign muscle tumors, scoliosis and craniofacial, clubfoot and injuries and disorders of the hand.

In 2016, OIC and the Foundation undertook the build out of the ASC with the Foundation's endowment funds. However, this has curtailed OIC's ability to accept uninsured and underinsured patients. Historically, OIC has had a policy to accept all patients regardless of their ability to pay for services. Because the funding of the ASC reduced Foundation's endowment funds used to support this activity, in this past year they have had to redirect some patients to other facilities because of their inability to pay for services. The reimbursement of costs incurred for the ASC build out is intended to replenish the Foundation endowment to support patient services and provide the funds necessary to contribute to the rehabilitation of the Lowman Building.

The next phase of this project includes the substantial rehabilitation of the five-story, 108,950 SF Lowman Building with a cost of approximately $21.3 million to provide expanded urgent care, research facilities, clinical offices and administrative needs. The Lowman building was constructed in the 1960s and is in critical need of infrastructure upgrades and repositioning. The existing urgent care center was designed to treat 14,000 children per year and has exceeded not only its useful life, but also its capacity. While the entire building will endure infrastructure upgrades (ADA compliance, HVAC, elevators, roof, etc), the construction activity mainly focuses on the expansion of the urgent care center on the first floor and necessary equipment upgrades, such as advanced diagnostic imaging equipment, to better serve patients. The improvements to the Lowman Building will also include the expansion of OIC's medical research department and laboratory. This will allow OIC scientists to continue their state of the art research work in bio mechanics to supplement the clinical care and expansion of administrative offices needed to meet the additional patient demand. OIC researchers and doctors are nationally recognized experts in scoliosis, club foot, and hemophilia.

The renovation plan for the urgent care center will include increased number of patient bays, beds, and more advanced equipment to provide emergency medical services. Nursing stations will be stationed in the center of the room with bays around them. The space design for administrative use will increase staff efficiency by increasing density, and allowing for a better workflow. Upon completion, the building will have two ADA compliant entries – one into the main building, and the other directly into the urgent care center. Features will also be added to make the space more child- and family-friendly and less intimidating for patients.

COMMUNITY AND ECONOMIC BENEFITS

The primary community benefits created by the NMTC transaction are the following:

Job Creation/Retention:	• Creating: **50** Permanent Jobs and **150** Construction Jobs • Retaining: **180** Permanent Jobs
Quality Jobs:	• **90%** of all permanent full-time jobs will be provided with livable wage jobs based on MIT's Living Wage for the City of L.A. at $12.88 ($26,790 annually) • **100%** of the full-time permanent jobs will be provided with the following benefits: Medical, Dental, Life Insurance, Retirement, Paid Time Off, Short-Term Disability, and Long-Term Disability
Accessible Jobs:	• Hiring Low-Income Persons ("**LIP**") or Low-Income Community Residents ("**LICR**") for **30** Permanent Jobs and **90** Construction Jobs Created • **108** Permanent Jobs Retained by LIPs or LICRs • Provide paid summer internships to at least **10** students from the Orthopaedic Medical Magnate High School per year • Reasonable best efforts[1] required in recruiting and hiring LIPs and LICRs for certain positions that provide advancement opportunities at the Project • Expand training to allied health professionals, UCLA orthopaedic residents, and Orthopaedic Hospital Medical Magnet High School students
Community Goods/Services to Low-Inc. Communities:	• Provide services to over **600 low-income children per year** in the new ASC • Increase capacity in urgent care center from 23,000 to at least **37,000 patient visits per year** • Ensure that over **90% of patients** are and will continue to be **LIPs**, as determined by the payee mix of Medicare, Medi-Cal, and uninsured patients

The community benefits discussed in this section will be required of the QALICB and Sponsor by way of a Community Benefits Agreement ("**CBA**"). The CBA will include an annual reporting requirement for tracking the quantifiable community impacts. The CBA will also include a requirement for representatives from the QALICB to appear annually at an LADF Joint Board Meeting to provide a report in person regarding the community impacts achieved. As of the time of this report, the CBA is still under negotiation. If there are any material or significant changes to the CBA, as presented in this memo, during the course of the negotiation, LADF staff will inform the LADF Governing Board of such changes.

Job Creation

Taking into consideration the reporting guidelines for the CDFI Fund's Community Investment Impact System ("**CIIS**"), the total permanent job creation estimate for the project is calculated as Full-Time Equivalents ("**FTEs**") and is broken out for the project as follows:

[1] The "reasonable best efforts" requirement includes activities such as partnering with local workforce development organizations to fill certain positions, targeted advertising of jobs to LICs and LICRs, and/or similar activities.

Job Type	Existing FTEs	Added FTEs	Minimum Requirements
Medical Assistants	11	8	CPR Certified, CMA Certified, 2-4 years experience
Registration	32	5	AA degree, 2-4 years experience
RN	10	4	RN Certified, Bachelors degree, 1 year experience
Nurse Practitioners	9	2	Bachelors degree, RN Certified required, Masters degree preferred, 3 years experience
Rad Tech	7	5	Registered by the American Registry of Radiologic Technologists, Certified by State Board of Health
Administration	5	2	Bachelors degree, 3+ years experience
Physician	7	1	Bachelors degree, 3+ years experience
Foundation/ Marketing	14	0	Bachelors degree, 3+ years experience
Mgmt/Supv	23	2	Bachelors degree, 3+ years experience
Other Tech/Clinical	29	10	Bachelors degree, 3+ years experience
Other	40	11	High school degree, 1+ years of experience
GRAND TOTAL	**187**	**50**	

DEVELOPMENT TEAM

Real Estate QALICB: OIC Holding Corp.

OIC Holding Corp. is a California nonprofit public benefit corporation to-be-formed in March 2017, prior to NMTC closing. This entity will serve as the Qualified Active Low Income Community Business ("**QALICB**") for the NMTC transaction purposes. The entity will be established for the purposes of owning and managing the real estate interests in the project, including land, building, and improvements. The QALICB will enter into a lease agreement with the OIC, to operate the orthopaedic hospital.

The QALICB will be controlled by a five-member Board of Directors, of which two will be concurrently serving board directors or staff of OIC. The officers of the QALICB include Dr. Anthony Scaduto as President and CEO (also President and CEO of OIC), Lannie Tonnu as Chief Financial Officer (also Chief Financial Officer of OIC), and Cindy Starrett as Chairperson of the Board (also a board member of OIC). The joint OIC and QALICB management team will carry out the development of the project and be responsible for management and maintenance of the subject property.

An Agreed-Upon Procedures report[1] will not be required for the QALICB because it is a mission-driven, real estate entity.

The entity will be considered a "real estate" QALICB for NMTC purposes. It will have no employees and maintain at least 85% of its tangible property within the low-income community where the project is located during the seven-year NMTC compliance period.

[1] Agreed-Upon Procedures engagements are carried out by auditors to report factual findings, which in an NMTC transaction relates to the nature of the business of the QALICB and its compliance with NMTC regulation. Compliance is determined for the QALICB as of the closing date, and expectations for compliance during the seven-year NMTC compliance period.

Since this is a newly-formed company, there are no financial statements to review. The company will be the beneficiary of the NMTC and direct project financing sources, which OIC originally solicited.

Developer/Sponsor: Orthopaedic Institute for Children (“**Sponsor**”, or “**OIC**”)

OIC is a 501(c)(3) nonprofit corporation founded in 1911, which operates outpatient facilities, including the 38,550 SF outpatient medical center (ASC/Clinic Building) in the Project’s downtown Los Angeles campus premises. The downtown campus also consists of various ancillary buildings, including the 108,550 SF Lowman Building and a universally accessible playground for children with disabilities. OIC's mission is to provide outstanding care for patients with musculoskeletal disorders and, through the support of the Foundation, provide care for children regardless of ability to pay and advance care worldwide for all musculoskeletal patients through medical education and scientific research.

The Foundation is a separate 501(c)(3) nonprofit corporation founded in 1917. The Foundation solicits funds which are used to support OIC for charity care, medical research, education and the purchase of related capital assets. Although the Foundation holds title to the real property used by OIC, it is not involved in OIC's patient, healthcare, or facilities management operations.

For the purposes of this NMTC transaction, OIC will be providing certain guaranties and indemnities. The assets of the company will be available to support any guaranties or indemnities. For further discussion see the section entitled “COLLATERAL AND GUARANTEES”.

Financial Statement Analysis

LADF has reviewed the consolidated audited financial statement for OIC and the Foundation for the fiscal years ending June 30, 2014, June 30, 2015, and June 30, 2016. The affiliated companies had a consolidated total of $2.4 million in cash and $283.3 million in total assets (*including the subject real estate*) as of June 30, 2016. Additionally, the companies have $138.1 million in liquid investments whose use may be limited or restricted, consisting of money market funds, mutual funds, common and preferred stocks, real estate, and alternative investments.

General Contractor: To-Be-Selected

The GC for the Lowman Building rehabilitation will be selected post-NMTC closing through a bidding process. The GC that completed the rehabilitation work on the ASC/Clinic Building, Pacific National Group (“**PNG**”), will be a strong candidate in the bidding for the Lowman Building rehabilitation.

PNG is a high-end general contractor for large, established clients throughout Southern California. With over 50 years of experience and $6 billion in construction value, PNG has built an extensive portfolio of work in highly specialized sectors of construction. PNG is consistently ranked one of the 40 top general contractors in Los Angeles County by the Los Angeles Business Journal and is ranked one of the top contractors in California by Engineering News Record. PNG is a 100% employee-owned company backed by over 50 stakeholders.

The GC selected for the Lowman Building rehabilitation will provide a Guaranteed Maximum Price contract, which is expected to be executed by the January 2018.

Architect: Perkins Eastman

Perkins Eastman is the architect of record for the Lowman Building rehabilitation and will bill approximately $1 million for its services. Perkins Eastman is an international planning, design, and consulting that was founded in 1981. The firm has ten offices across the US and five overseas. The firm has a professional staff of almost 1,000 made up of architects, interior designers, planners, urban designers, landscape architects, graphic designers, construction specification writers, construction administrators, economists, environmental analysts, traffic and transportation engineers, and several other professional disciplines.

The firm has completed projects in 46 states and more than 40 countries. These have ranged from small buildings and interiors for non-profit organizations to large new healthcare and educational campuses, major mixed-use commercial developments, and entire new cities.

PROJECT FEASIBILITY

Property Valuation

A broker opinion of value letter has been ordered to determine market value of the fee simple interest in the property after project completion. The valuation letter will be provided prior to the NMTC closing.

Environmental Inspections

A Phase I environmental report of the subject property has been ordered and will be provided prior to NMTC closing. If the report identifies recognized environmental concerns with regards to historical use or requires further action in any regard, a Phase II investigation and remediation (*as necessary*) will be required as a condition to the NMTC closing.

The completed Phase I report will name LADF XII, LLC and LADF as parties that may rely on the report, and will also be included on any post-abatement report, no further remediation letter, or any additional environmental reports (*as applicable*).

An asbestos and lead-based paint report was completed for the Lowman Building in 2006, which identified conditions requiring abatement. This work will be completed as part of the rehabilitation of the Lowman Building.

Construction Feasibility

The QALICB will be responsible for developing the project and is staffed with officers, primarily CEO and CFO, that hold the same positions with OIC. The QALICB will enter into the GMP contract with the selected GC.

The preliminary construction budget estimates construction costs for the Lowman Building rehabilitation of $21.3 million. The cost estimates may be adjusted based on the final GMP with the selected GC. A costing analysis of the project will be made by a third-party construction consulting firm post-NMTC closing, closer to the time of construction commencement in late 2017. This to-be-identified construction consulting firm will also inspect progress and work done during the construction period.

The project's disbursement process will be coordinated by Chase Bank in its role as the disbursement servicer. Chase Bank's role will include obtaining a full draw package from the QALICB, inspection report from the construction consulting firm, and subsequent approvals from the Sub-CDE lenders and Chase Bank as NMTC Investor. The Sub-CDE lenders will have full approval rights over each draw. The full draw package submitted by the QALICB will require also that the Sub-CDE lenders receive date down endorsements from the title company and lien waivers from the GC and all subcontractors.

Probable Maximum Loss Report

A Probable Maximum Loss study will not be required because the rehabilitation of the Lowman Building will require bringing the building up to code.

Financial Feasibility

SOURCES		**USES**	
Investment Fund Level (NMTC)		**Construction Uses**	
OIC Leverage Loan (*Self Leverage*)	7,185,000	*Reimbursement of Incurred Costs:*	
Chase Bridge Loan (*Cost Reimb.*)	9,945,000	- Ambulatory Surgery Center Construction Costs (*total*)	9,689,000
Leverage Loan Sources	$17,130,000	*Additional Construction Costs:*	
		- Lowman Building – Hard Costs	14,740,000
NMTC Equity (**LADF**) – $0.87/TC	3,393,000	- Lowman Building – Soft Costs	6,555,000
NMTC Equity (URP) – $0.87/TC	4,411,000	***Sub-Total***	$30,984,000
NMTC Equity (Chase) – $0.87/TC	509,000		
NMTC Investor Equity	$8,313,000	**Financing-Related Uses**	
		Chase Bridge Loan Fee	$50,000
Project Level (Direct Sources)		Construction Period Interest	*Paid from operations*
Contribution – Foundation Equity	$8,519,000	*NMTC Closing Costs:*	
		- Legal/Accounting/Consulting Fees	700,000
		- Other NMTC Closing Costs	326,000
		- **LADF** CDE Placement Fee	200,000
		- Other CDE Upfront Fees	943,000
		NMTC Reserves:	
		- **LADF** Asset Mgmt. Fee Reserve	525,000
		- **LADF** Expense Reserve	104,000
		- Other CDE Expense Reserve	120,000
		Sub-Total	$2,918,000
Total Project Sources	**$33,952,000**	**Total Project Uses**	**$33,952,000**

Development Pro Forma

The total project cost is estimated to be $34.0 million, $24.5 million of which will be leveraged through the NMTC structure to make $24.5 million in Qualified Low-Income Community Investment ("**QLICI**") loans to the project. The construction costs for the rehabilitation work completed in 2016 on the ASC/Clinic Building totaled $9.7 million. These costs will be reimbursed to the QALICB with a portion of the QLICI proceeds. The construction costs for the rehabilitation work that will be done on the Lowman Building are estimated at $21.3 million.

The total $24.5 million of QLICI funds will be disbursed as follows at closing:

- $9.7 million – Reimbursement of costs incurred on the ASC/Clinic Building rehabilitation
- $0.1 million – Pay for Chase Bridge Loan Fee
- $2.2 million – Pay for NMTC and Other Closing Costs
- $0.7 million – Fund the CDE-Controlled Fee and Expense Reserve Accounts

- $11.9 million – Fund the CDE-Controlled Construction Disbursement Account

The QLICI proceeds that fund the CDE-controlled construction disbursement will be full expended prior to the Foundation's contributing the remainder of the capital needed ($8.5 million) to complete the rehabilitation work on the Lowman Building. This approach will help the QALICB avoid going above the allowable threshold for Non-Qualified Financial Property, as provided for by NMTC regulation. Additionally, the reimbursement of $9.7 million for costs incurred on the ASC will make funds available to the Foundation to be able to contribute the capital necessary to complete construction. The CDE lenders will remain part of the draw process until improvements are complete.

NMTC-related reserves held by the QALICB will total $749,000 and be held for the payments of asset management fees and expense reimbursements to the Sub-CDEs. The Sub-CDEs will require that their ongoing fees and expense reimbursements for the entire NMTC Compliance Period be held in separate reserve accounts, including $629,000 held in an account pledged to LADF for LADF fees and expense reimbursements.

OPERATING PRO FORMA

The project's operating revenues collected by the QALICB will consist of rental payments made by the OIC for master leasing the building and leasing the equipment. As of the date of this memorandum, lease agreements for the buildings and equipment have not been drafted, but will be finalized and executed as part of the NMTC closing. The rental rates are projected at $291,000 annually (*with annual escalations*) for the buildings and $73,000 annually for the equipment. After accounting for operating expenses, the QALICB's debt service coverage for the Project is estimated at 1.4x (*per the current financial projections dated February 23, 2017*).

Project Timeline

The Lowman Building rehabilitation has reached 25% completion of design development. The following list represents the remaining milestone items left for the project's completion and expected completion dates (*as of March 10, 2017*):

- *Late* 2016: Rehabilitation of ASC/Clinic Building completed
- *Late* Mar. 2017: **NMTC Transaction Close**
- August 2017: Design Development & Construction Drawings completed
- January 2018: Building Permit approval and GC Contract execution
- Jan.-Feb. 2018: Construction Commencement
- September 2018: Construction Completion (*approx. 9-month construction schedule*)

NMTC closing will occur prior to the Project being ready for construction on the Lowman Building in order to reimburse funds for the ASC build out and because LADF's partner CDE lenders require the closing to occur prior to (a) the release of the Notice of Allocation Authority for the 2017 NMTC application round and (b) the NMTC application threshold deadline (*July 20, 2017*).

FINANCING PARTNERS

The project-level costs of the QALICB will be funded in whole by the QLICI loans and QALICB direct contribution dollars. The financing parties to the NMTC structure will include one NMTC Investor at the upper tier, as well as three NMTC allocatees, or Community Development Entities ("**CDEs**"), making the QLICI loans to the project through their Subsidiary CDEs ("**Sub-CDEs**") at the lower tier. Additionally, the leverage loan at the upper tier will be sourced from the Foundation and Chase (*bridge loan*).

LADF
LOS ANGELES DEVELOPMENT FUND

NMTC Investor

Chase Community Equity ("**Investor**"), a subsidiary of Chase Bank, is the NMTC Investor that will provide the equity contribution to the Investment Funds. Chase Bank provided $2.6 billion to low- and moderate-income communities through community development lending and equity investments. Chase Bank offers leverage loans and tax credit equity investments for eligible projects, with a focus on small business, not-for-profit and for-profit real estate projects, community development financial institutions, NMTC loan funds, and more.

LADF has closed four previous transactions with Chase as Investor. The transactions were for the YWCA Urban Campus Development, Food4Less, Anderson Munger YMCA, and Dream Center projects, which closed in December 2009, December 2010, August 2012, and August 2012, respectively.

CDE Lenders

The OIC Transaction will include three CDE allocatees providing NMTC allocation and making QLICI loans to the project through their Sub-CDE special purpose entities. The following table lists the CDE allocatees, along with their Sub-CDEs, and the Qualified Equity Investment ("**QEI**") associated with their NMTC allocations:

CDE Allocatee	Sub-CDE	Sub-Allocation Amount
Urban Research Park CDE, LLC	*URP Subsidiary CDE 30, LLC*	$13,000,000
Los Angeles Development Fund	*LADF XII, LLC*	$10,000,000
Chase New Markets Corporation	*CNMC Sub-CDE 135, LLC*	$1,500,000
	Total NMTC Allocation	$24,500,000

URBAN RESEARCH PARK CDE, LLC

Urban Research Park CDE, LLC ("**URP CDE**") is a certified CDE located in Hunt Valley, Maryland, and has received five NMTC allocations totaling $397 million: 2006-$50mm, 2007-$60mm, 2009-$30mm, 2010-$39mm, 2012-$50mm, 2013-$38mm, 2014-$50mm, and 2015-2016-$80mm. URP was established and is controlled by Townsend Capital, LLC, a private equity investment firm established in 1975 with a current focus on the acquisition and development of real estate and technology oriented operating companies. In 2008, Townsend shifted its focus to the emerging energy sector. Its recent investments include Dow Kokam LLC, a joint venture between The Dow Chemical Company and affiliates of Townsend Capital created to manufacturer lithium ion cells and battery packs for the electric vehicle and hybrid electric vehicle markets. URP has $50 million in NMTC allocation remaining, all from its 2012 allocation, with a National service area. This will be the second transaction that LADF has closed with URP. In 2013, LADF co-invested NMTC allocation with URP CDE in the La Kretz Innovation Campus project.

Leverage Lenders

The NMTC Transaction will be self-leveraged by OIC using $7.2 million from its affiliate fundraising organization, the Foundation, and a $9.9 million bridge loan from Chase Bank. For discussion about OIC and the Foundation, refer to the section entitled "DEVELOPMENT TEAM".

FINANCING STRUCTURE

The project's total development cost will be funded by the $24.5 million QEI generated through the NMTC leverage structure and $9.5 million Sponsor Equity from the Foundation provided partially (*$1.0 million*) to the investment fund to cover fees at the upper tier, and partially (*$8.5 million*) as a direct project source (*i.e.*

outside of the NMTC structure). For a full diagram showing the flow of funds at closing, please refer to Exhibit A.

The Sponsor Equity for the NMTC leverage loan will be fully advanced prior to, or at, closing of the NMTC transaction. Please see the section entitled "DEVELOPMENT TEAM" for further discussion about the financial capacity of the Sponsor and the Foundation.

NMTC Financing

There will be one investment fund established for the NMTC transaction. Chase Bank will be the NMTC Investor Member and own 100% of the investment fund. The equity contribution at the upper tier by Chase Bank will total $8.3 million. In exchange, Chase Bank will receive $9.6 million in tax credits that will be generated through the Fund (39% of the total $24.5 million QEI). This exchange of equity for tax credits reflects a pricing of $0.87 per tax credit dollar for QEIs associated with LADF's, URP's, Chase CDE's allocations.

The $17.1 million leverage loan provided to the investment fund by OIC as the Leverage Lender will be interest-only for 7.7 years during and beyond the seven-year NMTC compliance period and bear an interest rate of 1.427%. After the end of the interest-only period, the self-leverage loan will amortize over the following 21 years.

Chase Bank's tax credit equity contributions combined with the leveraged loan will be used to capitalize the investment fund with $25.5 million in total. Upon closing of the NMTC transaction, the investment fund will use its capital to make a $13 million QEI to the URP Sub-CDE, a $10 million QEI to the LADF Sub-CDE, a $1.5 million QEI to the Chase Sub-CDE, and pay $1.0 million in NMTC costs charged at the upper tier.

In exchange for its contributions, the investment fund will receive a 99.99% membership share in each Sub-CDE. The three Sub-CDEs will use the contributed capital to make $24.5 million in QLICIs to the QALICB.

With regards to LADF's Sub-CDE, LADF Management, Inc. (*LADF's subsidiary entity*) will contribute $1,000 to capitalize the LADF Sub-CDE and own 0.01% share in the LADF Sub-CDE. LADF will earn income related to management services it provides on behalf of the Sub-CDE.

Each Sub-CDE will provide two QLICI notes – matching one with the leverage loan ("**A note**") and the other with the NMTC equity component ("**B note**"). The A notes will have interest rates of 1.0% and 35.7-year terms with interest-only payments in for the first 7.7 years during and beyond the seven-year NMTC compliance period. The B notes will have the same loan terms as the A notes.

If there should be a return of capital during the seven-year NMTC compliance period, the order of capital redeployment will be as follow:

1. URP Sub-CDE – first $13 million of capital redeployment
2. LADF Sub-CDE – next $10 million of capital redeployment
3. Chase Sub-CDE – next $1.5 million of capital redeployment

Upon a return of capital during the seven-year NMTC compliance period, a CDE has 12-months to redeploy the capital in a qualifying NMTC project or it becomes a "Recapture Event" and triggers a loss of the tax credits as well as penalties for the Investor. As in its other NMTC investments, LADF will have nine months to work with Chase Bank to identify a project for reinvestment that is acceptable to both entities; thereafter Chase Bank can remove LADF Management, Inc. as managing member of LADF XII, LLC and choose an investment without LADF's input. However, it must still be within Los Angeles County per LADF's 2015-2016 Allocation Agreement. With Chase Bank's strong presence in the City of Los Angeles, and LADF's close relations with City partners, it is expected that nine months should be sufficient time to identify an alternative investment acceptable to both.

PROJECT READINESS

The project is expected to be ready for NMTC closing on or before March 31, 2017. Pursuant to LADF's policies and procedures, the readiness of the project is determined as follows:

- *Control of Site*: Site currently owned by the Foundation, to-be-transferred to QALICB at closing
- *Entitlement Process*: Lowman Building will not need additional entitlements, Sponsor will continue operations in the building during construction
- *Design/Pre-Development*: Design is 25% complete for the Lowman Building
- *Working Drawings*: To begin after design development, expected by August 2017
- *Value Engineering*: Ongoing, expected completion in August 2017
- *Permits*: Expected by January 2018 for the Lowman Building
- *Tenant Leases*: Leaseback to OIC will be executed concurrent with NMTC closing
- *GMP Construction Contract*: GC selection and contract execution expected post-NMTC closing by January 2018
- *Financing Commitments*: LOIs have been issued by URP Sub-CDE, Chase Sub-CDE, and Chase Bank as NMTC Investor. The Foundation has committed endowment funds for OIC to provide Leverage Loan.
- *Outstanding 3rd Party Issues*: Broker opinion of valuation, ALTA survey, title commitment, Phase I environmental report, and required insurance policies have all been ordered and will be provided prior to NMTC closing.

NMTC ELIGIBILITY AND COMPLIANCE

The subject site is located in the 2010 Census Tract 06037224020. The population within the Census tract is 2,789 individuals per the 2010 Census. Based on the CDFI Fund's GeoCode Report for the site, LADF has determined that the site is located in a Qualified Census Tract based on both of two qualifying measures:

- Poverty rate of 33.5% (*greater than* *20%*)
- Median Family Income of 36.0% of the greater Metro area (*less than* *80%*)

Further, the site also qualifies under Section 3.2(h) of LADF's 2015-2016 Allocation Agreement as a Targeted Distressed Community based on both of the two qualifying measures listed:

- Poverty rate of 33.5% (*greater than* *30%*)
- Median Family Income of 36.0% of the greater Metro area (*less than* *60%*)

QALICB Analysis

The OIC Holding Corp. special purpose entity will satisfy the requirements for QALICBs and will be considered a "real estate" QALICB.

The QALICB will meet the Non-Qualified Financial Property Test since 100% of the QLICI proceeds will be expended for development of the project within 18 months of closing.

Since 100% of the tangible property of the QALICB will be within a qualifying Low-Income Community ("**LIC**") census tract, the Tangible Property, Services Performed, and Gross Income Tests are all satisfied. In addition, less than 50% of the QALICB will be controlled by any entity having an interest in any Sub-CDEs, so there is no Related Party entity issue.

LADF 2015-2016 Allocation Agreements Compliance

This transaction will use $10 million in allocation from LADF's 2015-2016 Allocation award from the CDFI Fund. With the closing of this transaction, the 2015-2016 Allocation award will be 20% invested.

The LADF has determined that the transaction complies with the authorized uses of its NMTC allocation under Section 3.2 of its 2015-2016 Allocation Agreement, evident through the following characteristics of the transaction:

- §3.2(a) –LADF's allocation will be used to make a loan to a QALICB
- §3.2(b) – Project is located in the County of Los Angeles
- §3.2(c) – LADF XII, LLC is a listed Subsidiary Allocatee in Schedule I of the Allocation Agreement
- §3.2(d) – QALICB is controlled 100% by persons unrelated to LADF
- §3.2(e) – LADF must issue $20 in additional QEIs to meet the 60% threshold by Dec. 31, 2019
- §3.2(f) – LADF's QLICI provides flexible terms (*discussed below*)
- §3.2(h) – The subject site is located in a Targeted Distressed Community (*discussed above*)
- §3.2(j) – 100% of QEI will be passed down as a QLICI

Section 3.2(g) (*Non-Metropolitan Counties*), 3.2(i) (*Loan Purchases Reinvestment*), Section 3.2(k) (*Affordable Housing*), and Section 3.2(l) (*Innovative Investments*) are marked "Not Applicable" in LADF's 2015-2016 Allocation Agreement.

As the transaction relates to Section 3.2(f) (*Flexible Products*) of the 2011 Allocation Agreement, LADF must comply with the following:

"All of the Allocatee's QLICIs must (a) be equity or equity-equivalent financing, (b) have interest rates that are 50 percent lower than either the prevailing market rates for the particular product or lower than the Allocatee's current offerings for the particular product, or (c) satisfy at least 5 of the indicia of flexible or non-traditional rates and terms, as listed in Section 3.2(f)."

LADF's QLICI satisfies part (b) of this paragraph. The OIC has ordered a market rate lending terms letter, for the benefit of the CDEs, from Berkadia Commercial Mortgage LLC as support that the CDEs' QLICIs are 50% lower than the prevailing market rate for the transaction. The market rate lending terms letter states that the market interest rate for the transaction is between 5.5% to 6.0% and LADF's QLICIs will be at 1.0% interest rate.

Reimbursement of Costs

As part of guidance that was published by the CDFI Fund in December 2015 – after LADF's last allocation award in the 2011 Allocation round – a new provision, Section 3.3(j), has been incorporated into all allocation agreements after that time pertaining to monetizing existing assets in NMTC transactions. Section 3.3(j) reads as follows:

The Allocatee shall not use the proceeds of a QEI to make a QLICI in a QALICB where such QLICI proceeds are used, in whole or in part, to repay or refinance a debt or equity provider whose capital was used to fund the QEI, or are used to repay or refinance any Affiliate of such a debt or equity provider, except where:

(i) the QLICI proceeds are used to repay or refinance documented reasonable expenditures that are directly attributable to the qualified business of the QALICB, and such expenditures were incurred no more than **24 months** prior to the QLICI closing date; or

(ii) no more than **5%** of the total QLICI proceeds from the QEI are used to repay or refinance documented reasonable expenditures that are directly attributable to the qualified business of the QALICB.

LADF's QLICI will comply with Section 3.3(j)(i) since none of the QLICI proceeds will be used to reimburse any costs incurred by the QALICB's affiliate, OIC, prior to the 24-month period ending on the NMTC closing. Additionally, the QALICB and OIC will execute a cost reimbursement certification agreement, for the benefit of the CDE lenders, certifying to that point. At closing, legal opinions will be issued opining that the QLICIs comply with LADF's 2015-2016 Allocation Agreement.

DEMONSTRATED NEED FOR NMTC FINANCING ("BUT FOR" TEST)

The equity generated through the NMTC structure will provide an estimated $5.4 million in subsidy (*net of NMTC closing costs, placement/origination fees, management fees, and on-going expenses*) to the project, approximately 22.0% of the $24.5 million QEI in the transaction, and 15.9% of the $34.0 million of total project costs. The LADF Sub-CDE's portion of the total net subsidy is approximately $2.6 million.

Given the nonprofit Sponsor and social service nature of the proposed facility, the Project could not move forward without the NMTC equity injection. Community facilities projects such as OIC historically have relied on public funding sources and capital campaigns to provide funds for development costs. The Foundation, OIC's fundraising affiliate, already has contributed a significant amount of capital using the unrestricted portion of its endowment, and its ability to raise an additional $5.4 million for this project is highly unlikely and would take a substantial amount of time. The Project could not move forward without the NMTC equity injection.

COLLATERAL AND GUARANTEES

The LADF's QLICI loan, along with the QLICI loan from the URP Sub-CDE and Chase Sub-CDE, will be secured *pari passu* by a First Deed of Trust on the QALICB's fee interest in the subject property. Additional collateral for the QLICI loans will consist of guaranties from the QALICB and Sponsor and a security interest in the reserve accounts.

The QALICB and Sponsor will provide an indemnity to the CDE lenders, including LADF (Allocatee) and LADF XII, LLC (Sub-CDE), for environmental losses. The QALICB and Sponsor will also provide an indemnity to the Investor for reimbursement of lost tax credits and losses related to loss of tax credits. The QALICB and Sponsor will also provide the CDE lenders a completion guaranty for construction of the Project and payment guaranty for repayment of the QLICI loans provided through the NMTC structure.

LOAN REPAYMENT ANALYSIS/EXIT STRATEGY

At the end of the seven-year NMTC compliance period, the LADF's Sub-CDE will distribute the QLICI notes to the investment fund. Additionally, the QLICI B Note, which is tied to the NMTC Investor's equity amount, may be forgiven at the end of the compliance period by way of an option agreement described below.

A Put-Call Option Agreement will be entered into by the Sponsor and Chase Bank (*as the Investor*). Chase Bank may exercise its put option and sell its respective interest in the Fund to the Sponsor for $1,000. If

Chase Bank chooses not to exercise its put option, the Sponsor may exercise its call option. Upon exercising of either put or call option by the respective parties, the Sponsor would own all of the debt associated with the proposed transaction.

RISKS AND MITIGANTS

There will be limited credit and recapture risk. All significant NMTC compliance issues have been or will be addressed. The QALICB is an eligible entity, the project is located in an eligible highly distressed census tract, LADF's Sub-CDE is certified, there are no related party issues, and the transaction has been structured to meet the Substantially-All Test.

RISK: CLOSING PRIOR TO CONSTRUCTION READINESS BEING ACHIEVED

Per NMTC regulation and working guidelines related to Non-Qualified Financial Property, the QLICIs must be expended in the Project within 18 months of funding. Therefore, CDE lenders typically require projects to complete most or all pre-development activities prior to closing on NMTC financing, so that they will be ready to commence construction soon after closing.

In the OIC transaction, LADF will be closing prior to OIC achieving many of the pre-development milestones for the Lowman Building rehabilitation. LADF has assurance that the QALICB will meet the Non-Qualified Financial Property test through the course of the development based on the following mitigating factors:

- OIC is a mission-driven organization that is motivated to complete the project in the required timeline because it has a great need to expand its capacity as early as possible to be able to meet the greater demand for children requiring orthopaedic care, of which greater than 90% come from low-income families
- OIC likely will work with the GC they have experience with on the ASC build out, mitigating much of any third-party risk involved
- There will be no structural work done on the Lowman Building, so permitting will have a shorter timeline and reduced complexity

RISK: GENERAL

The QALICB, Sponsor, and LADF have taken and will take measures to prevent a Recapture Event. Such measures include:

- LADF has obtained a license for specially-designed compliance software to assure that all required reporting to the CDFI Fund is completed in a timely manner. This will prevent the LADF from losing its certification with the CDFI Fund.
- No principle amortization or prepayment will be allowed during the seven-year NMTC compliance period. This will prevent putting the project in violation of the Substantially All Test, which states that 85% of the QEI must be continuously invested in QLICIs during the 7-year NMTC compliance period.
- The transaction will be structured to ensure that up-streamed distributions of cash flow cannot be interpreted as redemption of capital (i.e. a return of equity). While return of equity to the NMTC Investor Member is not permitted, return on equity is permitted. Therefore, all cash flow up-streamed to the NMTC Investor would be structured as return on equity and would be recognized as income. If there is a return of capital, LADF is second in the waterfall (*after URP Sub-CDE and before Chase Sub-CDE*) and would receive a return of capital only after **$13 million** was returned.
- To mitigate the possibility that a portion of the QEI is returned via bankruptcy and/or foreclosure on the subject site, through the seven-year NMTC compliance period, the QALICB will be required to commit to maintaining operations at the subject location or providing for an acceptable

alternative entity to do so in order to maintain the NMTC structure. Transaction documentation will include legal opinions that all aspects of the transaction comply with the NMTC regulations.

The economic and real estate risks of the project will be borne by the QALICB and Sponsor in their capacities as guarantors and indemnitors, and the Sponsor in its capacity as leverage lender. However, the project-related risks are largely mitigated by the experienced development team assembled for the project as well as the feasibility of the project. The Sponsor has the organizational and financial capacity (*with the support of the affiliated Foundation*) to access sufficient liquidity to cover reasonable cost overruns and move the project to completion.

LADF FEE LOAD AND RESERVES

The LADF will receive the following fees from the transaction:

- Placement Fee – approx. $200,000 (2% of QEI). LADF will receive fee in lump sum at closing.
- CDE Servicing & Compliance Fee – approx. $525,000 (quarterly installments of $18,750 for 7 years)
    - 0.75% of QEI per year for $10 million of 2015-2016 Allocation
- CDE Expense Reimbursements – approx. $104,000 (estimated at $13,000 annually per CDE for 8 years). QALICB will be responsible for paying all ongoing costs incurred by the Sub-CDE related to the transaction, which will consist primarily of audit and tax expenses. Chase Bank has agreed provisionally to waive audit requirements for LADF's Sub-CDE. This represents annual savings of $6,500 for the QALICB. As Chase reserves the right to reinstate the requirement for the Sub-CDE's audited financials, this savings will be accumulated in the LADF fee and expense reserve account. Any amount leftover in the LADF reserve will be passed down to the Sponsor after the seven-year NMTC compliance period and subsequent unwind of the transaction.

All of LADF's CDE Servicing and Compliance Fees and CDE Expense Reimbursements for the entire Compliance Period, which total approximately $629,000, will be placed in a separate, controlled reserve account upon funding at close.

POLICY EXCEPTIONS

None.

RECOMMENDATION

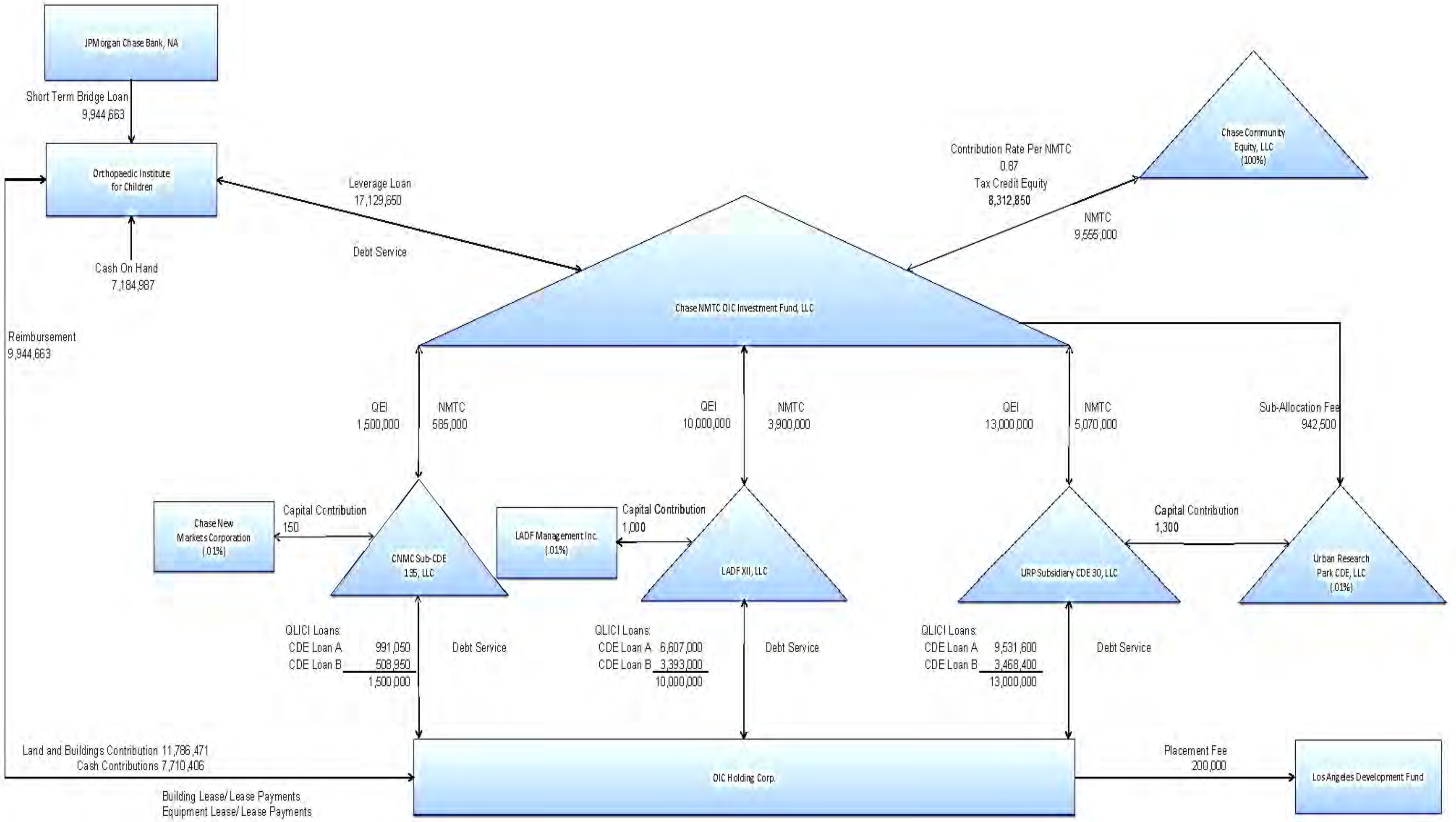
Approval of this funding request is recommended based on the project's feasibility, readiness and community benefits.

ATTACHMENTS

EXHIBIT A: OIC Flow of Funds (*as of February 23, 2017*, Final Projections Pending)

LADF
LOS ANGELES DEVELOPMENT FUND

EXHIBIT A: OIC Flow of Funds (*as of February 23, 2017*, Final Projections Pending)



RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS OF THE LOS ANGELES DEVELOPMENT FUND

A meeting of the Board of Directors of The Los Angeles Development Fund, a California nonprofit public benefit corporation ("**LADF**"), was held on March 14, 2017. A quorum of the members of the Board of Directors of LADF (the "**Board**") was present at the meeting.

On a motion duly made, seconded, and adopted, the following resolutions were adopted:

WHEREAS, LADF received an award of 2015-2016 allocation of New Markets Tax Credits under Section 45D of the Internal Revenue Code of 1986, as amended (the "**Code**"), in the amount of $50,000,000 (the "**Allocation**");

WHEREAS, LADF, certain subsidiary allocatees of LADF (including LADF XII, LLC, a California limited liability company ("**CDE**")), and the Community Development Financial Institutions Fund entered into certain allocation agreements relating to the Allocation;

WHEREAS, LADF desires to make a sub-allocation of a portion of the Allocation in the aggregate amount of $10,000,000 to CDE (the "**Sub-Allocation**");

WHEREAS, LADF and Chase NMTC OIC Investment Fund, LLC ("**Fund**"), as investor member, have negotiated that certain Amended and Restated Operating Agreement of CDE (as may be further amended, supplemented, or otherwise modified from time to time, the "**CDE OA**"), which amends and restates in its entirety the existing operating agreement of CDE, contains provisions relating to the making of the CDE Loan (as defined below) and the payment of certain fees, and otherwise sets forth all of the provisions governing CDE;

WHEREAS, in accordance with the CDE OA, the entire proceeds of the CDE Investment (as defined below) will be designated as a "qualified equity investment" (as defined in Section 45D of the Code and the Treasury Regulations and Guidance) (a "**QEI**");

WHEREAS, the Fund is expected to make an equity investment in the amount of $10,000,000 (the "**CDE Investment**") in CDE in return for a 99.99% equity interest therein, all in accordance with the CDE OA;

WHEREAS, in accordance with the CDE OA, CDE will use all of the QEI proceeds to make one or more loans to OIC Holding Corp., a California nonprofit public benefit corporation ("**Borrower**"), in the aggregate original principal amount of $10,000,000 (the "**CDE Loan**");

WHEREAS, the CDE Loan is expected to constitute a "qualified low-income community investment" (as defined in Section 45D of the Code and the Treasury Regulations and Guidance) for purposes of the NMTC program which has flexible, non-conventional, or non-conforming terms and conditions; and

WHEREAS, it is the intention of the Board that the President of LADF acting alone (the "**Authorized Officer**"), be authorized, on behalf of LADF, to enter into certain transaction documents in connection with the above described transactions and "qualified low-income community investments" that are necessary to evidence and govern such transactions, including, without limitation (collectively, the "**Transaction Documents**"):

(i) the CDE OA;

(ii) the CDE Indemnification Agreement, by and among LADF, LADF Management, Inc., a Delaware corporation ("**LADF Management**"), CDE and JPMorgan Chase Bank, N.A.;

(iii) the Loan Servicing and Compliance Monitoring Agreement, by and between LADF and CDE;

(iv) the New Markets Fee and Expense Agreement, by and among Borrower, LADF, LADF Management, CDE, and Orthopaedic Hospital (d/b/a Orthopaedic Institute for Children), a California nonprofit public benefit corporation;

(v) other related documents.

NOW, THEREFORE, BE IT

RESOLVED, that each of the Transaction Documents and the transactions contemplated thereby are hereby approved, ratified, and confirmed in all respects; and be it further

RESOLVED, that the Authorized Officer, acting alone, be, and he or she hereby is, authorized, empowered, and directed to execute and deliver (or cause to be executed and delivered) any Transaction Document for and in the name and on behalf of LADF, with such changes, variations, omissions, and insertions as he or she shall approve, the execution and delivery thereof by them to constitute conclusive evidence of such approval; and be it further

RESOLVED, that the Authorized Officer, acting alone be, and he or she hereby is, authorized, empowered, and directed to execute and deliver all other affidavits, certificates, agreements, instruments, and documents, to pay all fees, charges, and expenses, and to do or cause to be done all other acts and things that are required or provided for under the terms of the Transaction Documents or which may be necessary or, in his or her opinion, desirable and proper in order to effectuate the purposes of the foregoing resolution and to cause compliance by LADF with all of the terms, covenants, and conditions of the Transaction Documents on LADF's part to be performed or observed; and be it further

RESOLVED, that any and all documents, instruments, and other writings previously executed and delivered or acts performed by the Authorized Officer, in the name and on behalf of CDE, in connection with the transactions contemplated in this Consent, be, and the same hereby are, consented to in all respects and are hereby ratified, confirmed and approved.

There being no further business, the meeting was thereupon adjourned.

By: ________________________

Sandy Rahimi
Secretary

RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS OF LADF MANAGEMENT, INC.

A meeting of the Board of Directors of LADF Management, Inc., a Delaware corporation ("**LADF Management**"), was held on March 14, 2017. A quorum of the members of the Board of Directors of LADF Management (the "**Board**") was present at the meeting.

On a motion duly made, seconded and adopted, the following resolutions were adopted:

WHEREAS, The Los Angeles Development Fund, a California nonprofit public benefit corporation ("**LADF**"), received an award of 2015-2016 allocation of New Markets Tax Credits under Section 45D of the Internal Revenue Code of 1986, as amended (the "**Code**"), in the amount of $50,000,000 (the "**Allocation**");

WHEREAS, LADF, certain subsidiary allocatees of LADF (including LADF XII, LLC, a California limited liability company ("**CDE**")), and the Community Development Financial Institutions Fund entered into certain allocation agreements relating to the Allocation;

WHEREAS, LADF desires to make a sub-allocation of a portion of the Allocation in the aggregate amount of $10,000,000 to CDE (the "**Sub-Allocation**");

WHEREAS, LADF and Chase NMTC OIC Investment Fund, LLC ("**Fund**"), as investor member, have negotiated that certain Amended and Restated Operating Agreement of CDE (as may be further amended, supplemented, or otherwise modified from time to time, the "**CDE OA**"), which amends and restates in its entirety the existing operating agreement of CDE, contains provisions relating to the making of the CDE Loan (as defined below) and the payment of certain fees, and otherwise sets forth all of the provisions governing CDE;

WHEREAS, in accordance with the CDE OA, the entire proceeds of the CDE Investment (as defined below) will be designated as a "qualified equity investment" (as defined in Section 45D of the Code and the Treasury Regulations and Guidance) (a "**QEI**");

WHEREAS, the Fund is expected to make an equity investment in the amount of $10,000,000 (the "**CDE Investment**") in CDE in return for a 99.99% equity interest therein, all in accordance with the CDE OA;

WHEREAS, in accordance with the CDE OA, CDE will use all of the QEI proceeds to make one or more loans to OIC Holding Corp., a California nonprofit public benefit corporation ("**Borrower**"), in the aggregate original principal amount of $10,000,000 (the "**CDE Loan**");

WHEREAS, the CDE Loan is expected to constitute a "qualified low-income community investment" (as defined in Section 45D of the Code and the Treasury Regulations and Guidance) for purposes of the NMTC program which has flexible, non-conventional, or non-conforming terms and conditions; and

WHEREAS, it is the intention of the Board that the President of LADF Management, acting alone (the "**Authorized Officer**"), be authorized, on behalf of LADF Management, to enter into certain transaction documents in connection with the above described transactions and "qualified low-income community investments" that are necessary to evidence and govern such transactions, including, without limitation (collectively, the "**Transaction Documents**"):

(i) CDE OA;

(ii) the CDE Indemnification Agreement, by and among LADF, LADF Management, Inc., a Delaware corporation ("**LADF Management**"), CDE and JPMorgan Chase Bank, N.A.;

(iii) the New Markets Fee and Expense Agreement, by and among Borrower, LADF, LADF Management, CDE, and Orthopaedic Hospital (d/b/a Orthopaedic Institute for Children), a California nonprofit public benefit corporation;

(iv) other related documents

NOW, THEREFORE, BE IT

RESOLVED, that each of the Transaction Documents and the transactions contemplated thereby are hereby approved, ratified, and confirmed in all respects; and be it further

RESOLVED, that the Authorized Officer, acting alone, be, and he or she hereby is, authorized, empowered, and directed to execute and deliver (or cause to be executed and delivered) any Transaction Document for and in the name and on behalf of LADF Management, with such changes, variations, omissions, and insertions as he or she shall approve, the execution and delivery thereof by them to constitute conclusive evidence of such approval; and be it further

RESOLVED, that the Authorized Officer, acting alone be, and he or she hereby is, authorized, empowered, and directed to execute and deliver all other affidavits, certificates, agreements, instruments, and documents, to pay all fees, charges, and expenses, and to do or cause to be done all other acts and things that are required or provided for under the terms of the Transaction Documents or which may be necessary or, in his or her opinion, desirable and proper in order to effectuate the purposes of the foregoing resolution and to cause compliance by LADF Management with all of the terms, covenants, and conditions of the Transaction Documents on LADF Management's part to be performed or observed; and be it further

RESOLVED, that any and all documents, instruments, and other writings previously executed and delivered or acts performed by the Authorized Officer, in the name and on behalf of CDE, in connection with the transactions contemplated in this Consent, be, and the same hereby are, consented to in all respects and are hereby ratified, confirmed and approved.

There being no further business, the meeting was thereupon adjourned.

By: ________________________

Sandy Rahimi
Secretary

RESOLUTIONS ADOPTED BY WRITTEN CONSENT OF THE MANAGING MEMBER OF LADF XII, LLC

The undersigned, being the managing member of LADF XII, LLC, a California limited liability company ("**CDE**"), hereby adopts the following resolutions as of March 14, 2017:

WHEREAS, The Los Angeles Development Fund, a California nonprofit public benefit corporation ("**LADF**"), received an award of 2015-2016 allocation of New Markets Tax Credits under Section 45D of the Internal Revenue Code of 1986, as amended (the "**Code**"), in the amount of $50,000,000 (the "**Allocation**");

WHEREAS, LADF, certain subsidiary allocatees of LADF (including CDE), and the Community Development Financial Institutions Fund entered into certain allocation agreement relating to the Allocation (the "**Allocation Agreement**");

WHEREAS, LADF desires to make a sub-allocation of a portion of the Allocation in the amount of $10,000,000 to CDE (the "**Sub-Allocation**");

WHEREAS, LADF and Chase NMTC OIC Investment Fund, LLC ("**Fund**"), as investor member, have negotiated that certain Amended and Restated Operating Agreement of CDE (as may be further amended, supplemented, or otherwise modified from time to time, the "**CDE OA**"), which amends and restates in its entirety the existing operating agreement of CDE, contains provisions relating to the making of the CDE Loan (as defined below) and the payment of certain fees, and otherwise sets forth all of the provisions governing CDE;

WHEREAS, in accordance with the CDE OA, the entire proceeds of the CDE Investment (as defined below) will be designated as a "qualified equity investment" (as defined in Section 45D of the Code and the Treasury Regulations and Guidance) (a "**QEI**");

WHEREAS, the Fund is expected to make an equity investment in the amount of $10,000,000 (the "**CDE Investment**") in CDE in return for a 99.99% equity interest therein, all in accordance with the CDE OA;

WHEREAS, in accordance with the CDE OA, CDE will use all of the QEI proceeds to make one or more loans to OIC Holding Corp., a California nonprofit public benefit corporation ("**Borrower**"), in the aggregate original principal amount of $10,000,000 (the "**CDE Loan**");

WHEREAS, the CDE Loan is expected to constitute a "qualified low-income community investment" (as defined in Section 45D of the Code and the Treasury Regulations and Guidance) for purposes of the NMTC program which has flexible, non-conventional, or non-conforming terms and conditions; and

WHEREAS, it is the intention of the Board that the President of CDE acting alone (the "**Authorized Officer**") be authorized, on behalf of CDE, to enter into certain transaction documents in connection with the above-described transactions and "qualified low-income community investments" that are necessary to evidence and govern such transactions, including, without limitation (collectively, the "**Transaction Documents**"):

(i) the CDE Indemnification Agreement, by and among LADF, LADF Management, Inc., a Delaware corporation, CDE, and JPMorgan Chase Bank, N.A.;

(ii) the Loan Servicing and Compliance Monitoring Agreement, by and between LADF and CDE;

(iii) any and all documents relating to or evidencing the CDE Loan; and

(iv) other related documents.

NOW, THEREFORE, BE IT:

RESOLVED, that each of the Transaction Documents and the transactions contemplated thereby are hereby approved, ratified, and confirmed in all respects; and be it further

RESOLVED, that the Authorized Officer, acting alone, be, and he or she hereby is, authorized, empowered, and directed to execute and deliver (or cause to be executed and delivered) any Transaction Document for and in the name and on behalf of CDE, with such changes, variations, omissions, and insertions as he or she shall approve, the execution and delivery thereof by them to constitute conclusive evidence of such approval; and be it further

RESOLVED, that the Authorized Officer, acting alone be, and he or she hereby is, authorized, empowered, and directed to execute and deliver all other affidavits, certificates, agreements, instruments, and documents, to pay all fees, charges, and expenses, and to do or cause to be done all other acts and things that are required or provided for under the terms of the Transaction Documents or which may be necessary or, in his or her opinion, desirable and proper in order to effectuate the purposes of the foregoing resolution and to cause compliance by CDE with all of the terms, covenants, and conditions of the Transaction Documents on CDE's part to be performed or observed; and be it further

RESOLVED, that any and all documents, instruments, and other writings previously executed and delivered or acts performed by the Authorized Officer, in the name and on behalf of CDE, in connection with the transactions contemplated in this Consent, be, and the same hereby are, consented to in all respects and are hereby ratified, confirmed and approved.

The undersigned has signed this Consent as of the date hereof.

LADF MANAGEMENT, INC.,
a Delaware corporation

By: ________________________
Sandy Rahimi
Secretary

4823-6160-0066.1