Overview of Deferred Developer Fee Offering

- Expand Twain’s LIHTC investment offerings to fulfill Twain’s mission of delivering clients a fully integrated partner experience and provide much needed capital to further affordable housing.

- Most LIHTC deals are financed in part with deferred developer fees, whether to fill a gap or as prescribed by state housing finance agency rules.

- LIHTC deals, by design, don’t provide comparable cash and back-end returns market rate developers rely upon to make a living, making “PAID” LIHTC developer fees that much more important for developers to continue efforts developing more affordable housing.

- Twain will provide a loan secured by the DDF note and a subordinate interest in the GP, sized at a discount rate of the projected repayment schedule, will provide developers with much needed cash-in-hand at Stabilization that would otherwise take years to repay.

- Developers may then use the Twain loan proceeds to further their affordable housing efforts by establish a guaranty fund, acquire site control on the next deal, or grow the development company.

- Pricing is subject to the specifics of each deal, but generally the loans will be 60-85% of the face amount of the DDF.
Overview of Deferred Developer Fee Offering

Twain intends to lend to developer entities outside of the structure of the LIHTC partnership, inheriting the terms of the deferred fee loan made at the partnership level of the LIHTC transaction per the diagram below.
Benefits of DDF Loans

❖ Lenders do not typically look to deferred fee payables as security for business lines of credit.

❖ Twain offers maximum flexibility with Developer’s use of loan proceeds.

❖ Twain will consider portfolio loans if a developer is carrying DDFs for several projects.

❖ Developer/GP guaranty of DDF payment through the partnership structure is already made. DDF Loans require no new or additional obligations the Developer hasn’t already made to their federal and state investors.

❖ Where Twain is a state LIHTC investor, very little additional underwriting will be required.

❖ No pre-payment penalties; no origination fees. DDF loans will be subject to available cash flow with no additional project accounting necessary. Simply route annual DDF payments from developer to Twain.
Twain’s DDF Loan Parameters

Twain’s DDF financing parameters and underwriting guidelines include the following:

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>No limitations</td>
</tr>
<tr>
<td>Rate</td>
<td>0.00%</td>
</tr>
<tr>
<td>Term</td>
<td>Up to 15 years</td>
</tr>
<tr>
<td>DSCR at Stabilization</td>
<td>Dependent on partnership underwriting and ability to repay DDF within a reasonable time</td>
</tr>
<tr>
<td>Lien Priority</td>
<td>No lien; subject to position in partnership’s cash flow waterfall</td>
</tr>
<tr>
<td>Recourse</td>
<td>Developer Guaranty</td>
</tr>
<tr>
<td>Collateral</td>
<td>Secured by 1. primary pledge of developer’s interest in the deferred fee, 2. subordinate interest in GP, and 3. guaranty. Will likely require consent of limited partner, other financing partners in deal.</td>
</tr>
<tr>
<td>Geography</td>
<td>Anywhere in the U.S.; preferred in states with state tax credits for efficiency and state HFA familiarity.</td>
</tr>
<tr>
<td>Property Types</td>
<td>Rehab or New Construction</td>
</tr>
<tr>
<td>Repayment</td>
<td>Subject to available cash flow; minimum annual payment may be required</td>
</tr>
</tbody>
</table>
Contact Us

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CDT is a national investor in affordable housing. Working with a variety of partners, we make long-term equity investments and originate and acquire long-term mortgages.

CDT is a double bottom-line organization: we provide capital to preserve and create affordable housing and generate market-rate returns for our investors.

During our 21 years of operations, CDT invested more than $1.8 billion in debt and equity capital to properties in 44 states – helping to preserve and create approximately 49,000 units which have positively impacted approximately 125,000+ residents.

CDT provides long-term loans and equity to low- and moderate-income communities to help ensure their affordability and to enhance the quality of life for their residents.
Who We Are / What We Do

- CDT is a private real estate investment trust ("REIT").
- CDT is a member of the Federal Home Loan Bank of New York.
- CDT is a Fannie Mae-approved affordable housing lender.
- CDT is a certified Community Development Financial Institution ("CDFI").
- CDT is a correspondent lender with the ability to provide the full tool chest of "Agency" financing including Fannie Mae, Freddie Mac and FHA debt products.
- CDT is a capital provider for affordable housing acquisitions ranging from project-based Section 8 properties, Year 15 properties, to unrestricted naturally occurring affordable properties.
### Gross Assets Under Management

<table>
<thead>
<tr>
<th>Equity Investments</th>
<th>Debt Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$930 Million</td>
<td>$600 Million **</td>
</tr>
</tbody>
</table>

- Over 9,104 units
- 95% Physical Occupancy
- 43 Properties in 18 States

- Approximately 21,000 units
- 96% Physical Occupancy
- 282 Properties in 38 States

**includes forward commitment pipeline**
CDT’s Debt Portfolio has grown to approximately $600 million and 21,000 units, which includes forward commitments of approximately $100 million.

Origination Focus:
- Fannie, Freddie and FHA forward and immediate executions
- Forward commitments on LIHTC transactions
- Portfolio acquisitions from CDFI’s and banks
- Immediate transactions

CDT has relationships with a wide network of industry players including developers, banks, CDFI’s, housing finance agencies, and affordable housing operators throughout the country.
● CDT has made investments as a limited partner in properties with more than 9,104 affordable units throughout the country.

● CDT’s objective is to invest capital to preserve long-term affordability and generate cash flow.

● Investment Focus:
  • Properties with Section 8 project-based contracts.
  • LIHTC properties nearing the end of their initial compliance period.
  • Properties that benefit from local subsidies.

● CDT’s general partners have proven experience in owning affordable properties.
For over 60 years, Gershman Mortgage has been making the dream of homeownership come true. As one of the Midwest’s premier mortgage lending and home financing companies, our staff has the knowledge and experience to help you get the financing you need for the house of your dreams.
SECONDARY DEBT IN LIEU OF EQUITY

• HUD Allows Government Placed Secondary Debt to Meet or Exceed 100% of Equity Requirements
• Non-Tax Credit Equity Must Typically Be Fully Placed in Service at the Time of Closing

• Potential Enhancement - Developers Can Partner with State or Local Government Agency to Create a Bond or Loan
  • Equity Partners Can Fund Some or All of the Loan or Bond with Minimal Cost or Risk to Local / State Government
  • Government Sponsored Debt Will Enter Transaction on Pro Rata Basis with FHA Insured Funds

• Benefits
  • Decreased Upfront Capital Costs
  • Decreased Accrual of Return on Preferred Equity
  • Better Interest Rate Pricing on First Mortgage
  • Increased Cash on Cash Return on Projects That Will Lease Up Prior to Completion
  • Help Mitigate Timing Risks on OZ Funds
GROUND LEASES

• HUD will insure mortgages on Leasehold Estates
• Purchaser of Fee Simple Interest can separately lease land to Borrower.
• Governments with property inventory can lease land and improvements to Borrower.

Benefits
• Reduced upfront land costs leaves more loan proceeds for remaining project costs.
• HUD will value land based on lease payments / cap rate.
• Potential arbitrage of costs of capital compared to lease payments.
• Government could offer reduced or nominal lease payments in exchange for Workforce Housing or Affordable Housing.
LAND VALUE ENHANCEMENT

- HUD recognizes increases land value for land held over time

**Benefits**
- Large step-ups in land value can result in reduction in HUD equity Requirements
- Mortgage proceeds can fund Initial Operating Deficit, Working Capital Escrow, and other cash requirements at initial closing.
- If excess land value remains after all costs and escrows are funded, can result in cash back after break even occupancy is demonstrated
- Governments can use inventory of land to induce development of Affordable Housing and Workforce Housing
**FHA Section 221(d)(4)**

**MULTIFAMILY & SENIOR HOUSING | NO MAX MORTGAGE LIMIT LOANS > $25MM REQUIRE MORE EXPERIENCE**

**Loan Term**
Construction period interest-only, plus a 40 year fully amortizing permanent loan; Non-recourse including during construction; Fully assumable.

**Interest Rate**
Fixed Rate; Currently estimated at 3.65-4.05* (Not including MIP**).

**Cash/Out Equity Proceeds**
A Builder's Sponsor Profit and Risk Allowance is available to be used as a credit to the equity contribution (10% Max) OR the Developer Fee for an Affordable Development. Davis Bacon wages are required.

<table>
<thead>
<tr>
<th>Rental Unit Composition</th>
<th>Market Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan To Value</td>
<td>85%</td>
</tr>
<tr>
<td>Debt Service Coverage</td>
<td>1.176x</td>
</tr>
<tr>
<td>Ineligible Properties</td>
<td>Transient Housing (leases less than 30 days)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rental Unit Composition</th>
<th>Affordable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan To Value</td>
<td>87%</td>
</tr>
<tr>
<td>Debt Service Coverage</td>
<td>1.15x</td>
</tr>
<tr>
<td>Ineligible Properties</td>
<td>Temporary Housing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rental Unit Composition</th>
<th>&lt;= 90% Rental Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan To Value</td>
<td>90%</td>
</tr>
<tr>
<td>Debt Service Coverage</td>
<td>1.11x</td>
</tr>
<tr>
<td>Ineligible Properties</td>
<td>Specifically designated Student Housing (EX: 4 rooms &amp; 4 bathrooms)</td>
</tr>
</tbody>
</table>
Gershman Mortgage Fast Facts

• Gershman Mortgage is one of the nation’s leading direct FHA Lenders/Servicers offering over 64 years of experience, security and unmatched customer service in residential and commercial financing.

• Privately-owned company founded in 1955 by Solon Gershman one of the first lenders in the U.S. to be MAP (Multifamily Accelerated Processing) approved.

• Gershman is nationally ranked as an FHA insured commercial loan originator and has closed over $3.7 billion in FHA insured loans. The 2018 processing pipeline is just under $1 billion.

• Gershman is an award-winning servicer with over $1.7 billion in FHA insured loans in our servicing portfolio.

• Headquartered in St. Louis, MO with offices in Denver and Chicago.