

LADF

LOS ANGELES DEVELOPMENT FUND

**Meeting *of the*
Governing Board of Directors**

**The Los Angeles Development Fund
and
LADF Management, Inc.**

May 21, 2024

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

May 21, 2024

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Tab 1

A G E N D A

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

HYBRID MEETING

To Join in Person: City Hall, Room TBD | 200 N Spring St, Los Angeles, CA 90012
To Join via Telephone: Dial (669) 444-9171 US | Meeting ID: 893 2951 3283

Tuesday, May 21, 2024 | 3:00-4:00 pm

AGENDA ITEM	PRESENTER	TAB
Welcome and Call to Order	Carolyn Hull	
Roll Call	Sandra Rahimi	
Public Comment	Carolyn Hull	
1 Approval of Minutes for Board Meeting(s) on:	Carolyn Hull	
a. March 12, 2024		Tab 2
2 Action Items	Sandra Rahimi	
a. Request for Authorization for LADF staff to select the Pacific Asian Consortium in Employment (PACE) as the loan servicer for LADF's JEDI Zone Microloan Program to assist with outreach, underwriting, closing, servicing, and reporting for the loan program.		Tab 3
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c. Request to authorize the President, or their designee, to extend the purchase order contract with Nixon Peabody for the provision of legal services for an additional 24 months, concluding on May 31, 2026, with the options of two subsequent one-year renewals.		Tab 5
d. Request to authorize the President, or their designee, to extend the purchase order contract with Bergman and Ailderdice to provide legal services for a 24-month period ending on May 31, 2026, with the option for two one-year extensions.		Tab 6
e. Request to authorize the President, or their designee, to extend the purchase order contract with Josephine Diaz to provide accounting and bookkeeping services for a 24-month period ending on May 31, 2026, with options for two additional one-year renewals.		Tab 7
f. Request to authorize the President, or their designee, to extend the purchase order contract with Novogradac Company LLP to provide accounting and tax services for a 24-month period ending on May 31, 2026, with the option for two one-year extensions.		Tab 8
g. Request to authorize the President, or their designee, to extend the purchase order contract with Ariel Ventures to provide NMTC compliance, loan servicing, investor and QALICB reporting, and bookkeeping and payroll services for a 24-month period ending on May 31, 2026, with the option for two one-year extensions.		Tab 9
3 Request for Future Agenda Items	Carolyn Hull	
a. LADF Budget Review		
b. LADF Underwriting and Risk Assessment Procedures and Policies Updated		
c. NLSLA Project Presentation		
4 Next Meeting Date and Time of Governing Board		
a. TBD		
Public Comment	Carolyn Hull	
Adjournment	Carolyn Hull	

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) 808-8959. **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
MINUTES OF THE MEETING OF THE GOVERNING BOARD OF LADF AND LADF MANAGEMENT, INC.
Tuesday MARCH 12, 2024

SPECIAL MEETING
City Hall, Room 1070 | 200 N Spring St, Los Angeles, CA 90012

LADF STAFF PRESENT:

- Sandra Rahimi
- Christopher Chorebanian
- Jiaqi Wu

WELCOME AND CALL TO ORDER – Los Angeles Development Fund (LADF) Yolanda Chavez called the meeting to order at **10:08 am**.

ROLL CALL

The following Governing Board directors were present at the meeting:

- Director Esparza
- Director Chavez (Chairperson)
- Director Sewill
- Director Kalfayan

A QUORUM WAS PRESENT

1. Approval of Minutes for Board Meeting(s) on:

- a. **February 8th, 2024**
- b. **March 1st, 2024**
 - Moved by Director Sewill. Seconded by Director Kalfayan.
 - Roll Call: AYES: 4; NOS: 0; ABSENT: 1; ABSTAIN: 0; APPROVED.

2. ACTION ITEMS

- a. **Request for Authorization for LADF President, or his or her delegate, to execute documents to effectuate a \$10,500,000 Sub-Allocation of New Markets Tax Credits for the Project Angel Food transaction.**
 - Moved by Director Sewill. Seconded by Director Esparza.
 - Roll Call: AYES: 4; NOS: 0; ABSENT: 1; ABSTAIN: 0; APPROVED.

PUBLIC COMMENT

- None.

ADJOURNMENT

- Meeting was adjourned at **10:18 am**.

Tab 3

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, LADF Secretary
DATE: May 17, 2024
SUBJECT: LADF RFP #006 JEDI Zone Microloan Program Administrator Selection

RECOMMENDATION

LADF staff recommends that the Governing Board select the Pacific Asian Consortium in Employment (“PACE”) as the loan program administrator for LADF’s revolving microloan fund under its JEDI Zone Microloan Program, which includes program outreach and loan application intake processes, loan underwriting and closing, loan servicing, and fund reporting. LADF staff will provide oversight with respect to all services provided by the loan program administrator.

BACKGROUND AND SUMMARY

On September 14, 2023, the LADF Governing Board approved the creation of a new LADF microloan program to support small businesses within the city-established JEDI Zones, with an initial funding from LADF of \$1 million from its organizational reserves. Then on October 12, 2023, the LADF Governing Board approved the issuance of an RFP to solicit the services of a qualified vendor for program outreach, underwriting, closing, servicing, and fund reporting for the microloan program. LADF staff issued RFP #006 on October 12, 2023 and the deadline for responses was set for December 27, 2023, at 5:00 PM; however, due to the holiday season, LADF extended the RFP deadline to March 15, 2024. By this date, LADF had received three proposals from the Pacific Asian Consortium in Employment (“PACE”), Acelera Financial Corp., and the Vermont Slauson Economic Development Corporation.

LADF staff members and two third-party members (*collectively, the Review Committee*) reviewed all three proposals. One of the third-party members on the review committee is Alison Paige, who is the President of Capital A Consulting, LLC, an economic development consulting firm that specializes in New Markets Tax Credit (“NMTC”) and Historic Tax Credit services. With 20 years of experience, Ms. Paige has been instrumental in securing equity, debt, and grant capital for low-income communities nationwide and has provided consulting services to many of the projects in which LADF has invested NMTCs. The other third-party member on the review committee is Jimmy Tran of New Markets Community Capital (“NMCC”). NMCC is the NMTC subsidiary of TELACU Industries Inc., a pioneering institution since 1968, committed to service, empowerment, advancement, and the creation of self-sufficiency. Tran serves as the Director of Finance & Asset Management and manages \$1 billion in investments.

REVIEWER ASSESSMENTS

The review committee was tasked with evaluating each of the three proposals, utilizing a weighted matrix (*outlined in Exhibit A*) to score each proposal based on the following qualitative and quantitative measures:

- Fee and Expense Structure to Minimize Borrower Costs
- Track Record with Microloan Funding and Servicing
- Track Record with Microloan Underwriting and Risk Management
- Track Record with Government/City of L.A., Nonprofits, and Small Businesses
- Staff Capacity
- Plans for Outreach
- Provisions for Any Targeted Enterprises (*MBE, WBE, etc.*)
- Basic Understanding of the City of L.A.’s JEDI Zones
- Compliance with RFP Requirements (*provision of all required information*)
- Overall Quality of the Proposal (*detail, clarity, methodology, etc.*)

Each reviewer on the review committee completed the matrix and a meeting was held, subsequently, to discuss their assessments of each of the three proposals. Each of the five reviewers had independently scored PACE’s proposal as the highest of the three proposals for exhibiting the best overall capability to act as LADF’s microloan administrator.

PACE’s cost proposal assumes loans ranging from \$10,000 to \$50,000 with terms of 1 to 5 years and a 7% interest rate. The 7% interest rate is derived by adding a 1% interest charge payable to LADF and 6% interest charge payable to PACE to cover its staffing costs for administering the microloan fund. Additionally, PACE will charge a one-time 2.5% closing fee on each loan, derived as the combination of 1.5% for costs related to program outreach and 1% for PACE’s origination/loan packaging fee. PACE’s proposed microloan structure also includes a payment deferral offered to the borrowers for the first 12 months. By example, the table below provides the general terms and borrowing costs for a sample \$50,000 microloan to a small business:

Loan Amount:	\$51,250
Loan Term:	5 Years
Closing Fee (2.5%):	\$1,250 <i>(paid by borrower, added to loan amt)</i>
Interest Rate:	7.0% <i>(6.0% to PACE and 1.0% to LADF)</i>
Monthly Payment (Year 1):	\$0
Monthly Payment (Years 2-5):	\$1,227.25
Balloon Payment:	\$0 , <i>microloan is fully amortizing in Years 2-5</i>

PACE has a history of managing two City of LA Business Source Centers, an SBA Women’s Business Center, and holds the distinction of being the only Minority Business Development Agency in Southern California. They have a track record of providing business training, technical assistance, and facilitating over half a billion dollars in small business loans. The project team will include a Loan Manager, Underwriter, Portfolio Analyst, and Program Assistant, with the Vice President overseeing the program implementation. For program outreach, PACE plans to sub-contract with Pasadena City College’s Small Business Development Center (“**PCC-SBDC**”), which will target NMTTC-qualifying census tracts and offer materials in multiple languages.

NEXT STEPS

The review committee raised questions and concerns with regards to PACE’s proposal to utilize PCC-SBDC as their subcontractor for program outreach. Given PACE’s involvement in the City of LA and its management of Business Source Center, the review committee considered that PACE itself might have the better organizational and geographical footprint than PCC-SBDC for program outreach. LADF staff intends to obtain further clarification from PACE regarding this aspect of its proposal.

Additionally, LADF staff will request that PACE provide the default rates for the past three years on the loan pools it manages. Given that this timeframe includes the recovery period from COVID-related closures, the staff will compare PACE’s rates with recent industry averages for the same period. If PACE’s average exceeds the industry average default rates, LADF staff will obtain further clarification from PACE.

If (1) PACE’s plans for outreach are substantively different from LADF’s expectations in order to achieve its expected outcomes *(i.e. existing plan is deemed unsatisfactory or no satisfactory modification to PACE’s existing plan is devised)* and/or (2) PACE’s past performance as measured by default rates are markedly higher than the industry averages, then LADF staff will provide a report back to the Governing Board outlining those discoveries. The Governing Board may determine at that time whether to proceed with selecting PACE as the loan program administrator.

Conditioned upon those factors in the preceding paragraph, LADF staff recommends that the Governing Board select PACE as the loan administrator for LADF’s JEDI Zone Microloan Program.

Los Angeles Development Fund

RFP #006: JEDI Zone Micro Loan Program

As of Mar. 28, 2024

Reviewer:

Response Assessment Matrix	Weighting	PACE Finance Corporation		Acelera Financial Corporation		Vermont Slauson Local Development Corporation	
		Rating	Notes	Rating	Notes	Rating	Notes
Fee and Expense Structure to Minimize Borrower Costs:	20%						
Track Record with Micro Loan Funding and Servicing:	10%						
Track Record with Micro Loan Underwriting and Risk Management:	15%						
Track Record with Government / City of L.A., Nonprofits, and Small Businesses:	5%						
Staff Capacity:	10%						
Plans for Outreach:	20%						
Provisions for Any Targeted Enterprises (MBE, WBE, etc):	5%						
Presents a Basic Understanding of the City of L.A.'s JEDI Zones:	5%						
Meets requirements of RFP (all required info provided):	5%						
Overall Quality of the Proposal (detail, clarity, methodology, etc):	5%						
Weighted Rating:	100%	0		0		0	

* Ratings based on a scale of 1 (lowest score) to 5 (highest score)

Tab 4

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, LADF Secretary
DATE: May 17, 2024
SUBJECT: Request to Approve a 24-Month Extension of Purchase Order Contract with Karen Books for Marketing Consulting Services

RECOMMENDATION

That the Los Angeles Development Fund (LADF) Governing Board of Directors authorizes the President, or designee, to extend the purchase order contract with Karen Brooks to provide website management/consulting services for a 24-month period ending on May 31, 2026, with options for two additional one-year renewals.

SUMMARY AND BACKGROUND

Karen Brooks has been providing marketing consulting services to LADF since January 1, 2018. Ms. Brooks was initially engaged to design and build LADF's website and develop and implement LADF's social media presence. While the social media services have been removed from her scope of services, the continuation of her website services is pivotal for the ongoing promotion and success, as well as compliance, of LADF's business activities.

Scope/Description of Services:

- Manage and update content for LADF's website.
- Provide security monitoring for LADF's website.

Proposed Contract Extension

- Duration: 24 months, ending on May 31, 2026.
- Scope: Services to remain as previously outlined.
- Monthly Rate: \$150/ hour (8 hours per month guaranteed)
- Extension Options: Includes options for two additional one-year extensions.
- Expense Reimbursements: Expenses not explicitly mentioned can be reimbursed, subject to documentation and approval by LADF as necessary and reasonable for business conduct.

Tab 5

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, LADF Secretary
DATE: May 17, 2024
SUBJECT: Request to Approve a 24-Month Extension of Purchase Order Contract with Nixon Peabody to Provide NMTC Legal Services

RECOMMENDATION

That the Los Angeles Development Fund (LADF) Governing Board of Directors authorizes the President, or designee, to extend the purchase order contract with Nixon Peabody for the provision of legal services relating to the New Markets Tax Credit (NMTC) program for an additional 24 months, concluding on May 31, 2026, with the options of two subsequent one-year renewals.

SUMMARY AND BACKGROUND

Since July 18, 2016, Nixon Peabody has been providing New Markets Tax Credit (NMTC) legal services to LADF. Their work has been pivotal in navigating the complexities of tax credit transactions, ensuring compliance with federal regulations, and safeguarding LADF's interests. Over the years, their contributions have led to substantial growth and success in LADF's funding and development projects.

Scope/Description of Services:

- Provide legal counsel on NMTC transactions and ensure compliance with all applicable laws;
- Represent LADF in negotiations and execute transaction documents;
- Counsel LADF on structuring projects to qualify for NMTC;
- Assist with ongoing compliance and reporting requirements for past NMTC transactions;
- Offer guidance on risk management and mitigation strategies related to NMTC projects;
- Conduct legal reviews of project applications for NMTC allocation; and
- Provide training to LADF staff on NMTC legal matters.

Proposed Contract Extension

- Duration: 24 months, ending on May 31, 2026.
- Scope: Continuation of comprehensive NMTC legal services as previously engaged.
- Financial Cap: Not applicable.
- Hourly Rate: Maximum to be \$400 per hour, except that the firm's tax partner charges \$1,055 per hour to review transactional documents and produce the CDE tax opinion. Note that all transactional legal costs are fully paid by the project sponsors in each of LADF's NMTC transactions.
- Extension Options: Two one-year extensions are available upon mutual agreement.
- Expense Reimbursements: Permissible as per LADF policy, subject to proper documentation and approval.

Tab 6

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, LADF Secretary
DATE: May 17, 2024
SUBJECT: Request to Approve a 24-Month Extension of Purchase Order Contract with Bergman and Allderdice for Legal Services

RECOMMENDATION

That the Los Angeles Development Fund (LADF) Governing Board of Directors authorizes the President, or designee, to extend the purchase order contract with Bergman and Allderdice to provide legal services for a 24-month period ending on May 31, 2026, with the option for two one-year extensions.

SUMMARY AND BACKGROUND

Bergman and Allderdice is a Los Angeles-based law firm, established in 2005, with a focus on supporting nonprofit and mission-based organizations. Their expertise spans across affordable housing, community development, social enterprise, and tax-exempt financing. The partners, Beth Bergman and Michael Allderdice, have extensive experience in their respective areas of law, and the firm is known for its commitment to providing high-quality, cost-effective legal services. LADF has contracted with Bergman for legal services since August 20, 2009. In addition to providing transactional legal services for NMTC projects, Bergman currently provides comprehensive legal services for LADF's non-New Markets Tax Credit (NMTC) transactional and organizational needs.

Scope/Description of Services:

- Provide professional legal counsel and services.
- Assist in negotiation and preparation of agreements related to NMTC and real estate transactions.
- Attend meetings with LADF, developers, financial institutions, and other stakeholders.
- Evaluate and develop litigation strategies, prepare legal documents, and appear at hearings and trials.
- Provide legal services, including legal opinions, related to certification and enjoinder of new subsidiary CDEs as well as new Allocation Agreements for LADF and
- Provide investigative and support services for legal representation.

Proposed Contract Extension

- Duration: 24 months, ending on May 31, 2026.
- Scope: Services to remain as previously outlined.
- Financial Cap: Not applicable.
- Hourly Rates:
 - Partners: \$300.00 per hour
 - Associates: \$275.00 per hour
 - Of Counsel: \$300.00 per hour
 - Paralegal: \$110.00 per hour
- Extension Options: Includes options for two additional one-year extensions.
- Expense Reimbursements: Expenses not explicitly mentioned can be reimbursed, subject to documentation and approval by LADF as necessary and reasonable for business conduct.

Tab 7

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, LADF Secretary
DATE: May 17, 2024
SUBJECT: Request to Approve a 24-Month Extension of Purchase Order Contract with Josephine Diaz for Accounting and Bookkeeping Services

RECOMMENDATION

That the Los Angeles Development Fund (LADF) Governing Board of Directors authorizes the President, or designee, to extend the purchase order contract with Josephine Diaz to provide accounting and bookkeeping services for a 24-month period ending on May 31, 2026, with options for two additional one-year renewals.

SUMMARY AND BACKGROUND

Josephine Diaz has been providing accounting and bookkeeping services to LADF since 2011. In the past, she has developed the accounting books and records through QuickBooks for LADF and each of its subsidiaries. While that service has been moved to the Ariel Ventures contract, Josie still provides critical organization tasks, such as producing the monthly payment requisitions and associated checks for payment.

Scope/Description of Services:

- Manage LADF's bookkeeping (track cash inflows and outflows);
- Report on LADF's and subsidiary CDEs' financial position;
- Create monthly payment requisitions and draft checks; and
- Provide any other tax and accounting services as requested by LADF.

Proposed Contract Extension

- Duration: 24 months, ending on May 31, 2026.
- Scope: Services to remain as previously outlined.
- Hourly rate: \$90.00 per hour
- Cost: \$20,685 annually
- Extension Options: Includes options for two additional one-year extensions.
- Expense Reimbursements: Expenses not explicitly mentioned can be reimbursed, subject to documentation and approval by LADF as necessary and reasonable for business conduct.

Tab 8

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, LADF Secretary
DATE: May 17, 2024
SUBJECT: Request to Approve a 24-Month Extension of Purchase Order Contract with Novogradac & Company LLP to Provide Accounting & Tax Services

RECOMMENDATION

That the Los Angeles Development Fund (LADF) Governing Board of Directors authorizes the President, or designee, to extend the purchase order contract with Novogradac & Company LLP to provide accounting & tax services for a 24-month period ending on May 31, 2026, with the option for two one-year extensions.

SUMMARY AND BACKGROUND

Novogradac & Company LLC is a national professional services organization specializing in accounting, consulting, and tax services for New Markets Tax Credit (NMTC) related transactions. Novogradac & Company LLP has provided LADF with audit and tax services since 2012. The firm's expertise has been instrumental in maintaining our financial integrity and compliance. The renewal of this engagement will ensure continuity and efficiency in handling LADF's audit and tax matters for the upcoming fiscal year.

Scope/Description of Services:

- Audit of LADF's and its subsidiaries' financial statements in accordance with GAAP and prepare reports.
- Preparation of LADF's and its subsidiaries' federal and state income tax returns based on information provided by LADF; and
- Assistance with ongoing compliance for various regulatory requirements.

Proposed Contract Extension

- Duration: 24 months, ending on May 31, 2026.
- Scope: Services to remain as previously outlined.
- Financial Cap: Not applicable.
- Cost:

Service	Entity Type	Fee
Tax Preparation	LADF	\$3,500
Tax Preparation	LADF Management	\$2,500
Tax Preparation	Sub-CDEs with sub-allocations	\$2,000
Tax Preparation	Sub-CDEs without sub-allocations	\$500
Audit Fee	LADF	\$9,500
Audit Fee	Each sub-CDE	\$6,500

- Extension Options: Includes options for two additional one-year extensions.
- Expense Reimbursements: Expenses not explicitly mentioned can be reimbursed, subject to documentation and approval by LADF as necessary and reasonable for business conduct.

Tab 9

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, LADF Secretary
DATE: May 17, 2024
SUBJECT: Request to Approve a 24-Month Extension of Purchase Order Contract with Ariel Ventures to Provide NMTC Compliance, Loan Servicing, Investor and QALICB Reporting, and Bookkeeping and Payroll Services

RECOMMENDATION

That the Los Angeles Development Fund (LADF) Governing Board of Directors authorizes the President, or designee, to extend the purchase order contract with Ariel Ventures to provide NMTC compliance, loan servicing, investor and QALICB reporting, and bookkeeping and payroll services for a 24-month period ending on May 31, 2026, with the option for two one-year extensions.

SUMMARY AND BACKGROUND

Ariel Ventures, LLC provides comprehensive public-private finance and economic development financial consulting services nationally. Ariel Ventures, a mission driven entrepreneurial firm (100% women-owned and minority firm) in Cleveland, has gained national recognition as experts in the New Markets Tax Credits area and pioneered the development of the first state-of-the-art comprehensive NMTC compliance and reporting software application in 2003, which is approved and integrated with the CDFI Fund's CIIS reporting system and used by CDEs nationally.

Ariel has provided comprehensive NMTC services and software, economic development finance, and business consulting services for over \$2.0 billion of NMTC / HTC / RETC transactions for CDEs, investors, for-profit real estate and non-real estate businesses, and non-profit organizations. LADF has contracted with Ariel Ventures for NMTC compliance and consulting services since March 11, 2011.

Scope/Description of Services:

- IRS, CDFI and Investor compliance and reporting services.
- Proprietary NMTC compliance, reporting and CDE management software.
- Accounting, Loan Servicing and Asset Management.
- Assist in structuring Community Benefit Reporting and other aspects of closing.
- Submits CDE Certification and NMTC Allocation Applications;
- Other financial, compliance and management services as needed.

Proposed Contract Extension

- Duration: 24 months, ending on May 31, 2026.
- Scope: Services to remain as previously outlined.
- Financial Cap: Not Applicable.
- Hourly Rate: Please see attached Fee Structure.
- Extension Options: Includes options for two additional one-year extensions.
- Expense Reimbursements: Expenses not explicitly mentioned can be reimbursed, subject to documentation and approval by LADF as necessary and reasonable for business conduct.

Ariel Ventures' fee structure is largely based on new NMTC transactions closed, NMTC transactions unwound, and total loans under management. Below is a table showing the vendor's total fee for each of the last 3 years, along with the number of transactions closed and loans under management in each year:

Year	# of NMTC Transactions Closed	# of NMTC Transactions Unwound	# of Loans Managed	Ariel Ventures' Total Fee
2023	2	0	18	\$ 177,750 <i>Q1-Q3 2023</i>
2022	2	0	16	\$ 217,000
2021	1	1	15	\$ 201,350
2020	5	3	17	\$ 209,900
2019	0	4	16	\$ 183,300

2. Fee Structure for NMTC Compliance Software and Services, Bookkeeping, Loan servicing, QALICB reporting, Payroll coordination, and Hourly NMTC consulting

(1) NMTC Software – “CDe-Solution” (Comprehensive NMTC Compliance, Management and Reporting Software Application)

Software Features Include:

- Automatic upload of transactional level data from NMTC software to CDFI Fund’s CIIS system, by generation of an electronic xml file in a format approved by CDFI for integration with their CIIS system.
- Automatic system triggers and email alerts for CDFI and IRS compliance-related issues specific to the NMTC program
- Flexibility to manage multiple subsidiary CDEs and multiple allocation years, including transfers of allocations to subsidiaries
- Board member module, including automatic LIC accountability tests and system email alerts for annual LIC accountability status verification
- Automated email notification to investors, board members, QALICBs
- Documentation of QALICB qualification, identification of qualifying low income census tract and IRS percentage tests; electronic data storage for supporting documents used to qualify QALICB
- Investor module, including QEI tracing to NMTC claimants, date stamping and system alerts for investment deadlines, leverage structure, direct tracing of QEI proceeds to projects and investor commitment management to multiple subsidiaries and allocations
- Multiple project set ups within QALICBs to handle multiple QLICI types and multiple funding draws for construction loans
- Project cash management which provides for flexibility of multiple project draws with direct tracing to QEIs
- QEI Tracking of QALICB loan and equity repayments, including date stamp and system triggers alerting deadlines for reinvestment
- Various reporting options for CDFI, IRS, Investors, QALICBs, primary and subsidiary CDEs, and board member reporting, etc including higher distress, better rates and terms, CIIS-TLR, LIC



accountability test, Substantially all – direct tracing and safe harbor reports, QEI summary and detailed reports including QEI direct tracing, QLICI detailed reports etc

- Document management system

Fees: Annual Software Licensing and Maintenance fee of One Thousand Dollars (\$1,000) per Sub-CDE per year through the NMTC compliance period with a minimum 3 year term for each Sub-CDE, and includes annual licensing, software maintenance, web hosting, minor software upgrades and enhancements, updates for CDFI Fund CIIS changes, 3 GB memory storage for document management and retrieval, and 1 hour annual software technical support.

(2) Annual Ongoing Compliance and Reporting Services, in addition to NMTC software licensing in (1) above:

- Development of internal checklists for project intake forms, to collect information related to the QALICB qualification and compliance with the NMTC program
- Assistance with CDFI Fund Allocation Tracking System (ATS) reporting of QEI information, subject to timely information provided by LADF, its affiliates or advisors
- Preparation of required investor notification letters and IRS Form 8874A, upon receipt of Qualified Equity Investments by CDE Subsidiaries, subject to timely information provided by LADF, its affiliates or advisors
- Review sections of closing documents relevant to NMTC compliance, such as NMTC allocation agreement, CDE certification, operating agreements, tax opinion, QALICB qualification documents, loan agreements, promissory notes, financial models, etc. in the closing binder to identify the compliance items and data points needed for reporting
- Gathering of transactional level data for CDFI Fund's CIIS reporting, subject to timely input from LADF, its affiliates or advisors
- Assistance with data gathering and completion of Annual CDE Institutional Level Report on CDFI Fund's CIIS on-line system, subject to timely input from LADF, its affiliates or advisors and authorization to submit by LADF.
- Data entry of all CDE, Subsidiary CDE, Investor, QALICB, QEI cash receipts, QLICI cash disbursements, CIIS data, and other required information into CDe-Solution on-line software application, based on transaction documentation and timely information provided by LADF, its affiliates or advisors
- Completion of Annual CDE Transactional Level Report, including upload of Transactional Level Data to CDFI Fund's CIIS on-line system (CDe-Solution provides for automatic integration with



the CDFI Fund’s CIIS on-line reporting system), subject to timely information provided by LADF, its affiliates or advisors

- Calculation and documentation of semi-annual Substantially-All tests for each Sub-CDE and each QEI, subject to timely bank statements, QLICI disbursements, QALICB principal repayments if any, and other financial information to be provided by LADF, its affiliates or advisors
- Annual update of new board members information and joining dates, prior board members leaving dates, to update the CDE’s LIC accountability tests and reports in the NMTC software, subject to timely information provided by LADF or its Sub CDEs. Includes updating the LIC board joining and leaving dates in the NMTC software
- Assistance with semi-annual Compliance Certification reporting to financial institutions, subject to timely accounting and other required information provided by LADF or its Sub CDEs
- **Fees:** Fee per SubCDE for LADF’s 2015/16, and 2017 NMTC allocations and onwards, for NMTC compliance and reporting for our Compliance and Reporting Services, for the entire NMTC compliance period until the end of the final CIIS TLR reporting and Closeout Report, is as follows:

<u>YR 1</u>	<u>YR2</u>	<u>YR3</u>	<u>YR4</u>	<u>YR5</u>	<u>YR6</u>	<u>YR 7</u>	<u>YR8</u>
\$5,000	\$4,000	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400

This fee will be invoiced quarterly for each SubCDE, beginning on the date of the first QEI received by the SubCDE. However, if the SubCDE creates a loan pool, the fee will be increased by \$250 per quarter, per additional QALICB in the loan pool.

- Fee per SubCDE for LADF’s prior 2010 and 2012 NMTC allocation for NMTC compliance and reporting for our Compliance and Reporting Services, for the remaining NMTC compliance period until the end of the final CIIS TLR reporting and QEI Closeout Report, will be \$2,400 per year billed quarterly. However, Ariel will not be responsible to verify the accuracy of the prior compliance data including IRS SubAll reporting, ATS, ILR, TLR CIIS data already reported to CDFI Fund.

(3) Book keeping Services

- Obtain accounting information from review of documents and information provided by CDE in closing documents including CDE and investment fund operating agreements, loan agreements and promissory notes, 7 year financial projections, cash disbursement memos, bank statements etc.;
- Enter accounting and cash transactions (utilizing Quickbooks) for each CDE subsidiary and the Allocatee

- Provide quarterly financial statements; general ledger detail; adjusting journal entries and year-end adjustments
- Semi-Annual review of the CDE's closed investment transactions for verification of compliance with redemption test, timely financial information provided by LADF, and/or its affiliates or CPA firm, including taxable operating income calculations, depreciation, amortization
- **Fees:** \$3,600 per year per SubCDE, (plus a one time set up fee of \$2,400 per entity). For the Allocatee CDE the annual accounting fee would be \$6,000 per year (plus a one time set up fee of \$2,400). The fees will be billed quarterly from the start of the accounting period, and subject to a minimum 3 year contract.

(4) Loan Servicing Services:

- 1) Preparation of a one-time loan servicing instruction memo outlining the process for transfer of interest payments from QALICBs to LADF CDEs, and the pro-rata distributions to the corresponding Investment Funds and to LADF (Allocatee), with relevant bank accounts
- 2) Preparation and emailing of monthly/quarterly CDE's interest and fee invoices to the QALICBs
- 3) Preparation of monthly/quarterly wire transfer forms for the following transfers:
 - a) Transfer of interest and fees from QALICBs to LADF CDEs, (requires timely receipt of signature and confirmation of availability of funds from QALICBs)
 - b) Pro-rata distribution of profits from LADF CDEs to the Investment Funds (99.99%) and to the managing member, LADF (0.01%), (requires timely receipt of signature from LADF CDEs)
 - c) Preparation of wire transfer forms for transfer of LADF fee reimbursement from LADF CDEs to LADF (Allocatee), subject to timely receipt of signature from LADF CDEs

Fees: The loan servicing fee from Ariel Ventures, LLC to LADF (Allocatee) for LADF CDEs for the above mentioned services is as follows:

Loan Servicing Fees: * \$3,600 annually for each of the LADF SubCDEs, billed quarterly from the start of the loan servicing period, subject to a minimum 3 year period.

*Note: This pricing is subject to Ariel obtaining the contract for Book keeping services for the SubCDEs.

(5) QALICB Reporting Services:

- 1) Review loan agreements for QALICB Reporting to document reporting due dates
- 2) Email QALICB quarterly or annual reminders for submission of QALICB reports
- 3) To the extent QALICB reports are received, we will forward the same to LADF and to Investor (if required).
- 4) Please note that this service does not include any services related to QALICB underwriting, qualification, due diligence, monetary or non-monetary defaults, etc.



QALICB Reporting Fees: \$1,000 per QALICB per year for QALICB reporting requests, billed quarterly from the start of the QALICB reporting period, subject to a minimum 3 year period. Plus a one time fee of \$1,000 per QALICB for item 1 (review loan documents to document due dates).

(6) Additional NMTC Consulting or NMTC Training Services: If needed, Ariel can provide additional NMTC consulting or NMTC training to LADF or its Sub CDEs on request, at a fixed fee of \$250/hour, subject to prior approval by LADF.

(7) Payroll Coordination Services:

1) If needed Ariel can coordinate payroll payments for employees of LADF CDE, with Paychex or ADP, by obtaining employee’s hours worked or salary amounts and submitting the same to Paychex or ADP and having them credit the hourly payments / salary to the employees bank accounts. This can be done weekly, bi-monthly or monthly based on your preference. Currently we understand that Paychex charges around \$100 per payroll run. Our fees for coordination would be at our hourly rates of \$250/hour and would depend on the number of payroll runs.

Fees: In addition to actual charges by Paychex or ADP per Payroll run, we estimate our fee to be around \$500 per Payroll run, assuming about 2 hours @\$250/hr to coordinate.

Ariel Ventures, LLC - Partner Contact Information:

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