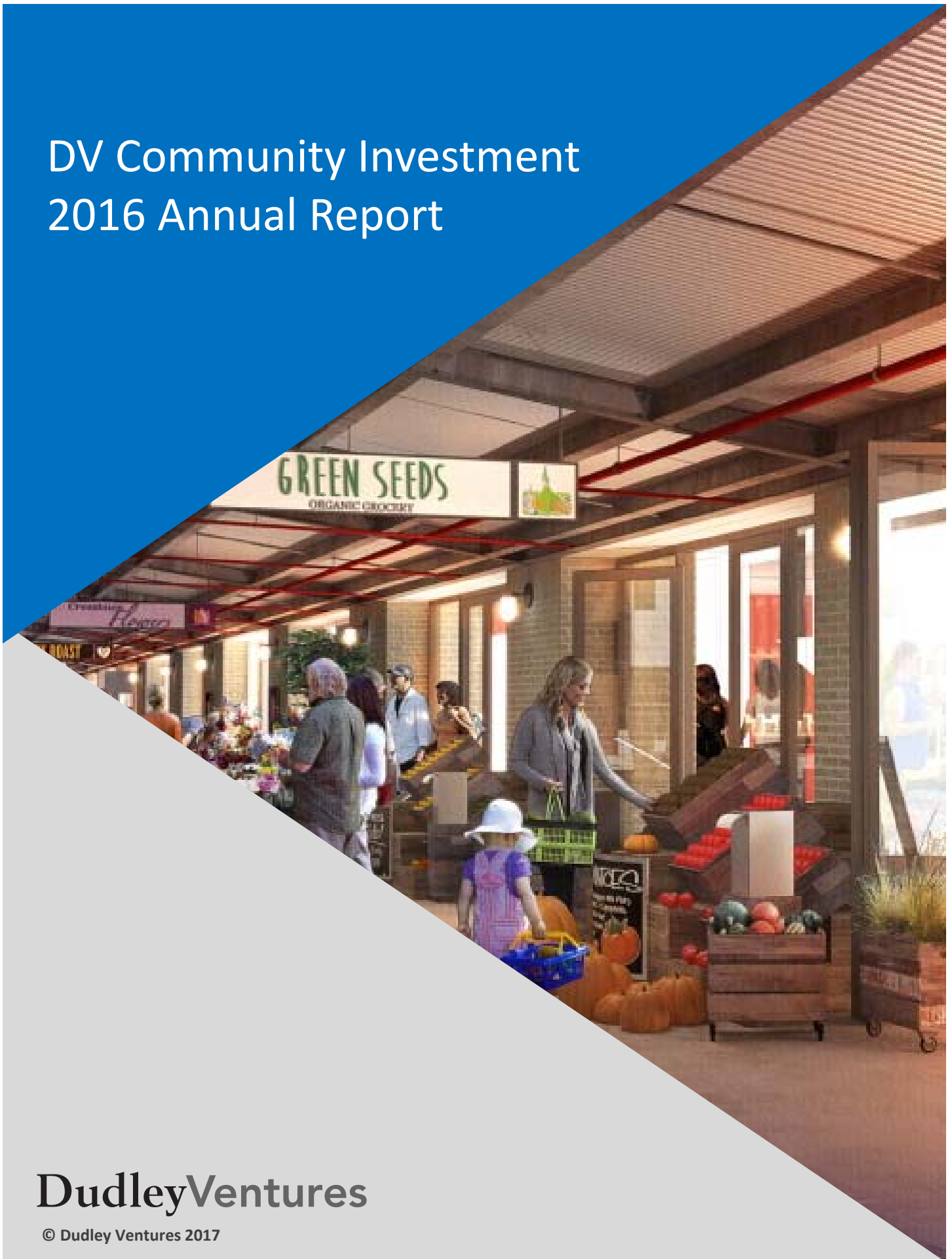


DV Community Investment 2016 Annual Report



DudleyVentures

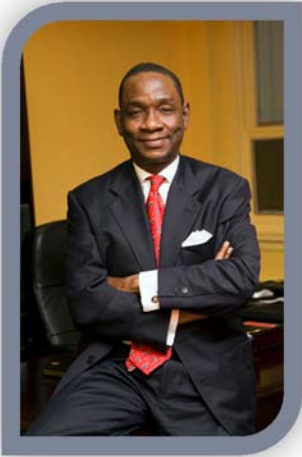
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Chairman's Report



As Chairman of DVCI's Advisory Board, I am pleased to report on our 2016 activities as a Community Development Entity under the CDFI Fund's New Markets Tax Credit Program. We have a 7 state focus: Arizona, Georgia, Mississippi, New Jersey, New York, Nevada, and Ohio with an emphasis on rural America and states that have been historically underserved in the NMTC Program.

Through a highly competitive process, the CDFI Fund, in November 2016, announced the 120 community development entities which were awarded a total of \$7 billion in NMTC allocation for the 2015-2016 round. DV Community Investment is extremely proud to have received its fifth NMTC Allocation in the amount of \$80,000,000.

DVCI's mission is to invest in highly impactful projects to create a high number of accessible, quality in areas which struggle from severe, chronic unemployment. The average unemployment rate of DVCI's transactions thus far is 14.99% or 1.9 times the national average. In total, 6,231 permanent jobs have been created or will be created with DVCI's total allocation to date as well as 6,284 construction jobs. For the long-term unemployed, previously incarcerated, or low-skilled worker, this has meant a job with a living wage, benefits, and opportunities for advancement.

Our Advisory Board has continued to be an active participant in DVCI's activities. In 2016, we continued to implement the detailed survey process to track our effectiveness and meet community needs. We have reviewed detailed feedback from local stakeholders, vested in the improvement of their communities. We also continue to review the investments of DVCI, participate in site visits, examine the proposed pipeline and receive updates on outcomes of current investments and otherwise provide guidance to the Governing Board, to strive to maximize this valuable resource to the fullest in the low-income communities we serve.

We will continue to endeavor to make the NMTC Program the most effective tool for bringing jobs and capital to the neediest communities in America and look forward to making a difference in the low-income community with our latest NMTC allocation.

A handwritten signature in black ink, appearing to read 'Robert K. Jenkins, Jr.', with a stylized flourish at the end.

Robert K. Jenkins, Jr.
Chairman

New Markets Tax Credit Program

The New Markets Tax Credit (“NMTC”) Program is a highly effective federal incentives program, bringing capital into low-income communities starved for these resources with minimal cost to the federal government. The New Markets Tax Credit provides a credit against federal income taxes of 39% over seven years to taxpayers who invest in Community Development Entities (“CDEs”).

In the thirteen allocation rounds to date, 1032 awards have been provided, totaling \$50.5 billion of NMTC allocation, including \$3 billion in Recovery Act awards and \$1 billion that was specifically set aside for recovery and redevelopment in the wake of Hurricane Katrina.

As of December 31, 2016, the CDFI Fund reported that New Markets Tax Credit investments have generated \$8 of private investment for every \$1 of federal funding, created 178 million square feet of manufacturing, office, and retail space, financing over 5,400 businesses.¹

Communities benefit from the jobs associated with these investments and greater access to community facilities and commercial goods and services. Since 2003, the NMTC Program has created or retained an estimated 275,000 jobs. It has also supported the construction of 37 million square feet of manufacturing space, 80 million square feet of office space, and 61 million square feet of retail space. In addition, as these communities develop, they become even more attractive to investors, catalyzing a ripple effect that spurs further investments and revitalization.¹

238 Community Development Entities submitted 2015-2016 NMTC applications, requesting more than \$17.6 billion in allocation. In November 2016, the Community Development Financial Institutions Fund announced the 120 Community Development Entities who were selected to receive NMTC allocations totaling \$7 billion. DVCI is proud to have received its fifth NMTC Allocation in the amount of \$80,000,000.

USDA Guaranteed Loans Can Now Be Used in NMTC Transactions

In November 2016, in furtherance of DVCI’s mission to serve non-metro communities nationally, DVCI’s CEO authored the article, *“USDA Guaranteed Loans Can Now Be Used in NMTC Transactions”* in the Novogradac Journal of Tax Credits, excerpted as follows:

The United States Department of Agriculture (“USDA”) business and industry loan guaranty program has been an important economic development financing tool for rural America. Under the American Recovery and Reinvestment Act of 2009, more than \$1.6 billion was authorized for the loan guaranty program. Similarly, the New Markets Tax Credit Program, amended in 2006 to ensure that non-metropolitan communities were allocated a proportional share of qualified low-income community investments, has accounted for significant investment activity in rural communities. From 2003 to 2011, more than \$3.5 billion was invested in non-metro census tracts under the NMTC program.

On June 3, the USDA published final regulations that, among other changes, permit loans guaranteed by the USDA to be used for NMTC projects. The clear goal of the NMTC provisions is to permit loans guaranteed by the loan guaranty program to be used: 1. In conjunction with an equity investment in a qualified active low-income community business (“QALICB”); and 2. To make a leverage loan to an investment fund which in turn makes a qualified equity investment in a community development entity (“CDE”) or its subsidiary (“sub-CDE”).²

We continue to work with the USDA to implement this important financing tool for non-metro communities.

¹ <https://www.cdfifund.gov/programs-training/Programs/new-markets-tax-credit/Pages/default.aspx>

² “USDA Guaranteed Loans Can Now Be Used in NMTC Transactions” *Novogradac JTC*. November 2016, Volume VII, Issue XI

DV Community Investment

Our Mission

DV Community Investment has been awarded \$300,000,000 in NMTC allocation, including \$80,000,000 in Round 13. DVCI's focus is to invest in high-impact projects to create accessible, quality jobs in areas of chronic unemployment, targeted to low-income persons, by investing in businesses such as manufacturing and distribution facilities, projects which deliver quality health care, education, social services, retail and housing, and emerging industry sectors, with strong growth potential.

In total, 6,231 permanent jobs and 6,284 construction jobs have been, or will be, created with DVCI's NMTC allocation to date. On average, 91% of jobs are quality jobs and 56% of aggregate jobs have been filled by low-income persons.

Roswell Park Cancer Institute Grand Opening \$9,000,000 QEI



In May 2016, Roswell Park Cancer Institute celebrated the Grand Opening of the Scott Bieler Clinical Sciences Center on its main campus, located in Buffalo, New York. The 11-story, 142,000 SF facility adjacent to and accessible from the Roswell Park main hospital is dedicated to targeted clinical programs and support services. The building is the first clinical expansion on the Roswell Park campus in nearly two decades, and enables the expansion of programs and services across every area of the comprehensive cancer center's operations.

With an unemployment rate of 20%, the project created 255 new, quality full-time permanent jobs with wages in excess of the project area's adjusted median income. The project also created 200 construction jobs, and allowed RPCI to retain 2,879 full-time jobs in this low-income community. 94 new jobs are filled by low-income persons or residents of the low income community.

Salvation Army – Center of Hope



Birmingham, Alabama

\$6,000,000 Qualified Equity Investment

The Salvation Army in Birmingham operates in a dated, deteriorating 50-year-old facility which is inadequate to accommodate the current and increasing need for transitional housing for those facing homelessness and other vitally important services to the low-income community. The Center of Hope project will relocate from its current outdated facility and redevelop the shuttered historic Lewis Elementary School and build three new buildings that will allow The Salvation Army to bring its services and operations to a vibrant, expanded facility. The new 110,000-SF facility will feature emergency and transitional housing and an innovative Education and Workforce Development Center, as well as meal services, educational programs, life skills training and many other services. The Center will provide 100% of these services to low-income individuals, reaching over 13,000 low-income people each year. With an unemployment rate of over 20%, the project will create 11 new, quality full-time permanent jobs (paying 48% above the local living wage), 253 construction jobs, and 350-525 jobs through the Education and Workforce Development program in this low-income community. Over 50% of new jobs are anticipated to be filled by low-income persons or residents of the surrounding low-income community. The Salvation Army actively promotes from within the organization, providing training and career advancement opportunities for employees, which will be enhanced by the new Education and Workforce Development Center.

Additional NMTC allocation was provided by AMCREF Community Capital, LLC (\$11,000,000) and MBS Urban Initiatives CDE, LLC, an affiliate of McCormack Baron Salazar, Inc. (\$4,000,000).

Community Need:

Poverty Rate – 24%

Median Income – 49.7% of area median

Unemployment Rate – 23% or 2.91x nat. avg.

Secondary Qualifiers – Birmingham Urban Renewal and Redevelopment Fund

Projected Community Impact:

11 FTEs created

253 construction jobs created

55 jobs retained

~54% of new jobs created will be filled by LIPs

DVCI Advisory Board



Chairman - Robert K. Jenkins, Jr.
Renaissance Equity Partners
Senior Managing Director



Richard Clinch
Jacob France Institute
Director



Tomas Duran
Concerned Capital
President



John Ramirez
Chicanos Por La Causa
Executive Vice President



Stephanie Hiatt
Dudley Ventures - Director of Investment
Management & Advisory Services



James D. Howard, Jr.
Dudley Ventures
Principal



James R. Klein
Finance Fund
Chief Executive Officer



Dale Royal
Atlanta Emerging Markets - Senior
Project Manager & President



Carlos N. Sanchez
City of Plainfield - Deputy City
Administrator for Economic Development



Alex Stillpass
Ross Sinclair & Associates
Investment Banker



Ann Vogt
The National Development Council
Managing Director



Joseph Wesolowski
Enterprise Community Investment
Senior Vice President

DVCI would like to welcome Stephanie Hiatt to the DVCI Advisory Board. Ms. Hiatt joined Dudley Ventures in February 2007 as Senior Transaction Manager and has been directly involved in closing over \$700 million of NMTC transactions. Ms. Hiatt was promoted to the position of Associate Director of Investment Management and Advisory Services in 2014 and to the position of Director in 2016. Ms. Hiatt is principally responsible for processing funding requests, underwriting, accessing capital and the structuring and closing of transactions. Ms. Hiatt is also responsible for the structuring of the firm's investment funds and its advisory services, managing all stages of a tax credit transaction structuring through a successful closing. Prior to joining the Dudley Ventures team, Ms. Hiatt worked for Wells Fargo Bank where she was responsible for servicing and relationship management related to a portfolio of commercial banking customers.

About Dudley Ventures

Through its direct affiliates, Dudley Ventures (“DV”) has been providing equity and debt capital to low-income communities nationwide since the inception of the New Markets Tax Credit Program. DV has been a leading syndicator of NMTC Equity to the Program, and has been involved in transactions totaling over \$1.4 billion. DV’s investment focus has been innovative, high impact transactions, which include manufacturing and distribution facilities, community facilities such as theatres, educational institutions, hospitals, health care clinics and charter schools.

Dudley Ventures has a team of seasoned professionals in tax credit investing and development, including the New Markets Tax Credit Program, the Historic Tax Credit Program, the Low-Income Housing Tax Credit Program, Renewable Energy Tax Credits, and various State corollaries.

Key Personnel

Johanna G. Kato
Chief Operating Officer

Barbara Beaudoin
Chief Financial Officer

Karen Reen
Controller

D’Anna Elsey
Chief Compliance Officer

Angelina O’Connor
Transaction Manager

Jake Lewis
Regulatory Compliance Counsel

For more information, please feel free to contact us at:

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DVCI welcomes you to submit comments/feedback online at: dudleyventures.com/dvci

This institution is an equal opportunity provider.