

DudleyVentures

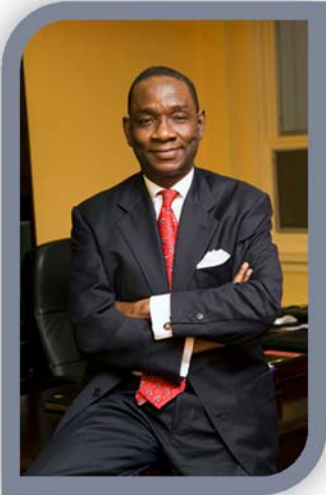


DV Community Investment
2017 Annual Report

Table of Contents

Chairman’s Report	1
New Markets Tax Credit Program	2
DV Community Investment (“DVCI”)	3
2017 Investment Summary	4
DV Community Investment 2017 Project Summaries	
Eagle Railcar Services	5
Good Shepherd School	6
Husqvarna Forestry Products	7
La Central NMTC	8
Maya Delano Cinemas	9
Monogram Clean Energy	10
Statesboro Engine Plant	11
Xtreme Green Electric Vehicles	12
DVCI Advisory Board	13
About Dudley Ventures	14

Chairman's Report



As Chairman of DVCI's Advisory Board, I am pleased to report on our 2017 activities as a Community Development Entity under the CDFI Fund's New Markets Tax Credit Program.

2017 was an eventful year. In Round 14, we were proud to receive \$50,000,000 of NMTC Allocation from the CDFI Fund.

In addition, in December 2017, the Tax Cuts and Jobs Act, H.R. 1 (51-48) was signed in. We are thankful that the final bill preserved the NMTC Program through despite considerable threats, thanks to the major lobbying efforts of the NMTC Coalition advocates and many hours of work from our Congressional allies. A new tool was passed into law, Opportunity Funds, which we expect to nicely supplement our NMTC activities.

DVCI continues to work in those areas consistently left behind in the economic recovery. We continue to create, with our financing activities, living wage, quality, permanent jobs, which are accessible to the low-income and provide a means to escape poverty through economic advancement.

It is worth noting, that we have made a continued effort to increase our scope of supporting underserved states through NMTC financing. We are excited to have financed the Xtreme Green Electric Vehicles manufacturing facility in south Las Vegas, Nevada, an area which continues to struggle following the financial crisis. With a poverty rate of 20.6% and an unemployment rate of 22.7%, 2.87x the national average, the Project is anticipated to create 238 new full-time quality jobs and retain 32 jobs, in a fast-growing innovative industry.

Additionally, in 2017 our effort to serve NMTC non-metro areas has resulted in our successful deployment of 40% of allocation in rural America including the highly impactful Husqvarna Forestry Products, Eagle Railcar Services, Monogram Food Solutions and the Statesboro Engine Plant transactions.

We will continue to strive to make the NMTC Program the most effective tool for bringing jobs and capital to the neediest communities in America.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert K. Jenkins, Jr.', written over a horizontal line.

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”).

230 Community Development Entities submitted 2017 NMTC allocation applications to the CDFI Fund, requesting a total of approximately \$16.2 billion in allocations, xx% higher than the \$3.5 billion in NMTC allocation available.

In the fourteen allocation rounds to date, 1,105 awards have been provided, totaling \$54 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

\$44 billion in New Markets Tax Credits have been invested in low-income communities since the program’s inception through FY 2017.²

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

Between 1994 and 2005, America lost 900,000 textile and apparel manufacturing jobs. The NMTC has helped many rural communities create or retain manufacturing jobs by providing financing to manufacturers for new facilities and equipment. The NMTC has also been integral in assisting rural communities with increased healthcare access. Between 2003 and 2014, 107 rural healthcare facilities or clinics, were financed with NMTCs, totaling nearly \$800 million in project costs and delivered over \$4.8 billion in total project financing to 223 rural manufacturing projects. Twenty-seven percent of NMTC projects in rural communities involve manufacturing.³

Tax Reform & The New Markets Tax Credit Program

The Preventing a Tax Hike (PATH) Act of 2016 (P.L. 114-53) extended the NMTC for five years at \$3.5 billion in annual allocation and was preserved in December 2017 through the Tax Cuts and Jobs Act, H.R. 1 (51-48).

While the NMTC expires on December 31, 2019, bipartisan extension legislation – The New Markets Tax Credit Extension Act of 2017, is pending in both chambers of Congress. Senators Roy Blunt (R-MO) and Ben Cardin (D-MD) introduced legislation in the Senate (S. 384), and Representatives Pat Tiberi (R-OH), Richard Neal (D-MA), and Tom Reed (R-NY) introduced a companion bill the House (H.R. 1098).

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

² US 2017 NMTC Program Award Book, CDFI Fund. February 13, 2018

³ NMTC 2017 Progress Report. NMTC Coalition, Rapoza & Associates. 2018

DV Community Investment

Our Mission

DV Community Investment is proud to have been awarded \$350,000,000 in NMTC allocation from the CDFI Fund in Rounds 8 through 14.

DVCI's mission remains consistent, to bring capital not otherwise available to areas of profound economic distress; communities which continue to slip behind despite the ongoing economic recovery and to bring a large number of living wage, permanent jobs targeted to low-income persons. Projects include: manufacturing and distribution facilities which are proven strong engines for accessible high quality jobs; projects that deliver high quality health care, education, social services, retail and housing which, when brought to a LIC, result in quality job expansion; and emerging industry sectors where innovation is projected to result in rapid expansion and substantial quality job growth.

DVCI has a national footprint and is committed to the renewal and revitalization of low-income communities in both rural and urban areas.

In total, 6,535 quality permanent jobs and 6,711 construction jobs have been created with DVCI's NMTC allocation to date.

Investing in Excellence

Requests for funding from DVCI has been sizeable from a multitude of diverse projects types. In 2017, DVCI reviewed over 250 funding appeals for a total requested investment of over \$5 billion, an oversubscription of 6250% of DVCI's \$80,000,000 allocation award.

Every potential borrower of DVCI is required to complete Intake Form and Community Impact Questionnaire. We score each using a 100 point scale and prioritize each opportunity measuring whether the QICI: creates a high number of quality jobs in areas of high poverty and unemployment; demonstrates strongly that "but for" NMTCs the project would be unable to be financed; targets at least 50% of jobs created to LIPs; meets demonstrated community needs and serves low-income persons or low-income community residents; contains environmentally sustainable attributes; and has clear and strong support from the community.

To ensure that all investments align with DVCI's mission, we carefully review each Intake Form and CIQ, scoring each potential project on a 100 point scale. DVCI only invests in the highest scoring projects. Priority is given to projects that provide quality jobs in highly distressed areas subsidy and create the greatest community impact.

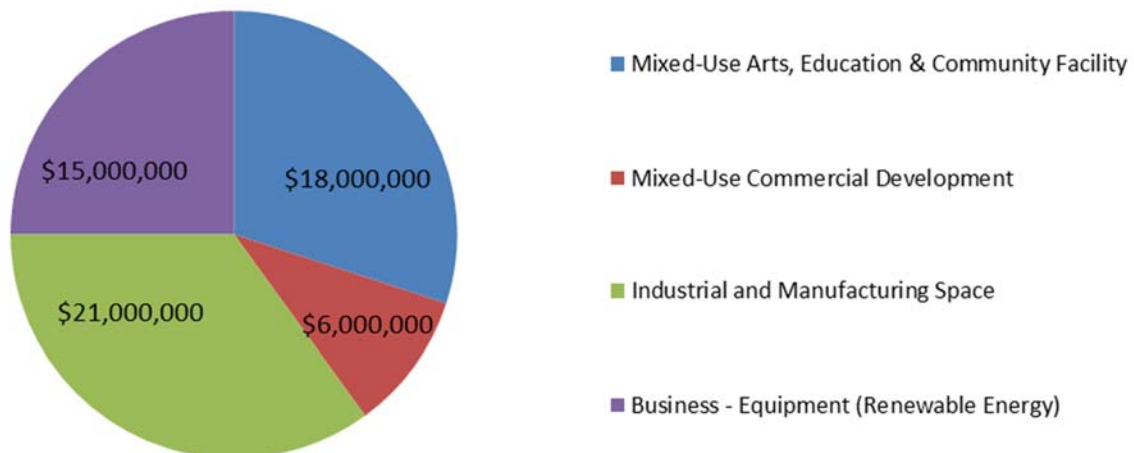


2017 Investment Summary

Projected Community Impact DVCI 2017 Projects¹

	Direct New Jobs	Retained Jobs	Construction Jobs	Projected Jobs to LIPs
Eagle Railcar Services	138	12	50	110
Good Shepherd School	26	24	65	13
Husqvarna Forestry Products	54	872	89	41
La Central NMTC	64	0	66	38
Maya Delano Cinemas	30	0	90	24
Monogram Food Solutions	5	200	18	3
Statesboro Engine Plant	90	325	15	81
Xtreme Green Electric Vehicles	238	32	0	119
Total	635	1465	393	429

Qualified Equity Investments 2017 Distribution by Project Type



¹ As of 01/31/2018. \$10MM of R13 allocation remaining; R14 allocation deployment underway

Eagle Railcar Services

Washington, Indiana

\$5,000,000 Qualified Equity Investment

Eagle Railcar Services (“Eagle”) has acquired and will remediate and renovate the former B&O Railroad Servicing facility, with 10 miles of track and 200,000 square feet of buildings located in rural Washington, Indiana (pop, 12,089), into a full-service railcar service center (the “Project”). The existing facility suffered substantial environmental contamination under its prior ownership and Eagle will improve the facility to comply with all appropriate operational and health safety codes. The Project will provide services to the railroad industry and companies that transport via railcars.

The Project will retain 12 jobs and create 138 new, full-time quality jobs and 50 construction jobs. 80% of new jobs are anticipated to be filled by low-income persons or residents of the surrounding low-income community. These jobs will be accessible to entry level LIPs, through significant training opportunities for employees, including classroom and field training provided by both in-house resources and third-party providers, as well as working with the Vincennes University’s Workforce Development department to fill the various employment needs of the Project. 100% of full-time jobs created will have wages that exceed this rural area’s average living wage of \$9.86/hour.

The Project is not financially viable due to the cost of environmental site clean-up and the acquisition of specialized business equipment. New Markets Tax Credit financing, along with State DINO credits and local incentives, have provided the additional capital necessary to fully remediate the site and develop a full service facility creating quality jobs accessible to the low-income, non-metropolitan community.



Co-CDE: French Lick Redevelopment CDE, LLC

Community Need:

Poverty Rate: 20.9%

Median Family Income: 53.72%

Non-Metro QCT / Underserved State

Investor: US Bank

Projected Community Impact:

138 direct FTE jobs created/12 FTE retained
50 FTE construction jobs

- 100% of FTEs created exceed the area’s average living wage
- 80% jobs to be filled by low-income persons
- or residents of the low-income community

The Good Shepherd School



New Orleans, Louisiana

\$9,000,000 Qualified Equity Investment

The Good Shepherd School (“GSS”) provides K – 7th grade education for low-income, underserved urban youth from the most challenged neighborhoods in New Orleans. GSS currently operates out of a donated office building in the Central Business District, unsuitable as a school facility. GSS is constructing a new 40,000 square foot campus consisting of classrooms, office and faculty space, a dining area and expanded play areas, allowing for the addition of two Pre-K4 classes and an additional class in all other grade levels (the “Project”). The new campus will enable GSS to serve over 300 students, 100% tuition free.

The GSS model includes an extended school day and year, two nutritional meals per day, a low student-teacher ratio, family programming, and assessment and remediation services for students with academic challenges. Additional services are comprised of an after-school enrichment program, a licensed school social worker, academic interventionists, a volunteer/mentor program, and a Graduate Support Program. GSS strives to provide students with a challenging and academically sound environment to help them become lifelong learners with strong self-confidence.

The Project was supported by a \$4,000,000 capital campaign, however the project budget and increased services required in this educational model did not support conventional financing without New Markets Tax Credit Financing (“NMTC”) filling the gap. The NMTC financing increased the viability and efficiency of the operations further improving the Sponsor’s services provided to at-risk underserved children and the low-income community.

Co-CDE: Chase New Markets Corporation

Community Need:

Poverty Rate: 18.5%

Median Family Income: 52.84%

Unemployment Rate: 16.6%, 2.1x the national avg.

Investors: JP Morgan Chase Bank

Projected Community Impact:

26 direct FTE jobs created

24 FTE retained

65 FTE construction jobs

- 50% of jobs to be filled by low-income persons or residents of the low-income community

Husqvarna Forestry Products

Nashville, Arkansas

\$8,000,000 Qualified Equity Investment

Husqvarna Forestry Products N.A., Inc. (“Husqvarna”), a manufacturer of lawn and garden products, will be expanding its facility located in rural Nashville, Arkansas, (pop. 4,501) (the “Project”). Husqvarna plans to construct a 350,000 square foot warehouse, as well as purchase equipment needed in connection with the expansion. The Project will allow Husqvarna to streamline processes and reduce costs.

The Project will create 54 new, quality full-time permanent jobs and retain 67 jobs. 75% of new jobs are anticipated to be filled by low-income persons or residents of the surrounding low-income community. Husqvarna will offer employees skills-training programs, certification programs, safety training, and leadership opportunities designed to allow employees to sharpen their skills, improve their performance, and provide opportunities for advancement.

NMTC financing enabled the project to retain and create quality jobs, increase the efficiency of the warehouse operations, and further improve Husqvarna’s competitiveness within the market.



Co-CDEs: Heartland Renaissance Fund
Capital One Community Renewal Fund

Community Need:
Poverty Rate: 24.1%
Non-Metro QCT

Investor: Capital One Bank

Projected Community Impact:

54 direct FTE jobs created
67 FTE retained
89 FTE construction jobs

- 75% jobs to be filled by low-income persons or residents of the low-income community

La Central NMTC



Bronx, New York

\$6,000,000 Qualified Equity Investment

The La Central development (“La Central”) was designed to serve as a catalyst for economic development and will supply 992 units of much needed affordable housing, community-serving retail space and community facility space to the neighborhood. La Central NMTC utilized New Markets Tax Credits (“NMTCs”) to finance portions of the retail and community facility space, as well as portions of a an 174-space, 32,000 square foot parking garage to support the entire development (the “Project”). La Central Phase I’s nearly 75,000 square feet of community space will include a YMCA community facility, GrowNYC’s community garden and educational center, and BronxNet, a not-for-profit local television station. Anticipated uses include a restaurant, mid-sized retailers, a healthy foods market, apparel shops, a drug store, and smaller amenity retailers, such as a café, corner store and dry cleaner.

With an unemployment rate of over 1.5x the national average, the Project is anticipated to create 60 new, quality full-time permanent jobs and create 66 new construction jobs. 64% of new jobs are anticipated to be filled by low-income persons or residents of the surrounding low-income community. La Central will work with local agencies such as Workforce1, BronxWorks Workforce Development Office, Sustainable South Bronx, and the NYC Center for Economic Opportunity to assist employers in recruiting and training local residents of the low-income community and low-income persons.

Absent utilizing NMTC financing, La Central would not be able to offer highly discounted lease rates to community tenants, and the entire \$330M+ development of Phase I would not have moved forward.

Co-CDE: Citibank NMTC Corporation

Community Need:

Poverty Rate: 48.3%

Median Family Income: 40.13%

Unemployment Rate: 14.4%, 1.82x the national avg.

Investor: Citibank,N.A.

Projected Community Impact:

60 direct FTE jobs created

66 FTE construction jobs

Flexible Lease Rates

BronxNet (a local, not-for-profit) will lease approximately 7,462 SF of space at no cost for the initial 10-year term.

Maya Delano Cinemas

Delano, California

\$9,000,000 Qualified Equity Investment

Maya Cinemas North America, Inc. (the “Sponsor” or “Maya”) is a minority owned firm that will develop, own and operate a 45,000 square foot, 12-screen, commercial movie theater which may also serve as a community center in Delano, California (the “Project”). Part of a larger, mixed-use, economic development effort supported by the City of Delano and Kern County, the Project will act as a quality, neighborhood-focused commercial anchor. The Project will catalyze future private investment and will offer an extensive array of community programs and other benefits to the surrounding low-income community. Maya currently owns and operates a group of anchor commercial theaters under the Maya Cinemas brand name as part of comprehensive community development plans in working class Latino neighborhoods.

The Sponsor targets communities that need quality and flexible employment and supports promoting from within. Employees often move to higher paying positions after their first year. With an unemployment rate of over 15%, the Project is anticipated to create 30 new, full-time equivalent jobs with above average wages, and 90 new construction jobs. Approximately 80% of new jobs are anticipated to be filled by low-income persons or residents of the surrounding low-income community. Maya hires individuals that have limited work history and experience.

Absent New Markets Tax Credits, the Project was not financially viable due to the inability to obtain conventional financing as theaters can be viewed as a less desirable asset class and further heightened by the perceived “more difficult to finance” area that Maya targets. In addition, increased construction costs further enlarged the gap, making DVCI’s allocation critical to the Project.



Co-CDE: Chase New Markets Corporation

Community Need:

Poverty Rate: 38.4%

Median Family Income: 41.88%

Unemployment Rate: 15.9%, 2.01x the national avg.

Investor: JP Morgan Chase Bank

Projected Community Impact:

30 direct FTE jobs created

90 FTE construction jobs

- 80% jobs to be filled by low-income persons or residents of the low-income community

Monogram Food Solutions



Martinsville, Virginia

\$7,000,000 Qualified Equity Investment

The Monogram Food Solutions Clean Energy Project incorporated an innovative anaerobic digester technology associated with its food production process whereby the food waste is used to create biogas which is then gasified to power the plant. Clean energy from biogas is producing .4MW annually, 1,722 metric tons of CO₂ per year, or 178 metric tons per MW of electricity for the major food processing and manufacturing facility located in rural Martinsville, Virginia. Monogram Food Solutions, LLC is a privately-held Tennessee company that manufactures and distributes meat snacks and appetizers. Monogram has owned and operated the processing and manufacturing plant since 2009, and has seen significant growth since then. Due to increased production at the facility, Monogram developed the Project to process the to utilize renewable energy and reduce waste.

With an unemployment rate of 9.4%, 1.19x times the national average, the Project is anticipated to create 5 new, quality full-time permanent jobs with above average wages and over 500 additional jobs at the facility, as well as creating 18 new construction jobs. At least 50% of new jobs are anticipated to be filled by low-income persons or residents of the surrounding low-income community.

Financing for the Project is not available from traditional real estate and asset backed lending sources due to the type of equipment utilized in the clean energy system which costs much more than a conventional wastewater treatment facility. But for NMTCs, the Sponsor will not have the financial resources to incorporate the designed state of the art clean energy system that will reduce fossil fuels and produce clean energy to be utilized by the Facility.

Co-CDE: French Lick CDE, LLC

Community Need

Median Family Income: 68.43%

Non-Metro QCT

Investors: US Bank (NMTC) & Valley National Bank (ITC)

Projected Community Impact:

5 direct FTE

18 FTE construction jobs

- 50% jobs to be filled by low-income persons or residents of the low-income community
- Jobs created offer wages above the area living wage

Statesboro Engine Plant

Statesboro, Georgia

Briggs & Stratton, producer of gasoline engines for outdoor power equipment, is onshoring production of the Company's Vanguard Small Block V-Twin engines and expanding the Statesboro Engine Plant's die cast and commercial engine manufacturing operations, as well as upgrading equipment to streamline the production of its current engines serving the local market.

Located in rural Georgia, the Statesboro Engine Plant is adding 50 new, quality, full-time and permanent jobs to its existing workforce of over 325 jobs. Many of the positions do not require a college degree and are manufacturing in nature, where employees are operating and maintaining the production lines and equipment. Briggs & Stratton has committed to funding critical workforce development training efforts as part of this expansion. It will also provide current employees with the opportunity to participate in technical engine training to increase their technical knowledge, gain the requisite certification and qualify for higher level positions and grades within the Company. Through its partnership with Georgia Quick Start, a division of the Technical College System of Georgia, employees are offered customized workforce training as well as 75% tuition assistance toward two- and/or four-year degrees to increase their skillset and labor grade. The company has a long history of providing quality jobs and stimulating the economy in rural communities.

The New Markets Tax Credits ("NMTC") helped enable upgrades within the Statesboro facility to produce the small engine blocks and ensure efficiency of warehouse operations to meet market demands.



Co-CDEs: MuniStrategies, LLC
SunTrust Community Development Enterprises, LLC

Community Need:
Poverty Rate: 20.2%.
Non-Metro QCT / Underserved State

Investor: US Bank

Projected Community Impact:

50 direct FTE jobs created
325 FTE retained

- 94% of jobs to low-income persons or low-income community residents

Xtreme Green Electric Vehicles



Las Vegas, Nevada

\$8,000,000 Qualified Equity Investment

Xtreme Green Electric Vehicles Inc. ("XGEV") in Las Vegas, Nevada, manufactures and distributes three lines of zero emission, electric battery-powered vehicles. XGEV dismantled its second production facility in China, re-shoring those jobs and increasing the number of employees in the Las Vegas facility, XGEV's sole manufacturing facility in America. XGEV is relocating the existing facility to a 125,000 square foot location which will better accommodate the expanding business (the "Project"). XGEV's vehicles include police mobility vehicles, all-terrain vehicles, and a complete line of utility-terrain vehicles. Designed with XGEV's proprietary energy management and electric propulsion systems, using state of the art lithium ion iron phosphate battery cells, these products possess the power and ability of gas-powered engines, but without the pollution.

With an unemployment rate of over 22.7% or 2.87x the national average, the Project will create 238 new full-time quality jobs and retain 32 jobs. 50% of new jobs are anticipated to be filled by low-income persons or residents of the surrounding low-income community. XGEV will target veterans and work with local workforce groups and vocational schools to recruit and train its workforce. Paying well above the living wage for the area, new jobs will include manufacturing, metal fabrication, vehicle assembly, inventory control, and shipping jobs.

Absent New Markets Tax Credits, the expansion is not financially viable. As a late stage start-up, XGEV currently lacks access to bank financing despite a large increase in sales orders. NMTC funding will allow XGEV to purchase the needed equipment, invest in training new employees, re-locate into a larger new location and provide the operating cash needed to meet the increased sales orders.

Community Need:

Poverty Rate: 20.6%

Median Family Income: 62.13%

Unemployment Rate: 22.7%, 2.87x the national avg.

Underserved State

Investor: Valley National Bank

Projected Community Impact:

238 direct FTE jobs created

32 FTE retained

- More than 50% of new jobs to be filled by low-income persons
- XGEV will target veterans and work with local workforce groups

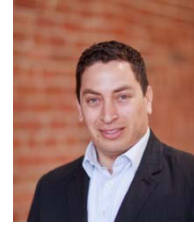
DVCI Advisory Board



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



Alex Stillpass
Ross Sinclair & Associates
Director



Ann Vogt
The National Development Council
Managing Director



Joseph Wesolowski
Enterprise Community Investment
Senior Vice President

DV Community Investment would like to welcome Monica Edwards back to the DVCI Advisory Board. Monica Edwards was named President of BRIDGE Impact Capital (BRIC) in April 2017. BRIC is the Community Development Financial Institution affiliate of BRIDGE Housing, a nationally recognized nonprofit developer, owner and manager of affordable housing. Ms. Edwards leads the charge in raising capital for real estate developments that improve affordable housing, educational, health and economic opportunities for low-income communities. Previously, Ms. Edwards was President of The Monarch Group, a consultancy providing finance and portfolio management to institutional clients, with a specialty practice in New Markets Tax Credits and economic development. Ms. Edwards previously served on our Advisory Board (2011-2014).

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 also syndicates the Investment Tax Credits in renewable energy transactions in low-income communities. 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
Director of Investments

Angelina O’Connor
Senior Transaction Manager

Jake Lewis
Chief of Compliance

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