

The Catalytic Fund

Capital Where It Counts

INVESTMENT CRITERIA

TRANSACTION TYPES

The Catalytic Fund makes investments in real estate projects within our Investment Area of Northern Kentucky. We focus on projects that need extra support to move from pre-development to construction, so our investments typically cover a project's construction and stabilization stage and are intended to be relatively short term. Our transactions are individually underwritten based on the project's unique needs and the type of project undertaken. The types of investments we can consider are as follows:

- Primary construction/mini-perm loans
- Gap construction/mini-perm loans (subordinate and mezzanine debt)
- Bridge loans for Historic Tax Credit equity and/or other deferred incentives
- Equity investments
- Small grants (subject to funding cycles and program availability)

Please note that we are a real estate lender. We do not make business loans unless they are for the purpose of developing real estate for the business and are secured by real estate and borrower guaranties.

PROJECT SELECTION

As a mission-driven financial institution, the projects we support must meet criteria consistent with our company's community and economic development objectives.

- **Target areas/neighborhoods** - Projects located in areas having strong locational attributes
- **Feasibility** - Projects that are financially viable given reasonable market potential assumptions
- **Quality** - Projects with quality design and materials that create visible neighborhood impact
- **Need** - Projects not able to be financed entirely through traditional lending sources
- **Diversity** - Projects that provide a mix of housing options to a neighborhood
- **Leverage** - Projects that maximize use of private and public funds

UNDERWRITING

Although the Catalytic Fund's investments are more patient and flexible than those of traditional financial institutions, we adhere to disciplined underwriting standards and expect our investments to be fully repaid.

- **Size** - We can provide investments up to \$2,000,000, although our target size is \$750,000. Larger transactions can be considered if there is a committed repayment source.
- **Security** - All transactions require some sort of collateral security, i.e., mortgage, pledge of partnership interests; personal guaranties are required in all circumstances.
- **Equity** - Borrower must provide at least 10% of verified project costs in the form of tangible assets, cash, or deferred fees
- **Loan to Cost** - Catalytic Fund investment plus primary loan may not exceed 90% of total costs
- **Loan to Value** - Catalytic Fund investment plus primary loan may not exceed 90% of appraised value upon completion
- **Debt Coverage Ratio** - Minimum DCR (NOI/debt service on Catalytic Fund debt + primary lender debt) is 1.10
- **Borrower Capability** - Borrower must demonstrate skills and capacity: track record, ability to secure funding sources to complete project, ability, sufficient staffing, excellent credit references

APPLICATION AND APPROVAL PROCESS

If you think you have a project that meets our investment criteria, contact us. Catalytic Fund professionals will meet with you to help you plan the funding strategy for your project. We will prepare a preliminary financial analysis for your project upon receipt of the following information: specific location, schematic development plan with uses and unit and square footage counts, property acquisition cost, rough construction estimate. If we mutually agree that the project is a potential fit with a Catalytic Fund investment, we ask you to submit a financing package containing the following information:

- **Executive Summary**
- **Project Description**
 - Location - location map, aerial, and parcel map
 - Site description - parcel size, current zoning, access, visibility, adjacent uses
 - Project description - use, square footage, parking, physical description, i.e., building height, materials, amenities, timing
- **Market Analysis**
 - Current demand and supply conditions
 - Market support and comparables for income, expense, vacancy, and absorption assumptions
- **Financial Data**
 - Development budget
 - Development cost cash flow projection
 - Absorption schedule
 - Income and expense projections
 - Schedule of anticipated sources of funds (developers' equity, primary loan, Catalytic Fund financing, tax credits, etc.)
- **Developer Information**
 - Project team (architect, developer, property manager, general contractor)
 - Developer profile and qualifications including portfolio of previous projects
 - Lending references
 - Developer/guarantor financial statements and tax returns
 - Schedule of debt on other projects (project name, loan amount, lender, loan amount, loan expiration date, interest rate, recourse/non-recourse)

Catalytic Fund professionals will underwrite the project based on the submitted information and assuming the project meets our underwriting criteria, we will issue a Term Sheet outlining terms and conditions of a proposed transaction. Upon acceptance of the Term Sheet by the Borrower, we will submit an investment recommendation to our Investment Committee for approval and to our Board of Directors for final approval. Timing of these approvals is flexible but please note - **a timely and complete submission of information by the borrower will allow the Catalytic Fund to obtain timely approvals.** Upon approval of the transaction by our Board of Directors we will issue a formal Commitment Letter that provides detailed terms and an outline of closing requirements.

CONTACT

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CDFI Fair Lending Requirements - The Catalytic Fund complies with Title VI of the Civil Rights Act of 1964 (Title VI) and Section 504 of the Rehabilitation Act of 1973 (Section 504) and their implementing regulations, among other civil rights statutes. Title VI prohibits discrimination based on race, color or national origin and Section 504 prohibits discrimination based on disability. The United States Department of the Treasury regulations implementing Title VI of the Civil Rights Act (Title VI), are set forth in 31 C.F.R. Part 22.