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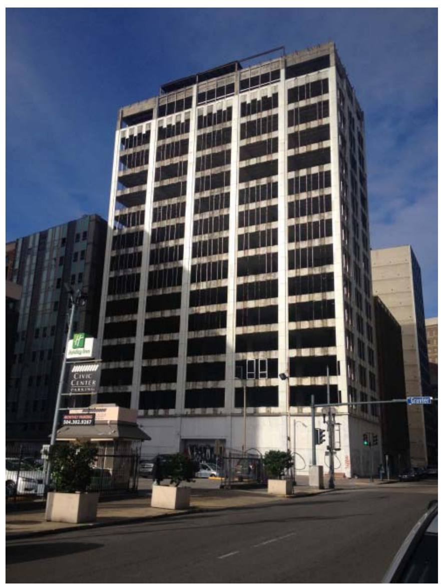
GROWTH CAPITAL LLC

MUNSCH HARDT KOPF & HARR PC
ATTORNEYS & COUNSELORS

STONEHENGE
CAPITAL COMPANY, LLC

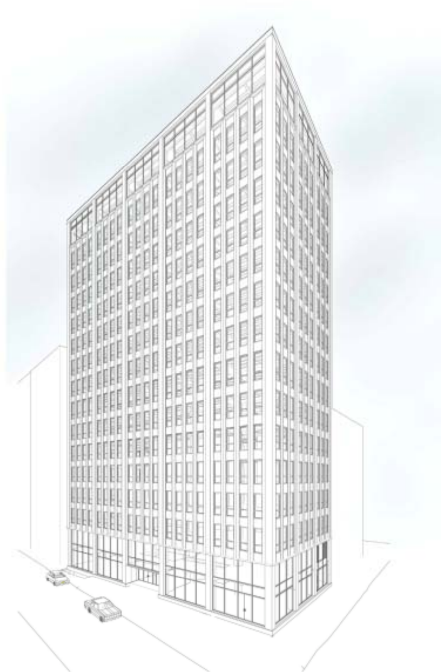
1111 Gravier: An HTC-financed $42 million Boutique Hotel

Case Study #1



Agenda

1. Development Team
2. 1111 Gravier – HTC Eligibility
3. New York Mezzanine Lender
4. Bridging the HTCs
5. Remaining Debt & Equity
6. Capital Stack at Closing
7. Q&A Session



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Development Team

Crescent Growth Capital was approached by a tax lawyer in the summer of 2014. Familiar with our experience structuring tax credit equity, he introduced a development team comprised of:

- Commercial Real Estate developer
- Hotel manager/operator
- Equity backer

These partners envisioned developing a $42 million, 185-key boutique hotel.

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1111 Gravier – HTC Eligibility

The development team had under contract for $5.5 million a gutted, fire-damaged, 16-story building dating to 1967.

The effort to qualify this structure for Federal and State Historic Tax Credits ran parallel to the project financing track.

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1111 Gravier – HTC Eligibility

- 1111 Gravier was less than 50 years old
- Fire of November 29, 1972 justified pursuit of an individual listing on the National Register
  (Criterion A: Buildings associated with events that have made a significant contribution to the broad patterns of our history)
- National Register Review Committee hearing of November 20, 2014 recommends approval of nomination
- 1111 Gravier ("The Rault Center") named to the National Register of Historic Places on January 20, 2015

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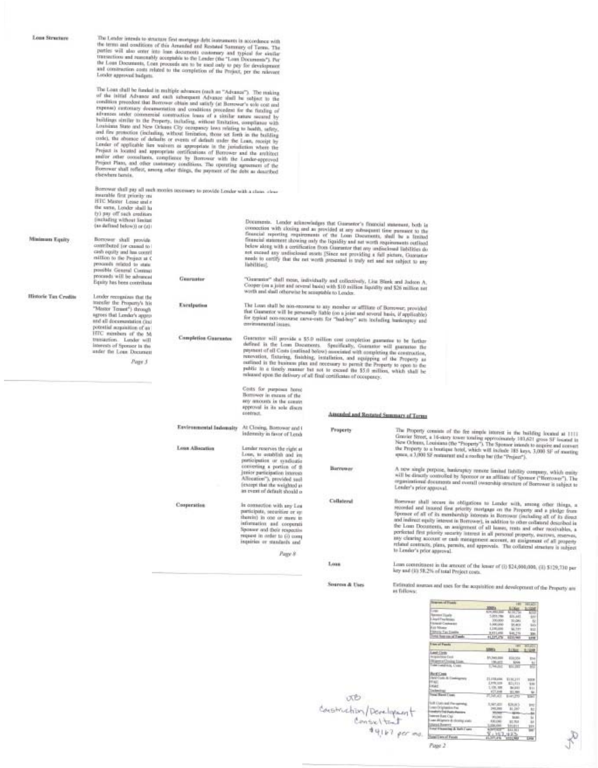
New York Mezzanine Lender

- The development team sought non-recourse senior debt financing.
- A NYC-based mezzanine lender offered terms for a $24 million loan.
- Term sheet executed at 9% rate (floating), but this was lender's first HTC deal.
- SNDA and structural issues could not be overcome.



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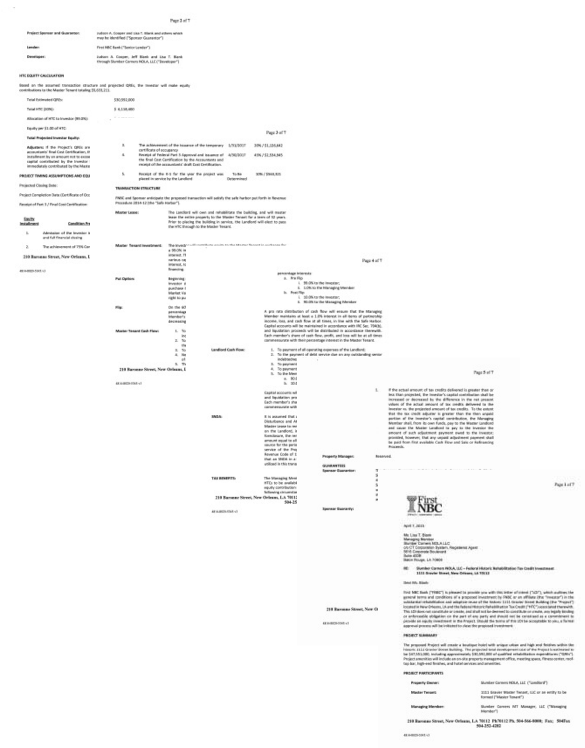
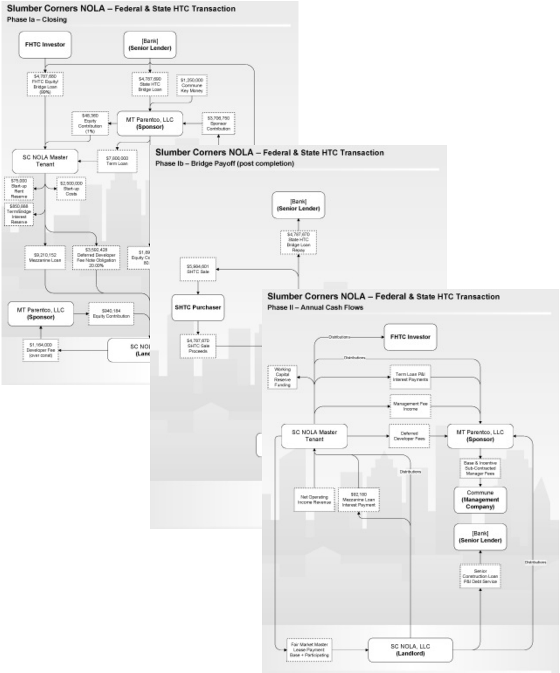
Bridging the HTCs

- QRE total for the project: approximately $30 million
- Bridge loan sought: up to $12 million (for federal and state HTCs)
- Bridge lender wanted guarantees for bridge financing
- Guarantee akin to Completion Guarantee; no operating risk assumed



Remaining Debt and Equity Parameters

- New lender secured, for a $28 million senior loan; Letter of Credit for $10 million provided
- Result: $18 million of exposure for lender on property with expected appraised value upon completion of $50 million
- Federal Historic Tax Credit pricing of $0.93
- State Historic Tax Credits taken to market: Purchase & Sale Agreement executed at $0.835



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Financial Closing – May 21, 2015

Slumber Corners NOLA, LLC (Landlord)

Sources		Uses	
Senior Construction Loan	28,000,000	Acquisition Costs	5,626,131
Net Federal HTC Proceeds[1]	4,988,776	Pre-Development Soft Cost	80,906
Net State HTC Proceeds[1]	5,775,632	General Construction	21,518,656
Slumber Corners Equity Contribution	1,111,935	FF&E	4,036,241
GC Equity	600,000	Technology	627,048
Key Money	1,250,000	Landlord OS&E	300,000
		Soft Costs	5,486,648
		Working Capital	250,000
		Tenant Operating Supplies & Equipment	855,865
		Pre-Opening	2,115,754
		Total Project Costs	40,897,249
		Construction Interest Reserves	663,232
		Bridge Loan Origination Fee	115,863
		Contingency	50,000
Total Sources	41,726,344	Total Uses	41,726,344

[1] *Net of all upfront fees, fee reserves, arranger fees and HTC-related closing costs*

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211 N. Ervay: An HTC-financed $18.9 million Office and Retail Project

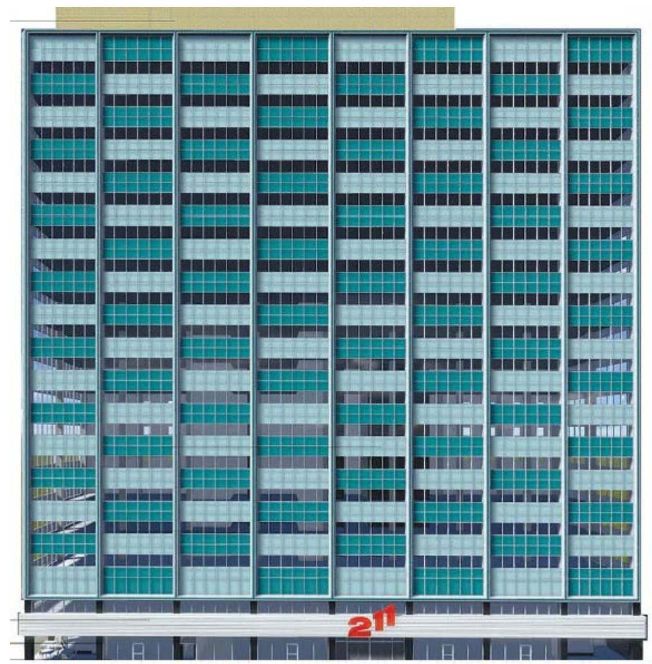
Case Study #2

Development Team

Munsch Hardt was engaged by Alterra International to assist in identifying assets in the Dallas Downtown submarket for a boutique hotel.

Alterra acquired a vacant 1958 Thomas Stanley-designed building located at 211 N. Ervay in December 2012 known for its aquamarine façade. Financing for the acquisition was secured through foreign investors and seller financing.

HTC financing **was not** considered as a part of the initial capital stack and the developer intended on using a TIF allocation from the City of Dallas and traditional debt and equity to complete the renovation.



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211 N. Ervay– HTC Eligibility

After the passage of the Texas Historic Tax Credit in July 2013 and during the pre-development phase, Munsch Hardt advised Alterra that the building would be eligible for the state tax credit.

Alterra engaged a historic consultant to determine the viability of a designation as a "contributing building" to the Downtown Dallas Historic District and tax credit consultant to solicit term sheets from both state and federal tax credit investors. The historic consultant was able to secure a designation of the building as a "contributing building" and term sheets for the tax credits were issued for both the state and federal credits.

In the meantime, Alterra determined that the best use for the building would be as a co-working / incubator office with first floor retail, based in large part on its location in Downtown Dallas and the growing need for office space to house Dallas' growing start-up community. This further comported with historic use of the building.

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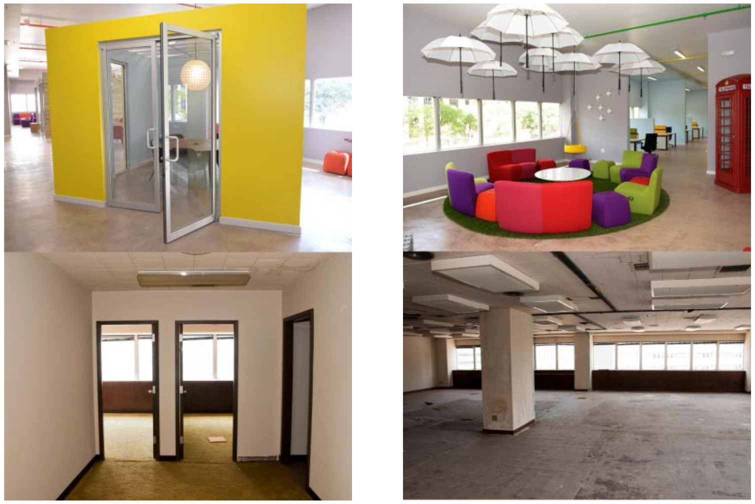
Pay as you Go!

- Alterra utilized non-tax credit equity to commence construction of the Project and paid as equity sources funded.
- Federal investor was admitted through a master lease structure and state tax credits were placed under contract in July 2014 and admission capital contribution was further utilized to fund construction costs
- Bridge lender provided non-recourse financing secured by other sponsor assets to bridge Texas SHTC proceeds.
- Developer deferred payment of development fee until completion of the project
- Project is going floor by floor, completing finish-out as tenants are signed and the building is currently 80% occupied. Building has two tech incubators as tenants and is growing a reputation as a place for start-ups to do business.
- Developer anticipates closing permanent financing Q2 2015.
- Developer is also rehabilitating the **Butler Building** in downtown Dallas through Federal and State HTC, EB-5 construction loan, mezzanine financing, and sponsor equity. That is a story for another presentation…



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211 N. Ervay – Capital Stack

Federal HTC Equity ($.80/credit)	$2,245,458
State HTC Equity ($.87/credit)*	$3,098,007
Deferred Developer Fee	$2,100,000
Sponsor Equity**	$11,500,000
Total* **	$18,943,465

*State HTC Equity advanced to project through bridge facility
**Sponsor Equity will be repaid through permanent financing proceeds, allowing developer to more quickly achieve promote hurdles
***Project is further support through a $4MM TIF allocation from the City of Dallas. However, payment on the TIF is not assured and not factored into the capital stack.

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