



MICHIGAN MAGNET FUND

MMF Invests \$5.6 Million in Hamtramck Recycling Center

The Michigan Magnet Fund, a CDFI Fund certified Community Development Entity announced today that it has invested \$5,606,250 in the Hamtramck Recycling (HR) located at 3300 Denton in Hamtramck, MI. Hamtramck Recycling L.L.C. a ‘Qualified Low Income Community Business (QALICB) will provide an integrated, cost effective, and environmentally sound waste disposal system for the community and the customers

they serve while increasing landfill diversion options through responsible outlets. HR intends to build a new transfer station and tailor it to accommodate Industrial Dry Waste, recovering recyclable materials from the waste stream. The facility will be located in an industrially zoned area of the City of Hamtramck adjacent to Wayne County Jail and the GM Assembly Plant manufacturing the Volt automobile.

Targeted Population

The census tract has a zero population. Therefore, the project will be targeted to provide 60% of the jobs to a low income population whose family income is less than 80% of the area median family income. Although the CDFI Fund requirements are 40% of the employees must meet the median income test, MMF requires that any configuration below 50% will result in a default on the loan. The project is targeted at meeting the core goal of the NMTC program – providing jobs to the low income residents in the community. A minimum of 26 of the 43 projected employees must be certified low income. Over 60% of the employees must be low income at the time of closing. This project not only provides a living wage but equally important – health care benefits.

Uses of Funds

Hamtramck Recycling is purchasing an obsolete facility previously used as a recycling facility. By modernizing the building design, preparing a detailed business plan that includes efficient manufacturing procedures, competitive pricing based on third party projections, and analyzing cash flow needs to assure adequate cash during the start-up phase, HR has established the framework for success. The business plan shows how NMTC is creating the opportunity for this start up business to be successful while providing job opportunities to the low income people badly needing them.

Financial Structure

The Michigan Magnet Fund received its NMTC equity financing from PNC’s Tax Credit Investment Group that invested \$1,737,938 in exchange for a 39% tax credit on the \$5.75 million Qualified Equity Investment for a seven year period. The leveraged loan to the Investment Fund came from a private party which is also a 25% owner of the QALICB. The balance is owned by St. Clair Partners, LLC. The

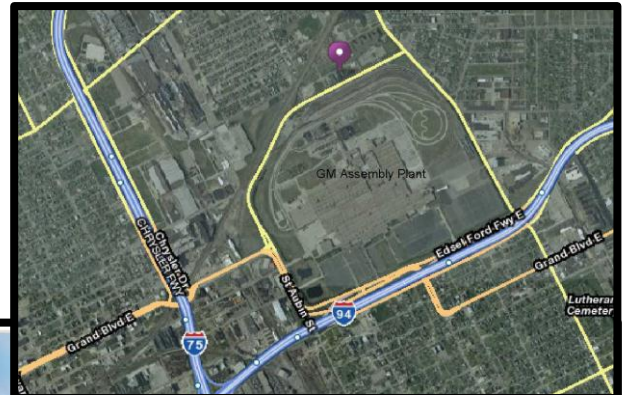
Flexible Terms Report (FTR)

The FTR was prepared by Comerica Bank. The terms of the MMF have flexible financial terms that beat more than 5 competitive market terms. The MMF loans are

1. Its QLICI blended interest rate of 5.7257% is about 80 basis points below market rate of 6.5%;
2. Has interest only for seven years in contrast to Comerica’s typical 12 to 18 months;

Community Support

The City Council has provided its support for this project by providing HR an Industrial Tax Abatement for real and personal property. The City staff has been very supportive and helpful as well.



The other key to the firm’s projected success is being able to develop a modern assembly line that permits the use of such technology as overhead cameras to examine truck contents upon entry to price its recyclable mix, and the appropriate use of automated equipment to permit easier sorting and separation of materials.

NMTC investor has agreed to ‘Put’ the amount of the equity investment to the QALICB for \$1,000. However, if HR is successful, HR has agreed to make a payment to MMF’s Economic development Fund based on Loan B principal of an amount equal to the percent increase in the business’s value at the end of the NMTC holding period. MMF will use the funds to reinvest in smaller QALICB’s.

3. Its 23 year amortization rate after 7 months interest only is longer than Comerica’s typical 15 year amortization after a 18 month interest only;
4. An MMF standard 1.15 DSCR requirement is lower than the market’s 1.25, although the actual projected DSCR exceeds both minimums;
5. The no Loan Loss Reserve exceeds market standards;
6. MMF has no loan origination fee which is much better than the market’s 1%.