

October 26, 2014

Mr. Michael Leash  
Rapoza Development Group LLC  
306 Court Street  
The Dalles, OR 97058

Re: NMTC Financing Status Report

Dear Michael,

You have asked that I prepare a status report on the NMTC financing in a form that you might share with outside parties. I am submitting the following in response to that request.

In August 2014, Rapoza Development Group, LLC (“Rapoza”) reached out to Roeder & Company, LLC regarding the inclusion of New Markets Tax Credits (“NMTCs”) in the financing package for a hotel project in The Dalles, Oregon.

NMTCs have proven effective in bridging financing gaps for projects located in low-income communities or for projects that serve low-income individuals. The federal NMTC Program was established by U.S. Congress in 2000 to increase investment in the nation’s low-income communities. Transactions can be used to attract additional affordable capital to projects that are perceived as high-risk or lacking sufficient capital. The NMTC is similar to a 39% investment tax credit claimed over seven years. NMTCs are an established tool for economic development wherein developers can enjoy subsidized rates on debt or receive additional tax credit equity, and investors can fulfill Community Reinvestment Act (CRA) objectives.

Oregon created a state NMTC program that mirrors the federal in program in August of 2012 and authorized \$200 million in allocation authority. Since the launch of that program all authorized allocation has been awarded to various CDEs certified to deploy allocation in Oregon. Through relationships with Oregon NMTC allocatees and CDEs, Roeder & Company has been involved with securing and/or placing approximately \$100 million of the total state authorized allocation. Several of these deals involved both federal and state NMTC allocation as is contemplated in the Rapoza project.

In September of 2014, Roeder & Company and Rapoza executed an engagement letter wherein Roeder & Company would seek federal and/or state NMTC allocation for the hotel project in The Dalles. Based on a total project size of \$22.7 million, federal NMTCs could provide tax credit equity of up to approximately \$7.0 million and state NMTCs (the program is capped at an \$8.0 million allocation per project) could provide tax credit equity of up to approximately \$1.6 million.

Since being engaged by Rapoza, Roeder & Company has developed marketing materials and contacted prospective Community Development Entities (“CDEs”), the entities that apply for and are awarded NMTC allocation. Roeder & Company sent the materials to CDEs that were thought to be the most likely to respond favorably to a rural hotel project with strong public-private partnership aspects for inclusion in the Round 12 Federal NMTC Application that was due October 1, 2014. The Community Development Financial Institutions Fund is expected to announce the awardees in late spring 2015. This means that the earliest Roeder & Company could source Round 12 federal NMTC allocation for Rapoza’s project is in April or May of 2015. There can be no assurances that Rapoza will receive an allocation from Round 12 or any prior round of federal NMTC allocation as the process is highly competitive. However, there is a requirement that 20% of all federal allocation must go to rural census tract projects like the one where the hotel is to be located. This helps position the project for a federal award.

The initial Oregon NMTC allocation that was authorized by the 2011 state legislature has already all been awarded to CDEs. There is an effort underway to get additional state NMTC allocation authorized in the 2015 state session. There can be no guarantee that there will be additional state allocation authorized by the Oregon legislature, but this would be necessary in order for Rapoza to benefit from the Oregon NMTC equity described above.

In September of 2014, Roeder & Company met with Marvin Kau of the American United EB-5 Regional Center to discuss how NMTCs and EB-5 financing could work together as part of The Dalles hotel’s financing package. The NMTC program is very flexible and there have been several transactions that closed using a combination of EB-5 and NMTC funding.

Roeder & Company plans to continue reaching out to targeted CDEs that may have an interest in placing allocation in the hotel project. CDE pipelines change frequently because the deals are inherently difficult to finance. Roeder & Company will monitor opportunities to present The Dalles hotel as a replacement project for any CDE project that may have stalled. Roeder & Company will also continue to work with Rapoza to identify and quantify the community impacts of building this hotel in The Dalles in order to position the project as an attractive option for as many CDEs as possible.

Sincerely,

ROEDER & COMPANY, LLC

Reynold Roeder  
Chief Executive Officer