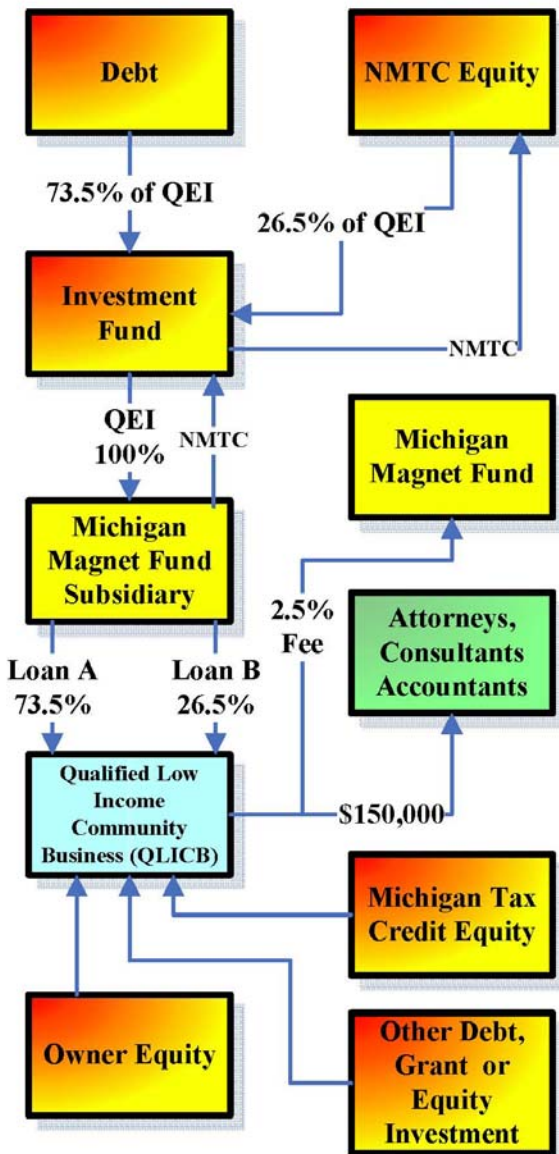
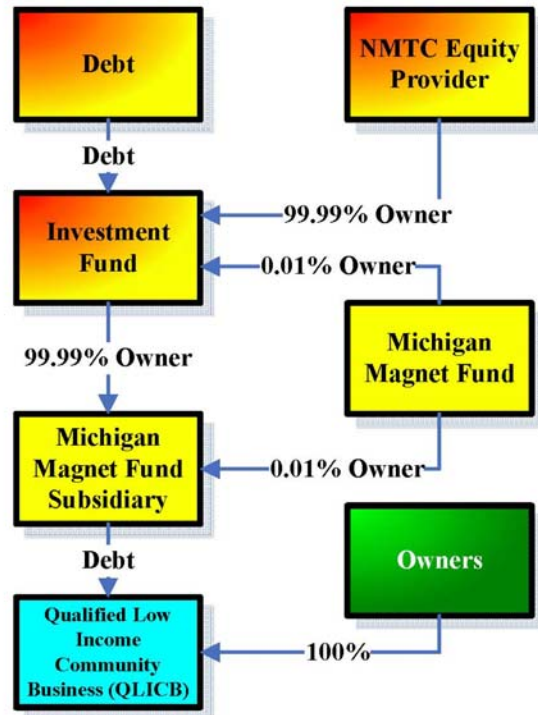


# Michigan Magnet Fund

## Typical Structure

The typical ownership relationships are as shown in the diagram to the right.

The Investment in the Michigan Magnet Fund is normally done through a subsidiary LLC and must be in the form of Equity. In order to translate Debt into Equity, an Investment Fund LLC is established which is traditionally managed by the Michigan Magnet Fund or by the New Market Tax Credit Purchaser. The Investment Fund makes an Equity investment in MMF's subsidiary and becomes a 99.99% Owner. MMF remains as the Managing Member



## Financial Structuring

The financial structure is displayed in the diagram on the left. Based on current market values, the new market tax credit equity value is equal to approximately 36% of the debt investment in the investment Fund or 26.5% of the Qualified Equity Investment (QEI). The new market tax credit is 39%<sup>1</sup> over a seven year period with the first 5% available promptly upon closing the QEI transaction. The current value of the New Market Tax Credit is estimated at 68 cents/tax credit.

The typical NMTC portion of the project's Sources & Uses is as follows:

### Sources

Debt	73.5%
Equity	26.5%
Qualified Equity Investment (QEI)	100.0%

### Less Uses

MMF Asset Management Fee	2.5%
Transaction Cost	\$150,000

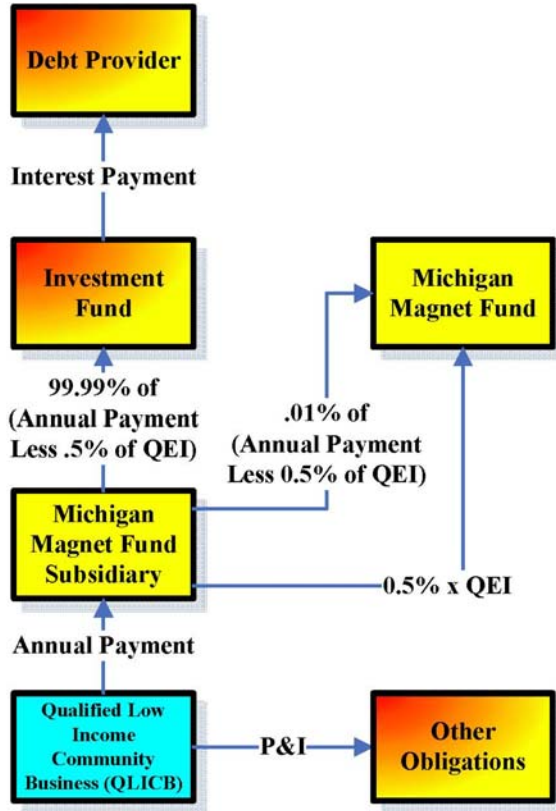
The percentages shown are of the Qualified Equity Investment (QEI). This is based on an interest only structure for the 7 year holding period.

<sup>1</sup> Year 1-5%, 2-5%, 3-5%, 4-6%, 5-6%, 6-6%, & year 7-6%

The MMF will then issue two (2) loans as shown identical to the debt and equity into the investment fund. After the seven year period, Loan B will be putted to the Owner for a 5% price and a gift would be made to the MMF equal to the 25% of the assets over the seven (7) year period but not to exceed

25% of principal value of Loan B for use in a Revolving Loan Fund.

If the NMTC investor would like to have a more traditional payment schedule, then the part of the debt that needs to be paid within the seven (7) years cannot be included in the QEI. It cannot be used as part of the NMTC basis



**Payment Structure**

The annual payment structure is shown on the left. The number of annual payments is based on the Investment Fund’s Debt Investor’s requirements. Payments have ranged from anywhere between monthly payments to biannual payments. The MMF charges an annual asset management fee of 0.5%. After the MMF subsidiary extracts its annual payment for asset management, MMF will also receive a distribution of .01% of the balance. 99.99% of of the net is distributed to the Investment Fund. After the Investment Fund repays the Debt provider, the its net is zero so there is no distribution to either the equity provider or the MMF.

Call or write Al Bogdan, 313 445-1843, [bogdanaa@mmfl.org](mailto:bogdanaa@mmfl.org) if you have any question.

**NOTES**