


African-American Fund
Health and Human Services II
Plan of Finance

THE AFRICAN AMERICAN FUND
OF NEW JERSEY *A Better Way.*

May 2007



African-American Fund

Scope of Project

◆ The African-American Fund (AAF) seeks to access the capital markets to:

1. Construct of a new 20,000 sq ft pre-school facility (HHSII)
2. Defeas a bank loan used to acquire HHS II property
3. Defeas existing facility's mortgage (HHSI)

◆ African-American Fund will serve Plainfield's neediest children by offering:

1. 63,000 sq ft of educational and recreational space
2. Classroom space to accommodate 300 students
3. Cafeteria, gymnasium, swimming pool, auditorium
4. Multiple computer rooms, all purpose rooms, meeting rooms and libraries

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Plan of Finance

- ◆ AAF needs to raise \$5.3 million in the capital market to pay for facility expansion
- ◆ The Torain Group has arranged the financing of this amount from tax-exempt bonds with a private investment fund, Hamlin Capital Management, LLC
 - ❖ Hamlin specializes in education related investments and has in excess of \$200 million of such bonds currently in its portfolio
- ◆ The tax-exempt bond market offers AAF access to a lower cost of capital when compared to other options

Prime Rate	8.25%
Tax-Exempt Rate	<u>6.75%</u>
Savings	1.25%

This translates into annual interest rate savings of \$1.6 million over the term of the loan

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Tax-Exempt Financing

- ◆ Non-profit organizations engaged in child care and/or educational activities are eligible tax-exempt financing
- ◆ The Union County Improvement Authority (UCIA) will act as a conduit for the issuance of the Bonds
 - ❖ The UCIA is not responsible for making any payments on the Bonds from the UCIA's own funds or assets
 - ❖ Funds are provided by Hamlin Capital Management
 - ❖ IDA Bonds are not a direct lending or government guarantee program
- ◆ It is AAF's responsibility to negotiate the terms of the bonds, including loan amount, maturity, and interest rate, with Hamlin Capital Management
- ◆ Interest rates charged to finance the project will be lower than conventional commercial rates because of the tax-exempt status of the interest on the bonds

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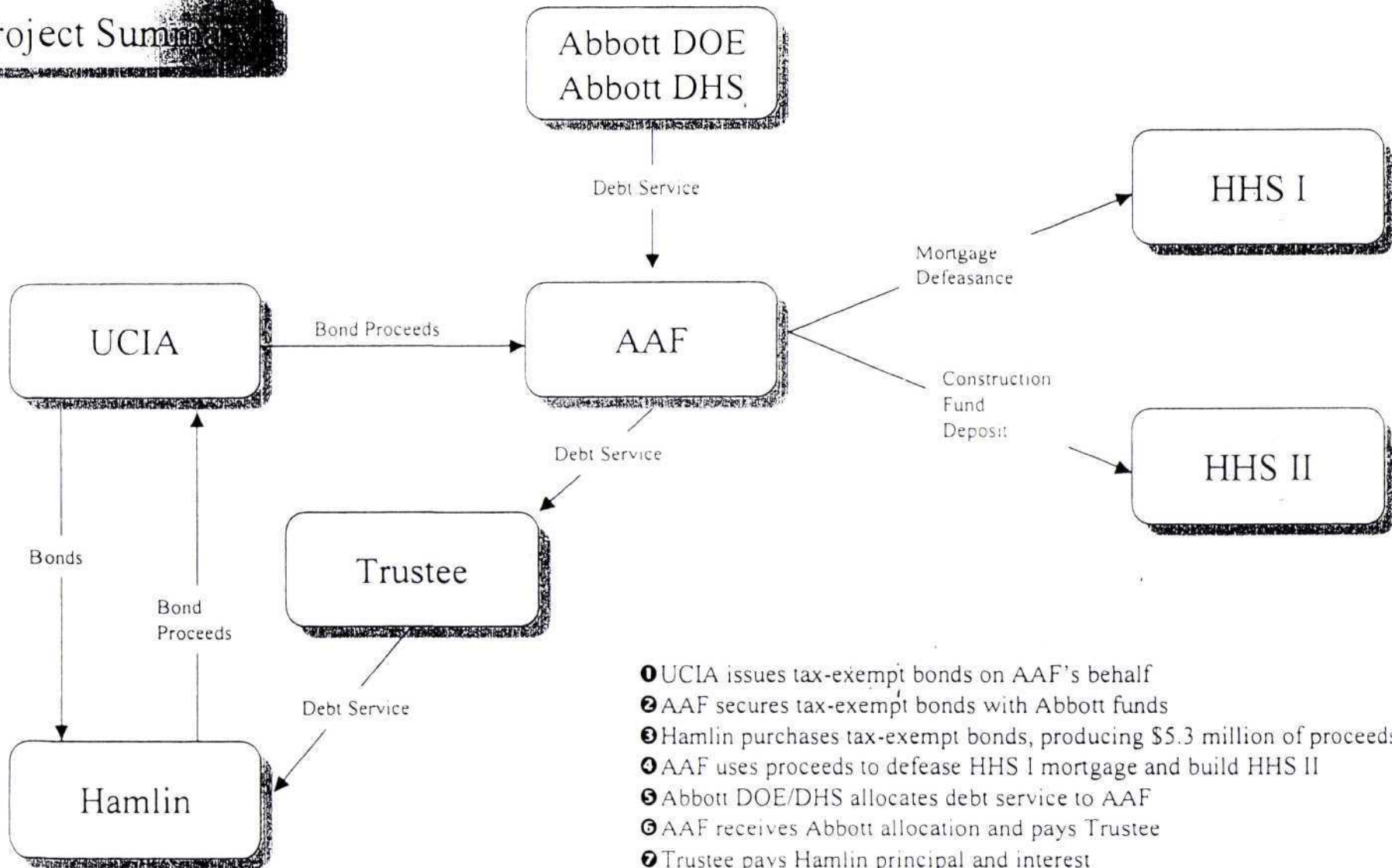
Use of Funds

Redemption of Current Mortgage	325,000
Land and Construction Cost	4,445,000
Deposit to DSRF	250,000
Placement Agent Fee	53,000
Placement Agent's Counsel	25,000
Bond Counsel	50,000
Financial Advisory Fee	66,250
Issuing Authority Fee	20,000
AAF Counsel	12,500
Purchasers Counsel	25,000
Title Insurance	13,250
Trustee Fee	7,500
Phase I Environmental	5,000
Printing	2,500
Contingency	0

Total Use of Funds	5,300,000
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Project Summary



- ❶ UCIA issues tax-exempt bonds on AAF's behalf
- ❷ AAF secures tax-exempt bonds with Abbott funds
- ❸ Hamlin purchases tax-exempt bonds, producing \$5.3 million of proceeds
- ❹ AAF uses proceeds to defease HHS I mortgage and build HHS II
- ❺ Abbott DOE/DHS allocates debt service to AAF
- ❻ AAF receives Abbott allocation and pays Trustee
- ❼ Trustee pays Hamlin principal and interest
- ❽ AAF HHS I free and clear & HHS II free and clear when debt amortizes