

NEW YORK EMPOWERMENT ZONE CORPORATION

MEETING OF THE DIRECTORS

Tuesday, December 18, 2018

NEW YORK EMPOWERMENT ZONE CORPORATION

Meeting of the Directors
Tuesday, December 18, 2018 at 11:00 A.M.
36th Conference Room
Empire State Development Corporation
633 Third Avenue
New York, NY 10017

AGENDA

HOWARD ZEMSKY, CHAIR – CALL MEETING TO ORDER

I. CORPORATE ACTION	TAB
A. Approval of Minutes of July 24, 2018 Meeting	1
B. Authorization of Matters Recommended by Upper Manhattan Empowerment Zone Development Corporation ("UMEZ")	
1. <u>Grameen America, Inc.</u> – Authorization of \$4,000,000 unsecured loan and \$115,000 restricted grant to recapitalize micro lending activity in Washington Heights and finance a micro lending program and related administrative costs in East Harlem.	2
2. <u>UMEZ Marketing</u> – A \$125,000 grant to fund its marketing budget and efforts to support economic revitalization in Upper Manhattan in the year 2019.	3
C. Authorization of Matters Recommended by Bronx Overall Economic Development Corporation ("BOEDC")	
1. <u>Bronx Kreate Space, LLC</u> – Authorization of \$595,000 bridge loan to lease and improve a warehouse space into arts studios.	4
2. <u>BOEDC Administrative Budget</u> – Authorization of \$ 649,724.08 administrative budget fiscal year 2019.	5

II. OTHER BUSINESS

HOWARD ZEMSKY – MOTION TO ADJOURN MEETING

NEW YORK EMPOWERMENT ZONE CORPORATION
MEETING OF THE DIRECTORS

633 Third Avenue
37th Floor Conference Room
New York, New York

July 24, 2018
12:38 p.m.

MINUTES

In Attendance
Directors:

Kevin Younis, the Acting Chair, Empire State Development , Via Video
Dan Goldstern, Designee, Chair Alicia Glen, NYC Deputy Mayor for Housing
& Economic Development
Blair Duncan, President & CEO, UMEZ
Anthony R. Jordan, Designee, Office of Congressman Jose E. Serrano
Luis A. Miranda, Jr., Designee, Office of Congressman Adriano D. Espaillat
Duncan Still, Designee, BOEDC

ESD Staff:

Marion Phillips, III, NYEZC
Destiny Burns, ESD

Also Present:

Elizabeth Harris, UMEZ
Gaffar Mohamed , UMEZ
Michael Nixon, BOEDC

The meeting of the New York Empowerment Zone Corporation (the "Corporation"), was called to order at 12:38 p.m. It was noted for the record that the meeting was being webcast. Before beginning with the substantive portion of the meeting, Acting Chair Younis greeted directors and designees including the newest Director Blair Duncan who replaced Ken Knuckles as president of UMEZ; Marlene Citron's designee BOEDC's CFO, Duncan Still; Dan Goldstern, representing Deputy Mayor Alicia Glen; Anthony Jordan, representing Congressman Serrano; and, Luis Miranda, representing Congressman Espaillat.

Acting Chair Younis stated that the Directors had received all written material in advance of the meeting and noted for the record the Corporation's policy which welcomes public comments on the items on the current Agenda. He then asked the Directors whether anyone had any potential conflict of interest with respect to any of the items on the proposed Agenda. Hearing none, he then called for a motion to approve the Minutes of the Directors' meeting of October 24, 2017. Noting no corrections and upon the motion being duly made and seconded; the following resolution was unanimously adopted:

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE OCTOBER 24, 2017 MEETING OF THE DIRECTORS OF THE NEW YORK EMPOWERMENT ZONE CORPORATION

RESOLVED, that the Minutes of the Meeting of the Corporation held on October 24, 2017 as presented to this meeting, are hereby approved and all actions taken by the Directors presented at such meeting as set forth in such Minutes, are hereby in all respects ratified and approved as actions of this Corporation.

* * *

Acting Chair Younis called upon Mr. Nixon of BOEDC was called to present the next agenda item, a \$350,000 loan to Bronx Kreate Space. He explained that the company would apply the funds toward the renovation of an industrial building in the Mott Haven section of the Bronx to accommodate a café and rental art studios for artists and artisans. The building, located at 15 Canal Place, would be converted into approximately 100 workspaces of varying sizes for a broad range of artists including photographers, sculptors, painters, writers, letter makers and furniture makers. Mr. Nixon stated that the project will attract artists from around the city because of limited dedicated art space in the Bronx area and the increasing rents at other facilities around the city that has made securing a stable workspace for low income artists.

Mr. Nixon suggested that another economic development impact as demonstrated by other projects would be that over time additional businesses would be attracted to the area and continue to build the community. Mr. Nixon noted the principal of Bronx Kreate Space, Mr. Dan Herdoon's experience and success with a similar project in Brooklyn using the same business model in Brooklyn Brush.

Mr. Nixon stated that the total project cost is approximately \$1,038,000. Bronx Kreate Space has secured a New York State Downtown Revitalization Grant of \$595,000 and the company would make an equity investment of \$150,000 toward the project.

Director Jordan asked where would the artists relocating to the space come from.

Mr. Nixon explained that it is important to the owners to make the space available to Bronx based artists and that Mr. Herdoon has established strong relationships with organizations that support Bronx based artists. It is also anticipated that some artists based in other parts of the city would seek the space.

Director Jordan summarized the project to confirm that the loan would support a grant that has been awarded by the State to support workspace for artists that will be located in the Bronx. He expressed concern that Bronx artist could potentially be overlooked. Mr. Nixon reiterated that Bronx based artists are a priority for the BOEDC and the company.

Director Jordan also inquired about the number of jobs that would be created and salaries. Mr. Nixon replied that two to three new jobs are anticipated including café staff and maintenance workers, he concluded that salaries have not yet been determined but that they will be competitive.

Acting Chair Younis asked Mr. Nixon to specify the New York State grant source. Mr. Nixon confirmed that the \$595,000 grant was awarded from the Downtown Revitalization Initiative.

Acting Chair Younis asked if the space would be used for sales or simply for production. Mr. Nixon responded that there will primarily be spaces for creation of art but opportunities for e-commerce and other sales activity.

Director Goldstern asked how much owner's equity is in the project. Mr. Nixon added that it is slightly less than fifteen percent at \$150,000.

Director Jordan asked who is the current owner of the property. Mr. Nixon responded that Mr. Saul Mezloti, a minority partner of Bronx Kreate Space is in the process of purchasing the property.

Hearing no further questions or comments from the Directors and no comments from the public, upon motion duly made and seconded, the following resolution was unanimously adopted:

BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION – Bronx Kreate Space, LLC – A \$350,000 loan to Bronx Kreate Space, LLC to lease and improve a warehouse space into art studios.

RESOLVED, that on the basis of the materials (the "Materials") presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Bronx Overall Economic Development Corporation ("BOEDC") initiative for a loan to **Bronx Kreate Space, LLC** (the "Initiative") to lease and improve a warehouse space into art studios. The Corporation is hereby authorized to disburse funds to BOEDC an amount not to exceed THREE HUNDRED FIFTY THOUSAND DOLLARS (\$350,000) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the "State"), the City of New York (the "City") and others ("MOU"); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a loan an amount not to exceed THREE HUNDRED FIFTY THOUSAND DOLLARS (\$350,000) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

* * *

Acting Chair Younis called on Mr. Nixon to present the next two agenda items pertaining to requests for approval of BOEDC's Administrative Budget for fiscal years 2017 and 2018.

Mr. Nixon explained that the budget for fiscal year 2017 would be for actual expenses of \$649,724.08. He explained that all expenses were incurred during the fiscal year (between July 1, 2016 and June 30, 2017). He then explained that the fiscal year 2018 budget request is for actual expenses incurred in fiscal year 2018 (between July 1, 2017 and June 30, 2018) of \$500,666.65.

Director Jordan inquired whether the contract expenses were included due to vacancies. Director Still explained that there were vacancies and additional costs in 2017 related to required professional services costs. He stated that the actual vacancies were primarily in the CFO, accounting and executive director positions. He noted that the CFO position has been filled and that BOEDC is actively in search of an executive director and accountant.

Director Jordan inquired whether the presentation of the budget signal BOEDC's compliance. Director Still confirmed that BOEDC is up to date with all audits and state reporting.

Hearing no further questions or comments from the Directors and no comments from the public, upon motion duly made and seconded, the following resolution was unanimously adopted:

BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION – Authorization of \$649,724.08 administrative budget for fiscal year 2017.

RESOLVED, that on the basis of the materials (the "Materials") presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Bronx Overall Economic Development Corporation ("BOEDC"), the Directors hereby authorize an administrative budget of SIX HUNDRED FORTY NINE THOUSAND SEVEN HUNDRED TWENTY FOUR DOLLARS AND EIGHT CENTS 649,724.08) for fiscal year 2017, pursuant to the purposes described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the "State"), the City of New York (the "City") and others ("MOU"); and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

* * *

BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION – Authorization of \$500,666.65 administrative budget for fiscal year 2018.

RESOLVED, that on the basis of the materials (the "Materials") presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Bronx Overall Economic Development Corporation ("BOEDC"), the Directors hereby authorize an administrative budget of FIVE HUNDRED THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND SIXTY FIVE CENTS (\$500,666.65) for fiscal year 2018, pursuant to the purposes described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the "State"), the City of New York (the "City") and others ("MOU"); and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

* * *

Acting Chair Younis called upon Gaffar Mohamed to present the UMEZ administrative budget for fiscal year 2019. Mr. Mohamed presented an administrative budget of \$3,910,635. He noted that the budget is completely funded with loan repayments. He compared the actual expenses of fiscal year 2018 approved budget. He explained that the actual expenses for fiscal year 2018 were \$271,787 below the approved budget amounts largely due to short term vacancies throughout the year. He highlighted key variances including \$425,845 savings in the personnel line item offset by \$140,000 of temporary staffing as well as an overage of \$38,597 in legal costs incurred from collection efforts on delinquent loans. The budget request of \$3,910,635 for fiscal year 2019 exceeds the approved fiscal year 2018 budget by approximately \$74,000, approximately 1.9 percent.

Hearing no further questions or comments from the Directors and no comments from the public, upon motion duly made and seconded, the following resolution was unanimously adopted:

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Authorization of \$3,910,635 administrative budget for fiscal year 2019.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), the Directors hereby authorize an administrative budget of **THREE MILLION NINE HUNDRED TEN THOUSAND SIX HUNDRED THIRTY FIVE DOLLARS (\$3,910,635)** for the fiscal year 2019, pursuant to the purposes described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

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Acting Chair Younis then called upon the Corporate Secretary Marion Phillips to present the New York Empowerment Zone’s Corporate Administrative Budget for fiscal year 2019. He explained that the budget request of \$634,125 reflects an increase of approximately \$2,800 from the fiscal year 2018 budget. He noted that the budget increase reflects ESD’s internal proration process and the budget consists of a portion of the salaries of New York Empowerment Zone corporate staff as well as respective city and state staff.

Hearing no further questions or comments from the Directors and no comments from the public, upon motion duly made and seconded, the following resolution was unanimously adopted:

NEW YORK EMPOWERMENT ZONE CORPORATION - Fiscal Year 2019 Budget – Authorization of \$634,125 administrative budget for fiscal year 2019.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the New York Empowerment Zone Corporation (the “Corporation”), the Directors hereby authorize an operating budget for the Corporation of is SIX HUNDRED THIRTY ONE THOUSAND FOUR HUNDRED THIRTY DOLLARS (631,430) for fiscal year 2019, pursuant to the purposes described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the city of New York (the “City”) and others (“MOU”) and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

* * *

Acting Chair Younis inquired if there was any other business. Mr. Phillips acknowledged a UMEZ information item consisting of a list of de-designations. He explained that the Upper Manhattan Empowerment Zone board had taken action to de-designate \$1.8 million, a little over \$1.8 million of dollars, from the cultural industry investment fund. These are projects that were funded from 1998 to current that have either been not used or all the refunds were not used.

He also noted that the funds would be available for reallocation to new initiatives presented by UMEZ.

Hearing no further business, the meeting adjourned at 1:14 p.m.

Respectfully submitted,

Marion Phillips III,
Corporate Secretary

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FOR CONSIDERATION

December 18, 2018

TO: The Directors

FROM: Howard Zemsky

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone
Development Corporation

REQUEST FOR: **Authorization for Loan/Grant to Grameen America, Inc. Initiative and to
Take Related Actions.**

I. Initiative Summary

Organization Name: Upper Manhattan Empowerment Zone
Development Corporation ("UMEZ")
55W 125th Street - 11th Floor
New York, New York 10027

Contact: Blair Duncan
President and CEO
(212) 410-0030

Proposed Initiative: A \$4,000,000 unsecured loan and \$115,000 restricted
grant to recapitalize micro lending activity in Washington
Heights, and finance a micro lending program and related
administrative costs in East Harlem.

Total Initiative Cost: \$4,115,000

Proposed Empowerment Zone
("EZ") Investment: \$4,115,000 (Loan/Grant)

Funding Sources:

Federal EZ SSBG Funds:	1,371,666.00
State EZ Funds:	1,371,667.00
City EZ Funds:	1,371,667.00
TOTAL	4,115,000.00

Fiscal Year: 2019

II. Initiative Narrative

Attached are materials prepared by UMEZ for its Board of Directors containing narrative information regarding this initiative.

III. Conditions for Approval

Funding is subject to the Corporation's approval of UMEZ's monitoring system which must ensure that adequate policies and procedures are adopted to safeguard against misappropriation and provide for appropriate controls with respect to each grant/loan.

The release of funds for this initiative is subject to certification by the Deputy Mayor's Office (i) that all procurement solicitation processes fulfill all applicable requirements set forth in the Operating Principles Memorandum of Understanding (the "MOU") dated as of January 19, 1996, and (ii) that each procurement selection process has been completed in accordance with those requirements.

The release of funds for this initiative is subject to UMEZ presenting to the Corporation for approval detailed written information on implementation of this initiative and the terms and conditions for the grant/loan from UMEZ to **Grameen America, Inc.** The provision of funding for this initiative is contingent upon the Corporation receiving satisfactory evidence of all other funding sources for the initiative.

The disposition of interest and principal payments for loans made under this initiative is further subject to the approval of New York Empowerment Zone Corporation's Board of Directors. The disposition of recovered grants is likewise subject to Directors' approval.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- 5,364 micro loans projected

V. Residents Benefits

This Initiative will benefit EZ residents:

- Same as above

VI. Federal Funding Goals

This initiative will meet the following Federal funding goals:

- Achieve or maintain economic self-support, to prevent, reduce, or eliminate dependency.
- Achieve or maintain self-sufficiency by reducing or preventing social dependency.

This initiative will meet the following Federal programmatic options:

- Permanent job creation, including without limiting the foregoing, promotion, encouragement and creation of opportunities for small, medium and large business development in the EZ/EC that will create permanent jobs for the Enterprise Zone.
- Increasing the number of permanent –job creating new businesses in the EZ/EC.
- The needs of existing businesses in the EZ/EC, including without limiting the foregoing, expansion of such existing businesses to stimulate job creation.

VII. Additional Materials

- A. Copy of UMEZ's Board of Directors' materials
- B. Copy of UMEZ's Board of Directors' resolution recommending this initiative for final approval by the Directors
- C. Resolution of the Directors

FOR CONSIDERATION

TO: NEW YORK EMPOWERMENT ZONE BOARD OF DIRECTORS

FROM: BLAIR M. DUNCAN, PRESIDENT AND CEO
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION

DATE: DECEMBER 18, 2018

SUBJECT: GRAMEEN AMERICA, INC. – WASHINGTON HEIGHTS & EAST HARLEM PROGRAMS

REQUEST FOR: \$4,000,000 UNSECURED LOAN AND \$115,000 RESTRICTED GRANT

PROPOSAL SUMMARY

PROJECT MANAGERS: Blair M. Duncan

COMPANY: Grameen America, Inc.

CONTACT: David Gough, Senior Vice President and CFO

ADDRESS: 150 West 30th Street, 8th Floor, New York, NY 10001

TELEPHONE/FAX/E-MAIL: 718-704-0451/dgough@grameenamerica.org

TYPE OF BUSINESS: Microfinance

TAX STRUCTURE: 501(c)(3)

IRS ID #: 20-8497991

DATE INCORPORATED: December 2007

SCOPE OF WORK: Recapitalize micro lending activity in Washington Heights, and finance a micro lending program and related administrative costs in East Harlem

TOTAL PROJECT COST: \$ 4,115,000

FINANCING REQUESTED: \$ 4,115,000

TERM: Five years from closing (est. December 2023)

FUNDING SOURCES:

Federal SBG EZ Funds	\$ 1,371,666.66
State EZ Funds:	\$ 1,371,666.67
City EZ Funds:	\$ 1,371,666.67
Others:	\$ 00.00
TOTAL	\$ 4,115,000.00

EMPLOYMENT:

Projection	EZ	UM	Others	Total
Full time	0	0	0	0
Part time	0	5,364	0	5,364
Consultants	0	0	0	0
Total	0	5,364	0	5,364

FOR CONSIDERATION

To: New York Empowerment Zone Board of Directors
From: Blair M. Duncan, President and CEO
Upper Manhattan Empowerment Zone Development Corporation
Date: December 18, 2018
Subject: Grameen America, Inc
Request: \$4,000,000 Unsecured UMEZ Loan and \$115,000 UMEZ Restricted Grant

Proposal Summary*Facility A: \$4,000,000 UMEZ Loan*

SUMMARY LOAN TERMS	
Borrower:	Grameen America, Inc., a 501(c)(3) not-for-profit organization
Security Type:	Unsecured Loan
Principal Amount:	\$4,000,000
Purpose:	To re-capitalize micro-lending activity in Washington Heights and to finance a micro lending program in East Harlem
Maturity:	Five (5) years from closing (estimated December 31, 2023)
Disbursement:	<ul style="list-style-type: none">• \$3,000,000 disbursement at closing; \$1,000,000 disbursement six months after closing
Repayment:	<ul style="list-style-type: none">• \$500,000 due forty-eight (48) months after closing• \$500,000 due fifty-four (54) months after closing• \$3,000,000 due sixty (60) months after closing
Conditions:	<ul style="list-style-type: none">• Repayment of the existing \$3,000,000 loan at least 30 days prior to the closing date• \$20,000 Facility Fee due at closing
Ranking:	Pari-passu with other unsecured creditors
Covenants:	<ul style="list-style-type: none">• Borrower must remain in compliance with all outstanding loan agreements• Cross-default provisions with loan covenants of other lenders• Borrower must maintain its "Leverage Ratio" below 3.0:1.0• Borrower must maintain its 501(c)(3) status• Funds may only be used for loan capital• The Borrower's loan closing fee must be zero percent (0%) for all microloans funded using UMEZ loan proceeds• Quarterly loan production reports• Quarterly interim financial statements of the Borrower• Annual audited financial statements of the Borrower• Borrower will continue to operate the organization in a manner consistent with past practices• Other representations and warranties substantially similar to those in the existing loan
Coupon:	3.25%

SUMMARY GRANT TERMS	
Grantee:	Grameen America, Inc.
Grant Type:	Restricted Grant
Amount:	\$115,000
Purpose:	To provide subsidy for East Harlem Program Expenses connected with community outreach.
Grant Maturity:	One year from closing date (estimated June 30, 2019)
Disbursement:	<ul style="list-style-type: none"> • \$50,000 at closing • \$35,000 six (6) months after closing date • \$30,000 twelve (12) months after closing date
Requirements:	<ul style="list-style-type: none"> • Grant proceeds restricted for use for operating costs including staffing, administration, and occupancy expenses incurred by the micro-lending program in East Harlem. • The third disbursement shall be subject to Grantee providing documentation reasonably acceptable to Grantor demonstrating that Grantee has disbursed at least \$500,000 of the Loan to East Harlem borrowers.

* Refer to the attached Term Sheet for additional details.

Investment Proposal

UMEZ seeks to provide a \$4,115,000 commitment to Grameen America, Inc. ("GAI" or "the Organization"), which will include a \$4,000,000 unsecured loan and an \$115,000 restricted grant. The loan will have a dual usage: \$3,000,000 of the loan proceeds will continue to be used to provide capital to low-income entrepreneurs in Upper Manhattan, including Washington Heights and Inwood, and \$1,000,000 will be allocated to East Harlem for a new program.

The \$3,000,000 loan allocation will help sustain GAI's work in the Upper Manhattan area, which has grown from a portfolio of \$305,769 in loans to approximately 500 borrowers in 2010, to \$6.7MM in loans to 4,042 active borrowers in 2017, representing a 55.5% compound annual growth rate (CAGR) in loan volume. From 2018 through 2023, GAI projects 68% overall growth in its Upper Manhattan loan portfolio to \$11.3MM and 4,249 borrowers. GAI's Washington Heights branch has achieved self-sustainability, with interest income earned from its microloan portfolio that exceeds both the operating costs of the branch and the corporate level cost allocation associated with supporting the branch.

The \$1,000,000 loan allocation will help expand GAI's work in East Harlem. The projection for the year-end December 31, 2018 loan portfolio is \$550,000 with 261 borrowers. During the next five years, GAI projects to increase the East Harlem loan portfolio to \$2.4MM representing a 34.0% compound annual growth rate in loan volume and an increase of approximately 866 new borrowers to a total of 1,127 borrowers.

The \$115,000 grant will be disbursed over a twelve-month period and will be used to support GAI's East Harlem growth initiative by providing a subsidy for Program Expenses for its Bronx branch to serve the East Harlem market. Grant funds will be restricted to the reimbursement of program overhead expenses, such as rent, office expenses and salaries.

Borrower

GAI is a 501(c)(3) New York-based nonprofit microfinance organization, incorporated in Massachusetts and founded by 2006 Nobel Peace Prize winner, Muhammad Yunus. GAI's mission is to alleviate poverty through entrepreneurship by providing loans, savings programs, credit establishment and other services to the working poor in the United States. GAI uses the peer-group lending model pioneered by Grameen Bank in Bangladesh to distribute capital and promote financial literacy. All loans are for income-generating purposes to start or expand a small business such as a food-cart or a crafts business, or invest in a sewing machine to start a home-based tailoring business. GAI's focus and clientele is comprised exclusively of women-owned businesses.

GAI's first branch, located in Jackson Heights, NY, opened in January 2008. The Organization has since expanded to a total of 20 branches in 13 cities including New York, Union City, Newark, Boston, Charlotte, Indianapolis, Omaha, Oakland, Los Angeles, San Jose, Austin, Miami, and San Juan. As of December 31, 2017, GAI has disbursed over \$819.6 million to more than 98,000 borrowers living below the poverty line in the United States.

Relationship

On September 30, 2010, UMEZ closed on a \$500,000 unsecured loan and \$125,000 restricted grant to GAI as a pilot program to help the Organization expand its lending platform in Upper Manhattan, initially concentrating in Washington Heights. During the pilot phase, UMEZ monitored GAI's progress in terms of market penetration, program scalability, and overall impact in Washington Heights. These initial UMEZ loan funds served a total of 610 borrowers, helping to create and sustain 610 businesses and create or sustain 628 jobs. GAI cumulatively disbursed \$2.4 million as a result of this UMEZ loan. That loan was repaid on June 8, 2012.

Subsequently, on June 12, 2012, UMEZ closed on a \$3,000,000 unsecured loan and a \$325,000 restricted grant to GAI to help the Organization further expand its micro-lending program in Upper Manhattan, including Washington Heights and Inwood. These UMEZ loan funds have served a total of 5,769 borrowers, helping to create and sustain 5,769 businesses and create or sustain 5,942 jobs. The Note matures on June 12, 2019 and has a one percent (1%) annual coupon. To date, GAI has cumulatively disbursed \$45 million in microloans as a result of this UMEZ loan. Over the next five (5) years, GAI forecasts that it will serve over 21,300 borrowers/entrepreneurs through its Upper Manhattan branch. GAI's Upper Manhattan branch has reached 100% self-sufficiency in 2018.

According to GAI, approximately eighty-seven percent (87%) of their borrowers return for subsequent loans in larger loan amounts. Any growth in the number of borrowers is net of the approximate thirteen percent (13%) attrition rate.

In addition to earlier funding directed toward the Washington Heights market, on April 30, 2015, UMEZ closed on a \$500,000 unsecured loan o GAI to enable the Organization to extend its micro-lending program to focus on the West African market segment in West Harlem. The West Harlem Note matures on May 1, 2021 and has a one percent (1%) annual coupon. The loan is not part of this funding request.

In West Harlem, GAI's efforts have been conducted in two phases: a research and development phase (now complete) and an implementation phase (ongoing). Through a grant provided from the W.K. Kellogg Foundation to GAI, the West Harlem Branch is examining potential programmatic solutions faced in bringing micro finance to native-born African American women in Harlem. To provide a targeted approach, GAI migrated all non-African American members from the Harlem location to its Bronx location where many of them live. GAI's expansion plan into African American communities differs from its "business as usual" expansion methodology in the following ways: (1) a branch manager is hired from the local community to work with local community organizations, (2) enhanced and longer continuous financial group training from five to seven days, and (3) developing with external organizations monthly workshops on basic business skills (e.g., legal, financial and market access). To date, the West Harlem UMEZ loan funds have served a total of 676 borrowers, helping to create and sustain 676 businesses and create or sustain 696 jobs with \$3.9 million in cumulative loan disbursements. Through 2023, GAI projects to serve over 2,383 borrowers/entrepreneurs in West Harlem.

UMEZ Staff Recommendation

UMEZ Staff seeks the Committee's recommendation for UMEZ Board approval of a \$4,000,000 term loan and \$115,000 UMEZ restricted grant to GAI, to recapitalize and grow its lending platform in Washington Heights and catalyze its lending platform in East Harlem. UMEZ Staff will continue to monitor developments on the West Harlem loan portfolio and recommends no action on the West Harlem loan. UMEZ Staff believes this proposal meets the investment criteria established by the UMEZ Board in February 2004:

Investment Criteria		Comment
☑	Strategic fit	Grameen's model aligns with UMEZ's goals of attracting new businesses, creating jobs and increasing sustainable businesses.
☑	Sustainable business	GAI is owned and managed by Grameen Trust, the international affiliate of Grameen Bank in Bangladesh which has been lending internationally for over 35 years.
☑	Realistic business plan	Projections are based on historical growth trends for GAI with the researched growth potential estimates for businesses and entrepreneurs in Upper Manhattan.
☑	Experienced management	GAI is comprised of an experienced team of marketing, financial literacy, and community development finance professionals.
☑	Predictable cash flows	GAI has a stable and growing portfolio with a loan repayment rate >99%.
☑	Adequate capital structure	GAI is continuously fundraising and closely aligning lending with new capital commitments. Self-sustainability is projected by 2020.
☑	Creation of at least 5 jobs	Based on the projected number of loans over a 5-year period, the \$4,000,000 loan will help to create and sustain over 5,537 jobs (principally through self-employment).
☑	Efficient investment	GAI's lending model and experience allows for efficient deployment of loan capital in target market.
☑	Community impact	The investment provides needed capital for an underserved business population with target borrowers earning a yearly income of \$25,100 or less for a family of four. In addition to capital, the investment will assist in providing technical assistance and build financial literacy amongst borrowers.

Sources and Uses

SOURCES			USES		
UMEZ Grant	\$115,000	2.8%	Reimbursement of Program Expenses	\$115,000	2.8%
UMEZ Loan	\$4,000,000	97.2%	East Harlem Loan Capital	\$1,000,000	24.3%
			Re-Capitalization of prior UMEZ loan	\$3,000,000	72.9%
Total	\$4,115,000	100.0%	Total	\$4,115,000	100.0%

Project Summary

Given the success of the program to date, GAI seeks continue to serve the Upper Manhattan market while significantly expanding its lending platform in East Harlem. GAI will also continue to serve West Harlem through its new expansion methodology for the African American community.

With the help of UMEZ and partnering organizations in Upper Manhattan, GAI will support and empower low-income individuals who seek to capitalize on their entrepreneurial skills and build credible financial futures. Over the next 5 years, GAI expects to achieve each of the following goals through the continued expansion of GAI's programs in Upper Manhattan and East Harlem:

- Sustainability of GAI's Upper Manhattan and Bronx branches
- Over \$13.7 million in outstanding loans by 2023 year-end
- Approximately 5,525 entrepreneurial jobs sustained or created
- Improved credit rating and financial preparedness of borrowers
- Increased borrower savings
- Expanded delivery of financial literacy training to borrowers

GAI's Summary Financials and Credit Statistics

Noted below are GAI's consolidated summary projections and credit statistics:

Summary Projections and Credit Statistics								
	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Outreach - Grameen America¹								
Total Borrowers	44,821	40,303	47,000	53,240	59,675	65,615	70,795	74,525
% Growth	21.8%	-10.1%	16.6%	13.3%	12.1%	10.0%	18.6%	13.6%
Branches	19	20	21	21	21	21	21	21
Income Statement Summary (December 31)								
Interest Income	\$ 7,896	\$ 10,101	\$ 11,358	\$ 16,041	\$ 20,743	\$ 25,074	\$ 29,078	\$ 32,608
% Growth	39.9%	27.9%	12.4%	41.2%	29.3%	20.9%	40.2%	30.0%
Net Assets Released from Restrictions	7,661	8,536	-	-	-	-	-	-
Grants and Contributions *	3,290	2,462	9,000	10,000	10,000	6,000	5,000	5,000
Other Income	135	87	100	48	18	20	21	21
Total Unrestricted Revenue	\$ 18,982	\$ 21,186	\$ 20,458	\$ 26,090	\$ 30,762	\$ 31,094	\$ 34,099	\$ 37,629
Total % Growth	3.3%	11.6%	-3.4%	27.5%	17.9%	1.1%	10.8%	21.0%
Program Service Expenses*	14,152	14,974	15,498	17,372	18,769	21,157	22,637	23,752
Support Service Expenses*	1,528	1,615	1,700	1,756	1,804	1,854	1,905	1,957
Total Operating Expenses	15,680	16,589	17,198	19,128	20,573	23,011	24,542	25,709
Net Income	\$ 3,302	\$ 4,597	\$ 3,260	\$ 6,961	\$ 10,188	\$ 8,084	\$ 9,557	\$ 11,920
Net Margin	17.4%	21.7%	15.9%	26.7%	33.1%	26.0%	28.0%	31.7%
Balance Sheet Summary								
Cash	\$ 11,190	\$ 18,724	\$ 20,877	\$ 10,111	\$ 10,865	\$ 10,959	\$ 10,664	\$ 10,289
Loans Receivable (Gross)	58,689	61,135	76,132	102,790	128,119	151,751	172,783	191,118
Loan Loss Reserve (1.75%)	(1,045)	(1,088)	(1,332)	(1,799)	(2,242)	(2,656)	(3,024)	(3,345)
Loans Receivable (Net)	57,644	60,047	74,800	100,991	125,877	149,095	169,759	187,773
Total Assets	78,323	87,706	102,711	119,990	146,730	171,156	192,570	211,187
Net Loan Portfolio as % of Assets	73.6%	68.5%	72.8%	84.2%	85.8%	87.1%	88.2%	88.9%
Total Debt Financing	42,392	48,314	61,532	71,850	88,402	104,745	116,602	123,301
OPERATING RATIOS								
Self Sufficiency	50.4%	60.9%	66.0%	83.9%	100.8%	109.0%	118.5%	126.8%
CAPITAL ADEQUACY RATIOS								
Total Debt / Net Assets	0.54x	0.55x	0.60x	0.60x	0.60x	0.61x	0.61x	0.58x
Debt / (Net Assets+Loss Reserves)	0.53x	0.54x	0.59x	0.59x	0.59x	0.60x	0.60x	0.57x
Net Assets / Debt Capitalization	64.9%	64.5%	62.5%	62.5%	62.4%	62.0%	62.3%	63.1%

*Excludes In-Kind Donations and Non - GAI related expenses

GAI launched its operations in Upper Manhattan in March 2009, Brooklyn in April 2009, and subsequently to a total of 20 branches in 13 cities across the U.S. GAI has vastly grown its member base from 500 borrowers¹ with \$1.1 million in outstanding loans in 2008 to 40,303 borrowers with over \$61 million in outstanding loans as of December 31, 2017.

Through December 31, 2017, GAI disbursed more than \$819.6 million in cumulative loans issued to 98,256 members living below the poverty line in the United States. Since inception, GAI has maintained a 99% repayment rate and written off only

¹ GAI uses the following definitions:

- *Borrowers*: anyone with a loan outstanding at a snapshot point in time is a Borrower.
- *Active Borrowers*: anyone that has made a payment to GAI in the past twelve months is an Active Borrower.
- *Members*: anyone who has received a loan from GAI since its inception is a Member.

0.18% of all loans disbursed. It is noted within the Organization's 2017 audit by Grant Thornton that, while the Organization has a 99% repayment rate on 2017 loans, GAI's management has established a loan loss allowance of 1.75% of gross loans receivable.

GAI Portfolio Statistics

	As of December 31, 2017	As of December 31, 2016
Membership		
Number of Groups	19,651	17,827
Number of Members	98,256	86,435
Loans		
Number of Active Borrowers	59,907	59,858
Number of Active Groups	11,981	11,972
Loans Outstanding	\$61,135,000	\$58,805,000
Total Loan Disbursement to Date	\$819,694,636	\$590,922,245
Borrower Dropouts in last 12 Months	11,772	11,054
Loan Loss Provision (%)	1.75%	1.75%
Portfolio at Risk (%)	0.37%	0.38%
Member Savings		
Number of Active Savers	34,823	27,776
Savings Amount	\$6,861,823	\$5,874,188

Historically, GAI has relied heavily upon financial support in the form of grants and contributions in order to meet its operating expense requirements. In 2017, GAI achieved a self-sufficiency ratio of 60.9%, up from a 50.4% self-sufficiency ratio in 2016. Looking forward, the Organization expects to generate sufficient levels of interest income to cover all of its operating expenses and achieve 100% self-sufficiency from an operating perspective from 2020 onward.

GAI currently has over \$7.6 MM in debt funding invested into its Washington Heights, Harlem, and Bronx branches. GAI's current lending partners include: Wells Fargo Bank (\$918,000), Empire State Development Corp. (\$703,000), the U.S. Small Business Administration (\$417,000), PNC Bank (\$1.8 million), Calvert Foundation (\$250,000), and UMEZ (\$3.5 million). Outstanding grant commitments of \$445,000 include pledges from the U.S. Small Business Administration (\$295,000), Robin Hood Foundation (\$100,000), and the New York Community Trust (\$50,000).

Borrower Description: Grameen America, Inc.

GAI is a 501(c)(3) not-for-profit entity incorporated in December 2007 under the laws of the Commonwealth of Massachusetts. The mission of the Organization is to serve low-income entrepreneurial women in the United States, in accordance with the Organization's model of micro-lending initiated by Professor Muhammed Yunus and the Grameen Bank of Bangladesh. GAI's program includes the following key pillars:

- Access to capital through microloans
- Asset building by encouraging or facilitating savings by borrowers
- Credit building to help borrowers build or repair their credit history.

Grameen America, Inc. is the parent organization of the following wholly-controlled entities: Grameen America LLC, Grameen America California LLC, Grameen America Association Inc., Grameen America (NY) Inc., Grameen America Indiana LLC, Grameen America North Carolina LLC, and Grameen Puerto Rico LLC.

As of December 31, 2017, the Organization operates through a network of 20 branches:

Northeast Region

- Jackson Heights, NY
- Gates Avenue, Brooklyn, NY
- Sunset Park, Brooklyn, NY
- Long Island City/Jamaica, NY
- Manhattan, NY
- Boston, MA
- Harlem, NY*
- Bronx, NY
- Union City, NJ
- Newark, NJ

West Region

- Boyle Heights, Los Angeles, CA
- Pico Union, Los Angeles, CA
- San Jose, CA
- Oakland, CA
- Austin, TX

Central and Southeast Region

- Indianapolis, IN
- Omaha, NE
- Miami, FL
- San Juan, PR
- Charlotte, NC

In the aftermath of Hurricane Harvey, GAI accelerated plans to open a branch in Houston, TX, which is expected to open in late 2018. GAI maintains its administrative offices in New York, NY.

Borrower History: Grameen America, Inc.

Grameen America, Inc. (“GAI” or “the Borrower”) is a replicator of The Grameen Bank. The Grameen Bank is a microfinance organization and community development bank started in Bangladesh that makes small loans to impoverished women without requiring collateral. It is important to note, there is no formal ownership of GAI by any other entity, including Grameen Bank or any other Grameen entity. GAI is legally a 501(c)(3) established in the Commonwealth of Massachusetts.

While there are no formal (i.e., legal and financial) ties between GAI and the Grameen Bank or its affiliates in Bangladesh, GAI utilizes the Grameen peer-lending model. The Grameen methodology is based on the idea that the poor have skills that are under-utilized and are credit worthy. A group-based credit approach is applied which utilizes the peer-pressure within the group to ensure the borrowers follow through and use caution in conducting their financial affairs with strict discipline, ensuring repayment eventually and allowing the borrowers to develop good credit standing.

The Grameen Bank has grown into over two dozen enterprises represented by the Grameen Family of Enterprises. These organizations include Grameen Trust, Grameen Fund, Grameen Communications, Grameen Shakti (Grameen Energy), Grameen Telecom, Grameen Shikha (Grameen Education), Grameen Motsho (Grameen Fisheries), Grameen Baybosa Bikash (Grameen Business Development), Grameen Phone, Grameen Software Limited, Grameen CyberNet Limited, Grameen Knitwear Limited, and Grameen Uddog (owner of the brand Grameen Check).

Grameen Bank today continues to expand across the nation and still provides small loans to the rural poor. As of April 5, 2018, Grameen Bank maintained 2,568 branches with over \$24.3 billion disbursed and \$22.1 billion repaid since inception with a repayment rate average of 99.2%. The Bank’s success has inspired similar projects in more than 40 countries around the world.

GAI was founded in 2008 in Jackson Heights, New York, and now operates through a 20-branch network in 13 cities across the United States. GAI is regulated by the Department of Financial Services in New York and the Department of Business Oversight in California.

GAI’s Products and Services

GAI provides borrowers with access to working capital loans and financial literacy services enabling them to create and build business endeavors and generate sustainable income. The Company’s loan program enables borrowers to establish creditworthiness and qualify broadly for credit from conventional banks, retailers and other sources. Moreover, the loan program requires borrowers to establish a savings account which build a foundation for financial stability and sustainability.

Microloans

GAI applies the group lending model pioneered by Grameen Bank. This model requires prospective borrowers to form five-member groups which meet weekly. While members are individually responsible for their loans, they are expected to provide assistance to their peers where needed, developing a social network of voluntary, mutual support. Centers are formed with up to seven groups, creating a broader network of support within the community. Weekly meetings reinforce discipline and create a culture of financial responsibility.

Borrowers must create a group of five peers, none of whom can be a family member. The group then attends 5 consecutive days of training (1- hour per day) with their Center Manager, a GAI loan officer. During this 5-day training, each member

contributes \$2 per day. Every day, a different group member is responsible for keeping the group's savings until the next meeting. These are important steps in building trust within the group.

After the 5-day training, the group is "Recognized" by the Center Manager and begins to attend weekly training sessions. The group also appoints a group leader. After two weeks of vetting each other's business plans, the group elects two individuals to draw down their initial loans. The group leader approves the loan and recommends the loan to the Center Chief. The Center Chief (also a borrower) then approves the loan and recommends the loan to the Center Manager. The GAI Center Manager then recommends the loan disbursement to the Branch manager for disbursement. During the next two weeks, the first two individuals with loans must repay weekly installments of principal and interest. Everyone in the group must continue to contribute to their savings. After two weeks, the same approval process used for the first two borrowers is replicated for the remaining three group members, and they receive their initial loans. Every week thereafter, all of the individuals in the group must make weekly installments of principal, interest and savings contributions.

The GAI loan is made in repeating cycles of increasing amounts to borrowers who repay their loans on-time and fulfill other requirements of the loan relationship, including required savings, participation in their borrower "group" and attendance at meetings of the group's "center." Each borrower's basic loan amount for each loan cycle is determined by their individual circumstances and entrepreneurial venture. Loans for each loan cycle are subject to a loan ceiling that is a function of the borrower's past loan repayment performance, business capacity / need, and the borrower's group and the center of which her group is a part. Loan terms are summarized as follows:

- Term: 6 months
- Interest: 18% on a declining basis. Interest and principal repayment schedules are generated at loan disbursement
- Fees: None
- Collateral Required: None
- Credit Score Minimum: No credit score required
- Minimum 1st Time Loan: No minimum
- Maximum 1st Time Loan: \$2,000

The interest rate on all loans is 18% on the declining balance. GAI offered all loans at a rate of 15% up until June 2016, when GAI began implementing a 3% increase. All branches now offer loans at 18% on a declining balance except Omaha, which is waiting on regulatory approval. GAI also offers a Business Expansion Product to qualified borrowers at a rate of 12%. This product is offered in partnership with the SBA and is only eligible for Borrowers who have been with the program for at least five loan cycles and have a storefront.

Borrowers make weekly interest and principal payments. Loans have a term of six months. Following the Grameen model, collateral is not required for the loans. Further, although performance of the borrower's group and center will be a factor in the borrower's ability to qualify for future loans, it is important to emphasize there is no joint and several liability on the part of the group to make Grameen whole for any defaulting members. No borrower is financially responsible for repayment of another borrower's loan.

In accordance with the approval procedures, loans are approved, using the Grameen banking process, by the Branch Manager. In addition, after loan disbursement, there is constant follow up by GAI Center Managers to ensure that borrowers are using the funds for the designated purposes and that borrowers are moving forward with their businesses.

Numerous detailed procedures, already proven out by Grameen's experience around the world, govern the specifics of loan disbursements, repayment and re-borrowing arrangements. All of these procedures are designed to promote cohesiveness of the borrower "group" and encourage repayment of loans. For example, Basic Loans are disbursed in a staggered method in 2:3 ratios. Each group selects two members for the first loans. If those two borrowers repay their loans regularly for an initial period of two weeks, then the remaining three members of the group will be disbursed their loans. As another example, at any time after the sixth month of a loan, a borrower who has made all monthly payments on her loan may re-borrow up to \$1,000 more than the prior loan amount that she has paid back to GAI.

GAI does not use credit evaluations as a form of underwriting; however, GAI does report to Experian and Equifax in order to help borrowers gain and improve credit scores to become more financially independent. In New York City, GAI has a partnership with Citibank, the depository institution for all of the borrowers' savings.

Savings

GAI believes in developing and maintaining a culture of savings among its borrowers. For this reason, each borrower must take part in its Basic Savings Program and the Credit Builders Program in order to obtain a Basic Loan. Through GAI's relationship with a neighboring bank, each borrower establishes a bank account with the negotiated bank and receives an ATM

card in which the borrower can make deposits to and withdrawals from the account. The borrowers pay no fees to open or maintain the account.

Each borrower must contribute \$2 per day to her savings account during the 5-day Continuous Group Training program for a total of \$10. Thereafter, in every weekly center meeting, a member will deposit weekly contributions according to the size of her loan: \$2 for loans up to \$3,000; \$5 for loans from \$3,001 to \$5,000.

Credit

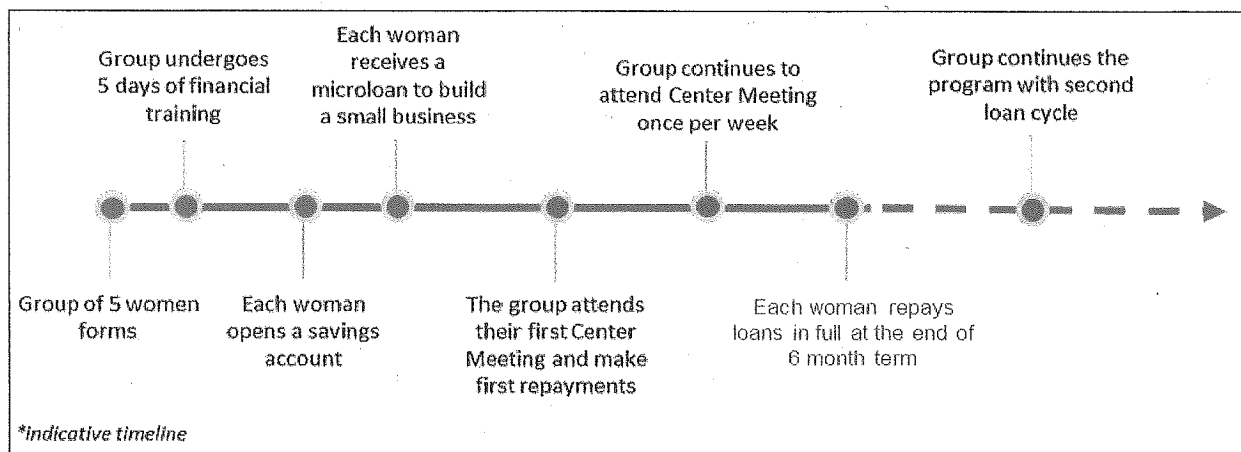
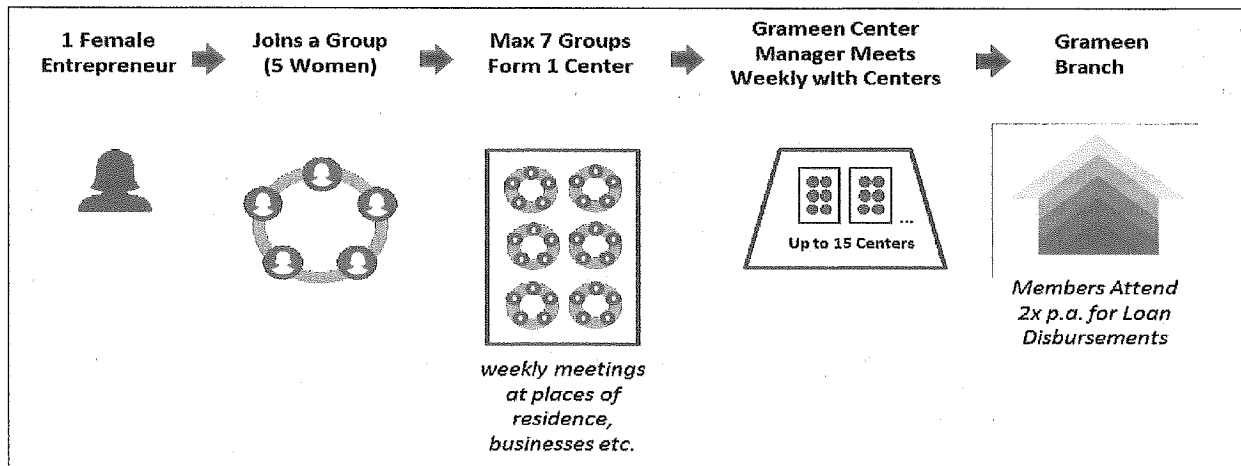
The Credit Builders Program helps borrowers to establish or improve their credit scores by reporting loan repayment to Experian and Equifax. Through direct relationships with Experian and Equifax (two of the three national credit reporting agencies), GAI provides repayment data over the loan period and thereby gives the borrower an opportunity to achieve a favorable score as long as there is no adverse reporting. If a borrower misses a loan payment, this will lower their credit score.

GAI educates borrowers on the importance of credit ratings, scores, and reports, including topics such as credit basics, improving credit, and obtaining a credit report and score. As a result of this program, borrowers who had no credit history prior to joining GAI typically achieve credit scores averaging 640 within six months. Additionally, borrowers with adverse credit history are working towards improving their credit through regular loan repayments.

Continuous Group Training

Following the practices of the Grameen Bank, GAI integrates education and training into everyday lending and collection activities. Through participation in GAI's Continuous Group Training (CGT), borrowers build financial literacy as they learn about credit establishment, asset accumulation and the merits and risks of taking out loans. After initial training, the weekly borrower meetings act as a forum for continued learning. Weekly meetings occur at a location selected and agreed upon by each of the five group members. Topics include: interest rates, savings products, loan disbursement and repayment processes, merits of loans, credit establishment, Center formation and the socio-economic role of the Center, the importance of discipline in the Grameen Bank system, how to track loan and savings transactions, and loan repayment procedures, calculation of amount due and proper keeping of receipts.

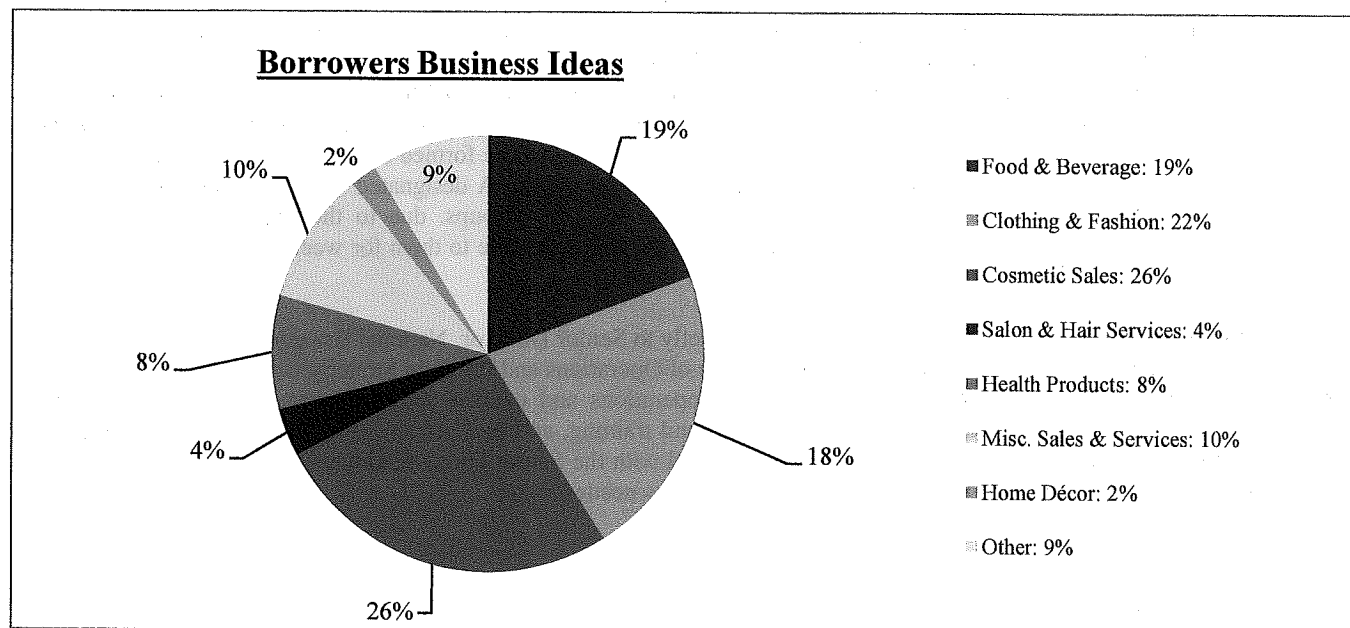
The "Grameen Model" Illustration



Borrowers

All GAI loans are for income-generating purposes to start or expand a small business and 100% of GAI's borrowers are women. Key businesses for GAI borrowers include: cosmetic sales, clothing and fashion, and food & beverage sales. In Upper Manhattan, key borrowers have mainly been comprised of home-product sales, clothing, jewelry and accessories makers, and baked goods and food sales. Noted below is the distribution of GAI's borrowers by business.

Distribution of Borrowers' Businesses



GAI's target borrowers fall below the poverty line, with annual income of \$25,100 or less for a family of four.

Borrower Profiles

Grameen Borrower	Business Owner Story
Alma Rosa: Food Cart Upper Manhattan	Alma Rosa has used loans from GAI to grow her Ecuadorian food business. When she started with GAI, she was supporting her business working full time cleaning houses. Today, she manages a food cart and cooks full-time without having to clean houses to earn extra money. Her food is beloved in the neighborhood; many of her recipes are handed down from her mother, who sold seafood from a street stall in her native country of Ecuador.
Lourien: Bakery Upper Manhattan	Lourien joined GAI in 2010 with a microloan of \$1,500 to support her bakery. GAI has invested over \$80,000 in Loruin over the past eight years, watching her business thrive and grow. Loruin has increased her output to six different types of bread from when she started with GAI, and has hired two more employees from her community.
Rhonda Bacon: Hairpiece Maker Harlem	Rhonda joined GAI in November of 2016 with a \$1,500 loan and began investing in hair pieces. Since joining, she has used subsequent loans to create custom hair pieces for clients, and continues to grow and expand her offerings.
Olivia Lowe: Clothing/Accessories Harlem (moved to Bronx)	Olivia joined GAI in 2015, pursuing her passion for fashion and started her own business selling custom textiles, clothing, and accessories. Olivia says that GAI has helped her provide for her two children, and given her the support she needs to realize her dreams and the inspiration to dream about the future of her business.

Grameen's Branch & Operational Structure

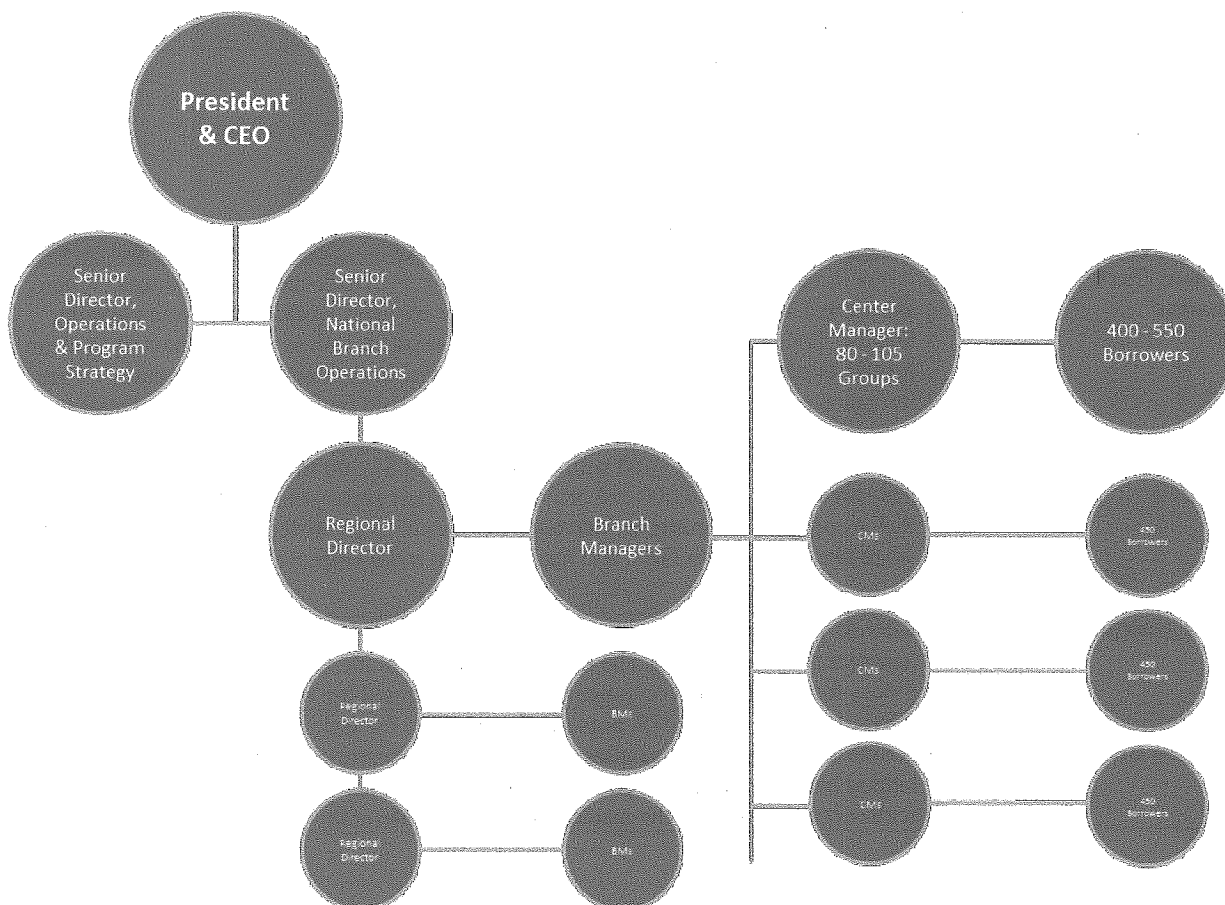
This Grameen model requires prospective borrowers to form a five-member group of borrowers which meets weekly. While members are individually responsible for their own loans, they are expected to provide assistance to their peers where needed, developing a social network of voluntary mutual support.

The Group is the first step of Grameen's organizational structure. Each Group is made up of five members. The five members must be of similar economic background and will function as a support group for each borrower.

The Center is the second step of Grameen's organizational structure and is the main operational unit. In GAI, a Center must include at least two Groups. Each Center has a maximum of 7 Groups and a total of 35 members from the same community. The Group Chairpersons in the Center elects a Center Chief and an Associative Center Chief. Every December, a Center Chief and Associative Center Chief will be elected. They assume their duties from the 1st of January and serve one year. A new Center can begin with one Group with the provision that additional groups will be formed and joined to the Center. While the additional groups are forming the Group Chairperson acts as the Center Chief. A designated Center Manager is expected to handle up to 15 Centers for a total of 105 Groups, an increase from 80 Groups, due to the implementation of a new management information system. Members choose a fixed time and place suitable to them for weekly meetings. The location and time should be convenient for all.

Each region is headed by a Regional Director who reports directly to Senior Director, National Branch Operations, who in turn reports to Andrea Jung, CEO and President. A Senior Director of Operations and Program Strategy works alongside the Senior Director, National Branch Operations to coordinate branch operations and oversee program strategy. Regional Directors routinely visit our branch offices and offer support, guidance and training, and escalate any systemic issues back to the main office. In addition, monthly operational review meetings are held with the Senior Director, Branch Operations, three Regional Directors, the President & CEO, CFO, and other functional heads as needed.

Operating Structure



Market Summary

According to research conducted by The Finance Project², one of the major causes of asset poverty is a lack of knowledge about and access to traditional banking institutions. Compared to higher income peers, low-income workers often lack relevant information about accessing mainstream banking and related opportunities, which impedes their ability to build financial assets. When low-income families turn to alternative financial institutions, they face higher costs for service. The high cost of accessing financial services then impedes already limited cash resources making it even more difficult to build assets. Individuals lacking access to traditional banks and who conduct their daily financial transactions by using alternatives to banks are known as the “unbanked” or “underbanked”. Nearly 10 million households, including 22% of low-income families earning less than \$25,100 annually for a family of four lack bank accounts. Research indicates that among low-to moderate income households, the unbanked tend to be minority, less educated, more likely to be unemployed, renters, and those with young children. In addition, many low-income earners do not trust banks to provide accurate and relevant information and do not appreciate the formality of traditional banking relationships.

As illustrated below the use of alternative services for low-income individuals are generally costly and may further constrain an individual's financial position.

Provider	Services	Cost or Risk to Customer
Check Cashing Stores	Immediate access to cash and bill payment, money orders, money transfers, municipal services and phone cards.	Typically charge a 2-3% fee to cash payroll or government checks, and up to 15% for personal checks
Payday Lenders	Short term (usually two weeks) cash advance on paychecks	15-17% fee for a two week loan additional fee if loan is rolled over.
Title Lenders	Short term loans (usually one month), with automobile or other household assets as collateral	15-20% monthly fee, defaults may result in loss of asset.
Rent to Own Stores	Purchases of big ticket items are paid for in monthly installments.	Final purchase price can be 2-3 times retail cost. Customers forgo equity until final payment.
Tax Preparers	Refund Anticipation Loans (RAL) based on EITC or other tax refunds provide filers with cash earlier than with direct deposit.	Refunds are received only 1-2 weeks earlier than if filed electronically with the IRS; Filers pay interest rates of between 70-700% if calculated annually.

GAI Operations in the Upper Manhattan (Washington Heights) Market

Twenty-five percent (25%) of the 219,000 people living in in this census zone live in poverty. Median household income is \$43,307 and men make 1.07x more than women. The largest demographic living in poverty here is Female aged 25-34. The largest Race or Ethnicity living in poverty is Hispanic (46.1%).

GAI launched its operations in Upper Manhattan in March 2009. Since that time, GAI has served over 9,000 members in Upper Manhattan, disbursing over \$92.9 million in microloans and helping to create and sustain over 9,000 businesses and create or sustain over 9,270 jobs.

Upper Manhattan (Washington Heights) Portfolio Statistics

	As of December 31, 2017	As of December 31, 2016
Membership		
Number of Groups	1,801	1,609
Number of Members	9,005	8,045
Loans		

² The Finance Project is a specialized non-profit research, consulting, technical assistance and training firm for public and private sector businesses. Information collected from a report entitled “Banking the Unbanked: Helping Low-Income Families Build Financial Assets”

Number of Active Borrowers	5,531	5,399
Number of Active Groups	1,106	1,080
Savings		
Number of Active Savers	2,540	2,191
Savings Amount	\$482,572	\$330,236
Total Loan Disbursement to Date	\$92,996,836	\$68,249,772

East Harlem

Thirty-four percent (34%) of the 123,000 people living in East Harlem live in poverty. On average, men earn 1.19x more than women, and the largest demographic living in poverty is Female aged 25-34. The largest Race/Ethnicity living in Poverty is Hispanic at 35.5%, followed by Black or African American at 25.6%. Median Household income is \$31,628.

Expanding Outreach in the East Harlem Market

As noted above, in 2016, almost one-third of all households had incomes below the federal poverty level and nearly half of children lived in poverty. Despite this, the number of businesses in the area increased by 37 percent over the past 10 years, nearly twice the citywide growth rate. In total, there were about 1,750 businesses in East Harlem in 2016. Among the most numerous were restaurants and bars, grocery and liquor stores, personal service businesses (such as beauty salons), pharmacies and clothing stores. Most of the businesses were small. More than two-thirds of the businesses had fewer than five employees and more than three quarters had fewer than 10 employees.³

Despite the entrepreneurial nature of the neighborhood, East Harlem residents lack access to affordable business capital. Almost a decade after the recession, women (especially women of color) remain disproportionately excluded from the financial mainstream. Nearly 50% of female-headed households across the country are un- or underbanked. Lack of access to capital is a major barrier for women-owned businesses: on average, women start their businesses with half as much capital as their male counterparts, and account for only 4% of all small business loans. With no access to safe and affordable capital and financial services, these women are denied the opportunity to provide for their families and contribute to national economic growth.

Over the coming year, GAI strives to expand our services to serve East Harlem's low-income women entrepreneurs. In addition to serving women who live in The Bronx, the Bronx Branch has been serving an increasing concentration of women living in East Harlem. Currently, Center Managers stationed in the South Bronx work with approximately 66 women living in East Harlem. The proximity of the branch to the East Harlem neighborhood has resulted in a slow, natural, entry into this new community. To build momentum and better address the local need, GAI will hire a new Center Manager to serve women in East Harlem. Adding an East Harlem staff member to the Bronx Branch will leverage staff experience and training, while simultaneously reducing the risk and costs of opening a new branch in East Harlem. The Center Manager dedicated to East Harlem is expected to serve over 250 borrowers in 2019 and approximately 525 borrowers in 2023.

Approximately ninety percent (90%) of the women that GAI works with identify as Hispanic/Latina and speak English as a second language. The most common businesses operated by members are food, clothing and accessories, and beauty services (such as hair/nail salons). This member profile mirrors the East Harlem community, which has one of the largest Puerto Rican communities in New York City, and where about half of the population identifies as Hispanic and nearly one third identifies as African-American.

GAI Operations in Central and West Harlem Markets

UMEZ Staff will continue to monitor developments on the West Harlem loan portfolio and recommends no action on the West Harlem loan. For information purposes only, below is comparative demographic data for Central and West Harlem together with a summary of the refocused efforts by the West Harlem branch toward the African American community.

³ Office of the New York State Comptroller (2017): An Economic Snapshot of the East Harlem Neighborhood. New York, New York.

In Central Harlem, twenty-nine percent (29%) of the 136,000 people living in Central Harlem live in poverty. Median Household income here is \$40,816. On Average, men earn 1.17x more than women, and the largest demographic living in poverty is Female 25 – 34, followed by Female 45–54. The Largest Race or Ethnicity living in poverty is Black or African American (53.8%), followed by Hispanic at (23.3%).

In, West Harlem, twenty-six (26%) of the 130,000 people living in this census zone live in poverty. Median Household income is \$45,765, and on average, men make 1.2x more than women. Largest demographic living in poverty is Female aged 18-24. The largest race or ethnicity living in poverty is Hispanic (37.1%), followed by Black for African American (22.3%).

GAI has had historically lower percentages of recruitment of African-American women into the program despite their alignment with its target population. In September 2015, GAI received a grant from the W.K. Kellogg Foundation to examine the barriers and potential programmatic solutions faced in bringing micro finance to native-born African-American women in Harlem, New York. The efforts have been conducted in two phases, a research and development phase (complete) and an implementation phase (ongoing).

An outcome of the research and development phase was to provide a more targeted recruitment effort through collaboration with other community organizations. This is a different approach towards outreach than GAI's branches have traditionally taken; outreach is commonly done strictly through word of mouth. GAI's ongoing commitment to reaching underserved communities utilizes the Harlem project as a research and development branch to test various iterations of its program. To provide a targeted approach, GAI decided to migrate all non-African American members from the Harlem location to its branch in the Bronx, where many of the borrowers already live.

All new loans that have been issued since 12/31/17, when the restructuring occurred, have been performing perfectly. As of 6/30/18, the outstanding amount on loans disbursed in 2018 was \$113,150 and PAR>30 "portfolio at risk, payments at least 30 days late" stood at \$0.

Competitive Landscape

Because GAI fills an unmet demand for financial services among low-income people in Upper Manhattan. Rather than competing, GAI and other microfinance institutions, such as Accion, Opportunity Fund and Lift complement each other and fill specific niches in the unbanked market. GAI borrowers earn an average yearly income of \$11,328 and live below the federal poverty line of \$25,100 for a family of four. The Grameen model gives the Company a strong competitive advantage in Upper Manhattan above traditional banking institutions and other area micro-lenders and CDFI's (Community Development Financial Institutions). The Company's competitive advantages in this niche market include:

- "Group" lending: supports trust and encouragement amongst borrowers
- Financial Literacy: Borrowers
- No Credit Score required for Loan
- No Collateral required for Loan
- Loan used for solely income-generating purposes

Summary Comparison: Competition(A)

	<i>Grameen America</i>	<i>ACCION US Network</i>	<i>Opportunity Fund (Small Bus. Loans)(B)</i>	<i>Lift Fund(C)</i>
<i>Years of Operation</i>	10	16	23	21
<i>Number of Active Borrowers</i>	40,303	5,700+	Not available	2,743
<i>Repayment Rate</i>	99%	96%	Not available	96%
<i>Active Loan Portfolio Size</i>	\$61,135,000	\$61,000,000+	91,000,000	45,294,308
<i>Total Loans Disbursed to Date</i>	347,000	N/A	10,860	20,355
<i>Total Loan Disbursement to Date</i>	\$819,021,000	\$500,000,000+	322,574,074	287,142,614
<i>Jobs Created or Sustained</i>	101,128	200,000+	31,494	34,457
<i>Lending Methodology</i>	Group	Individual	Individual	Individual
<i>Borrowers Average Yearly Income</i>	\$11,328	\$24,000	Not available	Not available
<i>Average Loan Size</i>	\$2,700	\$12,000	\$21,000	\$25,424
<i>Maximum Initial Loan Size</i>	\$1,500	\$50,000	up to \$30,000 for micro	Range \$500 - \$1MM
<i>Loan Term</i>	Up to 12 months	Up to 60 months	Up to 36 Months	Wide range, caps not available
<i>Net Loan Write-Offs</i>	<1.0%	4.30%	Not available	Not available
<i>Fees Charged</i>	No	Yes	Yes	Not available
<i>CreditScore / Collateral Requirement</i>	None required	>575	1-year business history No minimum FICO Score Vehicle Collateral Sometimes required	Credit Score considered, though no minimum. Collateral in the form of vehicle, business equipment jewelry, real estate, financial assets, or 3rd party collateral accepted. Co-signers sometimes requested.
<i>Mandatory Savings</i>	Yes	No	No	No

Reference notes from Chart on page 16:

- (A) Information provided by each micro lender's prospective website.
- (B) The Opportunity Fund provides loans to businesses located within the State of California. Offices are in San Jose, San Francisco, and Los Angeles.
- (C) The Lift Fund provides loans to businesses located in Arkansas, Florida, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, Tennessee, and Texas.

Management and Key Personnel

GAI has assembled an influential Board and a top management team to lead its efforts to break the cycle of poverty through microfinance in the U.S. Key personnel include:

Professor Muhammad Yunus

Chair, Grameen America

Founder, Grameen Bank

Professor Yunus, the "father of microfinance" founded the Grameen Bank in Bangladesh on the premise that the poor are creditworthy. In 2006, Professor Yunus and the Grameen Bank were jointly awarded the Nobel Peace Prize "for their efforts to create economic and social development from below." Professor Yunus is only one of six people in history to receive the Nobel Peace Prize, Presidential Medal of Freedom and Congressional Gold Medal. Professor Yunus published his work on microfinance and social business in his books *Banker to the Poor*, *Creating a World Without Poverty*, and *Building Social Business*. Professor Yunus serves on the Board of Grameen Research, which provides research, training and support in the field of microfinance, as well as Sing for Hope, an organization dedicated to transforming underserved communities through arts outreach programs.

Andrea Jung

President and Chief Executive Officer

Andrea Jung is the President and CEO of Grameen America. Ms. Jung joined Grameen America with the goal of scaling the organization to solve economic issues for women and their families across the country. She is the former Chairman and Chief Executive Officer of Avon Products, Inc., where she served as CEO from 1999 through April 2012, and as Chairman from 2001 through December 2012. Throughout her professional career, Ms. Jung ranked consistently among the top leaders on lists including Fortune magazine's "Most Powerful Women in Business," Forbes magazine's "Most Powerful Women in the World," and Financial Times' "Top Women in World Business". Ms. Jung is a graduate of Princeton University. She is a member of the Board of Directors of the General Electric Company, Apple, Inc., and Daimler AG. She also serves on the Committee for Economic Development, an independent, nonprofit, nonpartisan American think tank.

David Gough

Senior Vice President & Chief Financial Officer

Mr. Gough joined Grameen America from Pro Mujer, an international microfinance and women's development organization with operations in 5 Latin American countries, where he served as CFO. He is a finance and investment professional with a 15 year record in finance and investment banking with Credit Suisse in NYC and London. David's initial experience was in accounting and corporate tax planning for Credit Suisse in London and NYC. He switched industries a decade ago to work in microfinance, eager to find ways to solve social issues through market based solutions. Mr. Gough speaks Spanish fluently and holds an MBA from NYU's Stern School of Business and an LL.B from the University of London King's College School of Law.

Financial Analysis

GAI - Summary of Historical and Projected Financial Performance

Summary Projections and Credit Statistics								
	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Outreach - Grameen America¹								
Total Borrowers	44,821	40,303	47,000	53,240	59,675	65,615	70,795	74,525
% Growth	21.8%	-10.1%	16.6%	13.3%	12.1%	10.0%	18.6%	13.6%
Branches	19	20	21	21	21	21	21	21
Income Statement Summary (December 31)								
Interest Income	\$ 7,896	\$ 10,101	\$ 11,358	\$ 16,041	\$ 20,743	\$ 25,074	\$ 29,078	\$ 32,608
% Growth	39.9%	27.9%	12.4%	41.2%	29.3%	20.9%	40.2%	30.0%
Net Assets Released from Restrictions	7,661	8,536	-	-	-	-	-	-
Grants and Contributions *	3,290	2,462	9,000	10,000	10,000	6,000	5,000	5,000
Other Income	135	87	100	48	18	20	21	21
Total Unrestricted Revenue	\$ 18,982	\$ 21,186	\$ 20,458	\$ 26,090	\$ 30,762	\$ 31,094	\$ 34,099	\$ 37,629
Total % Growth	3.3%	11.6%	-3.4%	27.5%	17.9%	1.1%	10.8%	21.0%
Program Service Expenses*	14,152	14,974	15,498	17,372	18,769	21,157	22,637	23,752
Support Service Expenses*	1,528	1,615	1,700	1,756	1,804	1,854	1,905	1,957
Total Operating Expenses	15,680	16,589	17,198	19,128	20,573	23,011	24,542	25,709
Net Income	\$ 3,302	\$ 4,597	\$ 3,260	\$ 6,961	\$ 10,188	\$ 8,084	\$ 9,557	\$ 11,920
Net Margin	17.4%	21.7%	15.9%	26.7%	33.1%	26.0%	28.0%	31.7%
Balance Sheet Summary								
Cash	\$ 11,190	\$ 18,724	\$ 20,877	\$ 10,111	\$ 10,865	\$ 10,959	\$ 10,664	\$ 10,289
Loans Receivable (Gross)	58,689	61,135	76,132	102,790	128,119	151,751	172,783	191,118
Loan Loss Reserve (1.75%)	(1,045)	(1,088)	(1,332)	(1,799)	(2,242)	(2,656)	(3,024)	(3,345)
Loans Receivable (Net)	57,644	60,047	74,800	100,991	125,877	149,095	169,759	187,773
Total Assets	78,323	87,706	102,711	119,990	146,730	171,156	192,570	211,187
Net Loan Portfolio as % of Assets	73.6%	68.5%	72.8%	84.2%	85.8%	87.1%	88.2%	88.9%
Total Debt Financing	42,392	48,314	61,532	71,850	88,402	104,745	116,602	123,301
OPERATING RATIOS								
Self Sufficiency	50.4%	60.9%	66.0%	83.9%	100.8%	109.0%	118.5%	126.8%
CAPITAL ADEQUACY RATIOS								
Total Debt / Net Assets	0.54x	0.55x	0.60x	0.60x	0.60x	0.61x	0.61x	0.58x
Debt / (Net Assets+Loss Reserves)	0.53x	0.54x	0.59x	0.59x	0.59x	0.60x	0.60x	0.57x
Net Assets / Debt Capitalization	64.9%	64.5%	62.5%	62.5%	62.4%	62.0%	62.3%	63.1%

*Excludes In-Kind Donations and Non - GAI related expenses

GAI's Revenues

GAI generated total unrestricted revenues of \$21.1 million during its fiscal year ending December 31, 2017. This amount represented an 11.6% annual increase over the \$18.9 million in total unrestricted revenues generated by GAI during its prior fiscal year.

GAI's interest income totaled \$10.1 million during FY2017, a 27.9% annual increase over the \$7.8 million in interest income generated during FY2016. Interest income is expected to exceed \$11.3 million in 2018, a projected annual increase of 12.4%. Key interest income projection assumptions include:

- Continued growth of the Company's member base from 40,303 borrowers in 2017 to 47,000 borrowers by the end of 2018
- Increase in the average \$ balance per outstanding loan from \$1,512 per loan in 2017 to \$2,480 per loan in 2022

- 18% interest rate on loans outstanding

Together, Net Assets Released from Restriction and revenues from Grants and Contributions totaled \$10.9 million in FY2017. Net Assets Released from Restriction and revenues from Grants and Contributions totaled \$10.9 million in FY2016, as well.

GAI's Expenses:

In FY2017, GAI incurred total operating expenses of approximately \$16.5 million. Increases in operating expenses year over year are mainly driven by increases in headcount and occupancy costs with the additional hiring of Center Managers, and Branch Managers with acquiring new borrowers and the opening of new branches. Each Center Manager can serve up to 550 borrowers; therefore, as the amount of borrowers increase so will the need to hire additional Center Managers.

GAI's Net Income and Self-Sufficiency

In FY2017, GAI reported positive net income of approximately \$4.6 million. Historically, GAI has relied heavily on raising funds for growth through grants and contributions. During FY2017, revenues from interest income totaled \$10.1 million, or 60.9% of the Organization's total operating expenses of \$16.5 million. The remainder of the Organization's operating expenses were covered by revenues from Grants and Contributions and Net Assets Released from Restriction. GAI projects that, by 2020, revenues from interest income will be sufficient to cover 100% of its operating expenses.

In Q1 2017, GAI completed a transition into a robust new Portfolio MIS, Mabu. Following the rollout of the MIS, GAI instituted higher Center Manager productivity targets. Operations Staff account for over half of GAI's operating budget and managing staff efficiency is key to achieving operational self-sufficiency by 2020. GAI Management focused its staff on managing larger client loan portfolios as opposed to seeking Membership growth as aggressively as in the past. This is reflected in the year-to-year decrease of ten percent (10%) from 2016 to 2017 in the number of borrowers from 44,281 to 40,303. During the same period, loan receivables increased from \$58.7 million to \$61.1 million representing a four percent (4%) increase

This shift in approach yielded a significant increase in the overall efficiency of GAI's operations staff, which is evidenced by the fact that GAI achieved its target of 61% organizational self-sufficiency in 2017, despite employing a more cautious growth strategy than originally anticipated. Now that the MIS transition is completed, GAI intends to grow at rates more comparable to prior years. As of Q2 2018, GAI's outstanding loan portfolio stood at \$66.2 million, and GAI Management state that they on track towards reaching the organization's goal of \$76.1 million by the end of the 2018.

GAI's Asset and Debt Structure

At December 31, 2017, GAI held total assets of approximately \$87.7 million, with total liabilities of approximately \$49.0 million and total net assets of approximately \$38.7 million. At December 31, 2017, GAI maintained a strong net asset ratio of 44.1%.

GAI's asset base consisted of loans receivable with a total value of approximately \$60.0 million, net of a loan loss reserve of \$1.0 million, or 1.78% of gross loans receivable. The Organization reviews its allowance for loan losses for adequacy considering economic conditions and trends and credit quality indicators, including past write-off experience and past due conditions of loans. GAI's historical loan repayment rate exceeds 99% and, at December 31, 2017, its >30 day past due rate was approximately 0.28%.

GAI's Upper Manhattan Branch - Summary of Historical and Projected Financial Performance

Outreach -Upper Manhattan (\$000's)	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Total Borrowers	4,259	4,042	4,292	4,237	4,244	4,286	4,249	4,237
% Growth	N/A	-5.1%	6.2%	-1.3%	0.2%	1.0%	-0.9%	-1.1%
Loans Receivable (Gross)	\$ 6,048	\$ 6,720	\$ 7,398	\$ 8,260	\$ 9,075	\$ 9,869	\$ 10,576	\$ 11,292

Grameen America: Upper Manhattan Branch Income Statements (\$000's)								
	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
<i>Grant and Net Other Revenue</i>								
Interest Income	\$ 847	\$ 1,050	\$ 1,271	\$ 1,409	\$ 1,560	\$ 1,705	\$ 1,840	\$ 1,968
% Growth	N/A	24%	28%					
Net Assets Released from Restriction	567	497						
Grants and Contributions	7	58						
Total Unrestricted Revenue	\$ 1,421	\$ 1,605	\$ 1,271	\$ 1,409	\$ 1,560	\$ 1,705	\$ 1,840	\$ 1,968
% Growth	N/A	12.9%	-20.8%	10.9%	10.7%	9.3%	7.9%	7.0%
<i>Program Service Expenses</i>								
Salaries and Benefits	510	538	509	525	540	557	573	591
Professional Fees	6	28	36	37	38	39	40	42
Office Expense	37	26	28	29	30	31	31	31
Rent and Utilities	29	48	51	52	54	55	57	59
Other Expense	140	183	242	282	321	352	384	431
Total Program Service Expenses	722	823	865	925	983	1,034	1,086	1,154
Depreciation of Assets	3	2	2	2	2	2	2	2
Corporate Overhead Allocation	377	278	240	247	253	260	268	276
Net Income	\$ 319	\$ 502	\$ 163	\$ 236	\$ 322	\$ 408	\$ 484	\$ 535
Net Margin	22.4%	31.3%	12.9%	16.7%	20.7%	24.0%	26.3%	27.2%

Grameen America: Upper Manhattan Branch Balance Sheet (\$000's)								
	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
ASSETS								
Current Assts:								
Cash	\$ 501	\$ 252	\$ 277	\$ 309	\$ 340	\$ 369	\$ 396	\$ 423
Cash Held for Disbursement Card Program	200	350	350	350	350	350	350	350
Micro Loans Outstanding	6,048	6,720	7,398	8,260	9,075	9,869	10,576	11,292
Less: Loan Loss Reserve	(76)	(105)	(129)	(145)	(159)	(173)	(185)	(198)
Net Micro Loans Outstanding	5,972	6,615	7,269	8,115	8,916	9,696	10,391	11,094
Other Current Assets	18	69	22	22	22	22	22	22
Total Current Assets	6,691	7,286	7,918	8,796	9,628	10,437	11,159	11,889
Other Noncurrent Assets	2,143	1,602	1,805	2,033	2,343	2,743	3,215	3,740
TOTAL ASSETS	8,834	8,888	9,723	10,829	11,971	13,180	14,374	15,629
LIABILITIES								
Current Liabilities	554	1,268	-	-	-	-	-	-
Notes Payable - Long Term	6,346	5,185						
Total Long-Term Liabilities	6,346	5,185	7,125	7,996	8,816	9,616	10,326	11,046
TOTAL LIABILITIES	6,900	6,453	7,125	7,996	8,816	9,616	10,326	11,046
TOTAL NET ASSETS	1,934	2,435	2,598	2,833	3,155	3,564	4,048	4,583
TOTAL LIABILITIES AND NET ASSETS	\$ 8,834	\$ 8,888	\$ 9,723	\$ 10,829	\$ 11,971	\$ 13,180	\$ 14,374	\$ 15,629

GAI Upper Manhattan Branch – Historical Financial Performance

At December 31, 2017, GAI's Upper Manhattan branch held approximately \$8.8 million in total assets, with approximately \$6.4 million in total liabilities and approximately \$2.4 million in total net assets.

In FY2017, GAI's Upper Manhattan branch generated revenues from interest income of approximately \$1,050,000. Revenues from Grants and Contributions plus Net Assets Released from Restriction totaled approximately \$555,000. Total unrestricted revenues totaled approximately \$1,605,000. This amount represented a 12.9% annual increase over the \$1,421,000 in total unrestricted revenues generated by GAI's Upper Manhattan branch during its prior fiscal year.

In FY2017, GAI's Upper Manhattan branch incurred total operating expenses of approximately \$1,103,000. For FY2017, GAI's Upper Manhattan branch reported positive net income of approximately \$502,000.

GAI Upper Manhattan Branch – Self Sufficiency

GAI's Washington Heights Branch has achieved sustainability; i.e., the interest income earned from its microloan portfolio exceeds both the operating costs (e.g., salaries, rent, office expenses, etc.) of the branch and the corporate level cost allocation associated with supporting the branch (e.g., centralized accounting and treasury, operational oversight, HR, etc.). As of December 31, 2017, the Upper Manhattan branch had 4,042 borrowers, with approximately 87% of borrowers returning for subsequent loans. As borrowers continue to return for subsequent loans at larger increments, the average loan size outstanding increases as does the size of the overall loan portfolio.

GAI Upper Manhattan Branch - Projected Financial Performance

GAI estimates that it will achieve moderate growth in the size of its active Upper Manhattan borrower base from 4,042 borrowers at the end of 2017 to 4,237 borrowers at the end of 2023, a 5% increase. Ongoing outreach and recruiting of new borrowers is necessary in order to replace the approximately 13% annual attrition rate.

Over this same five-year period, GAI forecasts that its average loan size in Upper Manhattan will grow from \$1,663 in 2017 to \$2,665 in 2023. Therefore, GAI estimates that the size of its Upper Manhattan loan portfolio will grow from \$6,719,677 at the end of 2017 to \$11,292,000 at the end of 2023, a 68% increase.

According to GAI, demand for loan capital is driven by two factors: (i) initial loan sizes to new borrowers, and (ii) incremental growth in loan size to returning borrowers. First time borrowers are eligible for a loan of up to \$2,000; loans then amortize over a 26-week loan repayment cycle. Returning borrowers who maintain a perfect repayment record over the 26 weeks are then eligible for subsequent loans with increments in the \$500 to \$1,000 range, depending on their loan cycle and borrower capacity/need.

GAI recently updated its loan policy to increase the amount a borrower is eligible for as a first-time loan (previously \$1,500; now: \$2,000). GAI also updated its loan increase policy: in prior years, a borrower was only eligible for up to a \$500 increase per subsequent loan, whereas the new policy allows for up to a \$1,000 increase dependent on borrower eligibility and need. This policy change is representative of GAI's ability to continue servicing its borrowers, as the general demand for loan capital among micro entrepreneurs has increased since the Upper Manhattan branch opened in 2010. While the maximum amount a borrower is now eligible for has increased, not all borrowers qualify because the decision is ultimately based on the Group, Center Manager, and Branch Manager's assessment of a borrower's business capacity to take on more loan capital.

GAI East Harlem – Projected Financial Performance

Outreach -East Harlem	2018	2019E	2020E	2021E	2022E	2023E
Total Borrowers	261	441	671	850	998	1,127
% Growth	N/A	69.0%	52.2%	26.7%	17.4%	12.9%
Loans Receivable (Gross) (\$000's)	\$ 550	\$ 750	\$ 1,108	\$ 1,495	\$ 1,932	\$ 2,425
Grameen America: East Harlem Outreach Income Statement (000's)						
	2018	2019E	2020E	2021E	2022E	2023E
<i>Grant and Net Other Revenue</i>						
Interest Income	\$ 49	\$ 117	\$ 167	\$ 234	\$ 308	\$ 392
% Growth						
Grants and Contributions	115	85	60	25	0	0
Other Income						
Total Unrestricted Revenue	\$ 164	\$ 202	\$ 227	\$ 259	\$ 308	\$ 392
% Growth						
<i>Program Service Expenses</i>						
Salaries and Benefits	64	66	114	118	121	125
Professional Fees	3	3	3	3	3	3
Office Expense	2	2	2	2	2	2
Rent and Utilities	5	5	5	5	5	6
Other Expense	37	41	57	69	88	108
Travel	2	2	2	2	2	2
License and Insurance Expenses	-	-	-	-	-	-
Advertising and Events	0	0	0	0	0	0
Total Program Service Expenses	112	118	183	198	222	246
Depreciation of Assets	-	-	-	-	-	-
Corporate Overhead Allocation	18	25	25	26	27	28
Net Income	\$ 34	\$ 60	\$ 19	\$ 35	\$ 60	\$ 119
<i>Net Margin</i>	<i>20.9%</i>	<i>29.5%</i>	<i>8.2%</i>	<i>13.4%</i>	<i>19.4%</i>	<i>30.3%</i>

GAI East Harlem - Projected Financial Performance

Over the five-year period from 2019 through 2023, GAI forecasts that it will grow its East Harlem microloan portfolio to 1,127 borrowers with \$2.4 million in gross loans outstanding. Over the coming year, GAI seeks to expand its outreach and services to serve East Harlem's low-income women entrepreneurs. GAI will hire a new Center Manager to serve women in East Harlem to build momentum and better address the local need. Adding an East Harlem staff member to the Bronx Branch will leverage staff experience and training, while simultaneously reducing the risk and costs of opening a new branch in East Harlem.

The East Harlem Outreach is a targeted approach that will place a GAI Center Manager specifically focused on East Harlem and in charge of community outreach, borrower recruitment, and loan servicing.

GAI Center Managers meet with borrowers to collect repayments in their residences and their places of business. While the loans to borrowers in East Harlem will still be disbursed out of the Bronx branch, the branch location is less important as borrowers are only required to travel there twice per year. (There is a maximum of two disbursements per borrower per year because of the 26 week loan terms). GAI policy also requires that borrowers live within a ten mile radius of the branch in which their loans are disbursed from, and the East Harlem neighborhood falls within that distance of the Bronx branch.

GAI West Harlem – Projected Financial Performance

UMEZ Staff will continue to monitor developments on the West Harlem loan portfolio and recommends no action on the West Harlem loan.

Outreach -West Harlem (\$000's)	2018 E	2019 E	2020 E	2021 E	2022 E	2023 E
Total Borrowers	128	261	450	1,050	1,710	2,383
% Growth	N/A	103.8%	72.7%	133.4%	62.8%	39.4%
Loans Receivable (Gross)	\$ 110	\$ 257	\$ 495	\$ 1,133	\$ 2,030	\$ 3,101

Grameen America: West Harlem Outreach Income Statement (\$000's)						
	2018 E	2019 E	2020 E	2021 E	2022 E	2023 E
<i>Grant and Net Other Revenue</i>						
Interest Income	\$ 33	\$ 68	\$ 147	\$ 285	\$ 462	\$ 671
% Growth						
Grants and Contributions	750	650	710	600	620	490
Other Income						
Total Unrestricted Revenue	\$ 783	\$ 718	\$ 857	\$ 885	\$ 1,082	\$ 1,161
% Growth						
<i>Program Service Expenses</i>						
Salaries and Benefits	152	269	324	422	492	523
Professional Fees	4	4	4	4	5	5
Office Expense	16	16	17	17	18	18
Rent and Utilities	22	22	23	24	24	25
Other Expense	90	41	184	98	209	248
Travel	19	19	20	20	21	22
License and Insurance Expenses	0	0	0	0	0	0
Advertising and Events	1	1	1	1	1	1
Total Program Service Expenses	303	372	572	587	769	842
Depreciation of Assets	1	1	1	1	1	1
Corporate Overhead Allocation	242	252	296	204	213	222
Net Income	\$ 237	\$ 93	\$ (12)	\$ 93	\$ 99	\$ 96
<i>Net Margin</i>	<i>30.3%</i>	<i>12.9%</i>	<i>-1.4%</i>	<i>10.5%</i>	<i>9.2%</i>	<i>8.3%</i>

Over the six-year period from 2018 through 2023, GAI forecasts that it will grow its West Harlem microloan portfolio to 2,383 active borrowers with gross loans outstanding that will exceed \$3.1 million.

GAI's expansion plan into African-American communities in West Harlem differs from its "Business as Usual" expansion methodology. Distinguishing characteristics are outlined below:

Branch Structure

1. Branch Project Manager from the local community to manage branch operations as well as focus on and experiment with model adaptations and community outreach.
2. Branch Outreach Coordinator hired from the local community to work with local organizations to provide outreach and recruitment strategies.

Enhanced Continuous Group Training

1. Based on responses from surveys and focus groups, GAI will offer enhanced pre-loan Continuous Group Training (CGT) in the West Harlem branch.
2. A longer, enhanced CGT schedule with group recognition on day 7 (previously 5 days)

Business Training / Technical Assistance

1. Fostering community partnership with external organizations to deliver monthly workshops on basic business skills.
2. Workshop: Business 101: Legal, Financial, and Market Access
3. Training takes place in the West Harlem branch

Merits and Considerations

MERITS	CONSIDERATIONS
<ul style="list-style-type: none">• Rapid growth of Upper Manhattan Branch• Proven track record in micro-lending• Strong loan repayment history• Promotes financial literacy for the “unbanked”• Key investment for Upper Manhattan	<ul style="list-style-type: none">• Reliance on other sources of capital

Merits:

- **Rapid growth of Upper Manhattan Branch (Washington Heights):** GAI’s Upper Manhattan branch has grown from 500 borrowers in February 2010 to 4,042 borrowers as of December 31, 2017 with cumulative borrower savings of approximately \$482,000 in the Washington Heights and Inwood area. . Over the next five (5) years, GAI’s Upper Manhattan branch loan portfolio is projected to grow to over \$11.3 million in loans to over 4,237 borrowers / entrepreneurs. The Upper Manhattan branch is expected to reach sustainability in 2018. GAI’s average loan size is more aligned with home-based businesses in Washington Heights and East Harlem averaging \$2,700 compared to \$12,000, \$21,000 and \$25,424 for ACCION, Opportunity Fund, Lift Fund, respectively. Its job creation numbers are robust at 101,128 compare favorably to ACCION (200,000+), Opportunity Fund (31,494) and Lift Fund (34,457).
- **Expansion of operations in the East Harlem market:** GAI will leverage its Bronx branch to foster the expansion of operations in the East Harlem market. GAI will hire a dedicated Center Manager to focus exclusively on attracting and retaining new members from the East Harlem market.
- **Continuation of lending operations in the West Harlem market:** GAI’s West Harlem branch is now wholly focused upon expanding GAI’s outreach and support for the African-American market in West Harlem. GAI has recently restructured its West Harlem operations and program structure in pursuit of an aggressive expansion plan in this market.
- **Proven track record in micro lending:** GAI, incorporated in Massachusetts, uses the peer-group lending model pioneered by Grameen Bank in Bangladesh which has been lending internationally for over 34 years. GAI has followed the Grameen Bank model, since its first branch opening in January 2008.
- **Loan repayment history:** With total loan disbursements of over \$819.6 million and over 59,900 borrowers living below the poverty line in the United States, GAI has been able to sustain a low level of default with a loan repayment rate greater than 99%.
- **Promotes financial literacy for the “unbanked”:** GAI’s success is largely driven by its ability to promote financial literacy amongst borrowers that would generally be considered “unbanked.” By using the group method which encourages trust amongst its members, and by introducing borrowers to credit reporting and savings accounts, GAI has helped service a community that has struggled with financial competency. As of December 31, 2017, GAI borrowers have accumulated over \$6.8 million in borrower savings; in addition, GAI’s borrowers have average credit scores of 670.
- **Key investment for Upper Manhattan:** According to the most recent Census data, twenty-five percent (25%) to thirty-four percent (34%) of Washington Heights and East Harlem residents, respectively, live in poverty. A recapitalization of the program in Washington Heights and an expansion of the program into East Harlem will provide needed support to the Upper Manhattan community. Promoting small businesses and providing individuals with financial literacy is a key element in UMEZ’s strategy for favorably impacting the small business community in said area.

Considerations

- **Reliance on other sources of capital:** GAI is dependent on grants and contributions to fund a significant portion of its operations. A change in the fundraising environment or an inability to raise operating funds could force GAI to limit the breadth of its lending operations. Given GAI’s success in other markets, UMEZ Staff is confident management will continue to successfully raise needed funds for the Company until attaining sustainability in 2020. In addition, GAI is expected to achieve financial self-sufficiency by 2020, and GAI’s Upper Manhattan branch is expected to achieve financial self-sufficiency in 2018.

Due Diligence Highlights

UMEZ Staff has completed the following due diligence items to date:

- Ongoing monitoring of the financial performance of GAI and Grameen Upper Manhattan
- Meeting with Grameen Executive Staff to discuss next steps, pilot program progress, and expansion opportunities
- Updated lending forecasts and detailed financial projections

Outstanding Due Diligence items include:

- Vendex: Certificate of No Change
- Legal Due Diligence

Performance Benchmarks

We believe the project has the following potential benchmarks that can be used to measure its long-term success:

- Disbursement of \$3,000,000 to Upper Manhattan low-income entrepreneurs while supporting financial literacy.
- Disbursement of \$1,000,000 to East Harlem low-income entrepreneurs while introducing said communities to the Grameen Model and supporting financial literacy.
- Help to create and sustain approximately 5,364 jobs.

Recommendation

UMEZ Staff seeks approval by the EPD Committee of a \$4,000,000 term loan and \$115,000 UMEZ restricted grant to GAI to re-capitalize its lending platform in Washington Heights and expand its lending platform to East Harlem.

TERM SHEET

Grameen America, Inc.

October __, 2018

The following summary of indicative terms and conditions is provided for discussion purposes only and does not constitute a commitment to lend or an agreement to issue a commitment. These terms are not all-inclusive. Additions and changes may be made as the Upper Manhattan Empowerment Zone Development Corporation ("UMEZ" or the "Lender") and its counsel deem necessary, prudent or desirable. No agreement (oral or otherwise) that may be reached during negotiations shall be binding upon the parties until all parties have executed final loan documents.

This document is not a commitment. A commitment will only be issued if, and when the Lender approves all material terms and conditions that would govern the loan. The Lender does not represent that it will approve the issuance of a commitment or a loan, and Lender does not make any representation or warranty herein.

The actual terms and conditions upon which the Lender may extend a loan to the borrower are subject to, among other things, satisfactory completion by the Lender of its due diligence and credit approval processes, and the preparation and review of appropriate documentation and such other terms and conditions as may be determined by the Lender or its counsel.

- Borrower and Grantee:** Grameen America, Inc., a 501(c)(3) organization.
- Lender and Grantor:** Upper Manhattan Empowerment Zone Development Corporation.
- Purpose:** The Loan shall be used to recapitalize micro lending activity in Washington Heights and to finance a micro lending program in the East Harlem.
- The Grant shall be used to support a portion of the operating costs associated with the staffing, administration, loan-loss, and occupancy expenses incurred by the micro lending program in East Harlem.
- Principal Loan Amount:** \$4,000,000 (the "Loan"). Anticipated draw schedule:
- \$3,000,000 at closing
 - \$1,000,000 six months after closing
- Maturity Date:** Five years from closing (estimated December 2023).
- Interest Rate:** 3.25% per annum, payable quarterly.
- Facility Fee:** \$20,000, payable at closing.
- Amortization:** Scheduled repayments as follows:
- \$500,000 due forty-eight months after closing
 - \$500,000 due fifty-four months after closing
 - \$3,000,000 due sixty months after closing

Grant Funding:

Amount: \$115,000 disbursed as follows:

- \$50,000 at closing
- \$35,000 six months after closing
- \$30,000 twelve months after closing

The third disbursement under the Grant shall be subject to Grantee providing documentation reasonably acceptable to Grantor demonstrating that Grantee has disbursed at least \$500,000 of the Loan to East Harlem borrowers.

Total Project Cost:

\$4,115,000, comprised of \$3,000,000 to re-capitalize an existing loan, \$1,000,000 to fund microlending activity in East Harlem, and \$115,000 for operating costs associated with the staffing, administration, and occupancy costs of the program. These operating costs will be funded through a separate UMEZ grant agreement.

Funding Sources:

UMEZ Loan:	\$4,000,000
UMEZ Grant:	\$115,000
Total:	\$4,115,000

Financial Covenants and Other Conditions:

1. Borrower must remain in compliance with all outstanding loan agreements.
2. Borrower must maintain its "Leverage Ratio" below 3.0:1.0.
3. Borrower must maintain its exempt status under section 501(c)(3) of the Internal Revenue Code.
4. The loan closing fee will be zero percent (0%) for all micro loans funded using UMEZ loan proceeds.
5. Borrower shall repay in full, at least 30 calendar days prior to the closing date, the outstanding balance due under the loan agreement, dated June 12, 2012, between Lender and Borrower in the amount of \$3,000,000 (the "Washington Heights Loan").
6. Other representations and warranties substantially similar to those contained in the Washington Heights Loan.

Definitions:

"Leverage Ratio" is the quotient of Total Debt Outstanding divided by Total Net Assets.

Financial and Compliance Reporting:

Borrower is required to provide audited annual financial statements within 120 days after the end of each fiscal year.

Borrower is required to provide quarterly interim financial reports, including income statement, cash flow statement, and balance sheet, within 45 days after the end of each fiscal quarter.

Borrower is required to provide quarterly and final program reports within 45 days of quarter end, substantially similar to Exhibit H to the Washington Heights Loan, attached hereto as Appendix A.

Insurance:

Borrower will be required to maintain and provide insurance certificates and policies satisfactory to the Lender, including All Risk and General Liability from carriers having an AM BEST rating of "A" or better.

Approvals:

This Term Sheet and the Loan are subject to the approval of UMEZ, the New York Empowerment Zone ("NYEZ") Board and applicable government agencies.

Target Closing Date:

December 15, 2018.

Expiration:

This term sheet will expire without notice if not accepted and returned by October ___, 2018.

Right to Transfer:

The Lender may, at any time, sell, transfer, assign or grant participations in the Loan and will provide Borrower notice of the same.

Optional Prepayment:

Borrower shall have the right to prepay all or any part of the principal of the Note, without interest or penalty, with accrued interest to the date of such payment. Each such prepayment shall be applied first to accrued and unpaid interest, second, to other amounts due and owing under the Loan Agreement and third, to outstanding principal of the Note.

The Lender has prepared this Summary in reliance on the information provided by Borrower and may modify this Summary as additional information is presented and reviewed.

Agreed and Accepted by

Grameen America, Inc.

Name: David Gough
Title: Senior Vice President and CFO

Appendix A

[illegible]

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND AN ECONOMIC AND PHYSICAL
DEVELOPMENT PROJECT**

**AT A REGULAR MEETING OF THE BOARD OF DIRECTORS HELD ON THE
15TH DAY OF OCTOBER 2018**

WHEREAS, the Economic and Physical Development Committee has reviewed the materials presented to it, a copy of which has been filed with the records of the Upper Manhattan Empowerment Zone Development Corporation ("UMEZ"), relating to the expansion of Grameen America, Inc. ("GAI") to create a microlending program for the East Harlem community and to re-capitalize GAI's microlending activity for the Washington Heights and Inwood communities (the "Project"); and

WHEREAS, the Economic and Physical Development Committee has found it to be a desirable project, consistent with the New York Empowerment Zone's Strategic Plan, and the investment criteria for initiatives seeking financial support.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Project and authorizes UMEZ to submit the Project to the New York Empowerment Zone Corporation for authorization to fund a loan not to exceed FOUR MILLION DOLLARS (\$4,000,000) and a grant not to exceed ONE HUNDRED FIFTEEN THOUSAND DOLLARS (\$115,000), subject to terms and conditions substantially similar to those included in the presentation materials; and be it

FURTHER RESOLVED, that the approval of the Project authorized by these resolutions shall expire nine (9) months after the adoption of these resolutions; and be it

FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to make such changes to the terms and conditions of the transaction as may be appropriate, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

December 18, 2018

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Grameen America, Inc. – A \$4,000,000 unsecured loan and \$115,000 restricted grant to recapitalize micro lending activity in Washington Heights, and finance a micro lending program and related administrative costs in East Harlem.

RESOLVED, that on the basis of the materials (the "Materials") presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation ("UMEZ") initiative for a grant/loan to UMEZ Grameen America, Inc. (the "Initiative") to recapitalize micro lending activity in Washington Heights, and finance a micro lending program and related administrative costs in East Harlem. The Corporation is hereby authorized to disburse to UMEZ an amount not to exceed FOUR MILLION ONE HUNDRED FIFTEEN THOUSAND DOLLARS (\$4,115,000) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the "State"), the City of New York (the "City") and others ("MOU"); and be it further

RESOLVED, that for the purpose of providing grant/loan for under the new Initiative, UMEZDC shall require the Corporation's Board of Director's approval on each individual project; and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant/loan in an amount not to exceed FOUR MILLION ONE HUNDRED FIFTEEN THOUSAND DOLLARS (\$4,115,000) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

December 18, 2018

TO: The Directors

FROM: Howard Zemsky

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone Development Corporation

REQUEST FOR: **Authorization for Upper Manhattan Empowerment Zone Development Corporation's Marketing Budget in the Year 2019 and to Take Related Actions.**

The Directors are requested to approve a marketing budget in the year 2019 for the Upper Manhattan Empowerment Zone Development Corporation ("UMEZ") in the amount of ONE HUNDRED TWENTY FIVE THOUSAND DOLLARS (\$125,000).

	Items	
Print and Online Advertising		25,000.00
Collateral Materials		20,000.00
Sponsorships		25,000.00
Partnering and Convening		50,000.00
Website		5,000.00
Total	\$	125,000.00

FOR CONSIDERATION

To: New York Empowerment Zone Board of Directors

From: Blair Duncan, President and Chief Executive Officer
Upper Manhattan Empowerment Zone Development Corporation

Date: December 18, 2018

Subject: Marketing Budget

Request: \$125,000 Marketing Initiative for January 1, 2019 to December 31, 2019

Description of Project

The Upper Manhattan Empowerment Zone seeks funding for its marketing, communications and promotion efforts in support of economic development in Upper Manhattan. Funds would cover a twelve (12) month period beginning January 1, 2019 to December 31, 2019. During this period, UMEZ would continue to undertake activities intended to sustain Upper Manhattan as an exciting community for business, work and home.

UMEZ seeks to highlight its successes and raise awareness of how it furthers community development in Upper Manhattan and the services it offers to businesses and cultural organizations that reside there. UMEZ will conduct outreach to promote small business development through direct lending, partnering with the City, State, community banks and Community Development Financial Institutions (CDFIs) small business lenders and micro lenders; technical assistance coordination with community-based training organizations; and integration of workforce development programs with borrowers and grantees. UMEZ will also identify opportunities to support small business and cultural organizations through select convening sessions to share best practices.

The marketing outreach will be multifaceted to include traditional print advertisement in English and Spanish language social media, partnering opportunities with community-based organizations, CDFIs and community banks. UMEZ will also create supportive marketing materials and other collateral. UMEZ will identify reference clients who can speak to the positive impact of loans and grants from UMEZ. These reference clients will enhance credibility with peers and, with their consent, be used in advertising, news announcements and marketing materials. In addition, UMEZ will seek opportunities to participate in case studies highlighting the benefits of its programmatic services provided.

Project Objectives

The project is designed to increase awareness of UMEZ, build on its investment in the community (both cultural and commercial), and highlight its small business lending platform by differentiating UMEZ from other community-based lenders in the Upper Manhattan marketplace, as well as highlight opportunities for collaboration with other community-based lenders. It is anticipated that there will be an increase in interest income resulting from more small business loan volume.

Goals include:

- Extending UMEZ's impact in geographic areas experiencing fewer direct investments
- Maintaining and increasing deal flow for prospective small business loans
- Promoting UMEZ's workforce development programs as complementary services for small businesses
- Highlighting UMEZ's investment portfolio of cultural entities
- Convening professional learning community meetings

Approach

UMEZ will use a range of tools to market its products and services. Outlined below are a series of seven methods that UMEZ will undertake to bring greater awareness to the community.

Print and Online Media: UMEZ will make select placements of print and social media advertising and partnering opportunities. With regard to print advertisement, UMEZ will target local papers (e.g., El Diario, Amsterdam News and Manhattan Times) and their websites.

Social Media: UMEZ is strengthening its visibility on social media, including periodic communications to our email subscribers. This should fuel greater awareness at a much faster pace by encouraging other businesses and not-for-profits in our clients' networks to seek out UMEZ for appropriate funding and technical assistance. During the course of this year, UMEZ has two full time staff member who dedicate up to 20% of their time toward marketing, which includes social media. Staffing needs will be monitored, however we believe our current staffing meets the needs for our social media outreach.

Website: UMEZ overhauled its website in 2017, redesigning functionality and appearance. The website includes profiles of grantees and borrowers promoting their success and experience with obtaining funding and other technical assistance from UMEZ. These announcements are updated regularly and will be integrated with our social media outreach.

Promotional and Partnering Events: UMEZ participates in events to establish and maintain community awareness of the services it offers with the view toward creating greater awareness among new and existing businesses of capital access opportunities. UMEZ expects to host partnering events with community banks to create opportunities for UMEZ staff to speak one-on-one with businesses looking to launch or expand their business in Upper Manhattan. UMEZ also continues to participate in the Small Business Expo at the Jacob K. Javits Convention Center and other local economic development events.

Local Event Sponsorships: UMEZ will continue to partner with area producers on events in Upper Manhattan, including Restaurant Week, the Uptown Arts Stroll, and Harlem Week. The events, organized by a diverse group of local organizations, draw people to explore Upper Manhattan and enjoy some of the unique experiences available here. By enhancing awareness of neighborhood activities, tourist and residents are more likely to purchase goods and services in our communities.

Convening: UMEZ plans to collaborate with other CDFI small business lenders and micro-lenders to empower Upper Manhattan entrepreneurs to gain expertise to launch and expand their businesses. Through these convenings, UMEZ will facilitate training to help close the gaps

in small business ownership and performance, including addressing management skills and access to capital for neighborhood entrepreneurs. UMEZ also expects to bring together cultural organizations in Upper Manhattan to create professional learning opportunities so that leadership in organizations in the same field can leverage each other's knowledge. Meetings would be led by a facilitator to oversee a focused agenda to share best practices and innovative ideas.

Content Creation: Brochures, other handouts and collateral material are distributed at the events described above. Advertisements for print and online media provide potential clients information about UMEZ small business programs. An annual report will also be prepared and hosted on our website.

PROJECTED OUTCOMES

UMEZ expects an increase in the direct and indirect pipeline for small business loan. The goals include increasing awareness of UMEZ's program and services across the Central Harlem, East Harlem, West Harlem and Washington Heights and Inwood, which would establish a foundation upon which UMEZ can build on to further stimulate increased pipeline.

FINANCING REQUESTED

UMEZ request funding of \$125,000 to underwrite marketing activities in support of UMEZ's programs and services in Upper Manhattan. These funds will be used over the next one year period commencing January 1, 2019 through December 31, 2019. The projected marketing budget is as follows:

Print and online advertising:	\$25,000
Collateral materials:	\$20,000
Sponsorships:	\$25,000
Partnering and Convening:	\$50,000
Website:	<u>\$ 5,000</u>
Total:	\$125,000

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND
MARKETING BUDGET
JANUARY 1, 2019 TO DECEMBER 31, 2019**

**AT A REGULAR MEETING OF THE BOARD OF DIRECTORS HELD ON THE
15TH DAY OF OCTOBER 2018**

RESOLVED, that on the basis of the material presented to the Board of Directors of Upper Manhattan Empowerment Zone Development Corporation ("UMEZ"), a copy of which has been filed with the records of UMEZ, the Board of Directors approves the request to fund up to ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$125,000) for the UMEZ Marketing Budget (the "Marketing Budget") for the period January 1, 2019 to December 31, 2019;

FURTHER RESOLVED, that UMEZ is authorized to submit the Marketing Budget request in an amount of up to ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$125,000), to the New York Empowerment Zone Corporation for its consideration and approval; and be it

FURTHER RESOLVED, that the President and CEO of UMEZ or his designees, are hereby authorized on behalf of UMEZ to take any steps that any of them deem necessary or appropriate to carry out the intent and purpose of the foregoing resolutions.

December 18, 2018

**UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION - UMEZ
Marketing - Authorization of \$125,000 marketing budget in the year 2019.**

RESOLVED, that on the basis of the materials (the "Materials") presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation ("UMEZ"), the Directors hereby authorize a marketing budget for ONE HUNDRED TEWNTY FIVE THOUSAND DOLLARS (\$125,000) in the year 2019 pursuant to the purposes described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State (the "State"), the City ("City"), and others ("MOU"); and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorize in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

December 18, 2018

TO: The Directors

FROM: Howard Zemsky

SUBJECT: South Bronx (Bronx County) – Bronx Overall Economic Development Corporation – Empowerment Zone

REQUEST FOR: **Authorization for Bridge Loan to Bronx Kreate Space, LLC Initiative and to Take Related Actions.**

I. Initiative Summary

Organization Name: Bronx Overall Economic Development Corporation ("BOEDC")
851 Grand Concourse, #123
Bronx, NY 10451

Contact: Marlene Cintron
President
(718) 590-3540

Proposed Initiative: A \$595,000 bridge loan to Bronx Kreate Space LLC to lease and improve a warehouse space into art studios.

Total Initiative Cost: \$1,038,000

Proposed Empowerment Zone ("EZ") Investment: \$595,000 (Bridge Loan)

Funding Sources:

Federal EZ SSBG Funds:	\$	116,667
State EZ Funds:	\$	116,666
City EZ Funds:	\$	116,667
NYS Grant Funds	\$	595,000
Borrower's Contribution	\$	93,000
Total	\$	1,038,000

Fiscal Year:

2019

II. Initiative Narrative

Attached are materials prepared by BOEDC for its Board of Directors containing narrative information regarding this initiative.

III. Conditions for Approval

Funding is subject to the Corporation's approval of BOEDC's monitoring system, which must ensure that adequate policies and procedures are adopted to safeguard against misappropriation and provide for appropriate controls with respect to each loan.

The release of funds for this initiative is subject to certification by the Deputy Mayor's Office (i) that all procurement solicitation processes fulfill all applicable requirements set forth in the Operating Principles Memorandum of Understanding (the "MOU") dated as of January 19, 1996, and (ii) that each procurement selection process has been completed in accordance with those requirements.

The release of funds for this initiative is subject to BOEDC presenting to the Corporation for approval detailed written information on implementation of this initiative and the terms and conditions for the bridge loan from BOEDC to **Bronx Kreate Space LLC**. The provision of funding for this initiative is contingent upon the Corporation receiving satisfactory evidence of all other funding sources for the initiative.

The disposition of interest and principal payments for the loan made under this initiative is further subject to the approval of New York Empowerment Zone Corporation's Board of Directors.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- 100 individual and shared studio spaces
- 6 jobs including management and cafe

V. Residents Benefits

This Initiative will benefit EZ residents by:

- Redevelopment of a vacant property
- Create 100 individual and shared studio spaces for EZ residents
- 6 jobs including management cafe

VI. Federal Funding Goals

This initiative will meet the following Federal funding goals:

- Achieve or maintain economic self-support, to prevent, reduce, or eliminate dependency.
- New physical infrastructure development, which is feasible, attainable in the current economic environment and sustainable.
- Permanent job creation, including without limiting the foregoing, promotion, encouragement and creation of opportunities for small, medium and large business development in the EZ/EC that will create permanent jobs for the Enterprise Zone.
- Increasing the number of permanent-job creating new businesses in the EZ/EC.

VII. Additional Materials

- A. Copy of BOEDC's Board of Directors' materials
- B. Copy of BOEDC's Board of Directors' resolution recommending this initiative for final approval by the Directors
- C. Resolution of the Directors

FOR CONSIDERATION

TO: NEW YORK EMPOWERMENT ZONE BOARD OF DIRECTORS
FROM: MARLENE CINTRON, PRESIDENT OF BOEDC
DATE: DECEMBER 18, 2018
SUBJECT: BRONX KREATE SPACE, LLC
REQUEST: REQUEST FOR \$595,000 LOAN

I INITIATIVE SUMMARY

ORGANIZATION: BRONX KREATE SPACE, LLC

PROJECT MANAGER: MICHAEL NIXON

CONTACT: DAN J. HERDOON, PRESIDENT

PROPOSED ADDRESS: 15 CANAL PLACE, THE BRONX, NY 10451

PHONE/FAX: 917-701-5844

TYPE OF BUSINESS: REAL ESTATE HOLDING MANAGEMENT / STUDIO & GALLERY LEASE SPACE
NAICS – 531390 OTHER ACTIVITIES RELATED TO REAL ESTATE

TAX STRUCTURE: LLC

IRS TAX ID#: 82-5033137

DATE INCORPORATED: 1/31/2018

TOTAL PROJECT COSTS: \$1,038,000.00

FINANCING REQUESTED: \$595,000.00

FUNDING SOURCES:

BOEDC BAI EZ LOAN (FUNDING ALREADY APPROVED)	\$350,000
NY STATE GRANT FUNDS: (WILL REIMBURSE BOEDC FOR THE PROPOSED BRIDGE LOAN FOR RENOVATION ONCE CONSTRUCTION EXPENDITURES HAVE BEEN MADE)	\$595,000
BORROWER CONTRIBUTION	
(AFTER PRE-OPENING EXPENSES:	\$93,000
TOTAL SOURCES OF FUNDS:	\$1,038,000

EMPLOYMENT: 6 – including management and café

OVERVIEW:

The purpose of this project is to lease and improve vacant warehouse space into art studios and supporting improvements for offering to the artist and maker community in The Bronx, New York. The project property is located at 15 Canal Place, The Bronx, New York 10451 and includes the 1st through 4th floors of the building. Minority equity partner in Bronx Kreate Space, Saul Maslavi, is in the process of purchasing the 15 Canal Place property and will be the landlord for Bronx Kreate Space.

The Total project cost is \$1,038,000.00 and includes construction of leasehold improvements, construction & soft cost contingencies, furniture & fixtures, interest reserve, professional fees, and working capital for marketing, advertising, and an operating reserve. Landlord and borrower are preparing a 15-year lease (with two additional five-year option periods under an escalating annual rent starting at \$12 per square-foot.

Approximate gross area under lease is 21,300-square-foot with approximately 14,910-square-foot available for rent once converted. Plans call for 100 individual and shared studio spaces ranging in size from 60-square-foot to 225-square-foot all located on the 2nd through 4th floors. One of the floors will be designed as open space with movable work areas. The 1st floor will be improved to house a café and gallery space. The remaining 6,390-square-feet of space is comprised of common areas, hallways, bathrooms, kitchen areas, gallery space, and exhibition space. Once the property has been converted and improved it will be marketed to the artist and maker community.

The owners of Bronx Kreate Space, LLC are Dan J. Herdoon (85%) and Saul Maslavi (15%).

Dan J. Herdoon, shows more than 20 years of banking, corporate finance, real estate development, and real estate project management experience primarily in New York and the Northeast United States. He began his career in real estate development and management as a Senior Project Manager with A.I. Leviev Boymelgreen, Co. Inc. in 2003. As a Project Developer he coordinated eight projects totaling \$320MM for the company and supervised a staff of 150. In 2008 he joined Brack Capital Real Estate and completed a \$45MM hotel as Project Manager in 12 months. After leaving Brack, he co-founded Red Titans Capital, a firm specializing in sourcing, analyzing, acquiring, and managing real estate assets in the Northeast US. The company raised and invested in 30+ distressed and off-market real estate assets and re-positioned distressed properties to improve operations, cash flows, and ROI. In 2011, Mr. Herdoon joined Yellow Brick Capital Advisors as Head of North America Real Estate Investments. He successfully advised clients on nine projects ranging from a 500,000 square-foot mixed use building in Cincinnati, OH to 120,000 square-foot mixed use buildings in New York and New Jersey to a 250-unit townhouse purchase and a \$30MM hotel property lot purchase in Miami.

Since 2008, he has joined in the development of three like projects in Brooklyn, New York. Each of these prior artist and maker community projects reached occupancy beyond 90% at each location within three years of opening. While no longer associated with these projects, it documents the principal's experience and demonstrates the need for the product in the New York, Brooklyn, The Bronx, and surrounding market.

Education:

Dan Herdoon received a Bachelor of Arts degree from Brandeis University, Waltham, MA (1996) and completed the Post-Graduate Business Program at University of Massachusetts in Boston, MA (1997). In 2007 he completed the Real Estate Construction Management program at New York University, New York, NY.

Saul Maslavi is the President and CEO of Jovani Fashion (www.jovani.com). Jovani started as a 10-person operation, designing and manufacturing 15 evening dress styles for specialty boutiques. Saul has since grown the company to 50 people, serving the couture, bridal, prom, and pageant markets. Jovani Fashion works with 2,000 retailers worldwide including Neiman Marcus, and celebrities, including Taylor Swift and Carrie Underwood are often seen in signature pieces for red carpet, charity, and social events. Additionally, Saul is a real estate investor and active in the New York market. He will hold a position on the advisory board for Bronx Kreate Space but will not be active in the day-to-day decision making of the business. No financial information was obtained for Mr. Maslavi since he is a passive, minority 15% partner in Bronx Kreate Space.

DESCRIPTION OF BUSINESS:

This project involves the establishment of Bronx Kreate Space, a re-purposing of warehouse space located at 15 Canal Place, The Bronx, New York into an artist and maker community incubator and marketplace. Bronx Kreate Space, a concept developed by founder Dan J. Herdoon, provides the artist and maker community, with quality studio and gallery lease space in a central location to further the development and marketability of creations and products. The value to the artist and maker community is the quality workspace, technology platform, on location gallery space, marketing resources, and cost sharing provided by the project developers.

Bronx Kreate Space provides member tenants with various sized studio space on flexible lease terms (3 month to 3 years) along with amenities such as meeting rooms, concierge service, dining room, street-level cafe, gallery space, exhibition space, 24-hour security, storage, and all utilities. Artists and makers targeted by Bronx Kreate Space include ceramics, drawing, painting, sculpture, graphics, film, photography, sound engineering, crafting trades, fashion, jewelry, and writing. In addition to gallery and exhibit partnerships with resident artist, classes and presentations will be offered to member tenants.

A key component offered by Bronx Kreate Space to the creative community is a relevant technology platform which empowers members to grow their brands and exposure in the marketplace. At the core is a full eCommerce suite that allows members to manage orders, manage invoicing & payments, track shipping, and providing sales metrics for future growth. Additionally, Bronx Kreate Space offers small back-office business services, including access to legal, accounting, and insurance providers along with introductions to grants, scholarships, and funding resources.

The street level café located in the ground level of the building will provide a meeting place and further the interaction with the artist community. The current plan is to partner with a local café operator and sub-lease the space. Bronx Kreate Space will be working on the design of the café together with the operator; it will, however, be their responsibility to provide all the furnishing and equipment.

FINANCING REQUESTED:

Uses of Funds:

Construction of Leasehold Improvements	\$ 745,500.00
Furniture, Fixtures, and Equipment	\$ 42,600.00
Construction & Soft Cost Contingencies	\$ 83,550.00
WC, Marketing, Advertising, Insurance	\$ 37,275.00
Interest Reserve	\$ 19,000.00
Professional Fees & Soft Cost Contingencies	<u>\$ 110,075.00</u>
Total Uses of Funds	\$ 1,038,000.00

FUNDING SOURCES:

BOEDC BAI Business Loan (Already approved by Board):	\$350,000.00	33.72%
NY State Grant Funds (will be used to reimburse BOEDC for the proposed bridge renovation loan being extended to Bronx Kreate Space once permitted expenditures have been made)	\$595,000.00	57.32%
Borrower Contribution (after pre-opening expenses):	<u>\$93,000.00</u>	<u>8.96%</u>
TOTAL	\$1,038,000.00	100.00%

Total combined BOEDC and NY State Grant funding: \$945,000.00 91.04%

The contemplated funding includes economic development funding coordinated through BOEDC, State grant funding, reimbursing BOEDC for the bridge renovation loan which is being requested today, and a borrower cash contribution. The principals of Bronx Kreate Space, LLC have \$150,000.00 in verified cash in bank deposits, and after the lease deposit at signing and initial legal and consulting fees, \$93,000.00 of remaining funds will be the available borrower contribution toward the project.

The initial loan, which was approved by the board in July, is based on a term of 120 months at an initial rate of 5.0%. The structure of the approved financing is 6 monthly payments of interest only on the outstanding balance followed by 114 monthly payments of principal and interest and one final payment of accrued interest and principal at maturity (120 months term; 114 months amortization). BOEDC is proposing that the interest rate be amended to 5%, rather than the 7% that was initially approved.

A second proposed loan is being put forth today and is the focus of this New York Empowerment Zone Board of Directors meeting, whereby BOEDC issues a bridge loan for renovation to Bronx Kreate Space for \$595,000, at a fixed rate of 6% interest, comprised of 9 interest-only payments, with the final payment including the principal owed. This bridge renovation loan will have an option to renew for an additional nine months if the loan has not been repaid for unseen circumstances related to delays in getting the necessary permits to proceed with the renovation, or construction-related delays that are largely beyond the control of the borrower. The option to renew the term of the loan will be contingent upon all payments due from the borrower having been made, all fees having been paid and there being no defaults on

any payments. There will be no processing or loan origination fees associated with this loan. There will, however, be fees charged to the borrower for a construction draw and reconciliation monitoring services, which would consist of several inspections and draws, to ensure that the money is being used properly and that the construction is proceeding in accordance with New York building codes and the specs of the work that have been proposed. All documented expenses pertaining to the renovation of the building will be submitted by the borrower to BOEDC and the BOEDC consultant who will be providing construction monitoring services for the renovation project.

BOEDC is requesting that the New York Empowerment Zone Board of Directors authorize \$595,000, to apply towards various expenses that are needed to renovate the building, so that it can operate, as the grant for the Downtown Revitalization Initiative cannot be dispersed until the expenditures for the project have been made. As Bronx Kreate Space does not have the funds to make the necessary renovations, BOEDC is proposing this bridge renovation loan to Bronx Kreate Space, to complete the necessary renovations. It is the expectation that Empire State Development, the agency through which the grant was issued, under the Downtown Revitalization Initiative, will reimburse BOEDC for the principal portion of the loan. Bronx Kreate Space will be expected to pay the interest and any fees associated with the bridge renovation loan, to BOEDC.

EQUITY INJECTION:

Bronx Kreate Space will contribute \$150,000.00 as the equity injection into this project. This amount was contributed by the 15% partner and advisory board member, Saul Maslavi. The company provided bank statement evidencing the funds deposited in the business account. Some of the funds have been and will be used toward pre-project expenses and the initial lease deposit. The remaining amount, estimated at \$93,000, will be injected into the construction project.

CONSTRUCTION PROJECT:

Mr. Herdoon anticipates construction to begin 45 days after lease closing, once permits are approved, and having a duration of 5 months. The Total Project Cost Summary includes an interim interest reserve for 6 months.

The architect, Concept Design Group, will be responsible for obtaining the appropriate permits for the project and will work directly with an expeditor who has experience working with the Bronx DOB. Bronx Kreate Space has obtained one project bid and is seeking two additional bids for the project. Ultimately the contractor selected for the project will also act as the GC and all project draw requests will be submitted to the architect for approval, with submission to management and funding sources, including BOEDC.

The project budget includes funds for a project manager who will be responsible for contractor supervision, scheduling of FF&E bids, delivery, and installation. Additional responsibilities include obtaining appropriate insurances, working with the architect toward project completion and liaising with funding sources, including BOEDC.

COLLATERAL SUMMARY:

BOEDC BAI financing will be secured by a 1st lien leasehold mortgage and the financing will additionally be secured with a 1st lien UCC-1 in FF&E. The lease has not been finalized and any loan commitment is subject to acceptable collateral and perfection of security interest.

The proposed bridge renovation loan would not be secured by collateral per se, but would be backed by the grant from the Downtown Revitalization Initiative, once the necessary expenditures have been made and documented and submitted to Empire State Development for reimbursement. Personal guarantees from the owners of Bronx Kreate Space, LLC will not be sought.

MANAGEMENT:

A management plan has been submitted by Mr. Herdoon which provides details about the day-to-day operations of the business. The business will have a total of four employees, including management and operations. The café is anticipated to create an additional 2-3 employment opportunities for the independent café operator. The Bronx Kreate Space employment positions are:

Dan Herdoon – CEO of Bronx Kreate Space and responsible for all aspects of the business.

Daniel Freeman – COO/Property Manager and responsible for the operational aspects of the business, tenant support services, and property management.

Position to be Filled – Chief Experience Officer/Curator. This position will be filled three months prior to opening and the primary responsibilities include the recruitment of artist and maker tenants, curating the gallery, marketing, media management, program creation and administration.

Position to be Filled – On-Site maintenance employee and responsible for the operational aspects of the business and building.

Furthermore, Bronx Kreate Space will have a two-member advisory board supporting the business:

Saul Maslavi – Partner and advisor on general business, strategic guidance, and general back-office support.

Alison Karp – Marketing advisor providing support in developing a business marketing strategy.

MARKET ANALYSIS:

While Manhattan continues to have the largest artist population in New York City, there has been a steady increase in the number of artists all over the City. According to research by the Center for an Urban Future, since 2000 the artist population did not only increase it increased in nearly three-quarters of the City's Census neighborhoods. Due to rising rents and limited studio space artists are still struggling to get by, and as they seek more affordable space, more artists have left Manhattan and settled in the other boroughs. Between 2000 and 2015, Bushwick, Williamsburg, and Brooklyn Heights have seen the largest increases while Manhattan saw a

steady decline. During this same time, The Bronx nearly doubled the number of visual and performing artists while Throgs Neck saw a 286% increase in the number of artists.

Real estate developers have recognized the shift and are discovering new ways to cater to the artist and maker community. Re-purposing of warehouse space, re-development of commercial space, and similar activities to develop artist communities are seen across the area, including in Bushwick, Brooklyn, and The Bronx.

Additionally, the effort of developing new artist communities furthers the revitalization efforts of neighborhoods as artist migration organically enhances the community. With the increase in the number of artists within a community, new, related businesses form and further enhance the community. Many of the re-development projects saw an increase in the number of restaurants, retail, entertainment, and related business catering to the artist community within 24-48 months after creation of a re-development project.

MARKETING & ADVERTISING:

Bronx Kreative Space, LLC has developed a simple and direct marketing and advertising campaign based on experience from previous projects. The campaign involves building direct connections and relationships with local art organizations, art schools, galleries, and community-based art organizations. Specifically, Mr. Herdoon and the new curator are intent to partner with BronxArtSpace, Bronx Council on the Arts, The Bronx Museum of the Arts, Mott Haven Art School, and Haven SBX to reach The Bronx and surrounding art community.

PERCEIVED STRENGTH & RISKS:

Strengths:

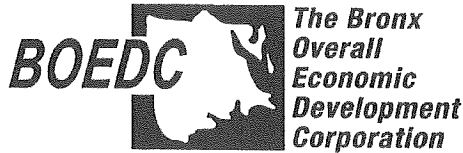
- Primary principal has extensive real estate development and project management experience.
- Proven operational history and direct industry experience.
- Good personal credit of principal Dan J. Herdoon with a TransUnion Score of 777.
- Project demand supported by migration of artists from Manhattan to Mott Haven, The Bronx.

Risks:

- New business without historical cash flow or performance. Mitigated by performance of two similar projects co-developed by Mr. Herdoon in Bushwick and Brooklyn.
- Pro forma balance sheet shows post funding negative working capital. Borrower's pro forma assumes fast lease-up and high occupancy after completion of construction to overcome WC shortage.
- Proposed loan collateral is limited to a leasehold mortgage interest and UCC-1 on FF&E representing an overall collateral shortfall in a liquidation scenario. Also, no personal guarantees. Mitigated by the neighborhood revitalization potential of the proposed project.
- Limited personal liquidity, assets, and a net worth of \$207.5M for the primary principal.

OTHER ATTACHEMENTS:

1. Bronx Kreate Space, LLC - Executive Summary & Project Description
2. Sources & Uses of Funds Statement & Cost Documents
 - a. Uses of Funds Statement
 - b. Construction Estimate – TAC One Concepts – *Update To Be Provided*
 - c. Architect Proposal – Concept Design Group – *Update To Be Provided*
 - d. FF&E Budget – *Update To Be Provided*
3. Personal Financial Statements for Dan J. Herdoon
4. TransUnion Credit Profile for Dan J. Herdoon
5. Resume and Work History for Dan J. Herdoon
 - a. Resume – Dan Herdoon
 - b. Project Related Experience – Dan Herdoon
6. 2017 Tax Returns Karp & Herdoon (*To Be Provided*)
7. 2016 Tax Returns Karp & Herdoon
8. 2015 Tax Returns Karp & Herdoon
9. 2014 Tax Returns Karp & Herdoon
10. Lease Memorandum & Draft Lease – *Update To Be Provided*
 - a. Lease Memorandum
 - b. Draft Lease
11. Bronx Kreate Space – Floor Plan – *Update To Be Provided*
12. Bronx Kreate Space – Business Plan
13. Bronx Kreate Space – Management Plan
14. Bronx Kreate Space – Cash Flow Forecast and Pro-Forma
 - a. Cash Flow Forecast
 - b. Years 1-5 Financial Pro Forma
15. Pro-Forma Balance Sheet and Financial Analysis
 - a. Financial Analysis Comments
 - b. Pro Forma Balance Sheet and P&L
 - c. Break Even Analysis
 - d. Contingency and Interest Reserve Calculation
 - e. Analysis Worksheet
16. Bronx Kreate Space – Community Revitalization Presentation
17. Bronx Kreate Space – Prior Project Absorption Rates
18. Bronx Kreate Space – Advertising & Marketing Plan and Lease-up Comparison



**RESOLUTION OF
THE BOARD OF DIRECTORS OF
BRONX OVERALL ECONOMIC DEVELOPMENT
CORPORATION
REGARDING APPROVAL TO FUND AN
ECONOMIC AND PHYSICAL DEVELOPMENT PROJECT
AT A REGULAR MEETING HELD ON THE 6th DAY OF DECEMBER 2018**

WHEREAS, the Executive Committee has reviewed the materials presented to it, a copy of which has been filed with the records of the Bronx Overall Economic Development Corporation ("BOEDC"), relating to a loan for a period of approximately nine (9) months to Bronx Kreate Space, LLC as a bridge renovation loan to (i) enable the company to build out and construct work spaces for artists and makers, as well as interior public spaces open to all renting companies and their employees; and

WHEREAS, the Executive Committee has found it to be a desirable project, consistent with the New York Empowerment Zone's Strategic Plan, and the investment criteria for initiatives seeking financial support.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Project and authorizes BOEDC to submit the Project to the New York Empowerment Zone Corporation for authorization to fund a loan not to exceed FIVE HUNDRED NINETY FIVE THOUSAND DOLLARS (\$595,000), subject to terms and conditions substantially similar to those included in the presentation materials; and be it

FURTHER RESOLVED, that the approval of the Project authorized by these resolutions shall expire nine (9) months after the adoption of these resolutions; and be it

FURTHER RESOLVED, that the President and CEO or her/his respective designees, are hereby authorized on behalf of BOEDC to make such changes to the terms and conditions of the transaction as may be appropriate, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions



December 18, 2018

BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION – Bronx Kreate Space, LLC – A \$595,000 bridge loan to Bronx Kreate Space, LLC to lease and improve a warehouse space into art studios.

RESOLVED, that on the basis of the materials (the "Materials") presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Bronx Overall Economic Development Corporation ("BOEDC") initiative for a bridge loan to **Bronx Kreate Space, LLC** (the "Initiative") to lease and improve a warehouse space into art studios. The Corporation is hereby authorized to disburse funds to BOEDC an amount not to exceed FIVE HUNDRED NINETY FIVE THOUSAND DOLLARS (\$595,000) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the "State"), the City of New York (the "City") and others ("MOU"); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a loan an amount not to exceed FIVE HUNDRED NINETY FIVE THOUSAND DOLLARS (\$595,000) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

December 18, 2018

TO: The New York Empowerment Zone Corporation Board of Directors

FROM: Howard Zemsky

SUBJECT: South Bronx (Bronx County) – Bronx Overall Economic Development Corporation – Empowerment Zone

REQUEST FOR: **Authorization for Bronx Overall Economic Development Corporation's Fiscal Year 2019 Administrative Budget and to Take Related Action.**

The Directors are requested to approve an operating budget for the fiscal year 2019 for the Bronx Overall Economic Development Corporation ("BOEDC"). The Operating Principles Memorandum of Understanding, dated January 19, 1996, (the "MOU") authorizes each Local Development Corporation to use up to 15% of its proportional share of the Zone Funds aggregate for the entire period of designation for costs and expenses of administration. BOEDC's proposed fiscal year 2019 administrative budget is SIX HUNDRED FORTY THOUSAND ONE HUNDRED NINETY FIVE DOLLARS (\$640,195).

**Bronx Overall Economic Development Corporation
Annual Administrative Operating Fund Statement
For the period July 1, 2018 to June 30, 2019**

<u>Item</u>	Total Funding Request from Loan Repayment
Personnel	
Salaries & Wages	\$394,485.00
Fringe Benefits	\$80,285.00
Total Personnel Costs	\$474,770.00
Contracted Costs	
Accounting/Auditing	\$37,775.00
Professional & Consultants	\$0.00
Legal Services	\$50,000.00
Total Contracted Costs	\$87,775.00
Other Operating Costs	
Travel/Meetings/Motor Vehicle	\$5,900.00
Office Supplies	\$5,000.00
Equipment/Software Purchases	\$1,000.00
Equipment Lease (Copier)	\$18,000.00
Telephone	\$10,900.00
Postage	\$300.00
Dues/Subscriptions	\$3,050.00
Equipment Repairs & Maintenance	\$18,500.00
Insurance	\$15,000.00
Total Operating Costs	\$77,650.00
TOTAL	<u>\$640,195.00</u>

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for ensuring the integrity of the financial system and for providing a clear audit trail. The document also highlights the need for transparency and accountability in all financial dealings.

In the second part, the focus shifts to the role of the auditor in verifying the accuracy of the financial statements. The auditor is responsible for conducting a thorough examination of the records and providing an independent opinion on the reliability of the information presented. This process is crucial for maintaining public confidence in the financial system.

The third part of the document addresses the challenges faced by organizations in managing their financial resources effectively. It discusses the importance of budgeting and financial planning, as well as the need for regular monitoring and reporting. The document also touches upon the role of management in ensuring that financial goals are achieved and that resources are used efficiently.

Finally, the document concludes by reiterating the importance of collaboration and communication between all stakeholders involved in the financial process. It stresses that only through a concerted effort can the financial system be kept sound and the interests of all parties protected.

The Bronx Overall Economic Development Corporation
EMPOWERMENT ZONE
ANNUAL ADMINISTRATIVE OPERATING FUND STATEMENT
For the Period July 01, 2018 to June 30, 2019

Personnel	
Staff Salaries	394,485.00
Staff Fringe Benefits	80,285.00
Total Personnel Costs	\$ 474,770.00
Contracted Costs	
Accounting/Auditing	37,775.00
Legal Services	50,000.00
Professional & Consultants	-
Total contracted costs	\$ 87,775.00
Other Operating Costs	
Travel/Meetings/Motor Vehicle	5,900.00
Office Supplies	5,000.00
Equip/Software Purchases	1,000.00
Equipment Lease(Copier	18,000.00
Telephone	10,900.00
Postage	300.00
Dues/Subscriptions/Other	3,050.00
Equip Repairs and Maint	18,500.00
Insurance	15,000.00
Miscellaneous	
Total other operating costs	77,650.00
Total OTPS	165,425.00
Total	\$ 640,195.00

Bronx Overall Economic Development Corporation
Empowerment Zone
Annual Operating & Administrative Budget
Year ended June 30, 2019

Descriptions:	Budget FY 6/30/2019	Budget FY 6/30/2018	Variance- Fav/(Unfav)		Percentage change
	(2)	(1)	(3)		(4)
			(1) - (2)		(3)/(1)
<u>Personnel:</u>					
Staff Salaries	394,485.00	277,087.80	(117,397.20)		42.37%
Staff Fringe Benefits	80,285.00	55,409.06	(24,875.94)		44.90%
Total Personnel Costs	474,770.00	332,496.86	(142,273.14)		-42.79%
<u>Contracted Costs:</u>					
Audit fee	37,775.00	34,775.00	(3,000.00)		8.63%
Professional & Consultants	-	14,116.25	14,116.25		-100.00%
Legal Fees	50,000.00	38,845.55	(11,154.45)		28.71%
Total contracted costs	87,775.00	87,736.80	(38.20)		-0.04%
<u>Other Operating Costs:</u>					
Travel/Meetings/Motor Vehicle	5,900.00	5,191.32	(708.68)		13.65%
Office Supplies	5,000.00	4,937.44	(62.56)		1.27%
Equipment/Software Purchases	1,000.00	-	(1,000.00)		
Equipment Lease (Copier)	18,000.00	18,874.39	874.39		-4.63%
Telephone	10,900.00	10,821.49	(78.51)		0.73%
Postage	300.00	306.92	6.92		-2.25%
Dues/Subscriptions/Other	3,050.00	3,233.07	183.07		-5.66%
Equipment Repairs & Maint.	18,500.00	22,843.76	4,343.76		-19.02%
Insurance	15,000.00	14,224.60	(775.40)		5.45%
Total other operating costs	77,650.00	80,432.99	2,782.99		-3.46%
Total OTPS	165,425.00	168,169.79	2,744.79		-1.63%
Total Expense	640,195.00	500,666.65	(139,528.35)		27.87%

RESOLUTION (2019)

BRONX EMPOWERMENT ZONE – Authorization to Adopt Budget Modification for Fiscal Year 2018

WHEREAS, the Board of Directors of the Bronx Overall Economic Development Corporation (“BOEDC” or the “Corporation”) has proposed a budget for operation of the Bronx portion of the New York Empowerment Zone (the “Bronx EZ”) of SIX HUNDRED FORTY THOUSAND ONE HUNDRED NINETY FIVE DOLLARS (\$640,195) (the “Bronx EZ Budget”) for the period beginning July 1, 2018 and ending June 30, 2019 (“FY 2019”), all in accordance with the materials presented at this meeting held on December 17, 2018 and filed in the records of the Corporation (the “Materials”); and

WHEREAS, the Directors of BOEDC (the “Directors”) are desirous of adopting the Bronx EZ Budget;

NOW THEREFORE, BE IT RESOLVED, that the Directors hereby adopt the Bronx EZ Budget for Fiscal Year 2019; and be it further

RESOLVED, that the Directors hereby authorize the President or any other officer of the Corporation to present the Bronx EZ Budget for Fiscal Year 2019 to the Directors of the New York Empowerment Zone Corporation for their consideration and approval; and be it further

RESOLVED, that the President of BOEDC or another officer of BOEDC be, and each of them hereby is, authorized to execute such documents and instruments and take such other action as may be necessary to effectuate the foregoing resolutions.

* * *

December 18, 2018

BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION – Authorization of \$640,195 administrative budget for fiscal year 2019.

RESOLVED, that on the basis of the materials (the "Materials") presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Bronx Overall Economic Development Corporation ("BOEDC"), the Directors hereby authorize an administrative budget of SIX HUNDRED FORTY THOUSAND ONE HUNDRED NINETY FIVE DOLLARS (\$640,195) for fiscal year 2019, pursuant to the purposes described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the "State"), the City of New York (the "City") and others ("MOU"); and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

