



001CD002152
2005 Annual Report to U.S. Treasury
January 1, 2005 through December 31, 2005

2005 Performance Goals and Measures		Outstanding Benchmark Goal	Actual Performance
Goal 1.1	Total number of acquisition and LOC closed	>5	8
Goal 1.2	Total dollars in acquisition and LOC closed	>\$744,800	\$2,110,000
Goal 2.1	Increased of availability of affordable housing	>53	202
Goal 3.1	Third-party non-government investment	>\$1,330,000	\$5,900,000
Goal 3.2	Third-party government investment	>\$665,000	\$1,160,000
Goal 4.1	Total number of reclaimed properties	>45	159
Goal 4.2	Total number of renovated properties	>43	93

Community Development Capital exceeded all performance goals and measures for 2005. The comprehensive business plan goals expired after 2004 (the CDFI Fund investment was renewed through 2008). Since there was no CDFI business plan target, I used the “outstanding” benchmark per the CDFI goals report. *Please note: virtually all loan and investment activity occurred from January through August given that business operations were significantly curtailed from September through December 2005 as a result of Hurricane Katrina.*

Here are some highlights from 2005:

- **Investments:** Total assets climbed to almost \$2.5 million including operating grants and additional loan investment from private investors (*11% growth rate*). Hibernia Bank converted their \$250,000 senior debt to an equity equivalent structure. CDC is well capitalized (33%) and postured to take on significant additional senior debt in 2006....which will be required in order to meet enormous loan demand for affordable housing. Furthermore, the CDFI Fund renewed its \$450,000 (\$375k funded to date) investment in CDC in 2005, matching investor renewals. Several active investor applications were in place prior to Katrina. Those were obviously placed on hold until early 2006. It is expected that several new investments will occur in early 2006, once more certainty exists regarding rebuilding, insurability, and FEMA flood elevations. *Despite significant set backs from Hurricane Katrina, CDC was able to meet all investor interest obligations for 2005.*

- **Loans: Total loan commitments grew by 32% in 2005.** Three new borrower relationships were established. CDC continued to close transactions that either were development lines of credit, or resulted in a development line of credit being closed by a third party (note: first development lines were closed in 2004; from inception through mid-2004, only acquisition lines had been closed). *In addition to significant numbers of properties being developed as affordable housing, significant private and government third party investment occurs as a result of transactions originated by CDC.* Loan losses/charge offs have been only \$10,000 from 2001 inception through 2005. It is expected that an additional \$14,000 to \$26,000 may need to be charged off in the 1st or 2nd quarter of 2006. Based on expected hurricane losses and insurance payouts, about 1% of the loan portfolio is estimated to be charged-off in 2006. This is exceptional considering the magnitude of the damage in the target market. Most all of CDC clients have been able to pay their interest and negotiate viable renewal terms. *Virtually all of CDC's mortgaged properties will continue to be developed as affordable housing, with plans delayed and revised in some cases.*

2005 Loan Commitments:

- [REDACTED], \$750k revolving LOC (renewal) *
- [REDACTED], \$250k revolving LOC (renewal) *
- [REDACTED], \$60k revolving LOC *
- [REDACTED], \$190k revolving LOC (Omni Bank Participation) *
- [REDACTED], \$89k (renewal)
- [REDACTED], \$78k (renewal, with additional funding) *
- [REDACTED], \$90k LOC *
- [REDACTED], \$277k LOC *
- [REDACTED], \$510k LOC *
- [REDACTED], \$40k LOC (renewal)
- [REDACTED], \$60k LOC (renewal)
- [REDACTED], \$75k LOC *
- [REDACTED], \$20k revolving LOC *
- [REDACTED], \$10k (renewal, potential charge off)
- [REDACTED], \$3k (renewal, potential charge off)

** included in 2005 goals 1.1 and 1.2; borrowers with 2 closings not counted twice; previous renewals not involving new properties or projects not counted.*

- **Audit and Compliance:** Continued the quarterly external audit review process in 2005, greatly improving financial control and segregation of duties from 2003 through mid 2004. The only exception was 3rd quarter 2005 when business activity was minimal, and no quarterly compilation was prepared. Auditors have reviewed the internally generated statements (as of 12-31-2005) used for this report. All accrual and corrective entries have been made. *It is expected that final audited financial statements will not vary significantly from the internal statements given the rigor applied to preparing good internal statements.* Loan portfolio review policy, risk grading, and loan loss reserve guidance was presented to the board quarterly in 2005.

- **Marketing and Strategic Plan:** Given the regional market need for affordable housing and exacerbation of that need from Hurricane Katrina, Community Development Capital's board voted in November 2005 to expand the geographic market served from the New Orleans MSA to include ALL hurricane affected areas in southern Louisiana (previously served inner city only). CDC's mission remains affordable housing focused. Organization name changed as of March 31, 2005 to **Community Development Capital** (formerly d.b.a. New Orleans Community Development Fund). Strategic plan was created in 2004 including development model to attain 100% self-sufficiency within three years; the plan also includes a roadmap for capital growth, operating growth, and asset growth targets. *Self-sufficiency from interest income was 41% in 2004 and 67% in 2005.*
- **Management:** The board of directors remained the same in 2005 as 2004. An annual meeting was held in mid-2005 to re-elect officers and committee members for the next year. Officer terms expire in 2006. It is expected that the board will expand slightly in 2006 and that the executive committee membership will change. In 2005, part-time office administration staff was hired. Staff person relocated following Hurricane Katrina. *A new full time business analyst position will be filled in 1st quarter 2006.*
- **Capital:** See Investment section above. In addition to retained earnings and net income of \$318,000, CDC is well capitalized through equity equivalent investments in the amount of \$500,000 (AmSouth Bank from 2002, and Hibernia Bank from 2005). *CDC is an attractive investment from a senior debt holder perspective given 1) well collateralized viable loan portfolio, and 2) capitalization in excess of 33% as of 12-31-2005.*

Use of CDFI Fund Award:

The \$375,000 loan from the CDFI fund was renewed in 2005 through 2008. As per the loan section above, all funds are deployed in viable loan projects as of the end of 2005. The additional \$75,000 CDFI Fund award is expected to be disbursed in 1st quarter 2006 (final loan documents prepared as of March 2006). Likewise, these funds will be immediately deployed in viable loan projects focused on affordable housing development.

CDC received a \$30,000 TA award from the CDFI Fund in late December 2003. The TA award was used within the satisfactory timeframe as reported to the CDFI Fund in 2005 (form 269 A).

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CDFI Financial Covenants

Community Development Capital: Award #001CD002152
Annual Report: using unaudited financials as of 12/31/05
For Reporting Period: January 1, 2005 to December 31, 2005

Covenant #1: Net Assets ratio equal to or exceeding 15%

Actual for last day of the reporting period:

Net Assets & Equity Equivalents	\$ 818,284.78
Total Assets	\$ 2,455,462.05
Actual net assets ratio	33%

Covenant #2: Net revenue greater than 0\$

Actual for the fiscal annual reporting period:

Gross revenues	\$ 146,597.59
Total expenses	\$ 128,171.26
Actual net revenue	\$ 18,426.33

Covenant #3: Operating liquidity ratio equal to or exceeding 1.00

Actual for last day of the reporting period:

Cash and cash equivalents	\$ 626,038.87
Plus: Marketable securities	\$ -
Less: Funds restricted that prevent their use to satisfy operating expenses	\$ 323,648.23
Equals: Capital available to satisfy operating expenses	\$ 302,390.64
Operating expenses of past 4 quarters x .25	\$ 32,042.82
Actual operating liquidity ratio	9.44

Covenant #4: Capital liquidity ratio equal to or exceeding 1.00

Actual for last day of the reporting period:

Cash and cash equivalents	\$ 626,038.87
Plus: Marketable securities	\$ -
Plus: 25% of current loans receivable *	\$ 480,439.80
Less: Funds restricted that prevent their use to satisfy current liabilities	\$ 323,648.23
Equals: Capital available to satisfy current liabilities	\$ 782,830.44
Current liabilities	\$ 235,378.97
Actual capital liquidity ratio	3.33

** includes current loans receivable and all loan commitments*