Civic Engine Guarantee Pool
Program Guide

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Section 1. Program Purpose

Civic Engine Guarantee Pool, LLC ("CEGP") is a wholly-owned subsidiary of Civic Engine Fund, a Missouri nonprofit corporation that is in the process of applying to be recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and a public charity within the meaning of Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code ("Parent"). CEGP was formed to conduct the Civic Engine Guarantee Pool charitable program (the "Program").

The purpose of the Program is to enable affordable housing development by removing barriers for accessing financing for affordable housing projects that benefit economically disadvantaged communities and individuals. The Program accomplishes this by providing risk-sharing Program Guarantees (as defined below) to Qualified Financers (as defined below) to unlock financing for affordable housing projects that otherwise would not be available.

The Program is supported by a multi-funder commitment pursuant to a Master Guarantee Support Agreement among CEGP and participating funders (such funders, the "Guarantee Support Providers"). CEGP issues the Program Guarantees directly to Qualified Financers, with such Qualified Financers being third-party beneficiaries of the support provided by the Guarantee Support Providers under the Master Guarantee Support Agreement.

1.1. Program Objective

The objective of the Program is to increase the deployment of lending and investment capital to affordable housing projects that benefit economically disadvantaged communities and individuals.

Section 2. Program Parameters

The Program will be administered in accordance with the following Program parameters in addition to the other requirements set forth herein:

A. Program Guarantees must be used to support and increase the flow of private lending and investment capital from Qualified Financers through Qualified Financings.

B. The total Guarantee Support Provider commitments to CEGP under the Master Guarantee Support Agreement (the "Total Guarantee Support") shall at all times be sufficient to satisfy the minimum capital or liquidity requirements of each Program Guarantee issued and outstanding with Qualified Financers.

C. Program Guarantees will be structured to balance risk of loss while achieving the Program's charitable objectives.

D. Program Guarantees will be used to support affordable housing projects benefiting economically disadvantaged communities and individuals.

Section 3. Program Guarantees

Guarantees issued by CEGP to Qualified Financers pursuant to the terms of this Program Guide ("Program Guarantees") will be negotiated by CEGP with prospective Qualified Financers based on such Qualified Financers' specific lending or investment use case(s) and shall comply with the following terms and criteria in addition to the other requirements set forth herein:

3.1. Program Guarantee Types

Program guarantees may take any of the following forms:

A. Repayment Guarantee – Guaranteeing the repayment of a loan.

B. Completion Guarantee – Ensuring that a project is completed on time and within budget.

C. Environmental Indemnity – Indemnifying against liabilities related to environmental issues on a project site.

D. Tax Credit Guarantee – Indemnifying tax-credit investors if the IRS reduces or recaptures tax credits due to a failure to meet compliance requirements.

E. Operating Deficit Guarantee – Covering operating expenses if project revenue for a project is insufficient during a specified period of time.

F. Tax Equivalency Payment Guarantee – Guaranteeing tax distributions to tax-credit investors in the event they are allocated taxable income from a project.

G. Permanent Loan Shortfall Guarantee – Covering debt service and/or operating expenses between project delivery and stabilization if project revenue is insufficient to cover such costs.

H. Interest Repurchase Guarantee – Guaranteeing an obligation to repurchase a tax-credit investor's interest in the project in the event of serious failures to meet certain fundamental requirements relating to the viability of the project.

3.2. Program Guarantee Terms

Each Program Guarantee shall comply with the following terms:

A. Charitable Purpose: Each Program Guarantee shall be structured in a manner to ensure that the Program Guarantee operates to further the charitable purposes of the Program and does not result in impermissible private benefit to any individual or for-profit entity. This may require, among other things, that limits be placed on the amount or term of any Program Guarantee. Such limits may vary depending on the type of guarantee provided, the risk associated with the applicable project, the presence or absence of other forms of credit enhancement, the ability of the project to obtain financing absent such Program Guarantee, and such other factors as the Program Manager (as defined below) determines appropriate.

B. Maximum Guarantee Term: In no event shall the term of any Program Guarantee exceed the earlier of (a) the final stated maturity of the underlying obligation and (b) the Master Guarantee Support Agreement's remaining term.

C. Loss Sharing: Each Program Guarantee shall be structured to include a loss sharing mechanism that ensures that an appropriate portion of any losses from the project are borne by the applicable developers and/or Qualified Financers before they are shared and reimbursed by CEGP. Such mechanisms may include, among other things, requiring that any losses from a project first be satisfied from certain specified amounts (e.g., contingencies, reserves, unpaid and deferred developer fees, etc.) and/or requiring that CEGP by repaid certain amounts from cash flow or sale or refinancing proceeds from the project.

3.3. Ineligible Obligations

In no event will any Program Guarantee reimburse for any fees or penalties that are not aligned with the Program's charitable purpose.

Section 4. Qualified Financers (Guarantee Beneficiaries)

Eligible financers under the Program include (i) traditional regulated financial institutions, (ii) mission-aligned, nonprofit and/or charitable lenders, such as CDFIs, and (iii) investors in tax credits associated with affordable housing projects, in each case that meet the following eligibility criteria ("Qualified Financers"):

A. In the case of a lender, has an active track record in commercial real estate lending and material operational presence in the location of the applicable project or a credible actionable plan to expand service delivery to such location.

B. Demonstrates financial soundness, including adequate capitalization, portfolio quality, and appropriate risk management policies and systems.

C. Does not engage in lending or investment activities that are inconsistent with the charitable purposes of the Program, including, but not limited to, predatory lending practices and/or discriminatory or exclusionary policies.

Section 5. Qualified Financings

Program Guarantees shall be issued by CEGP in support of loans and investments made by Qualified Financers that align with the Program's objectives of expanding access to capital for affordable housing projects that benefit economically disadvantaged communities and individuals as provided herein and in accordance with the eligibility criteria set forth below ("Qualified Financings").

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Loans and investments that do not meet the criteria set forth below in Sections 5.1 and 5.2 require advanced approval from the Program Committee in accordance with Section 6.2(D) of this Program Guide.

5.1. Loans

In order for a loan to qualify as a Qualified Financing, it must meet be either:

A. A predevelopment loan used exclusively to finance predevelopment costs incurred in connection with a Qualified Project (as defined below), including costs for land acquisitions, land studies, environmental assessments, architectural design, and zoning and permitting;

B. An equity bridge loan used exclusively to finance the construction of a Qualified Project during a period before tax credit investors make their investments; or

C. A construction loan used exclusively to finance the construction of a Qualified Project.

5.2. Investments

In order for an investment to qualify as a Qualified Financing, it must meet all of the following criteria:

A. The proceeds of the investment must be used exclusively to finance the acquisition, construction, and/or operation of a Qualified Project; and

B. The investment must be structured in a manner that qualifies the investor for federal or state tax credits.

5.3. Definitions

A. The **"Designated Income Limit"** of an Income-Restricted Unit means the maximum percentage of the metropolitan area median income (adjusted for family size) applicable to a household occupying such unit under the affordability restriction, covenant, regulatory agreement, or other binding instrument governing such unit.

B. An **"Income-Restricted Unit"** is a unit of a Qualified Project that is subject to a recorded affordability covenant, regulatory agreement, deed restriction, or other restriction running with the land (or, in the case of a leasehold project, other comparable binding contractual commitment of the project owner enforceable by a governmental body, qualified nonprofit, or other independent third party) that (i) establishes a Designated Income Limit for the unit and limits occupancy of the unit to households with annual household incomes at or below such Designated Income Limit, (ii) limits the rent or carrying costs charged to occupants of the unit to a level affordable to households at such Designated Income Limit (whether in accordance with the rent limits applicable under the low-income housing tax credit program under Section 42 of the Code, the rent limits applicable under any other federal or state affordable housing program, or otherwise to a level that does not exceed 30 percent of the income of households at such Designated Income Limit), and (iii) remains in effect for a period of not less than 15 years from the date the project is placed in service.

C. A **"Low Income Individual"** is an individual with an annual household income that is more than 50 percent but less than 80 percent of the metropolitan area median income, as determined under the income limits computed and published by the U.S. Department of Housing and Urban Development under the Housing Act of 1937 and adjusted for family size.

D. A **"Moderate Income Individual"** is an individual with an annual household income that is more than 80 percent but less than 120 percent of the metropolitan area median income, as determined under the income limits computed and published by the U.S. Department of Housing and Urban Development under the Housing Act of 1937 and adjusted for family size.

E. A **"Supportive Infrastructure Feature"** is an on-site, integrated, or proximate feature, system, or service designed to reduce or eliminate one or more of the following major household cost burdens for residents: (i) energy and utilities (including through high-performance building envelope, district or community energy systems, or on-site renewable energy generation); (ii) childcare or early childhood education; (iii) healthcare or preventive health services; (iv) access to fresh and affordable food; (v) transportation, including transit-oriented siting and walkable access to employment, education, and services; (vi) wellness and community health programming; and (vii) job training, workforce development, or coworking facilities.

F. A **"Qualified Project"** is an affordable housing project that satisfies the requirements of either Subsection (i) or Subsection (ii) below, and in each case also satisfies Subsection (iii):

i. **Safe Harbor Track.** The project satisfies the safe harbor for low-income housing under Rev. Proc. 96-32 by establishing that:

(1) at least 75 percent of the units in the project are Income-Restricted Units reserved for Low Income Individuals and/or Very Low Income Individuals; and

(2) either (A) at least 20 percent of the units in the project are Income-Restricted Units reserved for Very Low Income Individuals, or (B) at least 40 percent of the units in the project are Income-Restricted Units having a Designated Income Limit of 60 percent or less of the metropolitan area median income.

ii. **Mixed-Income Track.** The project (a) is intentionally designed as a mixed-income community to advance the social and economic integration of residents of varied income levels and to reduce the stigma, isolation, and segregation associated with concentrating affordable housing, and (b) satisfies all of the following:

(1) **Floor on affordability.** The project satisfies either Subsection (a) or Subsection (b) below:

(a) ***Standard set-aside.*** *No less than 40 percent of the units in the project are Income-Restricted Units reserved for Very Low Income Individuals and/or Low Income Individuals, of which no fewer than 10 percent of the total units in the project are reserved for Very Low Income Individuals; or*

(b) ***Income-averaging set-aside.*** *(x) No less than 40 percent of the units in the project are Income-Restricted Units having a Designated Income Limit of 80 percent or less of the metropolitan area median income; (y) the average of the Designated Income Limits applicable to all such Income-Restricted Units does not exceed 60 percent of the metropolitan area median income, calculated on a unit-by-unit basis consistent with the methodology of the income averaging minimum set-aside under Section 42(g)(1)(C) of the Code (whether or not the project itself elects such set-aside under Section 42); and (z) no fewer than 10 percent of the total units in the project are Income-Restricted Units having a Designated Income Limit of 50 percent or less of the metropolitan area median income.*

(2) **Charitable community context.** The project is located in an area that advances at least one of the following recognized charitable purposes, as determined and documented by the Program Manager:

(a) ***Combating community deterioration*** *— the project is located in an area exhibiting actual or potential community deterioration, including, without limitation, an area designated as a qualified census tract, difficult development area, opportunity zone, brownfield, federally designated distressed community, or otherwise demonstrating disinvestment, blight, or substandard housing stock; or*

(b) ***Expanding access to opportunity and lessening neighborhood tensions*** *— the project is located in a high-opportunity area that provides its residents with access to high-performing schools, employment centers, transit, healthcare, or other services and amenities that are not generally accessible to households living in economically disadvantaged communities, and the project is designed to advance the social and economic integration of Very Low Income Individuals and Low Income Individuals into such area.*

(3) **Charitable purpose anchor.** The Program Committee has determined, based on the documented facts and circumstances of the project and consultation with qualified tax counsel as appropriate, that the project furthers one or more charitable purposes recognized under Section 501(c)(3) of the Code and Rev. Proc. 96-32, including (A) relieving the poor and distressed under the facts-and-circumstances test described in Section 4 of Rev. Proc. 96-32, (B) combating community deterioration, (C) lessening the burdens of government, or (D) lessening neighborhood tensions.

iii. **Supportive Infrastructure Requirement.** The project incorporates two or more Supportive Infrastructure Features, designed and operated in a manner that makes the benefits of such features meaningfully accessible to residents of Income-Restricted Units at little or no incremental cost.

G. A **"Very Low Income Individual"** is an individual with an annual household income that is 50 percent or less of the metropolitan area median income, as determined under the income limits computed and published by the U.S. Department of Housing and Urban Development under the Housing Act of 1937 and adjusted for family size.

Section 6. Program Guarantee Approval Process

6.1. Evaluation Framework

Approval of Program Guarantees will be evaluated using the following framework.

A. <u>Charitable Purpose & Risk Alignment</u>

i. Will the proposed Program Guarantee increase the flow of lending and investment capital to affordable housing projects in a manner that furthers the Program's charitable objectives?

ii. To what extent are the proposed Program Guarantee's terms aligned with the charitable purposes of the Program, including the structure of the guarantee, risk exposure, and financial leverage?

B. <u>Capacity</u>

i. How strong is the Qualified Financer's track record of originating and managing the risk and monitoring of the type of loan or investment it is proposing?

6.2. Approval of Program Guarantees

A. Recommendation: The Program Manager will conduct due diligence and risk of loss analysis of each potential Qualified Financer and proposed Program Guarantee. They will then provide a recommendation to the Program Committee for review and approval.

B. Review and Approval of Program Guarantees: The Program Committee shall review and approve all Program Guarantees.

C. Waivers and Amendments to Guarantee Agreements with Qualified Financers: The Program Manager shall review and make recommendations regarding any waivers or amendments to executed Program Guarantee agreements between CEGP and Qualified Financers. Waivers or amendments that materially alter the risk profile, charitable impact, or structure of the Program Guarantee must be approved by the Program Committee. All other waivers and amendments must be approved by the Parent's president.

D. Approval of Program Guarantees with Exceptions or Modifications*:* Exceptions and modifications to Program Guarantees and/or Qualified Financings that do not conform to the Program Guide may be approved by the Program Committee, provided that the Program Committee has determined that any such exception or modification to a Program Guarantee continues to have strong alignment with the charitable purpose, eligibility criteria, and community impact objectives of the Program, and further provided that any such exception or modification is made in a manner consistent with Program risk parameters and financial guardrails. Approved exceptions and modifications must be reported to the Guarantee Support Providers within a commercially reasonable period of time following their approval.

Section 7. Program Guarantee Claims - Verification, Approval & Payment Process

7.1. Claim Verification and Approval Process

The Program Manager will conduct all relevant due diligence and verification of all demand claims for payment from Qualified Financers ("Program Guarantee Demand Claims"). The verification process will include but not be limited to: (1) validation of actual incurred financial loss by the Qualified Financer on the Qualified Financing generating the demand claim, (2) a verification of the eligibility requirements of the Qualified Financing generating the claim (in accordance with the Program Guide and applicable guarantee agreement), (3) a review of whether any first/shared loss deductible conditions have been met, and (4) confirmation of sufficient guarantee amount available and remaining to pay the subject claim. Upon verification, the Program Manager will approve the Program Guarantee Demand Claim.

7.2. *Claim Payment Process*

Upon verification and approval by the Program Manager, the Program Manager will facilitate the request for disbursements and application of funds in accordance with the terms of the Master Guarantee Support Agreement and will administer payments from CEGP to the Qualified Financer.

Section 8. Reporting and Compliance

8.1. *CEGP Reporting to Guarantee Support Providers*

CEGP, or the Program Manager on behalf of CEGP, shall provide reports and financial information to Guarantee Support Providers in accordance with the terms of the Master Guarantee Support Agreement.

Section 9. Guarantee Support Providers

Guarantee Support Providers may make commitments to CEGP in accordance with the Master Guarantee Support Agreement. Each prospective Guarantee Support Provider may be asked to undergo an initial financial review which to help ensure the integrity, sustainability, and reliability of the Program. Such financial review may include a review of audited financial statements and such other documentation as the Program Manager reasonably determines appropriate.

The Program Manager will review and approve any new Guarantee Support Provider commitment (whether funded or unfunded) and any increased commitment or commitment reduction by an existing Guarantee Support Provider, in accordance with the Master Guarantee Support Agreement.

Section 10. Responsibilities of Program Manager

The Program shall be administered by a manager (the "<u>Program Manager</u>"), who is responsible for the following administrative and management functions of the Program:

A. <u>Guarantee Support Provider Onboarding</u>: Oversee and coordinate with Parent on the onboarding of new Guarantee Support Providers, including the preparation and execution of legal documentation and the operational closing process.

B. <u>Enrollment of Qualified Financers</u>:

   i. <u>Screening</u>: Screen Qualified Financers and structure Program Guarantees, including developing term sheets aligned with the Program's charitable objectives, underwriting standards, and impact criteria. Conduct due diligence to inform recommendations submitted to the Program Committee for review and approval.

   ii. <u>Execution</u>: Coordinate with Parent and its legal counsel to finalize enrollment of approved Qualified Financers, including negotiation and execution of Program Guarantee agreements.

iii. Onboarding: Provide operational onboarding for Qualified Financers, including orientation to the Qualified Financing claims submission protocols.

C. Claims Management: Verify Program Guarantee Demand Claims submitted under Program Guarantees in effect according to Program and Program Guarantee requirements. Coordinate with CEGP and Parent to document and disperse verified claims.

D. Commitment Accounts and Communication: Maintain a schedule of Guarantee Support Provider commitments (both unfunded and prefunded), as well as all claims made to those commitments. Conduct all relevant communications to Guarantee Support Providers including regular reporting, capital calls, and other communication as required.

E. Program Reporting: Provide periodic reporting to Parent on Program Guarantee deployment, performance, and impact metrics.

F. Program Evaluation: Support Parent with the development and delivery of Program evaluations as required.

Section 11. Responsibilities of Parent

Parent is responsible for the following oversight, administrative, and management functions of CEGP and the Program.

A. Fundraising and Capital Development: Lead efforts to secure funding for the Program, including engaging prospective Guarantee Support Providers and other capital partners. Coordinate with the Program Manager to align fundraising with deployment needs and strategic objectives.

B. Program Oversight: Provide governance and strategic guidance for the Program, ensuring ongoing alignment with the Parent's charitable mission and objectives, which shall include, but not be limited to, establishing and delegating authority as applicable to the Parent Program Committee (the "Program Committee") in connection herewith.

C. Reporting and Accountability: Receive and review periodic reports from the Program Manager.

D. Stakeholder Communication: Serve as the primary point of communication with external stakeholders, including funders, regulatory bodies, and community partners.

Section 12. Approval and Modifications to the Program Guide

The Program Guide may be amended and revised by Parent from time to time in a manner consistent with the purposes of the Program and subject to prior approval of the Program Committee by providing written notice of any such amendment, exceptions or revision and a copy of the amended and revised Program Guide to all participating Guarantee Support Providers.