

# MOMENTUS SECURITIES

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Mission-driven  
Community Development Investment Bank

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# What is Momentus Securities

## OUR FIRM

Momentus Securities is a first-of-its kind community development investment bank that aims to better connect institutional investors with historically under/un-banked community organizations in various sectors, including affordable housing, small businesses, education, healthcare and food. We are a FINRA-approved broker/dealer that can offer a full suite of investment banking services (FINRA CRD# 307780)

We act as an intermediary to aggregate investments, and structure and raise capital, to deliver investment opportunities that generate both financial and social returns in a format and scale that mainstream capital market can participate in. Our goal is to establish "social impact" as a fully investable asset class for institutional investors through community-centric investment offerings

Momentus Securities is 100% owned by Capital Impact Partners, one of the largest Community Development Financial Institutions (CDFI) in the US

## OUR PRINCIPLES

Act in client's best interest

Value long-term relationship over short-term profit

Focus on the double bottom line

Dare to challenge the status quo

## OUR TEAM



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## Our Offerings

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- We source and aggregate demand for capital in communities of color and low wealth communities
- We provide sophisticated financial services to reach mainstream markets and enable capital to flow into communities at scale

### Investors

Banks, Insurance, IM / AM, Pension Funds, Endowments, Foundations, Corporates, HNWI, Family Offices, Government, etc.

Deal  
sourcing

Deal  
Structuring

Syndication &  
Placement

Secondary  
liquidity

**MOMENTUS  
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Debt / Equity  
Capital Raise

Deal  
structuring

Underwriting  
& Syndication

Rating  
Advisory

Capital  
Advisory

M&A  
Advisory

Aggregation  
& Sale

### Community Organizations

Community Development Enterprises, Loan Funds in Affordable Housing / Small businesses, Sponsors in Healthcare Centers & Charter Schools, Farms & Food processors, etc.

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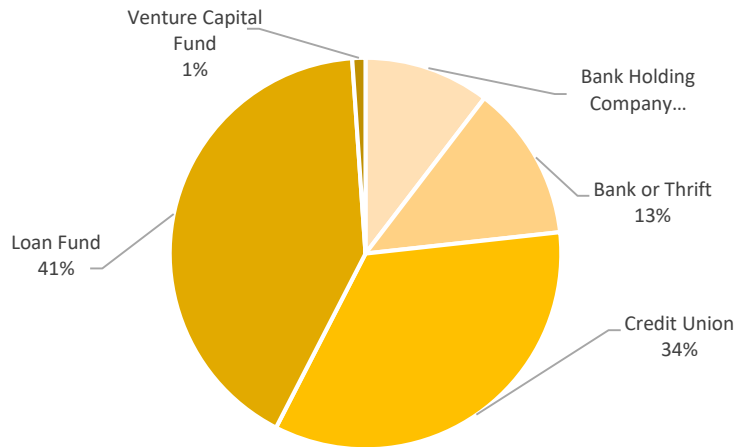
# Our Client Base

## Access to a Large Client Base

- There are 1,376 Certified CDFIs in the U.S., with 569 (41%) operating as Loan Funds and 472 (34%) as Credit Unions
- Momentus Securities’ current areas of focus are with CDFI Loan Funds that provide a variety of mission-driven loan products from affordable housing, small business lending, charter schools, community healthcare centers, and healthy food initiatives
- CDFI Credit Unions have a vested interest in securitizing their lending portfolios using Momentus Securities for deal structuring and rating advisory services
- Our client base will have a variety of needs that will often fall within traditional Structured Finance and municipal finance, particularly when working with CDFIs with charter school and affordable housing mission
- In addition, our client base will include affordable housing developers that are not necessarily deemed CDFIs

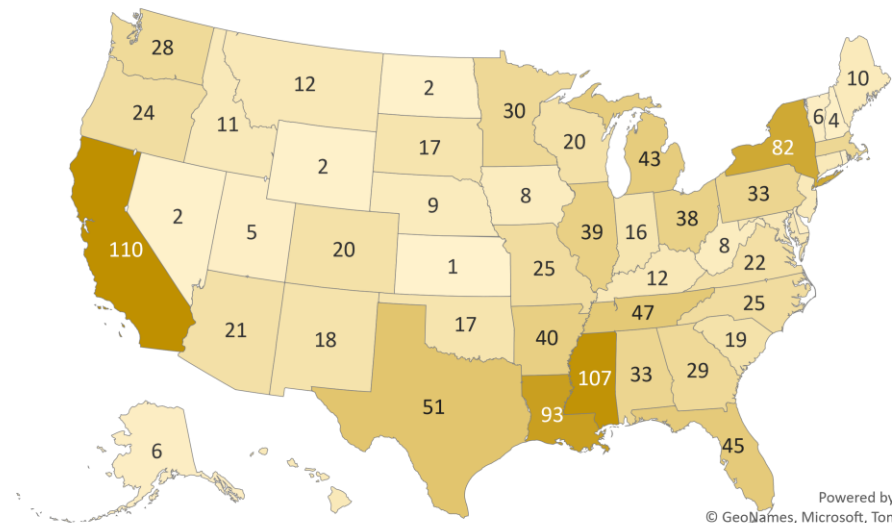
## Large Client Base

CDFI Types



Source: Momentus Securities

States and Territories with Certified CDFI Headquarters



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# Strong Partnerships for Client Base Needs

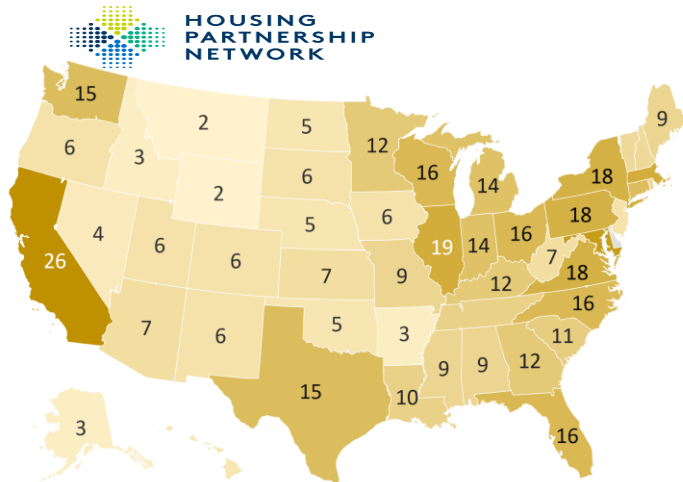
## Partnerships with Industry Practitioners

- The partnerships are designed to not only help Momentus Securities focus on a unique set of clients but also create structures that facilitate capital raising
- Foundations work with us to not only help them deploy capital to organizations, but also utilize Momentus Securities to access the capital markets to expand their reach
- Networks and Coalitions of organizations see value in creating a path for their members across the country. For example, Housing Partnership Network is actively seeking capital solutions for a member base of over 100 community organizations
- Aeris is a great partner and industry practitioner that accelerates the flow of capital to good by driving accountability and transparency into impact investing through their access to community organizations and the data to support a history and track record of performance

## Working Directly with Institutional Impact Investors and Financial Institutions

- While a dozen large rated CDFIs have been able to issue notes and bonds, the debt capital markets are not accessible to the smaller non-rated CDFIs and community organizations or CDFIs with assets that are investable
- An important strategy of Momentus Securities is to work directly with institutional investors who have a great interest in impact investing. Our Rating Advisory services not only helps facilitate these liaisons but also creates a path for investors to have direct access to community organizations and the securities they offer
- Momentus Securities was one of 12 selected recipients to collectively receive \$50 million from Citi Foundation to build a first-of-its kind mission-driven investment bank

## Partnerships



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Source: Momentus Securities



Citi Foundation

HERON



AERIS



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## Current Areas of Focus

Project	Description	Target clients
① CDFI Senior Unsecured Funding Vehicle	CLO backed by a static pool of senior unsecured loans lent to investment grade affordable housing-focused CDFIs	CDFIs
② SBA 7(a) Loan Purchase	Purchase SBA 7(a) / Community Advantage loans from mission-driven lenders	Mission-driven SBA 7(a) lenders
③ Affordable Housing CRE CLO	CLO backed by a fully funded diversified portfolio of transitional affordable housing loans used to finance the acquisition, construction, and/or rehabilitation of multifamily affordable housing projects	Affordable housing lenders
④ Affordable Housing Revenue-backed Securities	Securities backed by revenues from a portfolio of affordable housing projects	Affordable housing developers
⑤ Private Placement Opportunities	Private bond issuances for rated CDFIs	Rated CDFIs
⑥ FHLB Guaranteed Bond	Variable-rate bond obligation guaranteed by FHLB	CDFIs or developers

# 1 CDFI Senior Unsecured Funding Vehicle

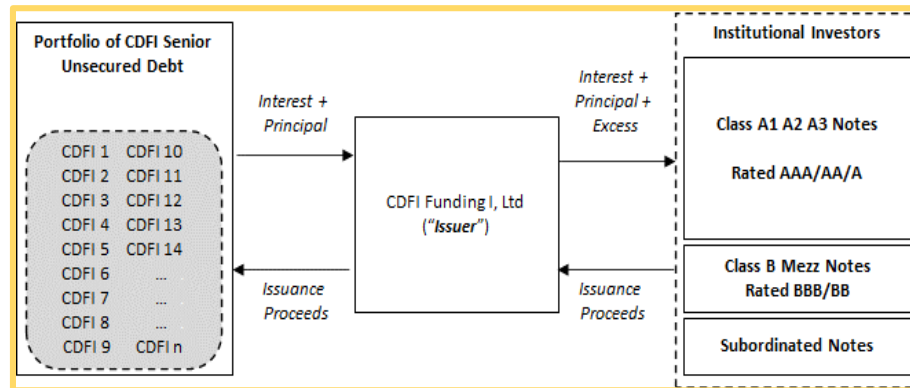
## Transaction Background

- Despite access to public sources of financing, like the U.S. Treasury Bond Guarantee Program (“BGP”) and the Federal Home loan Bank System (“FHLB”), CDFIs have sought to diversify funding sources through private debt offerings in the capital markets that provide more flexible capital and provide longer duration financing
- While a dozen large rated CDFIs have been able to issue notes and bonds, the debt capital markets are not accessible to the smaller non-rated CDFIs
- The transaction is designed to bridge the gap between the supply and demand of debt capital and direct more institutional capital into smaller mission-driven lenders

## Transaction Overview

- CDFI Funding I, Ltd (the “Issuer”), is a \$[350]mm funding vehicle backed by a funded static portfolio of [10-year] fixed-rate senior unsecured CDFI loans
- The transaction will be publicly rated by [Fitch]
- An SPV will be formed and will raise funds by issuing debt to Qualified Institution Buyers (“QIBs”) such as Insurance Companies, Bank’s CRA-desks and Mutual Funds
- All cashflows received on the Portfolio of loans will be directly passed through to the note holders in order of seniority following a waterfall of payment

## Transaction Diagram



- ✓ **Unrestricted and longer-duration capital to CDFIs**
- ✓ **Access to capital markets for non-rated CDFIs**

- ✓ **Rated instruments**
- ✓ **CRA credit exposure across numerous states in one transaction**



# 1 CDFI Senior Unsecured Funding Vehicle

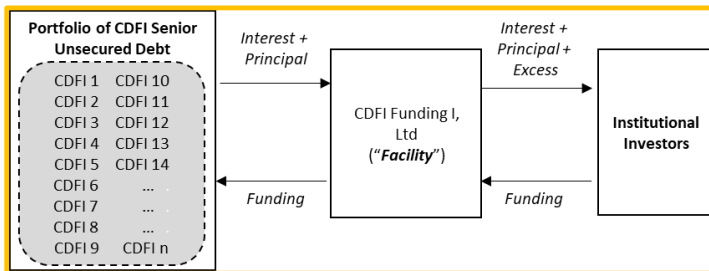
## Transaction Background

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- While a dozen large rated CDFIs have been able to issue notes and bonds, the debt capital markets are not accessible to the smaller non-rated CDFIs
- The transaction is designed to bridge the gap between the supply and demand of debt capital and direct more institutional capital into smaller mission-driven lenders

## Transaction Overview

- CDFI Funding I, Ltd (the “Facility”), is a \$[350]mm funding vehicle that aims to lend [10-year] fixed-rate senior unsecured loans to a group of investment grade quality affordable housing-focused CDFIs
- The Facility will be funded by institutional investors and foundations through different classes of securities rated by [Fitch]
- All cashflows received on the Portfolio of loans will be directly passed through to the note holders in order of seniority following a waterfall of payment

## Transaction Diagram



- ✓ **Unrestricted and longer-duration capital to CDFIs**
- ✓ **Access to capital markets for non-rated CDFIs**

- ✓ **Rated instruments**
- ✓ **CRA credit exposure across numerous states in one transaction**

## Key Loan Terms

<b>Loan Term</b>	10-year
<b>Prepayment / Callability</b>	Not prepayable for [5] years from close
<b>Amortization</b>	Interest-only with balloon payment at maturity
<b>Rank</b>	Senior
<b>Security</b>	None

<b>Key Covenants</b>	<ul style="list-style-type: none"> <li>Quarterly Financial reporting</li> <li>Maximum Loan Delinquency Ratio [6-8%]</li> <li>Maximum Non-performing Loan Ratio [15-17.5%]</li> <li>Minimum Total Net Asset to Total Asset Ratio [15-20%]</li> <li>Maximum Secured Debt to Total Asset Ratio [25-30%]</li> <li>Unencumbered Liquidity &gt; 4-quarter avg. operating expense</li> </ul>
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## 2 SBA 7(a) Loan Purchase

### Transaction Background

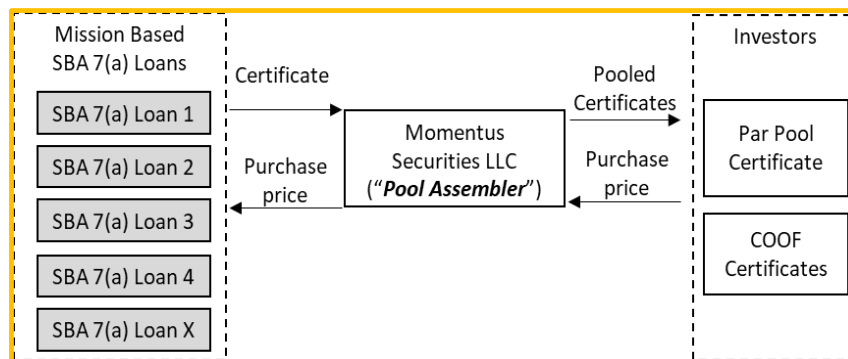
- The 7(a)-loan program is SBA's primary program for providing financial assistance to small businesses. The program is mandated to provide capital to small business not able to obtain financing through conventional lending channels at reasonable terms
- The program promotes various initiatives for minority, underserved, veteran, and women-owned business concerns
- Loan sizes are usually maxed out at \$350,000, with tenors ranging from 7-10 years and interest rates ranging from Prime plus 2.75%-6%
- The SBA, a U.S. government agency, guarantees up to 85% of a loan's outstanding principal balance up to \$150,000 and up to 75% of a loan with a principal balance more than \$150,000

### Transaction Overview

- As the primary liquidity channel available to 7(a) Lenders, participants can:
  - Sell the cash flows from the guaranteed portion as either:
    - Individual Loan Certificates
    - Loan Pooling Certificates, representing ownership of an SBA-approved pool
      - SBA pools can only be formed by SBA-approved Pool Assemblers. There are currently only 13 Pool Assemblers. Momentus Securities will soon become the first mission-driven Pool Assembler
  - Sell the cash flows from the unguaranteed portion through securitizations

### Guaranteed Loan Pooling Diagram

- ✓ **Recycle capital for mission-driven SBA lenders**
- ✓ **Multiply origination volume and social impact**
- ✓ **Minimize credit risks retained on balance sheet**



- ✓ **Loans originated by 100% mission-driven lenders**
- ✓ **Attractive risk/return profile given government guarantee**

### 3 Affordable Housing CRE CLO

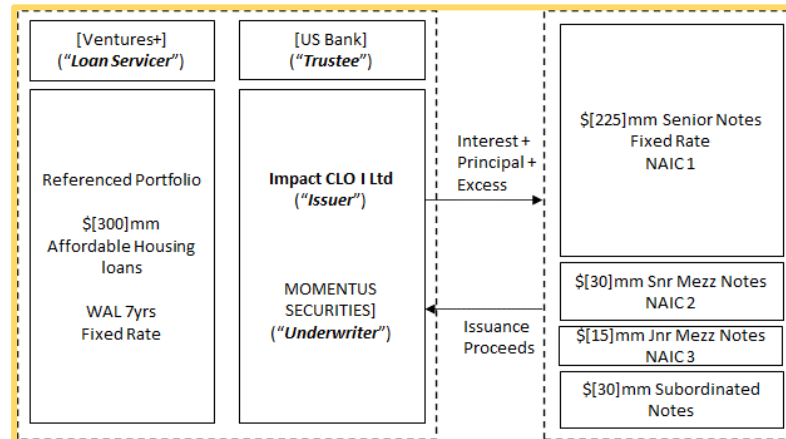
#### Definition of Affordable Housing

- For the purposes of this transaction, the loans purchased by the Issuer will be to properties that have agreed to limit unit rentals to residents at specified Low and Moderate income (“LMI”) levels and to maintain rents at the property at or below the maximum allowable rent as determined by HUD for such households. With Low- and moderate-income (“LMI”) defined as:
  - Low-income - a family income that is less than 50% of the area’s median family income.
  - Moderate-income - a family income that is at least 50% and less than 80% of the area’s median family income.
  - Workforce-housing - a family income that is at least 80% and less than 120% of the area’s median family income.

#### Transaction Overview

- Impact CLO I, Ltd (the “Issuer”), is a CLO backed by a fully funded diversified portfolio of transitional affordable housing loans used to finance the acquisition, construction, and/or rehabilitation of multifamily affordable housing projects
- The loan portfolio will be acquired by the Issuer with the proceeds generated by the sale of rated debt instruments to investors, along with an equity tranche. We expect that 65%+ of the capital stack will be NAIC 1 with a further 15% NAIC 2. A Combination Note (“Combo note”) will be created with the equity tranche. CRE CLOs typically fall into the category of LBASS and are reported in Schedule D at amortized cost
- The Portfolio would include loans originated by CDFIs. The Portfolio will be pledged to a trustee and will serve as the sole security for the CLO notes, with no ability to change assets.
- There will be a [five]-year reinvestment period during which the Issuer may use principal proceeds to acquire additional eligible loans. After, principal received will be used to pay down liabilities based on the waterfall

#### Transaction Diagram



- ✓ Recycle capital for mission-driven affordable housing lenders
- ✓ Origination and servicing fees for originators

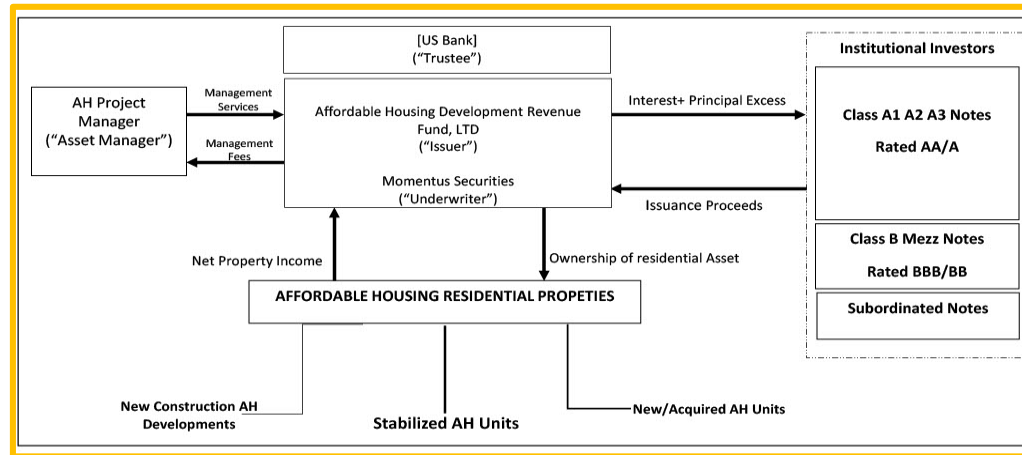
- ✓ Rated instruments
- ✓ Loans originated by 100% mission-driven lenders
- ✓ Attractive risk/return profile given mortgage on assets

## 4 Affordable Housing Revenue-backed Securities

### Transaction Overview

- Affordable Housing Development Revenue Fund , Ltd (the “Issuer”), is an affordable housing real estate trust backed by a portfolio of affordable housing projects. The Issuer will sell rated debt instruments to investors
- The Portfolio would initially include cash flowing real estate projects managed by affordable housing developers and owners. Proceeds are used to finance new acquisitions and constructions, and/or rehabilitations of multifamily affordable housing projects, which will further strengthen the cash flows of the portfolio
- The trust will have a gross revenue pledge for the benefit of repayment to note holders
- The Portfolio will be pledged to a trustee and will serve as the sole security for the trusts estate notes, with no ability to change the assets class or use of the assets other than for the purpose of affordable housing

### Transaction Diagram



- ✓ Sizable enterprise-level capital for mission-driven affordable housing developers for acquisitions and constructions

- ✓ Rated instruments
- ✓ AH Properties owned and operated 100% by mission-driven developers
- ✓ Attractive risk/return profile given affordable housing assets

## 5 Private Placement Opportunities

### Background

- Currently there are about a dozen CDFIs that are rated by S&P and Fitch. Collectively, there has been over \$1.4BN of rated debt offerings, in the form of tradable CUSIP securities, with fixed rates and terms
- Historical data shows that CDFI yields and spreads are in-line with Single-A rated Financials. In fact, an average ratio of 50% equity to debt is typically stronger than that of traditional U.S. lending organizations
- Due to the mission-driven nature of CDFIs, bonds / notes issued fit well in ESG focused portfolios
- Given Momentus' unique position as a community development investment bank, we can help investors source rated private placement opportunities directly with rated CDFIs and unrated CDFIs to the extent it is possible
- Bond proceeds could be for general purposes or for designated use (e.g., US Bank purchased Racial Equity Bonds from Capital Impact Partners and Enterprise Community Partners to support developers of color)

### S&P / Fitch rated CDFIs

CDFI	S&P	Fitch	Notes program	Bonds
Housing Trust Silicon Valley	AA-			
Reinvestment Fund Inc.	A+			\$126mm
Clearinghouse CDFI	A-			
Local Initiative Support Corp	AA-		Up to \$200mm	\$100mm
Capital Impact Partners	A	A+	Up to \$350mm	
Century Housing Corp	AA-	AA	Up to \$150mm	\$185mm
Raza Development Fund	AA-			\$50mm
Enterprise Community Loan Fund	A+			\$50mm
Community Preservation Corp	AA-			\$150mm
Low Income Investment Fund	A			\$100mm
BlueHub Loan Fund	A			\$75mm
California Community Reinvestment Corp	A+			
National Development Council	A+			

## 6 FHLB-Guaranteed Bond

### Transaction Background

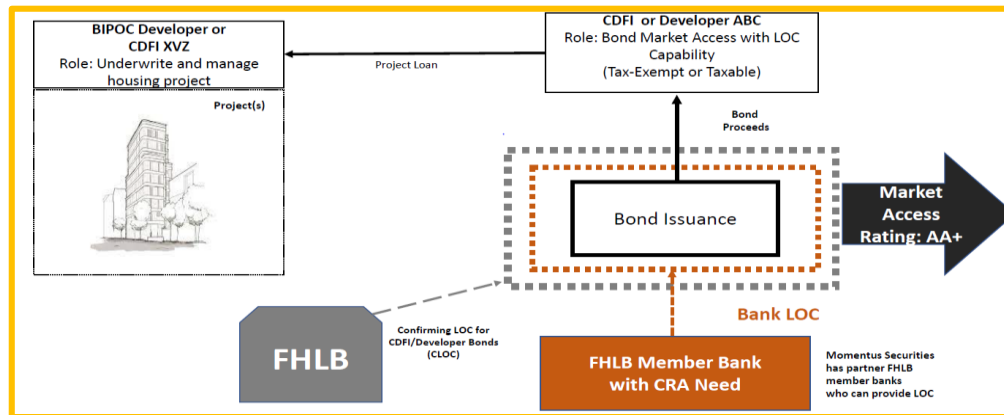
- An FHLB member bank can provide a Letter of Credit (LOC) (this is particularly attractive to member banks if a non-profit is the issuing entity, for CRA credit)
- The member bank can then get a very low cost Confirming Letter of Credit (CLOC) to "wrap" the bank LOC, providing AA+/ AAA ratings to the bond issuance to support bonds issued for affordable housing
- Provides mechanism for highly rated, off-balance sheet execution
- This approach can achieve a Tax-Exempt cost of funds by issuing qualified 501 c3 bonds, or can be taxable for non-qualifying projects, and can be directly brought to market as a AA+ rated bond via FHLB credit enhancement

### Transaction Overview

- To strengthen the credit worthiness of Variable Rate Demand Obligation (VRDB) issuers may purchase credit enhancement. In these cases, the long term credit ratings associated with the issue reflect the strength of the credit provider. An LOC typically guarantees principal payment when bonds are tendered
- Every VRDB issue has liquidity support, provided directly by the issuer or from a third party, that supports the put option exercised by the investor to the issuer
- In third party agreements, the provider agrees to purchase securities of that issue or provide the issuer with the funds to do so in the event that the remarketing agent is unable to successfully remarket them. Every obligation has one or more short-term ratings indicating the strength of the issuer or provider to perform this duty. Third party liquidity can be provided in the following form:
  - Letter of Credit ("LOC") - The issuer has the ability to withdraw money from a financial institution to purchase the VRDBs that were not remarketed

### Transaction Diagram

- ✓ Sizable enterprise-level capital for mission-driven affordable housing developers for acquisitions and constructions
- ✓ Easier credit rating process
- ✓ Attractive all-in cost of funding
- ✓ Taxable or tax-exempt



- ✓ Highly rated instruments guaranteed by FHLB
- ✓ AH Properties owned and operated 100% by mission-driven developers
- ✓ Attractive risk/return profile given affordable housing assets