

COMPARATIVE OPTIONS FOR RAISING CAPITAL

Table A: Summary of the comparative differences between the four options for raising capital:

	<i>BCHMC and other not-for-profit</i>	<i>MFABC financed debt structures</i>	<i>Private /commercially financed debt structures</i>	<i>Limited partnership structures (such as the NMF option under consideration)</i>
Indicative Interest Rate	Posted rates: 4.0% to 4.5% Recent actual rate: 2.86%	2.33%/2.72% (recent 5 year/10 year terms)	4.5%	6-7%+
Fees	None	None (1% is deducted by the MFA and held in trust in its Debt Reserve Fund and is refunded, with interest, at loan expiry)	Assessment /Consulting Mortgage Insurance Loan Administration	One-time subscription fees Ongoing annual fees of 1% up to 4% of invested amounts in some structures Possible profit sharing for fund manager (e.g., 20% over hurdle rate)
Qualification Criteria	Mortgage debt - Asset testing required (loan-to-value ratio)	General debenture debt - Loan Authorization bylaw authorization required - no asset nor income testing required	Mortgage debt - Asset testing required (loan-to-value ratio) - Debt Coverage Ratio (Income Test)	Complex legal structuring - Private equity returns with contractual cash distributions and pre-defined exit events
Covenants	Debt to equity Reserve and Replacement Restrictions	None	Debt to equity Debt Coverage Ratio (Income Test)	Minimum profit requirements Removal of interest with vote of Limited Partner
Equity Contribution	Yes – 20% down payment	None	Yes – 20% down payment	General Partner Share >20%

APPENDIX C

Table B: Example using cost of a \$61.15M borrowing for 8 years under each option

	<i>BCHMC and other not-for-profit</i>	<i>MFABC financed debt structures</i>	<i>Private /commercially financed debt structures</i>	<i>Limited partnership structures (such as the NMF option under consideration)</i>
Interest Rate Assumption	3.0%	2.75%	4.5%	Private Equity Investor return 6.05% targeted
Recurring Payment	\$288,694 monthly \$3,464,333 annually	\$849,306 semi-annual \$2,543,461 annually	\$336,767 monthly \$4,041,209 annually	Varies monthly Average annual payment = \$2,098,575
Total Payment over 8 years	\$27,714,671	\$27,142,136 (plus MFA actuarial credit of \$1,511,756)	\$32,329,672	\$21,799,425
Total Interest over 8 years	\$12,800,318	\$13,588,889	\$19,458,918	\$16,788,605
Principal Remaining at end year 8	\$46,235,646	\$46,702,673 (Post MFA actuarial credit of \$1,511,756)	\$48,279,246	\$85,894,399 Due to investors (start of year 9 to end of year 14, including exits)
Total Extra Fees over 8 years	\$0	\$0	\$20,000 to \$25,000 or more	\$5,010,821 (Start-up legal & other, annual management fee, subscription fee)