October 31, 2014

Dear Friends:

It is our pleasure to report to you on the sixth year of operations for the Living Cities Catalyst Fund. As of June 30, 2014, the Fund had commitments of $34.6 million from ten investors. Since inception through today, our total cumulative lending of $40.2 million has sparked initiatives with total funding of over $825 million.

In recognition of our work and our engagement with the social impact field, we also are delighted to report that the Catalyst Fund was selected for the fourth straight year for the ImpactAssets 50 – a public database of private debt and equity fund managers that deliver social and environmental value in addition to financial returns showcasing a combined $15 billion in impact funders.

Other key developments of the fiscal year from July 2013 through June 2014 included:

**New Investments:** In the year ending June 30, 2014, we closed three additional investments, including our first two Pay for Success (PFS) transactions. We invested $1.5 million in the Massachusetts Juvenile Justice PFS project with Roca as the service provider and $509,000 in the New York State Workforce Re-Entry PFS project with Center for Employment Opportunities (CEO) as the service provider. We closed a $3 million loan to the New Jersey Community Loan Fund, our final loan in the first round of Living Cities’ signature Integration Initiative. In addition, after the close of the fiscal year, we closed two additional transactions – a $1.5 million increase to Capital Impact Partners to support the Detroit Integration Initiative and a $4 million loan to the Craft3 Capital Corporation to provide capital to small businesses that were bankable in the past but cannot find conventional financing in the current economic climate.

**Increased Deployment:** Over the past year, we have deployed an additional $5.1 million of cash to bring the total outstanding balance to $13.0 million. We expect to continue to see higher utilization rates from our outstanding loans. In addition, we have had additional disbursements since June 30, 2014 with $2.4 million in draws from the Catalyst Fund to borrowers.

**Loan Repayments and Cancellations:** Our oldest loans on our books are beginning to repay. In fiscal year 2014, Living Cities received $5.6 million in repayments. The Neighborhood Stabilization Loan Fund (NSLF) repaid their loan in full and the Reinvestment Fund (TRF) made a partial repayment on the original loan in September
2013. Craft3’s ground-breaking secondary market sale of its energy-efficiency loan portfolio was finalized in December 2013, and Craft3 repaid their $4 million loan in full. The Greater University Circle Capital Corporation (GUCC) canceled their $3 million Cleveland Integration Initiative Catalyst Fund facility in November 2013 because Cleveland elected to continue its work without support from Living Cities.

Thank you for your continued support and guidance. We appreciate your commitment to the Catalyst Fund and the low-income communities we serve. Please let us know if you have any questions or ideas.

Ben Hecht  Eileen Neely  Brian R. Nagendra
Catalyst Fund Overview

INVESTOR SUMMARY

As of June 30, 2014, the Catalyst Fund had investor commitments of $34.6 million from ten investors. This is the third full year in which the Fund’s activities were segregated into three pools – Pools A, B and C – to better align the Fund with the programmatic activities of Living Cities:

- The A Pool consists of the original Catalyst loans and commitments as of December 2010.
- The B Pool comprises loans to intermediaries participating in the Living Cities Integration Initiative (TII).
- The C Pool funds non-TII loans that align with Living Cities’ programmatic priorities.

Please see below for details on the Fund’s investor commitments by pool.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>Total</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ford</td>
<td>998,424</td>
<td>5,000,000</td>
<td>3,272,727</td>
<td>9,271,151</td>
<td>998,424</td>
<td>2,500,000</td>
<td>3,272,727</td>
<td>6,771,151</td>
</tr>
<tr>
<td>Casey</td>
<td>698,897</td>
<td>3,500,000</td>
<td>2,290,909</td>
<td>6,489,806</td>
<td>698,897</td>
<td>0</td>
<td>2,290,909</td>
<td>2,989,806</td>
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<tr>
<td>MetLife</td>
<td>599,054</td>
<td>0</td>
<td>4,963,636</td>
<td>5,562,690</td>
<td>599,054</td>
<td>0</td>
<td>1,963,636</td>
<td>2,562,690</td>
</tr>
<tr>
<td>RWJF</td>
<td>499,212</td>
<td>2,500,000</td>
<td>1,636,364</td>
<td>4,635,576</td>
<td>499,212</td>
<td>0</td>
<td>398,230</td>
<td>897,442</td>
</tr>
<tr>
<td>Kresge</td>
<td>399,369</td>
<td>1,309,091</td>
<td>0</td>
<td>1,708,460</td>
<td>399,369</td>
<td>1,309,091</td>
<td>0</td>
<td>1,708,460</td>
</tr>
<tr>
<td>DB</td>
<td>299,527</td>
<td>0</td>
<td>0</td>
<td>299,527</td>
<td>299,527</td>
<td>0</td>
<td>0</td>
<td>299,527</td>
</tr>
<tr>
<td>MacArthur</td>
<td>299,527</td>
<td>981,818</td>
<td>0</td>
<td>1,281,345</td>
<td>299,527</td>
<td>981,818</td>
<td>0</td>
<td>1,281,345</td>
</tr>
<tr>
<td>AARP Foundation</td>
<td>49,921</td>
<td>1,000,000</td>
<td>163,636</td>
<td>1,213,557</td>
<td>49,921</td>
<td>1,000,000</td>
<td>163,636</td>
<td>1,213,557</td>
</tr>
<tr>
<td>Dignity Health</td>
<td>1,156,069</td>
<td>0</td>
<td>0</td>
<td>1,156,069</td>
<td>1,156,069</td>
<td>0</td>
<td>0</td>
<td>1,156,069</td>
</tr>
<tr>
<td>McKnight</td>
<td>0</td>
<td>3,000,000</td>
<td>0</td>
<td>3,000,000</td>
<td>0</td>
<td>3,000,000</td>
<td>0</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>5,000,000</td>
<td>17,290,909</td>
<td>12,327,272</td>
<td>34,618,181</td>
<td>5,000,000</td>
<td>5,790,909</td>
<td>8,089,138</td>
<td>18,880,047</td>
</tr>
</tbody>
</table>

As of 6/30/2014

PORTFOLIO SNAPSHOT

During fiscal year 2014, the Catalyst Fund made $5.0 million in three new investments, raising the cumulative total loan commitments to $34.7 million (across 17 transactions and 15 borrowers). The next two tables provide a snapshot of the loans in the Catalyst portfolio. The Qualified Expenditure Report and Repaid/Cancelled Loans tables present total lending activity through June 30, 2014, showing $23.0 million in original commitments to current borrowers and $11.7 million in repaid commitments.

In June 2014, staff conducted annual reviews of all existing loans. The Credit Committee and the Catalyst Fund LLC Board approved risk ratings and loan loss percentages for the portfolio. These risk ratings are reflected in the following charts. The Fund has experienced no losses to date.
Subsequent to the end of the fiscal year, we closed two additional transactions totaling $5.5 million, bringing our cumulative total commitments to $40.2 million across 16 borrowers. Our $40.2 million in loan capital has helped launch initiatives with total funding of more than $825 million from public, private, and philanthropic financing partners, resulting in a leverage ratio of 20 times.

QUALIFIED EXPENDITURE REPORT (as of 6/30/14)

<table>
<thead>
<tr>
<th>Commitment Date</th>
<th>Origination Date</th>
<th>Borrower</th>
<th>Investment Type</th>
<th>Description</th>
<th>Rate</th>
<th>Term</th>
<th>Risk Rating</th>
<th>Original Commitment</th>
<th>Balance Outstanding</th>
<th>Payment Status</th>
<th>Catalyst Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/18/2009</td>
<td>5/27/2009</td>
<td>TRF - 2009</td>
<td>Loan</td>
<td>Fresh food financing</td>
<td>4.5%</td>
<td>8.0</td>
<td>6</td>
<td>2,000,000</td>
<td>1,500,000</td>
<td>Current</td>
<td>A</td>
</tr>
<tr>
<td>3/30/2011</td>
<td>6/21/2011</td>
<td>BATOAH</td>
<td>Loan</td>
<td>Transit-oriented development</td>
<td>4.0%</td>
<td>9.8</td>
<td>5</td>
<td>3,000,000</td>
<td>1,563,868</td>
<td>Current</td>
<td>C</td>
</tr>
<tr>
<td>5/23/2011</td>
<td>11/15/2012</td>
<td>NeDC</td>
<td>Loan</td>
<td>Small business lending</td>
<td>2.0%</td>
<td>9.6</td>
<td>4</td>
<td>700,000</td>
<td>700,000</td>
<td>Current</td>
<td>B</td>
</tr>
<tr>
<td>5/25/2011</td>
<td>9/10/2012</td>
<td>TRF - 2011</td>
<td>Loan</td>
<td>Housing &amp; community facility</td>
<td>2.0%</td>
<td>9.6</td>
<td>6</td>
<td>3,000,000</td>
<td>3,000,000</td>
<td>Current</td>
<td>B</td>
</tr>
<tr>
<td>6/30/2011</td>
<td>12/15/2011</td>
<td>Capital Impact</td>
<td>Loan</td>
<td>Affordable housing &amp; mixed use real estate development</td>
<td>2.0%</td>
<td>9.5</td>
<td>6</td>
<td>4,000,000</td>
<td>2,000,000</td>
<td>Current</td>
<td>B</td>
</tr>
<tr>
<td>11/11/2011</td>
<td>9/28/2012</td>
<td>TCCLB</td>
<td>Loan</td>
<td>Affordable housing &amp; mixed use real estate development</td>
<td>2.0%</td>
<td>9.0</td>
<td>4</td>
<td>2,300,000</td>
<td>1,150,000</td>
<td>Current</td>
<td>B</td>
</tr>
<tr>
<td>3/15/2013</td>
<td>3/15/2013</td>
<td>IFF</td>
<td>Loan</td>
<td>Healthy food financing</td>
<td>3.5%</td>
<td>5.0</td>
<td>6</td>
<td>3,000,000</td>
<td>3,000,000</td>
<td>Current</td>
<td>C</td>
</tr>
<tr>
<td>11/22/2013</td>
<td>12/27/2013</td>
<td>NJCLF</td>
<td>Loan</td>
<td>Affordable housing and mixed use real estate development</td>
<td>2.0%</td>
<td>7.5</td>
<td>3+</td>
<td>3,000,000</td>
<td>750,000</td>
<td>Current</td>
<td>B</td>
</tr>
<tr>
<td>1/28/2014</td>
<td>2/19/2014</td>
<td>YSI (Massachusetts PFS)</td>
<td>Loan</td>
<td>Recidivism Reduction &amp; Employment Increases</td>
<td>2.0%</td>
<td>5.9</td>
<td>3-</td>
<td>1,500,000</td>
<td>120,000</td>
<td>Current</td>
<td>C</td>
</tr>
<tr>
<td>6/30/2014</td>
<td>6/30/2014</td>
<td>Social Finance NYS Workforce Re-Entry</td>
<td>Equity</td>
<td>Recidivism Reduction &amp; Employment Increases</td>
<td>0.0%</td>
<td>5.5</td>
<td>3-</td>
<td>509,000</td>
<td>255,109</td>
<td>Current</td>
<td>C</td>
</tr>
</tbody>
</table>

Total | 23,009,000 | 12,983,977 |

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1 Commitment Date is the date of the loan closing.
2 Origination Date is the date of the first draw request funding.
3 Risk Ratings were determined by the Credit Committee as part of the portfolio annual review process or at the time of loan closing.
4 The Catalyst Fund uses a 6-point risk rating system with 6 being “Excellent” and 1 being “Doubtful.”
5 TRF repaid an additional $400,000 of their loan subsequent to June 30, 2014. The original commitment amount was $2 million.
6 BATOAH has drawn an additional $16,970 subsequent to June 30, 2014, increasing their balance to $1.58 million.
7 NeDC has drawn an additional $280,000 subsequent to June 30, 2014, fully drawing their loan.
8 Capital Impact has drawn an additional $1.25 million subsequent to June 30, 2014, increasing their balance to $3.25 million.
9 TCCLB has drawn an additional $400,000 subsequent to June 30, 2014, increasing their balance to $1.15 million.
10 NJCLF has drawn an additional $375,000 subsequent to June 30, 2014, increasing their balance to $700,000.
11 YSI has drawn an additional $54,348 subsequent to June 30, 2014, increasing their balance to $174,348.
## REPAID/CANCELLED LOANS (through 6/30/14)

<table>
<thead>
<tr>
<th>Commitment Date</th>
<th>Origination Date</th>
<th>Borrower</th>
<th>Investment Type</th>
<th>Description</th>
<th>Rate</th>
<th>Term</th>
<th>Risk Rating</th>
<th>Amount</th>
<th>Balance Outstanding</th>
<th>Payment Status</th>
<th>Catalyst Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/19/2008</td>
<td>5/27/2009</td>
<td>OHC - VCC</td>
<td>Loan</td>
<td>Foreclosure mitigation</td>
<td>4.5%</td>
<td>4.0</td>
<td>5</td>
<td>1,000,000</td>
<td>Paid in full</td>
<td>Repaid - June 2011</td>
<td>A</td>
</tr>
<tr>
<td>4/9/2009</td>
<td>10/23/2009</td>
<td>NSLF</td>
<td>Loan</td>
<td>Foreclosure mitigation</td>
<td>5.0%</td>
<td>5.0</td>
<td>4</td>
<td>1,000,000</td>
<td>Paid in full</td>
<td>Repaid - September 2013</td>
<td>A</td>
</tr>
<tr>
<td>3/31/2010</td>
<td>10/12/2010</td>
<td>Craft3 - 2010</td>
<td>Loan</td>
<td>Energy efficiency retrofits</td>
<td>4.0%</td>
<td>6.8</td>
<td>4+</td>
<td>2,000,000</td>
<td>Paid in full</td>
<td>Repaid - December 2013</td>
<td>A</td>
</tr>
<tr>
<td>5/4/2010</td>
<td>5/6/2010</td>
<td>5716 Lender, LLC</td>
<td>Loan</td>
<td>Health &amp; wellness facility</td>
<td>4.5%</td>
<td>6.0</td>
<td>4</td>
<td>1,150,000</td>
<td>Paid in full</td>
<td>Repaid - August 2011</td>
<td>A</td>
</tr>
<tr>
<td>12/16/2010</td>
<td>NA</td>
<td>New Teacher Center</td>
<td>Loan</td>
<td>Education</td>
<td>4.0%</td>
<td>1.5</td>
<td>3</td>
<td>1,500,000</td>
<td>Canceled</td>
<td>Canceled - July 2011</td>
<td>A</td>
</tr>
<tr>
<td>1/12/2012</td>
<td>NA</td>
<td>GUCCC</td>
<td>Loan</td>
<td>Commercial real estate</td>
<td>2.0%</td>
<td>9.0</td>
<td>3+</td>
<td>3,000,000</td>
<td>Canceled</td>
<td>Canceled - December 2013</td>
<td>B</td>
</tr>
<tr>
<td>9/7/2012</td>
<td>9/7/2012</td>
<td>Craft3 - 2012</td>
<td>Loan</td>
<td>Energy efficiency retrofits</td>
<td>4.0%</td>
<td>4.3</td>
<td>4+</td>
<td>2,000,000</td>
<td>Paid in full</td>
<td>Repaid - December 2013</td>
<td>C</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>11,650,000</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
PORTFOLIO REVIEW INDICATORS

Schedule 5 of the Amended and Restated Catalyst Fund loan agreement identified eight indicators that we committed to track. The following section summarizes our progress to date.

(1) Timely repayment of Qualified Expenditures by Qualified Recipients:
At present, all borrowers are current on their interest payments. While no principal payments were due, NSLF repaid their $1 million in full in September 2013, TRF repaid $500,000 of its $2 million A Pool loan in September 2013, and in December 2013 Craft3 fully repaid its two loans: $2 million A Pool (originated 2010) and $2 million to C Pool loan (originated 2012).

(2) Number of non-Living Cities investors who join the fund or invest alongside it:
Dignity Health was our first non-member to invest in the Fund. Across the 17 closed transactions we have worked with nearly 160 financing partners. In the Bay Area Transit-Oriented Affordable Housing Fund, we are one of 11 lenders. In our Integration Initiative cities, we are lending alongside seven of our financial institution members, as well as a range of other partners including various municipal governments, the federal government, Trinity Health, and PNC Bank. In the Massachusetts PFS transaction we invested with five other institutions, including Goldman Sachs, the John and Laura Arnold Foundation, the Kresge Foundation, the Boston Foundation, and New Profit. In NYS PFS, we invested alongside more than 40 philanthropic and high net worth investors.

(3) Number of investors new to PRIs who join the fund or invest alongside it:
In 2011, we closed a $3 million commitment from the McKnight Foundation, a relatively new PRI investor. The AARP Foundation, who made its first $250 thousand PRI with the Catalyst Fund, made an additional $1 million investment to the Fund in 2011. Kresge and RWJF both made their initial commitments to the Catalyst Fund in 2008 as part of their new PRI programs.

(4) Dollars leveraged by Living Cities: Funding from the Catalyst Fund has supported initiatives with total funding of more than $825 million.

(5) Number and dollar amount of Qualified Expenditures originated to high impact organizations doing innovative work in Living Cities priority areas:
All 17 Catalyst loans, totaling $34.7 million, have been made in Living Cities priority areas.
(6) Compliance by the Catalyst Fund with covenants agreed to in our documents:
The Fund has three covenant exceptions:

   a. **Utilization Covenant**: Per Section 2.7.1(a), by December 31, 2011 the loan commitments from Pool B were to have exceeded 60%; commitments exceeded 60% by January 31, 2012

   b. **Utilization Covenant**: Per Section 2.7.1(c), by December 31, 2013 the loan commitments from Pool B were to have exceeded 90%; commitments exceeded 90% in early December 2013, but dropped below 90% on December 5, 2013 when a $3 million loan was cancelled.

   c. **Net Income Covenant**: Per Section 6.10.1, beginning in the fiscal year ending June 30, 2014, and as measured on an annual basis thereafter, the change in Borrower's unrestricted net assets must be greater than or equal to zero. The change in the Catalyst Fund's unrestricted net assets, for June 30, 2014, according to Living Cities June 30, 2014 unaudited financial statements was ($115,923).

(7) Impact on Organizational Capacity - Impact of the debt on borrowers, especially those using debt for the first time (growth, financial stability, programmatic scale, access to commercial capital):

**Twin Cities Community Land Bank** (Twin Cities Integration Initiative).
In 2011, we made a loan to the Twin Cities Community Land Bank (TCCLB), a new Community Development Financial Institution (CDFI) in the Twin Cities as part of the Twin Cities Integration Initiative (Pool B). We structured our relationship with the TCCLB with an eye toward helping this organization grow and also develop its lending capacity. Our loan structure has allowed us to participate in the difficult conversations and influence their future direction. Since closing our loan, TCCLB has gotten certified as a CDFI and received two Small and Emerging CDFI Awards from the CDFI Fund.

**Neighborhood Development Center** (Twin Cities Integration Initiative)
In 2010, we closed a loan with the Neighborhood Development Center (NeDC) in the Twin Cities, another relatively new user of debt. Our loan has helped NeDC transition their lending organization away from a grant-based model to a debt-based model. NeDC has increased their role in the Twin Cities civic infrastructure by more fully engaging in the system strengthening small businesses and not just as a lender. NeDC was recognized with a Wells Fargo NEXT Award for Opportunity Finance for achieving a high volume of community impact, tracking and analyzing this impact, and using the information to improve its programs. Finally, Living Cities investment helped paved the approach for future investments; recently the St. Paul Foundation lent $1 million to NeDC in a structure similar to the Catalyst Fund’s loan. In 2014, NeDC has originated over $2 million in lending to 46 borrowers, made possible with Living Cities Catalyst Fund and leverage from CDFI Fund awards, SBA funding and the recent St. Paul Foundation investment. NeDC has
increased their average loan size to $44,000 from $14,000, as part of a growth strategy made possible with the Living Cities investment.

In addition, NeDC is advancing its micro-enterprise development platform. NeDC launched its first replication of the program in Detroit with ProsperUS Detroit. Currently, NeDC plans a franchise-like approach to replicate in three to five cities, potentially including Cleveland, Hartford, Buffalo, Columbus, and Philadelphia.

**The Reinvestment Fund** (health and wellness)
Our loan to The Reinvestment Fund (TRF) for work with the Baltimore Integration Initiative has allowed them to gain a solid foothold in this new geography and expand their fresh food initiative to all of Maryland. TRF’s overall participation in Baltimore’s TII table and role as a manager of Baltimore Integration Partnership (BIP) funds has allowed the CDFI to see deals they hadn’t previously been able to. More importantly, the relationships built out of this participation have led to program and business development opportunities in healthy food lending, energy lending, anchor engagement, and additional policy work. Involvement in BIP has thus increased TRF’s capacity to lend in Baltimore, including the hiring of a second staff person and the relocation to larger office space. They also learned the value of a Market Leader on staff, a senior staff person with the explicit task of sitting at the civic table to build strategic relationships and identify program development opportunities.

**Craft3** (green economy)
In December 2013, Craft3 completed the sale of a $20 million energy retrofit portfolio to Self-Help Credit Union triggering the repayment of two Catalyst Fund loans totaling $4 million. Living Cities role as start-up capital helped build a platform for Craft3 energy retrofit loans business to a size that it could tap secondary capital markets for new capital to continue the Craft3 program. As one of the first secondary market sales of an energy efficiency portfolio, this recapitalization has critical implications for the energy efficiency field. In addition, the Catalyst Fund loan helped Craft3 continue its growth towards self-sufficiency and reducing the need for grant funding to support Craft3’s success.

**Capital Impact Partners** (Detroit Integration Initiative)
In Detroit, Capital Impact Partners (formerly NCB Capital Impact) has expanded their work and begun investments beyond the Woodward Corridor. Living Cities loan helped position Capital Impact as a key CDFI intermediary coordinating investment in Detroit. Capital Impact’s work along the Woodward Corridor brought them national recognition, winning a $2.75 million Wells Fargo NEXT Award for Opportunity Finance. Capital Impact’s increased presence in Detroit has also led to increased lending outside the Woodward Corridor. In May 2014, JP Morgan Chase announced an additional investment of $25 million with Capital Impact as part of a $100 million JP Morgan Chase Detroit Initiative.
Bay Area Transit-Oriented Affordable Housing Fund (TOD)

The Bay Area Transit-Oriented Affordable Housing (BATOAH) Fund has become a national model for financing affordable housing, community facilities, and services near transit. The success of the fund despite the elimination of California’s Redevelopment Agencies has attracted new fund investments from the Bay Area’s Metropolitan Transportation Commission that will provide an additional $10 million in first loss money for an expansion of the fund.

(8) Community Impact - Impact achieved by our Qualified Recipients in their fields (e.g. number of new outlets for fresh foods; number of children assisted by education programs we fund, etc.): Please see below for a summary of the impact on communities achieved by each of our loans.

POOL A

Neighborhood Stabilization Loan Fund (foreclosure mitigation)

In September 2013, the Neighborhood Stabilization Loan Fund (NSLF) repaid its $1 million loan from the Catalyst Fund in full. NSLF acquired approximately 570 housing units across 180 buildings. 26% of these units were targeted for residents at 50% AMI or below, 5% were between 50-80% AMI, and 30% were between 80-120% AMI. 139 of the units are in Boston, 140 are in Worcester, and 97 are in Springfield with the remaining units spread among several other cities. As acquisition for properties through the NSLF is complete, MHIC has focused on moving properties from acquisition to construction and take out. MHIC ability to repay their loan six months early demonstrates its ability to execute its exit plan successfully.

The Reinvestment Fund (health and wellness)

Our $2 million loan to TRF funded the construction of a large refrigerated produce warehouse and distribution facility called the New Farmers Market in Newark, NJ. Construction of this facility was completed on time and on budget and had created approximately 400 construction jobs and 179 full-time jobs, 40 of which (27%) were hired locally from Newark. The building has a gross footprint of 167,025 sq. ft. including 10,800 sq. ft. of office space. In addition to Living Cities’ loan, the project received about $40 million in other funding, including New Markets Tax Credits and borrower equity. This warehouse facility is a critical anchor serving to attract more grocery store retailers to New Jersey as the lack of warehouse space has constrained the ability of operators to develop new grocery stores in the region.

Craft3 (green economy)

Living Cities $4 million loan supported the Craft3 single-family energy efficiency retrofit program, Clean Energy Works Oregon (CEWO). As of September 2013, Craft3 had made
over 1,800 loans totaling over $33 million. Due to the CEWO’s strong Community Workforce Agreement, the average wage for all hours of work performed on these energy efficiency retrofits was $23/hour. Over 40% of the work was performed by people of color and 30% of the work was performed by businesses owned by women or minorities. 33% of the projects are located in CDFI hot zones and 48% of the borrowers are in households with self-reported income less than 100% AMI.

POOL B

Neighborhood Development Center (Twin Cities Integration Initiative)

The Corridors of Opportunity Initiative in the Twin Cities has been established to create a regional model of cross-sector collaboration that leverages investments in high-quality regional transit to improve the lives of low-income people, their businesses and neighborhoods. Our $700,000 loan supports NeDC’s Small Business Growth Fund and Small Business Building Ownership Fund. The foundation for capital absorption Living Cities built with NeDC remains a source growth and development of NeDC. In the past year, NeDC attracted $1 million investment from the St. Paul Foundation, matching the structure of Living Cities Catalyst Fund investment. Living Cities directly funded support to 21 small businesses, including loans and façade repair grants targeting the Little Mekong business and cultural district.

The Reinvestment Fund (Baltimore Integration Initiative)

The Baltimore Integration Partnership (BIP) is creating a model that systematically harnesses the power of anchor institutions, substantial infrastructure investments and local and state workforce development resources to create economic opportunity for low-income people. Our $3 million loan to TRF supports predevelopment, acquisition, construction and New Markets financing of affordable housing, charter schools, grocery stores and other community facilities in East and Central Baltimore and along the Red Line transit corridor. In March 2014, the Baltimore Integration Partnership submitted a three year evaluation (2011-2013). In Baltimore, TRF advanced 13 projects representing a cumulative $154 million in new investment in target neighborhoods. These capital projects are bringing new services and amenities to the target neighborhoods, including a health center, a school, a food market, and a restaurant, as well as over 120 units of new housing. Moreover, the assisted capital projects have also promoted economic inclusion through plans negotiated with the project developers that created employment opportunities for local residents and business opportunities for local and minority firms. In the aggregate, the BIP capital projects completed to date have met or exceeded their economic inclusion plans’ targets, with 27.5% of contracting dollars going to Minority Business Enterprises (MBEs) and 36.4% going to local businesses, and with 40% of construction work hours being completed by local workers.
Capital Impact Partners (Detroit Integration Initiative)

The Woodward Corridor Initiative in Detroit is creating a model for older industrial cities of “redensifying” by concentrating population and activity in sustainable corridors, expanding opportunity for low-income residents, and reusing vacant land. Our $4 million loan to Capital Impact Partners supports the redevelopment of abandoned and under-utilized properties and the creation of new mixed-use and community facilities along Detroit’s Woodward Corridor. Through June 2014, Capital Impact has used Catalyst funds for three projects along the Woodward Corridor -- the Auburn, the Woodward Theater, and the rehabilitation of the Kirby Hebrew Day School.

The Auburn created approximately 9,100 sq. ft. of rental space for local retailers and 58 units of affordable and workforce housing. The redevelopment of the Woodward Theater, a 32,500 sq. ft. three story historic theater, removes blight on one of the last derelict blocks on Woodward Avenue in Midtown Detroit. The development is expected to create 80 construction jobs and 14.5 permanent jobs. The Kirby Day School in Midtown Detroit will be converted to 25 market rate rental apartments, including expansion of the current building and renovation of an adjacent lot.

In September 2013, Capital Impact announced the launch of the $30.25 million Woodward Corridor Investment Fund, developed to invest in transformative real estate projects that advance the physical redevelopment of Detroit’s Woodward Corridor. The fund is a direct outgrowth of the work that CIP undertook as part of Detroit’s Integration Initiative and is due to close in December 2014.

Twin Cities Community Land Bank (Twin Cities Integration Initiative)

The Corridors of Opportunity Initiative in the Twin Cities has been established to create a regional model of cross-sector collaboration that leverages investments in high-quality regional transit to improve the lives of low-income people, their businesses and neighborhoods. Our $2.3 million loan to TCCLB supports the acquisition and redevelopment of affordable single-family and multi-family residential buildings and the development of mixed-use, affordable housing and community facility projects along the new light rail lines in the Minneapolis/St. Paul region. As of June 2014, the Catalyst Fund loan supported the creation of 272 affordable units with 78% affordable to households earning 60% AMI or less and 55 units of supportive housing. In total, four affordable housing and community facility projects were funded along the new light rail lines in the Minneapolis/St. Paul region, Prior Crossing permanent supportive housing (St. Paul), St. Alban’s Park (St. Paul), Corcoran Triangle (Minneapolis), Oxford Green (Hopkins).

New Jersey Community Loan Fund (Newark Integration Initiative)

The $3 million loan to the New Jersey Community Loan Fund (NJCLF), originated in December 2013, will fund the acquisition and redevelopment of abandoned or foreclosed
homes within the Newark Integration Initiative's Strong Healthy Communities Initiative designated neighborhoods. The SHCI is creating a model to improve the health and wellness of children in Newark's low-income neighborhoods in order to improve educational outcomes and advance their ability to learn. NJCLF has deployed $375,000 from its Catalyst Fund loan to support three developments creating 15 units of affordable housing.

**POOL C**

**Bay Area Transit-Oriented Affordable Housing Fund (TOD)**

The $3 million Catalyst Fund loan capitalized the $50 million Bay Area Transit Oriented Affordable Housing Fund closed in March 2011. As of June 2014, BATOAH had deployed $1.5 million of the Catalyst Fund loan supporting eight project loans for early-stage financing for housing and mixed-used developments in the nine county target investment area. In total, the BATOAH Fund created 850 units of affordable housing and 30,000 SF space for neighborhood retail and community health services. Almost 90% of the units created are affordable at 60% AMI or below, including special targeting to supportive and transitional housing units.

**Craft3 (green economy)**

The Craft3 Pool C loan originated in 2012 augments the Pool A loan to Craft3 originated in 2010. Both loans are fully repaid. Please see the social impact of this transaction in the Pool A section.

**IFF (green economy)**

Our $3 million loan to IFF has supported the development of four grocery stores in their Healthy Food Access Program in the Midwest. Two of the projects are in St. Louis, one in Des Moines and one in Chicago. The four projects will provide healthy foods to food deserts. In addition, the stores will provide other education and neighborhood programs such as on-site nutrition education programs and educational content on food products, healthy recipes, and cooking instructions; a mobile market to provide fresh produce to low access neighborhoods; a food box program in which food boxes are provided to child care centers on Fridays that include ingredients for weekend meals to help continue the nutrition regimen. All four stores will create both construction and permanent jobs for local residents.

**Youth Services, Inc. for the Massachusetts Juvenile Justice Pay for Success Program (Public Sector Innovation)**

In January 2014, the Catalyst Fund originated a $1.5 million subordinate loan to the Massachusetts Juvenile Justice Pay for Success (PFS) Project to support Roca, a non-
profit service provider, in reducing recidivism and increasing employment for at-risk, formerly incarcerated young men in the Boston, Chelsea and Springfield areas. The financing will pay project costs to allow Roca to provide supportive services to over 900 high risk young men who, without an intervention, face a reality of jail, violence, and poverty. The intention of the services is reducing recidivism and increasing employment.

The table below summarizes the results through June 30, 2014 since the start of the PFS program at the start of the year.

<table>
<thead>
<tr>
<th>Project Activity</th>
<th># of individuals</th>
<th>% of treatment group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Referred to or recruited by Roca</td>
<td>273</td>
<td>100%</td>
</tr>
<tr>
<td>Enrolled at Roca</td>
<td>118</td>
<td>43%</td>
</tr>
<tr>
<td>Engaged in transitional jobs</td>
<td>46</td>
<td>17%</td>
</tr>
<tr>
<td>Engaged in transitional jobs earning over $1000 in a quarter</td>
<td>14</td>
<td>5%</td>
</tr>
<tr>
<td>Secured unsubsidized jobs earning over $1000 in a quarter</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Social Finance NY State Workforce Re-Entry Pay for Success Project (Public Sector Innovation)**

In June 2014, the Catalyst Fund closed a $509,000 equity investment in the New York State Workforce Re-Entry Pay for Success Project (NYS PFS). The financing will pay for the Center for Employment Opportunities (CEO) to provide supportive services to 2,000 high-risk men leaving the New York State prison system and returning to parole supervision in New York City or Rochester. The goals of the program are increasing employment and reducing recidivism. The services provided include life skills training, paid transitional employment, coaching on job readiness, job placement assistance and job retention services, as well as voluntary skills training leading to certifications in in-demand occupations.

The table below summarizes the results through June 30, 2014 since the start of the PFS program at the start of 2014.

<table>
<thead>
<tr>
<th>Project Activity</th>
<th># of individuals</th>
<th>% of treatment group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assigned to treatment group and released from prison</td>
<td>333</td>
<td>100%</td>
</tr>
<tr>
<td>Enrolled in CEO</td>
<td>208</td>
<td>62%</td>
</tr>
<tr>
<td>Completed CEO’s life skills courses</td>
<td>169</td>
<td>51%</td>
</tr>
<tr>
<td>Started CEO’s transitional jobs</td>
<td>129</td>
<td>39%</td>
</tr>
<tr>
<td>Secured unsubsidized (permanent) employment</td>
<td>37</td>
<td>11%</td>
</tr>
</tbody>
</table>
To: Catalyst Fund Investors
From: Ben Hecht
Date: November 25, 2014

The financial statements and related statements included in this annual report package accurately reflect the financial position of the Living Cities Catalyst Fund LLC and Living Cities, Inc., The National Community Development Initiative as of June 30, 2014.

Section 6.10.1 of the amended and restated Master Loan Agreement dated April 13, 2011 requires that beginning in the fiscal year ending June 30, 2014 the change in the Catalyst Fund's unrestricted net assets for the current fiscal year be greater than or equal to zero. The change in the Catalyst Fund's unrestricted net assets, according to Living Cities June 30, 2014 audited financial statements, was ($115,922) for the most recent fiscal year. The Living Cities Board continues to be committed to the Catalyst Fund and making it sustainable. At the most recent meeting of the Executive Committee, the Living Cities budget was approved which included $300,000 over the next two years to support the restructuring of the Catalyst Fund and any potential losses during the ramp-up period. All lenders have been notified of the non-compliance of the Net Income financial covenant. Responses have been received from all members of the Catalyst Fund Advisory Board. All Advisory Board members provided one-time waivers or elected not to exercise any available remedies at this time.

Section 2.7.1 of the Loan Agreement states that the Catalyst Fund was to have deployed 90% of Program B Loan Commitments, to the Integration Initiative (TII) sites, by December 31, 2013. As of December 31, 2014, the Program B deployment percentage was 84%. The ratio changed when Cleveland chose to not continue as a TII site in the current Living Cities round and subsequently canceled its $3MM Catalyst Fund loan on December 5, 2013. Prior to their cancellation, Program B was 93% deployed. No Program B lenders requested prepayment, the available remedy in Section 2.7.1.

No other Event of Default (as that term is defined in the Loan Documents) or any event that with notice or lapse of time would constitute an Event of Default has occurred.

Living Cities Catalyst Fund LLC

Ben Hecht, President and CEO