

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
COMBINED FINANCIAL STATEMENTS**
For the years ended December 31, 2010 and 2009
with
Report of Independent Auditors

**Novogradac & Company LLP
Certified Public Accountants**



**NOVOGRADAC
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Board of Directors
Clearinghouse Community Development Financial Institution Companies:

We have audited the accompanying combined balance sheets of Clearinghouse Community Development Financial Institution Companies (the "Company") as of December 31, 2010 and 2009, and the related combined statements of income, stockholders' equity and cash flows for the years then ended. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Clearinghouse Community Development Financial Institution Companies as of December 31, 2010 and 2009, and the combined results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated March 15, 2011, on our consideration of the Company's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the internal control over financial reporting. In accordance with *Government Auditing Standards*, we have also issued an opinion dated March 15, 2011, on the Company's compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters that could have a direct and material effect on a major HUD-assisted program. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying supplemental information on pages 55 through 62 is presented for purposes of additional analysis and is not a required part of the combined financial statements of the Company. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements as a whole.

Novogradac & Company LLP

Long Beach, California
March 15, 2011

Clearinghouse Community Development Financial Institution Companies

Combined Balance Sheets

December 31, 2010 and 2009

ASSETS	2010	2009
Cash and cash equivalents	\$ 40,131,000	23,046,000
Certificates of deposit	1,000,000	250,000
Loans receivable, net	384,887,000	278,211,000
Loans held for sale	-	1,695,000
Accrued interest receivable	1,325,000	1,567,000
Deferred taxes	1,581,000	1,460,000
Fixed assets, net	122,000	136,000
Other real estate owned	469,000	1,236,000
Investment in foreclosed single family properties	1,260,000	-
Other receivables and prepaid expenses	1,698,000	1,534,000
Other assets	407,000	496,000
Investment in other companies	11,680,000	12,987,000
	<u>\$ 444,560,000</u>	<u>\$ 322,618,000</u>
TOTAL ASSETS	<u>\$ 444,560,000</u>	<u>\$ 322,618,000</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
 LIABILITIES		
Accounts payable and accrued expenses	\$ 2,538,000	\$ 2,973,000
Accrued interest payable	476,000	544,000
Lines of credit	3,828,000	9,851,000
Interest-bearing deposits	750,000	450,000
Non-interest-bearing deposits, stockholders	2,150,000	2,150,000
Notes payable, Class A stockholders	46,900,000	51,758,000
Other notes payable	11,800,000	4,300,000
	<u>68,442,000</u>	<u>72,026,000</u>
TOTAL LIABILITIES	<u>68,442,000</u>	<u>72,026,000</u>
 STOCKHOLDERS' EQUITY		
Common stock, no par value		
Class A	5,730,000	5,460,000
Class C	3,580,000	3,580,000
Retained earnings	5,953,000	5,133,000
Total controlling equity	<u>15,263,000</u>	<u>14,173,000</u>
Total noncontrolling equity	<u>360,855,000</u>	<u>236,419,000</u>
TOTAL STOCKHOLDERS' EQUITY	<u>376,118,000</u>	<u>250,592,000</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 444,560,000</u>	<u>\$ 322,618,000</u>

see accompanying notes

Clearinghouse Community Development Financial Institution Companies

Combined Statements of Income

For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
INTEREST INCOME		
Interest on loans receivable	\$ 15,437,000	\$ 12,164,000
Interest-bearing deposits	<u>123,000</u>	<u>159,000</u>
Total interest income	<u>15,560,000</u>	<u>12,323,000</u>
INTEREST EXPENSE	<u>(2,405,000)</u>	<u>(2,437,000)</u>
Net interest income	<u>13,155,000</u>	<u>9,886,000</u>
PROVISION FOR LOAN LOSSES	<u>(1,608,000)</u>	<u>(3,154,000)</u>
Net interest income after provision for loan losses	<u>11,547,000</u>	<u>6,732,000</u>
NON INTEREST INCOME		
Fees and gains on sale of single-family loans	98,000	119,000
Other loan fees	390,000	263,000
Grants and other	773,000	1,074,000
Investment Income	33,000	-
Income from investment in foreclosed single family properties	85,000	-
Management fees	1,004,000	872,000
Sponsor fees	259,000	1,351,000
Gain on debt extinguishment	-	<u>843,000</u>
Total non interest income	<u>2,642,000</u>	<u>4,522,000</u>
NON INTEREST EXPENSE		
Compensation and related benefits	2,628,000	2,223,000
Insurance	208,000	185,000
Investment loss	1,307,000	377,000
Organization & start up costs	-	250,000
Professional fees	482,000	512,000
Depreciation and amortization	139,000	87,000
Rent	186,000	151,000
Charitable contributions	99,000	73,000
Historic tax credit investment amortization	-	731,000
Loss on sale of other real estate	8,000	-
Other expenses	<u>525,000</u>	<u>505,000</u>
Total non interest expense	<u>5,582,000</u>	<u>5,094,000</u>
Income before provision for income taxes	8,607,000	6,160,000
Provision for income taxes	<u>1,436,000</u>	<u>1,352,000</u>
Net income	<u>\$ 7,171,000</u>	<u>\$ 4,808,000</u>
Income allocable to noncontrolling equity	<u>\$ 6,293,000</u>	<u>\$ 3,771,000</u>
Income allocable to controlling equity	<u>\$ 878,000</u>	<u>\$ 1,037,000</u>

see accompanying notes

Clearinghouse Community Development Financial Institution Companies
 Combined Statements of Stockholders' Equity
 For the years ended December 31, 2010 and 2009

	Controlling Equity				Noncontrolling Equity					Total Stockholders' Equity
	Common Stock		Retained Earnings	Total Controlling Equity	Members' Units	Syndication Costs	Members' Distributions	Members' Earnings	Total Noncontrolling Equity	
	Class A	Class C								
BALANCE, JANUARY 1, 2009	\$ 4,708,000	\$ 3,830,000	\$ 4,152,000	\$ 12,690,000	\$ 177,356,000	\$ (117,000)	\$ (10,831,000)	\$ 11,596,000	\$ 178,004,000	\$ 190,694,000
Issuance of members' units	-	-	-	-	59,978,000	(250,000)	-	-	59,728,000	59,728,000
Members' distributions	-	-	-	-	-	-	(5,084,000)	-	(5,084,000)	(5,084,000)
Net income	-	-	1,037,000	1,037,000	-	-	-	3,771,000	3,771,000	4,808,000
Cash dividend	-	-	(36,000)	(36,000)	-	-	-	-	-	(36,000)
Stock dividend	20,000	-	(20,000)	-	-	-	-	-	-	-
Issuance of Class A common stock, net of issuance costs of \$18,000	482,000	-	-	482,000	-	-	-	-	-	482,000
Conversion of Class C common stock to Class A common stock	250,000	(250,000)	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2009	5,460,000	3,580,000	5,133,000	14,173,000	237,334,000	(367,000)	(15,915,000)	15,367,000	236,419,000	250,592,000
Issuance of members' units	-	-	-	-	125,929,000	-	-	-	125,929,000	125,929,000
Members' distributions	-	-	-	-	-	-	(7,786,000)	-	(7,786,000)	(7,786,000)
Net income	-	-	878,000	878,000	-	-	-	6,293,000	6,293,000	7,171,000
Cash dividend	-	-	(38,000)	(38,000)	-	-	-	-	-	(38,000)
Stock dividend	20,000	-	(20,000)	-	-	-	-	-	-	-
Issuance of Class A common stock	250,000	-	-	250,000	-	-	-	-	-	250,000
BALANCE, DECEMBER 31, 2010	<u>\$ 5,730,000</u>	<u>\$ 3,580,000</u>	<u>\$ 5,953,000</u>	<u>\$ 15,263,000</u>	<u>\$ 363,263,000</u>	<u>\$ (367,000)</u>	<u>\$ (23,701,000)</u>	<u>\$ 21,660,000</u>	<u>\$ 360,855,000</u>	<u>\$ 376,118,000</u>

see accompanying notes

Clearinghouse Community Development Financial Institution Companies

Combined Statements of Cash Flows

For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	\$ 7,171,000	\$ 4,808,000
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on debt extinguishment	-	(843,000)
Loss on sale of other real estate owned	8,000	-
Depreciation and amortization	139,000	87,000
Provision for loan losses	1,608,000	3,154,000
Historic tax credit investment amortization	-	731,000
Changes in operating assets and liabilities:		
Increase in unearned loan fees	242,000	283,000
Decrease (increase) in accrued interest receivable	242,000	(67,000)
Increase in deferred taxes	(121,000)	(403,000)
Decrease in other receivables and prepaid expenses	(164,000)	(253,000)
(Decrease) increase in accounts payable and accrued expenses	(435,000)	1,311,000
Decrease in accrued interest payable	(68,000)	(10,000)
Net cash provided by operating activities	<u>8,622,000</u>	<u>8,798,000</u>
CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase of) maturities of certificates of deposit, net	(750,000)	750,000
Increase in loans receivable	(108,995,000)	(56,141,000)
Decrease in loans held for sale	1,695,000	582,000
Additions of property and equipment	(54,000)	(39,000)
Proceeds from other real estate owned, net of \$66,000 additions	1,228,000	-
Additions of investment in foreclosed single family properties	(1,260,000)	-
Decrease (increase) in investment in other companies	1,307,000	(6,587,000)
Net cash used in investing activities	<u>(106,829,000)</u>	<u>(61,435,000)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in other assets	18,000	(479,000)
Decrease in line of credit	(6,023,000)	(3,386,000)
Increase in interest-bearing deposits	300,000	-
Increase in non interest-bearing deposits, stockholders	-	800,000
(Decrease) increase in notes payable, stockholders	(4,858,000)	2,843,000
Proceeds from other notes payable	7,500,000	-
Issuance of common stock	250,000	482,000
Issuance of noncontrolling equity	125,929,000	59,978,000
Syndication cost	-	(250,000)
Cash dividend	(38,000)	(36,000)
Distributions to noncontrolling equity	(7,786,000)	(5,084,000)
Net cash provided by financing activities	<u>115,292,000</u>	<u>54,868,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,085,000	2,231,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>23,046,000</u>	<u>20,815,000</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 40,131,000</u>	<u>\$ 23,046,000</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 2,473,000</u>	<u>\$ 2,447,000</u>
Cash paid for income taxes	<u>\$ 1,847,000</u>	<u>\$ 1,280,000</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING INFORMATION		
Write off due to impaired long-lived assets	<u>\$ 726,000</u>	<u>\$ -</u>
Real estate foreclosed	<u>\$ 469,000</u>	<u>\$ 1,126,000</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING INFORMATION		
Stock dividend	<u>\$ 20,000</u>	<u>\$ 20,000</u>
Conversion of Common Stock C to Common Stock A	<u>\$ -</u>	<u>\$ 250,000</u>

see accompanying notes

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES**
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009

1. General

Clearinghouse Community Development Financial Institution (“CDFI”) and its wholly-owned subsidiaries, CDFI Service Corporation and Clearinghouse NMTC, LLC (“CDFI NMTC LLC”) are headquartered in Lake Forest, California. CDFI is a direct lender for affordable housing, community development and other nontraditional credit needs in California. Most of CDFI’s Class A stockholders are banks in or around CDFI’s principal market area. CDFI’s mission is to fulfill unmet credit needs in its defined market area. The majority of CDFI’s loans are to nonprofit organizations and other corporations that provide affordable housing to low-income individuals, create jobs in economically disadvantaged areas or otherwise are engaged in community development activities. The U.S. Department of the Treasury (“Treasury”) has certified CDFI as a Community Development Financial Institution.

CDFI has two lines of business: core lending and New Markets Tax Credits (“NMTC”). Core lending is primarily real estate-based lending that benefits lower-income individuals and communities unable to obtain credit from banks or other traditional lenders. The majority of CDFI’s core lending borrowers are nonprofit organizations and other community development entities. NMTC lending is funded through a series of NMTC LLC subsidiaries (“NMTC LLCs”) and has enabled CDFI to fund larger commercial and for-sale affordable housing projects throughout California. NMTC lending is available through tax credit allocations authorized by the Department of Treasury and targets qualified businesses in distressed areas. See supplementary information for further discussion.

CDFI Service Corporation is a wholly-owned subsidiary of CDFI, whose sole purpose is to liquidate assets foreclosed upon by CDFI. There was limited activity in CDFI Service Corporation in 2010 and 2009.

CDFI has incorporated the NMTC LLCs listed below for the sole purpose of facilitating transactions resulting from NMTC allocations awarded to CDFI. CDFI was awarded the authority to issue the following qualified equity investments (“QEIs”) (see Supplemental Note 1):

<u>Allocation year</u>		<u>QEI</u>
2002	\$	56,000,000
2005		75,000,000
2006		37,000,000
2008		90,000,000
2009		100,000,000
2010		<u>35,000,000</u>
Total	\$	<u>393,000,000</u>

CDFI NMTC LLC is a member of the NMTC LLCs.

As of December 31, 2010, NMTC LLCs, related under common ownership and management as fully disclosed in Supplemental Note 1, include:

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES**
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009

1. General (continued)

- Clearinghouse NMTC (Sub 1), LLC (“Sub 1”)
- Clearinghouse NMTC (Sub 3), LLC (“Sub 3”)
- Clearinghouse NMTC (Sub 5), LLC (“Sub 5”)
- Clearinghouse NMTC (Sub 7), LLC (“Sub 7”)
- Clearinghouse NMTC (Sub 9), LLC (“Sub 9”)
- Clearinghouse NMTC (Sub 11), LLC (“Sub 11”)
- Clearinghouse NMTC (Sub 13), LLC (“Sub 13”)
- Clearinghouse NMTC (Sub 16), LLC (“Sub 16”)
- Clearinghouse NMTC (Sub 18), LLC (“Sub 18”)
- Clearinghouse NMTC (Sub 20), LLC (“Sub 20”)
- Clearinghouse NMTC (Sub 23), LLC (“Sub 23”)
- Clearinghouse NMTC (Sub 2), LLC (“Sub 2”)
- Clearinghouse NMTC (Sub 4), LLC (“Sub 4”)
- Clearinghouse NMTC (Sub 6), LLC (“Sub 6”)
- Clearinghouse NMTC (Sub 8), LLC (“Sub 8”)
- Clearinghouse NMTC (Sub 10), LLC (“Sub 10”)
- Clearinghouse NMTC (Sub 12), LLC (“Sub 12”)
- Clearinghouse NMTC (Sub 15), LLC (“Sub 15”)
- Clearinghouse NMTC (Sub 17), LLC (“Sub 17”)
- Clearinghouse NMTC (Sub 19), LLC (“Sub 19”)
- Clearinghouse NMTC (Sub 21), LLC (“Sub 21”)
- Inactive subsidiaries (“Inactive Subs”)

Inactive Subs are:

- Clearinghouse NMTC (Sub 22), LLC (“Sub 22”)
- Clearinghouse NMTC (Sub 25), LLC (“Sub 25”)
- Clearinghouse NMTC (Sub 27), LLC (“Sub 27”)
- Clearinghouse NMTC (Sub 29), LLC (“Sub 29”)
- Clearinghouse NMTC (Sub 24), LLC (“Sub 24”)
- Clearinghouse NMTC (Sub 26), LLC (“Sub 26”)
- Clearinghouse NMTC (Sub 28), LLC (“Sub 28”)
- Clearinghouse NMTC (Sub 30), LLC (“Sub 30”)

The Inactive Subs were incorporated in anticipation of future NMTC transactions.

In 2007, Clearinghouse CDFI established the Clearinghouse CRA Investment Fund, LLC (“CRA Investment Fund”). The purpose of the CRA Investment Fund is to enable qualified investments in a CRA fund that will be used to finance community development projects throughout California.

The combined financial statements include the accounts of CDFI, its wholly-owned subsidiaries, CDFI Service Corporation and CDFI NMTC LLC, NMTC LLCs, and CRA Investment Fund (collectively, the “Company”).

CDFI’s bylaws provide for eleven directors. The Affordable Housing Clearinghouse, the holder of CDFI’s Class B stock (see Note 12) appoints six directors. CDFI’s Class A stockholders elect five directors. This structure is intended to assure accountability to its community development partner, the Class B stockholder, and the low-income targeted populations they serve.

2. Summary of significant accounting policies and nature of operations

Basis of presentation

The combined financial statements of the Company include the consolidated financial statements of CDFI and its subsidiaries in combination with the NMTC LLCs and CRA Investment Fund. All intercompany transactions and balances have been eliminated in combination.

The Company’s investments in NMTC LLCs and CRA Investment Fund meet the definition of “Variable Interest Entities” under accounting principles accepted in the United States. The Company reports its investments in the various investee partnerships through a combined financial presentation. CDFI holds management duties and responsibilities of the NMTC LLCs and CRA Investment Fund in which it invests through its non-controlling equity. These statements are not consolidated because CDFI does not meet the requirements of consolidation (i.e. control of the NMTC LLCs or the CRA Investment Fund).

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009**

2. Summary of significant accounting policies and nature of operations (continued)

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid short-term investments, with a maturity of three months or less. The majority of cash is deposited with shareholder banks. Approximately \$10.9 million and \$7.9 million in cash relates to investments in the NMTC LLCs at December 31, 2010 and 2009, respectively.

Certificates of deposit

Certificates of deposit represent deposit in various federally insured financial institutions. The deposit in the amount of \$1,000,000 matures in July 2011.

Concentration of credit risk

The Company maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

Economic and geographic concentrations

The Company lends in the California market. Future operations could be affected by changes in economic or other conditions in that market.

Income taxes

Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences. Deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

NMTC LLCs are limited liability companies ("LLCs"). The financial statements do not include the assets and liabilities of the members, including their obligation for income taxes on their distributive shares of net income of the companies.

The NMTC LLCs are treated as partnerships under federal and California income tax law which provides that, in lieu of corporation income taxes, the members separately account for their pro-rata shares of the LLCs' items of income, deductions, losses and credits. Therefore, these financial statements include an insignificant provision for corporation income taxes only to the extent that the companies are subject to California tax under provisions that require a minimum franchise tax and an LLC fee based on gross receipts of this type of entity.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES**
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009

2. Summary of significant accounting policies and nature of operations (continued)

Income taxes (continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to report information regarding its exposure to various tax positions taken by the Company. The Company has determined whether any tax positions have met the recognition threshold and has measured the Company's exposure to those tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Company are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements. CDFI's tax return for the year ended December 31, 2008 was audited by the Internal Revenue Service without any material effect on the results of operations.

Interest and fees on loans

Interest on loans is calculated using the simple-interest method on principal amounts outstanding. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When the accrual of interest is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received and the principal balance is believed to be collectible.

Loan origination and commitment fees and certain direct loan origination costs are deferred and the net amount amortized as an adjustment of the related loan's yield. The Company is generally amortizing these amounts over the contractual life of the related loan using the effective interest method.

Loans receivable

Loans receivable are stated at the amount of unpaid principal, reduced by unearned loan fees and the allowance for loan losses.

The allowance for loan losses is established through a provision for loan losses charged to expense. The allowance is an amount that management believes is adequate to absorb losses on existing loans that may become uncollectible. The allowance is calculated based on management's assessment of various risk factors in the types of loans the Company offers. The Company further considers the impact of market conditions when evaluating the economic risks within the Company's portfolio.

The Company evaluates each loan individually to determine if a specific loan loss provision is necessary. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. A loan is impaired when it is probable that the creditor will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. The amount of impairment, if any, and subsequent charges are included in the allowance for loan losses.

Furthermore, when management determines an amount to be uncollectible, that amount is written off. For the years ended December 31, 2010 and 2009, approximately \$1,461,000 and \$1,526,000 of loans are considered to be impaired and were written off, respectively.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES**
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009

2. Summary of significant accounting policies and nature of operations (continued)

Loans held for sale

Loans held for sale are carried at the lower of cost or market in the aggregate. As of December 31, 2010, CDFI discontinued holding loans for sale. As of December 31, 2009, loans held for sale consisted of first lien residential mortgage loans.

Fixed assets

Leasehold improvements are recorded at cost and are depreciated over the life of the lease, which is 5 years.

Property and equipment are stated at cost, less accumulated depreciation. Depreciation for property and equipment is computed on a straight-line basis over the estimated useful lives of the property and equipment, which range from three to five years.

Investments in real estate projects

Investments in real estate properties are recorded at cost and purchased for resale in the near term. See note 6 for further discussion.

Qualifications for sale treatment of loans

CDFI records a transfer of financial assets (i.e. loans) as a sale when it surrenders control over the financial assets. Control is considered to have been surrendered only when all of the following conditions are met: (a) the transferred assets are isolated from CDFI, put presumptively beyond the reach of CDFI and its creditors, even in the event of a bankruptcy or other receivership; (b) either the purchaser or the qualifying variable interest entity (as defined by applicable accounting standards) and the holders of its beneficial interests have the right, free of conditions that constrain such holders from taking advantage of that right, to pledge or exchange the transferred assets; and (c) CDFI does not maintain effective control over the transferred assets through either (1) the agreement that both entitles and obligates CDFI to repurchase or redeem the transferred assets before their maturity or (2) the ability to unilaterally cause CDFI to return specific assets, other than through a cleanup call.

Real estate acquired by foreclosure

Real estate acquired by foreclosure or other proceedings is initially recorded at fair value at the date of foreclosure less estimated costs of disposal. After foreclosure, valuations are periodically performed by management, and foreclosed assets held for sale are carried at the lower of cost or fair value less estimated costs of disposal. Any write-down to fair value at the time of transfer to other real estate owned is charged to the provision for loan losses. Other real estate owned is evaluated regularly to ensure the recorded amount is supported by its current fair value, and valuation allowances to reduce the carrying amount to fair value less estimated costs to dispose of are recorded as necessary. Revenue and expense from the operations of other real estate owned are included in CDFI's non interest income and expense. Changes in the valuation allowance are included in provisions for loan losses.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES**
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009

2. Summary of significant accounting policies and nature of operations (continued)

Impairment of long-lived assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. During 2010 and 2009, the Company recognized impairment losses of \$726,000 and \$52,000, respectively, which is included in provision for loan losses in the accompanying combined statements of income.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is partially susceptible to significant change in the near term relates to the allowance for loan losses provision.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Subsequent events

Subsequent events have been evaluated through March 15, 2011, which is the date the financial statements were available to be issued. See note 19 for further details.

3. Loans receivable

The Company's loan portfolio is composed of loans that are primarily secured by real estate and commercial properties. This collateral is concentrated primarily within Los Angeles and Orange Counties, but includes collateral located in various counties throughout California. As of December 31, 2010 and 2009, real estate-secured loans accounted for approximately 100% of total loans. Substantially all of these loans are secured by first trust deeds with an initial loan-to-value ratio of generally not greater than 80%.

The Company evaluates each borrower's creditworthiness on a case-by-case basis. Collateral held generally consists of first-trust deeds on real estate and income-producing commercial properties.

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3. Loans receivable (continued)

The Company's loan portfolio consisted of the following at December 31, 2010 and 2009:

<u>December 31, 2010</u>	Core	NMTC	CRA Investment Fund	Total
Housing	\$ 29,098,000	\$ 38,180,000	\$ 14,543,000	\$ 81,821,000
Commercial	12,496,000	236,101,000	22,841,000	271,438,000
Construction	2,288,000	26,264,000	-	28,552,000
Acquisition	3,520,000	-	-	3,520,000
Mobile home parks	1,748,000	-	-	1,748,000
Other	3,135,000	-	-	3,135,000
	<u>52,285,000</u>	<u>300,545,000</u>	<u>37,384,000</u>	<u>390,214,000</u>
Less: Unearned loan fees, net	500,000	190,000	-	690,000
Allowance for loan losses	3,545,000	894,000	198,000	4,637,000
Total loans, net	<u>\$ 48,240,000</u>	<u>\$ 299,461,000</u>	<u>\$ 37,186,000</u>	<u>\$ 384,887,000</u>
<u>December 31, 2009</u>	Core	NMTC	CRA Investment Fund	Total
Housing	\$ 32,618,000	\$ -	\$ 9,765,000	\$ 42,383,000
Commercial	24,449,000	134,211,000	8,061,000	166,721,000
Construction	2,513,000	62,402,000	-	64,915,000
Acquisition	3,445,000	-	-	3,445,000
Mobile home parks	1,898,000	-	-	1,898,000
Other	4,740,000	-	-	4,740,000
	<u>69,663,000</u>	<u>196,613,000</u>	<u>17,826,000</u>	<u>284,102,000</u>
Less: Unearned loan fees, net	531,000	248,000	-	779,000
Allowance for loan losses	4,259,000	760,000	93,000	5,112,000
Total loans, net	<u>\$ 64,873,000</u>	<u>\$ 195,605,000</u>	<u>\$ 17,733,000</u>	<u>\$ 278,211,000</u>

Loans receivable shown above are net of holdbacks primarily related to available capacity on lines of credit as well as construction and rehabilitation of real estate of approximately \$14,982,000 and \$5,539,000 as of December 31, 2010 and 2009, respectively.

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3. Loans receivable (continued)

Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many commitments are expected to expire unused, the total commitment amounts do not necessarily represent future cash requirements.

As of December 31, 2010 and 2009, the Company has loan commitments to extend credit to customers totaling approximately \$2,091,000 and \$8,287,000, respectively. The terms of these commitments are similar to those of other loans in the Company's loan portfolio.

As of December 31, 2010 and 2009, the portfolio had a weighted-average coupon as follows:

	<u>2010</u>	<u>2009</u>
Core lending	7.27%	7.39%
NMTC lending	3.50%	4.28%
CRA Investment Fund lending	7.49%	7.46%

4. Single-family loans held for sale

The Company's loans held for sale are single-family loans to first-time homebuyers throughout the state of California. Loan originations and sales for the years ended December 31 were as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning	\$ 1,695,000	\$ 2,277,000
Add: Loan originations	6,277,000	8,014,000
Less: Loan sales	7,972,000	8,596,000
Balance, ending	<u>\$ -</u>	<u>\$ 1,695,000</u>

5. Allowance for loan losses

Activity in the allowance for loan losses was as follows for the years ended December 31 for CDFI:

	<u>2010</u>	<u>2009</u>
Balance, beginning	\$ 4,259,000	\$ 3,356,000
Provision for loan losses	1,474,000	2,429,000
Loan impairment - write offs	(2,188,000)	(1,526,000)
Balance, ending	<u>\$ 3,545,000</u>	<u>\$ 4,259,000</u>

During 2010 and 2009, CDFI had average outstanding balances of loans past due over 90 days of approximately \$2,306,000 and \$2,858,000, respectively. CDFI recognized interest income from these loans of approximately \$126,000 and \$332,000 in 2010 and 2009, respectively.

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5. Allowance for loan losses (continued)

Activity in the allowance for loan losses was as follows for the years ended December 31 for NMTC LLCs:

	<u>2010</u>	<u>2009</u>
Balance, beginning	\$ 760,000	\$ 35,000
Provision for loan losses	134,000	725,000
Balance, ending	<u>\$ 894,000</u>	<u>\$ 760,000</u>

During 2010 and 2009, NMTC LLCs had average outstanding balances of loans past due over 90 days of approximately \$4,980,000 and \$9,330,000, respectively. NMTC LLCs recognized interest income from these loans of approximately \$101,000 and \$254,000 in 2010 and 2009, respectively.

Activity in the allowance for loan losses was as follows for the years ended December 31 for CRA Investment Fund:

	<u>2010</u>	<u>2009</u>
Balance, beginning	\$ 93,000	\$ 31,000
Additions to reserves	105,000	62,000
Balance, ending	<u>\$ 198,000</u>	<u>\$ 93,000</u>

6. Investment in foreclosed single family properties

During 2010, CDFI initiated two programs to purchase, rehabilitate and resell foreclosed homes in low-income distressed communities. One program is a joint arrangement with CDFI's Class B stockholder, Affordable Housing Clearinghouse ("AHC"). Clearinghouse CDFI provides up to \$1,527,000 in cash towards the purchase of the homes, along with a line of credit to AHC totaling \$3 million. These investments are recorded using the cost method with any gain or loss recognized at disposal.

The second program functions similarly to the first, with the exception that it is owned and funded solely by CDFI. The maximum cash investment for the purchase of homes is \$1.5 million.

As of December 31, 2010, investments in foreclosed single family properties and recognized income from such investments were as follows:

	<u>Investments</u>	<u>Gain from Investments</u>
CDFI/AHC joint venture	\$ 668,000	\$ 85,000
CDFI	592,000	-
Total	<u>\$ 1,260,000</u>	<u>\$ 85,000</u>

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7. Lines of credit

Fannie Mae

On December 28, 2007, CDFI entered into a Revolving Credit Facility and Security Agreement (the "Revolving Credit Agreement") with Fannie Mae for a maximum amount of \$20,000,000. The Revolving Credit Agreement bears an interest rate at 3-month LIBOR plus 75 basis points adjusted quarterly. As of December 31, 2010 and 2009, the interest rate was 1.04% and 1.07%, respectively. Interest only payments are required monthly beginning on January 1, 2008 or the first month following fund disbursements. Principal payments are due based on future events as further defined in the Revolving Credit Agreement. Borrowings are restricted to affordable housing lending in CDFI's defined market area. The line of credit is secured whereby CDFI grants Fannie Mae a security interest in the underlying loans funded with the Revolving Credit Agreement. All unpaid principal and interest are due when the loan matures in December 28, 2012. As of December 31, 2010 and 2009, CDFI had drawn \$3,828,000 and \$9,101,000, respectively, on the line of credit.

The First Amendment to the Revolving Credit Facility and Security Agreement modified the covenant requirements effective as of December 31, 2009 through December 31, 2010. As of December 31, 2010 and 2009, CDFI was in compliance with the loan covenants per the loan agreement.

First Bank

On August 1, 2008, CDFI entered into a Revolving Line of Credit and Security and Pledge Agreement (the "Revolving Agreement") with First Bank for a maximum amount of \$10,000,000. The Revolving Agreement bears an interest rate equal to the Wall Street Journal published prime rate adjusted daily. As of December 31, 2009, the interest rate was 3.25%. Interest only payments are required monthly beginning the tenth day of the next succeeding month following fund disbursements. Borrowings are restricted to single family lending in CDFI's defined market area. The line of credit is secured whereby CDFI grants First Bank a security interest in the underlying loans funded with the Revolving Agreement. All unpaid principal and interest were due when the loan matured on July 31, 2009. On July 31, 2009, the revolving line of credit maturity date was extended to October 31, 2009 and the maximum amount was reduced to \$5,000,000. On October 31, 2009, the maturity date was extended to October 30, 2010, with a reduction in maximum amount of credit to \$2,500,000. As of December 31, 2010, the line of credit had matured and management chose not to renew the line of credit.

Opportunity Finance Network

On February 1, 2008, CDFI entered into a Loan Agreement (the "Loan Agreement") with Opportunity Finance Network for the maximum amount of \$2,500,000. The proceeds are to be used to fund loans for community development projects in economically distressed areas. The loan bears interest at the rate of 5% per annum. No principal payments were required until maturity. All unpaid principal and interest were due when the loan matured on January 31, 2010. As of December 31, 2010, the line of credit had matured.

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7. Lines of credit (continued)

Sunwest Bank

On December 11, 2009, CDFI entered into a Loan Agreement (“Loan Agreement”) with Sunwest Bank for a maximum amount of \$2,000,000. The proceeds are to be used for business operations. The loan bears an interest rate equal to the Wall Street Journal published prime rate adjusted daily plus .05 percentage points. Under no circumstance will the interest rate on this loan be less than 5.5%. As of December 31, 2010 and 2009, the interest rate was 5.5% for both years. No principal payments are required until maturity. All unpaid principal and interest are due when the loan matures on December 11, 2010. On December 11, 2010, the maturity date was extended to May 11, 2011. As of December 31, 2010 and 2009, the principal balance was \$0 and \$750,000, respectively.

8. Investment in other companies

The Company has several investments in other companies. These investments are accounted for under the equity method of accounting, as the Company does not have control of the major operating and financial policies of the investee entities. Under the equity method of accounting, these investments are recorded at cost and adjusted for the share of income or loss, additional investments, and cash distributions from the investee entities. The other companies are:

Claremont Packing House, L.P.

As of December 31, 2010 and 2009, the Company made equity investments of \$1,142,000 in Claremont Packing House, L.P. (“Claremont”). The business purpose of Claremont is to rehabilitate Claremont Packing House, which rehabilitation qualified for historic tax credit under Internal Revenue Code Section 47. As of December 31, 2010 and 2009, the investment balance was \$0, for both years. For the years ended December 31, 2010 and 2009, the Company claimed historic tax credits of \$0 and \$823,000, respectively.

Maya Salinas Old Town Cinema, LLC

During 2007, the Company, through Sub 10, made an equity investment of \$5,216,000 in Maya Salinas Old Town Cinema, LLC (“Maya”). As of December 31, 2010 and 2009, the investment balance was \$4,594,000 and \$4,947,000, respectively.

Pomona Fox Theatre Master Tenant, LLC

During 2008, the Company, through Sub 12, made an equity investment of \$1,150,000 in Pomona Fox Theater Master Tenant, LLC (“Pomona”). As of December 31, 2010 and 2009, the Company made equity investments of \$1,150,000. As of December 31, 2010 and 2009, the investment balance was \$89,000 and \$1,042,000, respectively.

Gateway Opportunity Fund, LLC

During 2009, the Company, through Sub 16, made an equity investment of \$6,998,000 in Gateway Opportunity Fund, LLC (“Gateway”). As of December 31, 2010 and 2009, the Company made an equity investment of \$6,998,000. As of December 31, 2010 and 2009, the investment balance was \$6,997,000 and \$6,998,000, respectively.

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9. Non interest-bearing and interest-bearing deposits

Non interest-bearing deposits

CDFI accepted non interest-bearing deposits from several of its stockholders. These deposits mature in three to five years from the date of the deposit. As of December 31, 2010 and 2009, non interest-bearing deposits totaled \$2,150,000. The deposits mature during the years ending December 31 as follows:

Years Ending December 31,	
2011	\$ 500,000
2012	-
2013	400,000
2014	1,250,000
	<u>\$ 2,150,000</u>

The State of California Department of Insurance has a program entitled California Organized Investment Network (COIN). CDFI is certified under the COIN program. This certification allows the owners of the non interest-bearing deposits to apply for a 20% state income tax credit, providing depositors with an economic benefit for their non interest-bearing deposit.

Interest-bearing deposits

During 2004, CDFI accepted interest-bearing deposits totaling \$450,000. During 2010, CDFI accepted an additional \$300,000 of interest-bearing deposits. The purpose of these deposits is to provide credit and other financial services to help revitalize low-income communities by financing affordable housing developments, small businesses, community facilities and similar projects. The weighted average interest rate as of December 31, 2010 and 2009 was 2.83% and 2.74%, respectively, and the interest-bearing deposits totaled \$750,000 and \$450,000 as of December 31, 2010 and 2009. The interest-bearing deposits mature during 2015.

10. Notes payable, stockholders

As of December 31, 2010 and 2009, balances outstanding under these notes payable totaled \$46,900,000 and \$51,758,000, respectively. These amounts reflect funded loan commitments resulting from three private placement memoranda (“PPMs”) and from other notes payable, the terms of which are described below.

PPMs: The 1997 PPM related to the initial capitalization of CDFI and offered units, consisting of equity and unsecured lending commitments (based on 10 times the Class A common stock investment amount), for sale to certain accredited investors. In accordance with the Credit Agreement between CDFI and the stockholders, the draws against the commitment can only be used to make loans or investments in the normal course of business. The terms of the second PPM in March 1999 were substantially the same as the first Credit Agreement. The third PPM was approved in June 2003 and enables investors to select the ratio of lending commitment to new equity based upon certain criteria specified in the PPM.

For the year ended December 31, 2010, CDFI repaid notes payable with a face amount of \$4,858,000. For the year ended December 31, 2009, CDFI redeemed notes payable with a face amount of \$3,000,000 at a discounted price of \$2,157,000. The repurchase generated a gain for CDFI in the amount of \$843,000 in 2009.

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10. Notes payable, stockholders (continued)

Under the credit agreements issued in the first two PPMs, the unsecured borrowings bear interest at a fixed rate determined by the one-year U.S. Treasury rate (as reported in the Wall Street Journal) plus 1% at the date of each borrowing. Interest on the borrowings is payable quarterly. Under the first credit agreement, the Board of Directors established a plan for repayment of all principal no later than June 2016. Under the second credit agreement, the Board of Directors established a plan for repayment of all principal no later than December 2019. Under the third credit agreement, an investor's return varies based on the equity investment and lending commitment as stated in the PPM. Interest rates are variable on all lending commitments under this third agreement. A schedule of repayment of principal on all outstanding loans under the third credit agreement is to be established by December 2014, which shall provide for the repayment on all principal no later than December 2024. As of December 31, 2010 and 2009, the weighted-average interest rate on all borrowings under these credit agreements were 3.78% and 4.03%, respectively.

In connection with these agreements, CDFI has agreed to, among other things, to maintain certain financial ratios, restrict the payment of dividends, limit expenses and restrict the use of proceeds from the borrowings.

Date offering initiated ^(A)	1997	1999	2003	Total
<u>Authorized under offering</u>				
Number of shares	10,000	40,000	50,000	100,000
Class A common stock	\$ 1,000,000	\$ 4,000,000	\$ 5,000,000	\$ 10,000,000
Loan commitment	\$10,000,000	\$40,000,000	\$50,000,000	\$100,000,000
<u>Outstanding</u>				
December 31, 2010				
Number of shares	10,000	26,900	16,492	53,392
Class A common stock ^(B)	\$ 1,000,000	\$ 2,690,000	\$1,649,000	\$ 5,339,000
Loan commitment outstanding balance ^{(C)(E)}	\$ -	\$26,900,000	\$ 20,000,000	\$ 46,900,000
December 31, 2009				
Number of shares	10,000	26,900	16,492	53,392
Class A common stock ^(B)	\$ 1,000,000	\$ 2,690,000	\$ 1,649,000	\$ 5,339,000
Loan commitment outstanding balance ^{(C), (D)}	\$ 4,858,000	\$26,900,000	\$ 20,000,000	\$ 51,758,000

^(A) The 1997 and 1999 PPMs are fully utilized (closed) as of December 31, 2003.

^(B) Gross proceeds before issuance costs of \$133,000 and \$115,000 since inception through December 31, 2010 and 2009, respectively

^(C) In April 2004 and December 2008, \$5,017,000 and \$125,000, respectively of the 1997 loan commitment were repaid prior to its due date. In December 2008, \$5,000,000 of the 2003 loan commitment was repaid prior to its due date.

^(D) In May 2009, \$3,000,000 of the 2003 loan commitment was repaid prior to its due date.

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10. Notes payable, stockholders (continued)

^(E) During 2010, \$4,858,000 of the 1997 loan commitment was repaid.

The notes payable mature as follows:

	2010	2009
Notes payable, due June 2016	\$ -	\$ 4,858,000
Notes payable, due December 2019	26,900,000	26,900,000
Notes payable, due December 2024	20,000,000	20,000,000
Total	\$ 46,900,000	\$ 51,758,000

11. Other notes payable

CDFI Fund

In May 2003, CDFI received an award from the U.S. Department of Treasury, Community Development Financial Institution Fund (“CDFI Fund”). As a part of this award, CDFI executed an \$800,000 note payable with the CDFI Fund. The note bears interest at 2.045% and is due in May 2023. Quarterly, interest-only payments of \$4,090 are due until maturity. As of December 31, 2010 and 2009, the outstanding principal balance is \$800,000.

Opportunity Finance Network

In May 2006, CDFI entered into an unsecured loan agreement with Opportunity Finance Corporation (“Opportunity Finance Network”) for \$2,500,000. Interest accrues at 4.60% per annum from the day of disbursement and shall be due and payable quarterly in arrears on the last business day of March, June, September, and December of each year. The principal is due and payable on September 15, 2015. Under the terms of the agreement, CDFI is required to use the proceeds of the loan for community development projects in economically distressed areas.

On March 26, 2010, CDFI entered into an unsecured loan agreement (“Note A”) with Opportunity Finance Corporation for \$1,450,000. Interest accrues at 4.55% per annum from the day of disbursement and shall be due and payable quarterly in arrears on the last business day of March, June, September, and December of each year. The principal is due and payable on March 31, 2017. Under the terms of the agreement, CDFI is required to use the proceeds of the loan for community development projects in economically distressed areas.

On March 26, 2010, CDFI entered into an unsecured loan agreement (“Note B”) with Opportunity Finance Corporation for \$1,050,000. Interest accrues at 5% per annum from the day of disbursement and shall be due and payable quarterly in arrears on the last business day of March, June, September, and December of each year. The principal is due and payable on March 31, 2019. Under the terms of the agreement, CDFI is required to use the proceeds of the loan for community development projects in economically distressed areas.

As of December 31, 2010 and 2009, the outstanding principal balance on the notes is \$5,000,000 and \$2,500,000, respectively.

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11. Other notes payable (continued)

Calvert Social Investment Foundation

On February 29, 2008, CDFI entered into an unsecured loan agreement with Calvert Social Investment Foundation, Inc. (“Calvert”) for \$1,000,000. Interest accrues at 4.50% per annum from the day of disbursement and shall be due and payable semi-annually in arrears on August 31 and February 28 of each year. The principal is due and payable on February 28, 2011. On January 7, 2011 the maturity date was extended to June 30, 2011. The proceeds are to be used to fund loans for community development projects in economically distressed areas. As of December 31, 2010 and 2009, the outstanding principal balance is \$1,000,000.

Communities at Work

On November 2, 2010, CDFI entered into an unsecured loan agreement with Communities at Work Fund, L.P. (“Communities at Work”) for \$13,000,000. Interest accrues at 4.30% per annum from the day of disbursement and shall be due and payable monthly. The principal is due and payable on November 2, 2015. The proceeds are to be used to fund loans for community development projects in economically distressed areas. As of December 31, 2010, CDFI has drawn \$5,000,000 of the funds. CDFI will draw the remaining \$8,000,000 during 2011 at its discretion.

12. Common stock

CDFI is authorized to issue three classes of common stock, Classes A, B and C, which have the following authorized, issued and outstanding shares at December 31:

	Class A	Class B	Class C
Authorized, 2010 and 2009	10,000,000	1,000,000	1,000,000
Issued and outstanding, 2010	58,585	1,000	35,800
Issued and outstanding, 2009	55,885	1,000	35,800

Class A common stockholders are limited to those who have executed either the first, second or third PPM, as described in Note 10. The Class B stockholder is limited to The Affordable Housing Clearinghouse, a California nonprofit public benefit corporation. There are no ownership restrictions on the Class C stock.

Shares of Class A and Class B common stock have equal rights except for the right to vote for election of certain directors. Class A stockholders are entitled to elect Class A directors and the Class B stockholder is entitled to appoint Class B directors. Class C stockholders have rights equal to Class A and Class B except for the right to vote for directors or upon any other matters.

For the years ended December 31, 2010 and 2009, CDFI declared dividends of \$1 per share on 58,000 and 56,000 shares, respectively. Dividends are payable in cash or Class A common stock at the option of the stockholder. For the years ended December 31, 2010 and 2009, stock and cash dividends were made as follows:

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12. Common stock (continued)

	<u>2010</u>		<u>2009</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Stock dividends (conversion of paid dividends at \$1 per share into stock issued at \$100 per share)	200	\$20,000	193	\$20,000
Cash dividends (\$1 per share)		<u>38,000</u>		<u>36,000</u>
Total dividends		<u>\$58,000</u>		<u>\$56,000</u>

For the year ended December 31, 2010, CDFI issued 2,500 Class A shares at \$100 per share for total proceeds of \$250,000.

For the year ended December 31, 2009, CDFI converted 2,500 Class C shares to Class A shares at \$100 per share. This conversion did not generate any additional equity.

For the year ended December 31, 2009, CDFI issued 5,000 Class A shares at \$100 per share for total net proceeds of \$482,000.

13. Fair value of financial instruments

The carrying amount reported in the balance sheet for cash and cash equivalents, certificates of deposits, loans receivables, loans held for resale, deposits and notes payable approximates their fair values.

14. Income taxes

The provision for income taxes for the years ended December 31, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Current	\$ 1,558,000	\$ 1,755,000
Deferred	(122,000)	(403,000)
Total provision for income taxes	<u>\$ 1,436,000</u>	<u>\$ 1,352,000</u>

The tax effects of temporary differences that give rise to significant portions of deferred taxes at December 31 are as follows:

	<u>2010</u>	<u>2009</u>
Deferred tax assets		
Allowance for loan losses	\$ 1,563,000	\$ 1,462,000
Accrued interest receivable	8,000	136,000
Accrued vacation and bonuses	31,000	(2,000)
Depreciation	18,000	15,000
Deferred sponsor fee	(277,000)	(369,000)
Gross deferred tax assets	<u>1,343,000</u>	<u>1,242,000</u>
Gross deferred tax liabilities, state taxes	238,000	218,000
Net deferred tax asset	<u>\$ 1,581,000</u>	<u>\$ 1,460,000</u>

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14. Income taxes (continued)

The provision for income taxes differs from the amount of income tax determined by applying the U.S. federal income tax rate of 34% to pretax income for the years ended December 31 as follows:

	2010	2009
Provision for income taxes	\$ 1,102,000	\$ 1,244,000
Increase (decrease) in income taxes resulting from		
State taxes, net of federal benefit	334,000	108,000
Total provision for income taxes	\$ 1,436,000	\$ 1,352,000

Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

15. Related-party transactions

The Company has transactions with many of its stockholders in the normal course of business because most of the Company's stockholders are banks with offices in or around the Company's principal market area. The Company had the following balances and transactions with certain of its stockholders:

	2010	2009
Balance at December 31		
Cash and cash equivalents	\$ 40,040,000	\$ 22,952,000
Certificates of deposit	1,000,000	250,000
Loans receivable	1,878,000	169,000
Non interest-bearing deposits	850,000	850,000
Notes payable	46,900,000	51,758,000
Investment in foreclosed single family properties	668,000	-
Transactions for the years ended December 31		
Interest earned on cash balances and certificates of deposit	87,000	117,000
Interest paid on notes payable	2,271,000	2,300,000
Loan servicing fees paid	-	50,000
Rent paid	180,000	145,000
Income from investment in foreclosed single family properties	85,000	-

CDFI and subsidiaries share costs with AHC (sole holder of CDFI's Class B common stock), a nonprofit entity that sponsored the formation of CDFI and has two common Board members with CDFI. The shared costs include phone, rent, utilities, and supplies.

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December 31, 2010 and 2009**

16. Commitments

The Company leases its facilities under an operating lease expiring in December 2011. On December 19, 2006, the Company entered into a First Amendment to Lease with the landlord to convert its lease from a month-to-month basis to a five year operating lease. The lease agreement provides for a 3% increase in each lease year. For the years ended December 31, 2010 and 2009, lease costs relating to the lease were \$186,000 and \$151,000, respectively, which are included in other expenses in the accompanying combined statements of operations. Minimum future rental payments under the operating lease for the year ending December 31, 2011 is \$187,000.

The Company subleases part of the facilities to its affiliate, AHC, and receives sublease rental income of \$12,000 per year. This amount is included in other expenses in the accompanying combined statement of operations.

17. Grant income

For the year ended December 31, 2010, CDFI received grant income of \$750,000 from CDFI Fund to assist CDFI in providing loans to businesses operating in underserved communities in the State of California. Grant proceeds are restricted to increase lending to their target market objectives in California.

For the year ended December 31, 2009, CDFI received grant income of \$1,000,000 from CDFI Fund to assist CDFI in providing loans to businesses operating in underserved communities in the State of California. Grant proceeds are restricted to loan or equity investments in achieving CDFI's community development objectives in California.

For the year ended December 31, 2009, CDFI received grant income of \$50,000 from Merrill Lynch to assist CDFI in providing loans to businesses operating in underserved communities in the State of California. Grant proceeds are restricted to loan or equity investments in achieving CDFI's community development objectives in California.

For the years ended December 31, 2010 and 2009, CDFI recognized grant income of \$767,000 and \$1,050,000, respectively, which are included in grants and other income in the accompanying combined statements of operations.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES**
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009

18. Litigation

A lawsuit against the Company was filed in the County of Los Angeles, *Curtis Price Construction* (“Curtis Price”) v *915 South Mateo Properties, LP et al*, Case Number BC406797 in January 2009. The Company was one of the defendants in this case. 915 South Mateo Properties, L.P. is the borrower on two loans, one made by Clearinghouse NMTC (Sub 6), LLC in the amount of \$6,000,000 and is secured by a first deed of trust against the property at 915 South Mateo St., Los Angeles, CA 90021 (the “Property”), and the second loan was made by Clearinghouse NMTC (Sub 7), LLC in the principal amount of \$1,250,000 and is secured by a second deed of trust against the property. Mechanic's liens have been filed against the Property, at least one of which was the subject of foreclosure in the litigation filed by Curtis Price against the Company. Curtis Price alleged, among other things, that the plaintiff's mechanic's lien is senior to a deed of trust in favor of the Company. The Company was dropped as a defendant in the case and the plaintiff requested that the litigation be dismissed with prejudice as against Sub 6.

19. Subsequent events

New Markets Tax Credits

On February 24, 2011, the Company was awarded the authority to issue \$35,000,000 of qualified equity investments.

Federal Home Loan Bank

During February 2011, the Company was admitted as a member of Federal Home Loan Bank of San Francisco (“FHLB”). Clearinghouse CDFI will be required to make a stock investment in the amount of \$322,500 in exchange for membership in FHLB. The membership in FHLB will allow the Company an initial borrowing capacity of \$16,400,000 with an initial term not to exceed 5 years from FHLB. Borrowing capacity is limited by the amount of collateral pledged from time to time. On March 14, 2011, the Company borrowed \$1,000,000 for a term of 1 year at the rate of 0.32%.

Second Offering

During February 2011, CDFI paid \$9,000,000 of the second offering outstanding balance.

Qualified equity investment

On March 15, 2011, CDFI transferred \$10,000,000 of its NMTC allocation to Sub 24. Sub 24 received qualified equity investments of \$10,000,000. These investments will be used to fund qualified low-income community investments.

SUPPLEMENTARY INFORMATION

Independent Auditors' Report on the Supplementary Information

To the Board of Directors

Clearinghouse Community Development Financial Institution Companies:

Our report on our audits of the combined financial statements of Clearinghouse Community Development Financial Institution Companies for the years ended December 31, 2010 and 2009 appears on page 2. These audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The consolidating and combining information is presented for purposes of additional analysis of the basic combined financial statements rather than to present the financial positions, results of operations and cash flows of the individual companies. The consolidating and combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Novogradac & Company LLP

Long Beach, California
March 15, 2011

Clearinghouse Community Development Financial Institution Companies
Consolidating and Combining Balance Sheet
December 31, 2010

	Clearinghouse CDFI	CDFI Service Corporation	Clearinghouse NMTC, LLC	Intercompany Elimination	Clearinghouse CDFI Consolidated	NMTC LLCs	CRA Investment Fund	LLC Elimination	Total
ASSETS									
Cash and cash equivalents	\$ 28,190,000	\$ 148,000	\$ 1,000	\$ -	\$ 28,339,000	\$ 10,893,000	\$ 899,000	\$ -	\$ 40,131,000
Certificates of deposit	1,000,000	-	-	-	1,000,000	-	-	-	1,000,000
Loans receivable, net	48,240,000	-	-	-	48,240,000	299,461,000	37,186,000	-	384,887,000
Loans held for sale	-	-	-	-	-	-	-	-	-
Accrued interest receivable	262,000	-	-	-	262,000	859,000	204,000	-	1,325,000
Deferred taxes	1,581,000	-	-	-	1,581,000	-	-	-	1,581,000
Fixed assets, net	103,000	19,000	-	-	122,000	-	-	-	122,000
Other real estated owned	-	469,000	-	-	469,000	-	-	-	469,000
Investment in foreclosed single family properties	1,260,000	-	-	-	1,260,000	-	-	-	1,260,000
Other receivables and prepaid expenses	1,658,000	-	-	-	1,658,000	380,000	-	(340,000)	1,698,000
Other assets	-	-	-	-	-	1,349,000	-	(942,000)	407,000
Investment in other companies	1,809,000	-	404,000	(21,000)	2,192,000	19,180,000	-	(9,692,000)	11,680,000
Due from other companies	2,502,000	176,000	78,000	(1,756,000)	1,000,000	244,000	3,000	(1,247,000)	-
TOTAL ASSETS	\$ 86,605,000	\$ 812,000	\$ 483,000	\$ (1,777,000)	\$ 86,123,000	\$ 332,366,000	\$ 38,292,000	\$ (12,221,000)	\$ 444,560,000
LIABILITIES AND STOCKHOLDERS' EQUITY									
LIABILITIES									
Accounts payable and accrued expenses	\$ 2,717,000	\$ 19,000	\$ -	\$ -	2,736,000	\$ 57,000	\$ -	\$ (255,000)	\$ 2,538,000
Accrued interest payable	476,000	-	-	-	476,000	-	-	-	476,000
Lines of credit	3,828,000	-	-	-	3,828,000	-	-	-	3,828,000
Interest-bearing deposits	750,000	-	-	-	750,000	-	-	-	750,000
Non-interest-bearing deposits, stockholders	2,150,000	-	-	-	2,150,000	-	-	-	2,150,000
Notes payable, stockholders	46,900,000	-	-	-	46,900,000	-	-	-	46,900,000
Other notes payable	11,800,000	-	-	-	11,800,000	-	-	-	11,800,000
Due to other companies	456,000	1,209,000	739,000	(1,756,000)	648,000	449,000	146,000	(1,243,000)	-
TOTAL LIABILITIES	69,077,000	1,228,000	739,000	(1,756,000)	69,288,000	506,000	146,000	(1,498,000)	68,442,000
STOCKHOLDERS' EQUITY									
Common Stock:									
Class A	5,730,000	-	-	-	5,730,000	-	-	-	5,730,000
Class C	3,580,000	-	-	-	3,580,000	-	-	-	3,580,000
CDFI Service Corporation	-	20,000	-	(20,000)	-	-	-	-	-
Retained earnings	8,218,000	(436,000)	(256,000)	(1,000)	7,525,000	-	-	(1,572,000)	5,953,000
Controlling equity	17,528,000	(416,000)	(256,000)	(21,000)	16,835,000	-	-	(1,572,000)	15,263,000
Noncontrolling equity	-	-	-	-	-	331,860,000	38,146,000	(9,151,000)	360,855,000
TOTAL STOCKHOLDERS' EQUITY	17,528,000	(416,000)	(256,000)	(21,000)	16,835,000	331,860,000	38,146,000	(10,723,000)	376,118,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 86,605,000	\$ 812,000	\$ 483,000	\$ (1,777,000)	\$ 86,123,000	\$ 332,366,000	\$ 38,292,000	\$ (12,221,000)	\$ 444,560,000

Clearinghouse Community Development Financial Institution Companies
Combining Balance Sheet
December 31, 2010

	2002 Allocation	2005 Allocation	2006 Allocation	2008 Allocation	2009 Allocation	Inactive Subs	NMTC LLCs Total
ASSETS							
Cash and cash equivalents	\$ 7,292,000	\$ 1,373,000	\$ 1,776,000	\$ 84,000	\$ 168,000	\$ 200,000	\$ 10,893,000
Loans receivable, net	49,876,000	70,385,000	31,800,000	88,005,000	59,395,000	-	299,461,000
Accrued interest receivable	116,000	280,000	270,000	130,000	63,000	-	859,000
Other receivables and prepaid expenses	311,000	53,000	-	3,000	13,000	-	380,000
Other assets	-	-	-	723,000	626,000	-	1,349,000
Investment in other companies	-	7,500,000	4,683,000	-	6,997,000	-	19,180,000
Due from other companies	101,000	13,000	130,000	-	-	-	244,000
TOTAL ASSETS	\$ 57,696,000	\$ 79,604,000	\$ 38,659,000	\$ 88,945,000	\$ 67,262,000	\$ 200,000	\$ 332,366,000
LIABILITIES AND STOCKHOLDERS' EQUITY/ MEMBERS' UNITS AND EARNINGS							
LIABILITIES							
Accounts payable and accrued expenses	\$ -	\$ 57,000	\$ -	\$ -	\$ -	\$ -	\$ 57,000
Due to other companies	183,000	97,000	55,000	61,000	35,000	18,000	449,000
TOTAL LIABILITIES	183,000	154,000	55,000	61,000	35,000	18,000	506,000
MEMBERS' UNITS AND EARNINGS							
NMTC member units	57,131,000	79,952,000	39,606,000	89,810,000	67,907,000	200,000	334,606,000
Syndication costs	(118,000)	-	-	(559,000)	(340,000)	-	(1,017,000)
Members' earnings (deficit)	10,333,000	10,378,000	2,588,000	965,000	1,254,000	(18,000)	25,500,000
Preferred distributions	(3,728,000)	(2,948,000)	-	-	-	-	(6,676,000)
Residual return distributions	(6,105,000)	(7,932,000)	(3,590,000)	(1,332,000)	(1,594,000)	-	(20,553,000)
TOTAL MEMBERS' UNITS AND EARNINGS	57,513,000	79,450,000	38,604,000	88,884,000	67,227,000	182,000	331,860,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 57,696,000	\$ 79,604,000	\$ 38,659,000	\$ 88,945,000	\$ 67,262,000	\$ 200,000	\$ 332,366,000

Clearinghouse Community Development Financial Institution Companies

Combining Balance Sheet

December 31, 2010

	Sub 1	Sub 2	Sub 3	Sub 4	Sub 5	2002 Allocation Total
ASSETS						
Cash and cash equivalents	\$ 937,000	\$ 870,000	\$ 2,134,000	\$ 1,925,000	\$ 1,426,000	\$ 7,292,000
Loans receivable, net	4,479,000	10,157,000	8,419,000	13,181,000	13,640,000	49,876,000
Accrued interest receivable	3,000	16,000	45,000	32,000	20,000	116,000
Other receivables and prepaid expenses	2,000	-	-	54,000	255,000	311,000
Due from other companies	-	-	-	-	101,000	101,000
TOTAL ASSETS	\$ 5,421,000	\$ 11,043,000	\$ 10,598,000	\$ 15,192,000	\$ 15,442,000	\$ 57,696,000
LIABILITIES AND STOCKHOLDERS' EQUITY/ MEMBERS' UNITS AND EARNINGS						
LIABILITIES						
Due to other companies	\$ 29,000	\$ 21,000	\$ 34,000	\$ -	\$ 99,000	\$ 183,000
TOTAL LIABILITIES	29,000	21,000	34,000	-	99,000	183,000
MEMBERS' UNITS AND EARNINGS						
NMTC member units	5,025,000	11,027,000	10,027,000	15,050,000	16,002,000	57,131,000
Syndication costs	(14,000)	(27,000)	(27,000)	(50,000)	-	(118,000)
Members' earnings (deficit)	1,940,000	2,838,000	2,768,000	2,072,000	715,000	10,333,000
Preferred distributions	(488,000)	(1,176,000)	(1,577,000)	(487,000)	-	(3,728,000)
Residual return distributions	(1,071,000)	(1,640,000)	(627,000)	(1,393,000)	(1,374,000)	(6,105,000)
TOTAL MEMBERS' UNITS AND EARNINGS	5,392,000	11,022,000	10,564,000	15,192,000	15,343,000	57,513,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 5,421,000	\$ 11,043,000	\$ 10,598,000	\$ 15,192,000	\$ 15,442,000	\$ 57,696,000

Clearinghouse Community Development Financial Institution Companies

Combining Balance Sheet

December 31, 2010

	Sub 6	Sub 7	Sub 8	Sub 9	2005 Allocation Total
ASSETS					
Cash and cash equivalents	\$ 847,000	\$ 503,000	\$ 12,000	\$ 11,000	\$ 1,373,000
Loans receivable, net	18,591,000	11,896,000	26,218,000	13,680,000	70,385,000
Accrued interest receivable	(73,000)	29,000	299,000	25,000	280,000
Other receivables and prepaid expenses	13,000	38,000	-	2,000	53,000
Investment in other companies	-	7,500,000	-	-	7,500,000
Due from other companies	4,000	8,000	-	1,000	13,000
TOTAL ASSETS	\$ 19,382,000	\$ 19,974,000	\$ 26,529,000	\$ 13,719,000	\$ 79,604,000
LIABILITIES AND STOCKHOLDERS' EQUITY/ MEMBERS' UNITS AND EARNINGS					
LIABILITIES					
Accounts payable and accrued expenses	\$ -	\$ 57,000	\$ -	\$ -	\$ 57,000
Due to other companies	57,000	22,000	10,000	8,000	97,000
TOTAL LIABILITIES	57,000	79,000	10,000	8,000	154,000
MEMBERS' UNITS AND EARNINGS					
NMTC member units	20,025,000	20,025,000	26,221,000	13,681,000	79,952,000
Members' earnings (deficit)	2,896,000	1,601,000	4,438,000	1,443,000	10,378,000
Preferred distributions	(1,826,000)	(1,122,000)	-	-	(2,948,000)
Residual return distributions	(1,770,000)	(609,000)	(4,140,000)	(1,413,000)	(7,932,000)
TOTAL MEMBERS' UNITS AND EARNINGS	19,325,000	19,895,000	26,519,000	13,711,000	79,450,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19,382,000	\$ 19,974,000	\$ 26,529,000	\$ 13,719,000	\$ 79,604,000

Clearinghouse Community Development Financial Institution Companies

Combining Balance Sheet

December 31, 2010

	Sub 10	Sub 11	Sub 12	2006 Allocation Total
ASSETS				
Cash and cash equivalents	\$ 1,671,000	\$ 6,000	\$ 99,000	\$ 1,776,000
Loans receivable, net	11,433,000	12,466,000	7,901,000	31,800,000
Accrued interest receivable	207,000	-	63,000	270,000
Investment in other companies	4,594,000	-	89,000	4,683,000
Due from other companies	5,000	125,000	-	130,000
TOTAL ASSETS	\$ 17,910,000	\$ 12,597,000	\$ 8,152,000	\$ 38,659,000
 LIABILITIES AND STOCKHOLDERS' EQUITY/ MEMBERS' UNITS AND EARNINGS				
LIABILITIES				
Due to other companies	\$ 13,000	\$ 5,000	\$ 37,000	\$ 55,000
TOTAL LIABILITIES	13,000	5,000	37,000	55,000
 MEMBERS' UNITS AND EARNINGS				
NMTC member units	18,053,000	12,501,000	9,052,000	39,606,000
Members' earnings (deficit)	2,502,000	680,000	(594,000)	2,588,000
Residual return distributions	(2,658,000)	(589,000)	(343,000)	(3,590,000)
TOTAL MEMBERS' UNITS AND EARNINGS	17,897,000	12,592,000	8,115,000	38,604,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 17,910,000	\$ 12,597,000	\$ 8,152,000	\$ 38,659,000

Clearinghouse Community Development Financial Institution Companies
Combining Balance Sheet
December 31, 2010

	Sub 13	Sub 15	Sub 17	Sub 18	Sub 19	Sub 21	2008 Allocation Total
ASSETS							
Cash and cash equivalents	\$ 14,000	\$ 4,000	\$ 33,000	\$ 29,000	\$ 1,000	\$ 3,000	\$ 84,000
Loans receivable, net	13,721,000	6,860,000	19,110,000	16,660,000	7,154,000	24,500,000	88,005,000
Accrued interest receivable	37,000	20,000	57,000	-	3,000	13,000	130,000
Other receivables and prepaid expenses	-	-	-	-	3,000	-	3,000
Other assets	106,000	56,000	176,000	150,000	-	235,000	723,000
TOTAL ASSETS	\$ 13,878,000	\$ 6,940,000	\$ 19,376,000	\$ 16,839,000	\$ 7,161,000	\$ 24,751,000	\$ 88,945,000
LIABILITIES AND STOCKHOLDERS' EQUITY/ MEMBERS' UNITS AND EARNINGS							
LIABILITIES							
Due to other companies	\$ 7,000	\$ 7,000	\$ 28,000	\$ 9,000	\$ 8,000	\$ 2,000	\$ 61,000
TOTAL LIABILITIES	7,000	7,000	28,000	9,000	8,000	2,000	61,000
MEMBERS' UNITS AND EARNINGS							
NMTC member units	14,001,000	7,001,000	19,502,000	17,002,000	7,301,000	25,003,000	89,810,000
Syndication costs	(70,000)	(35,000)	(98,000)	(85,000)	(146,000)	(125,000)	(559,000)
Members' earnings (deficit)	532,000	191,000	307,000	(1,000)	1,000	(65,000)	965,000
Residual return distributions	(592,000)	(224,000)	(363,000)	(86,000)	(3,000)	(64,000)	(1,332,000)
TOTAL MEMBERS' UNITS AND EARNINGS	13,871,000	6,933,000	19,348,000	16,830,000	7,153,000	24,749,000	88,884,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 13,878,000	\$ 6,940,000	\$ 19,376,000	\$ 16,839,000	\$ 7,161,000	\$ 24,751,000	\$ 88,945,000

Clearinghouse Community Development Financial Institution Companies

Combining Balance Sheet

December 31, 2010

	Sub 16	Sub 20	Sub 23	2009 Allocation Total
ASSETS				
Cash and cash equivalents	\$ 138,000	\$ 27,000	\$ 3,000	\$ 168,000
Loans receivable, net	21,273,000	8,722,000	29,400,000	59,395,000
Accrued interest receivable	-	2,000	61,000	63,000
Other receivables and prepaid expenses	-	5,000	8,000	13,000
Other assets	245,000	83,000	298,000	626,000
Investment in other companies	6,997,000	-	-	6,997,000
TOTAL ASSETS	\$ 28,653,000	\$ 8,839,000	\$ 29,770,000	\$ 67,262,000
 LIABILITIES AND STOCKHOLDERS' EQUITY/ MEMBERS' UNITS AND EARNINGS				
LIABILITIES				
Due to other companies	\$ 18,000	\$ 7,000	\$ 10,000	\$ 35,000
TOTAL LIABILITIES	18,000	7,000	10,000	35,000
 MEMBERS' UNITS AND EARNINGS				
NMTC member units	29,003,000	8,901,000	30,003,000	67,907,000
Syndication costs	(145,000)	(45,000)	(150,000)	(340,000)
Members' earnings (deficit)	1,260,000	87,000	(93,000)	1,254,000
Residual return distributions	(1,483,000)	(111,000)	-	(1,594,000)
TOTAL MEMBERS' UNITS AND EARNINGS	28,635,000	8,832,000	29,760,000	67,227,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 28,653,000	\$ 8,839,000	\$ 29,770,000	\$ 67,262,000

Clearinghouse Community Development Financial Institution Companies
Consolidating and Combining Statement of Income
For the year ended December 31, 2010

	Clearinghouse CDFI	CDFI Service Corporation	Clearinghouse NMTC, LLC	Intercompany Elimination	Clearinghouse CDFI Consolidated	NMTC LLCs	CRA Investment Fund	LLC Elimination	Total
INTEREST INCOME									
Interest on loans receivable	\$ 4,460,000	\$ -	\$ -	\$ -	\$ 4,460,000	\$ 9,019,000	\$ 1,958,000	\$ -	\$ 15,437,000
Interest-bearing deposits	116,000	-	-	-	116,000	7,000	-	-	123,000
Total interest income	4,576,000	-	-	-	4,576,000	9,026,000	1,958,000	-	15,560,000
INTEREST EXPENSE	(2,405,000)	-	-	-	(2,405,000)	-	-	-	(2,405,000)
Net interest income	2,171,000	-	-	-	2,171,000	9,026,000	1,958,000	-	13,155,000
PROVISIONS									
Provision for loan losses	(1,271,000)	(203,000)	-	-	(1,474,000)	(134,000)	-	-	(1,608,000)
Net interest income after provision for loan losses	900,000	(203,000)	-	-	697,000	8,892,000	1,958,000	-	11,547,000
NON-INTEREST INCOME									
Fees and gains on sale of single-family loans	98,000	-	-	-	98,000	-	-	-	98,000
Other loan fees	318,000	-	-	-	318,000	70,000	2,000	-	390,000
Grants and other	769,000	4,000	-	-	773,000	-	-	-	773,000
Investment income	33,000	-	-	-	33,000	132,000	-	(132,000)	33,000
Income from investment in foreclosed single family properties	85,000	-	-	-	85,000	-	-	-	85,000
Management fees	2,804,000	-	-	-	2,804,000	105,000	-	(1,905,000)	1,004,000
Sponsor fees	2,414,000	-	-	-	2,414,000	-	-	(2,155,000)	259,000
Flow-through income from subsidiaries	829,000	-	-	-	829,000	-	-	(829,000)	-
Total non-interest income	7,350,000	4,000	-	-	7,354,000	307,000	2,000	(5,021,000)	2,642,000
NON-INTEREST EXPENSE									
Compensation and related benefits	2,628,000	-	-	-	2,628,000	-	-	-	2,628,000
Insurance	208,000	-	-	-	208,000	-	-	-	208,000
Investment loss	-	-	-	-	-	1,307,000	-	-	1,307,000
Organization & start up costs	-	-	-	-	-	503,000	-	(503,000)	-
Professional fees	357,000	73,000	17,000	-	447,000	35,000	-	-	482,000
Depreciation	68,000	-	-	-	68,000	-	-	-	68,000
Amortization	-	-	-	-	-	133,000	-	(62,000)	71,000
Management fees	-	-	-	-	-	1,549,000	356,000	(1,905,000)	-
Rent	186,000	-	-	-	186,000	-	-	-	186,000
Charitable contributions	99,000	-	-	-	99,000	-	-	-	99,000
(Gain) loss on sale of other real estate	-	85,000	-	-	85,000	(77,000)	-	-	8,000
Other expenses	525,000	-	-	-	525,000	-	-	-	525,000
Total non-interest expense	4,071,000	158,000	17,000	-	4,246,000	3,450,000	356,000	(2,470,000)	5,582,000
Income (loss) before provision for income taxes	4,179,000	(357,000)	(17,000)	-	3,805,000	5,749,000	1,604,000	(2,551,000)	8,607,000
Provision for income taxes	1,377,000	-	1,000	-	1,378,000	52,000	6,000	-	1,436,000
Net income (loss)	\$ 2,802,000	\$ (357,000)	\$ (18,000)	\$ -	\$ 2,427,000	\$ 5,697,000	\$ 1,598,000	\$ (2,551,000)	\$ 7,171,000
Income (loss) allocable to controlling equity	\$ 2,802,000	\$ (357,000)	\$ (18,000)	\$ -	\$ 2,427,000	\$ 1,002,000	\$ -	\$ (2,551,000)	\$ 878,000
Income (loss) allocable to noncontrolling equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,695,000	\$ 1,598,000	\$ -	\$ 6,293,000

Clearinghouse Community Development Financial Institution Companies
Combining Statement of Income
For the year ended December 31, 2010

	2002 Allocation	2005 Allocation	2006 Allocation	2008 Allocation	2009 Allocation	Inactive Subs	NMTC LLCs Total
INTEREST INCOME							
Interest on loans receivable	\$ 2,194,000	\$ 2,330,000	\$ 1,331,000	\$ 1,358,000	\$ 1,806,000	\$ -	\$ 9,019,000
Interest-bearing deposits	7,000	-	-	-	-	-	7,000
Total interest income	2,201,000	2,330,000	1,331,000	1,358,000	1,806,000	-	9,026,000
Net interest income	2,201,000	2,330,000	1,331,000	1,358,000	1,806,000	-	9,026,000
PROVISIONS							
Provision for loan losses	-	(134,000)	-	-	-	-	(134,000)
Net interest income after provision for loan losses	2,201,000	2,196,000	1,331,000	1,358,000	1,806,000	-	8,892,000
NON-INTEREST INCOME							
Other loan fees	18,000	7,000	20,000	-	25,000	-	70,000
Investment income	-	132,000	-	-	-	-	132,000
Management fees	-	-	-	73,000	32,000	-	105,000
Total non-interest income	18,000	139,000	20,000	73,000	57,000	-	307,000
NON-INTEREST EXPENSE							
Organization & start up costs	-	-	-	308,000	195,000	-	503,000
Investment loss	-	-	1,307,000	-	-	-	1,307,000
Professional fees	7,000	28,000	-	-	-	-	35,000
Amortization	-	-	-	84,000	49,000	-	133,000
Management fees	565,000	352,000	129,000	267,000	236,000	-	1,549,000
Gain on sale of other real estate	(77,000)	-	-	-	-	-	(77,000)
Total non-interest expense	495,000	380,000	1,436,000	659,000	480,000	-	3,450,000
Income (loss) before provision for income taxes	1,724,000	1,955,000	(85,000)	772,000	1,383,000	-	5,749,000
Provision for income taxes	12,000	11,000	5,000	7,000	9,000	8,000	52,000
Net income (loss)	\$ 1,712,000	\$ 1,944,000	\$ (90,000)	\$ 765,000	\$ 1,374,000	\$ (8,000)	\$ 5,697,000
Income (loss) allocable to controlling equity	\$ 671,000	\$ 339,000	\$ -	\$ -	\$ -	\$ (8,000)	\$ 1,002,000
Income (loss) allocable to noncontrolling equity	\$ 1,041,000	\$ 1,605,000	\$ (90,000)	\$ 765,000	\$ 1,374,000	\$ -	\$ 4,695,000

Clearinghouse Community Development Financial Institution Companies

Combining Statement of Income

For the year ended December 31, 2010

	Sub 1	Sub 2	Sub 3	Sub 4	Sub 5	2002 Allocation Total
INTEREST INCOME						
Interest on loans receivable	\$ 322,000	\$ 595,000	\$ 538,000	\$ 401,000	\$ 338,000	\$ 2,194,000
Interest-bearing deposits	1,000	-	1,000	-	5,000	7,000
Total interest income	<u>323,000</u>	<u>595,000</u>	<u>539,000</u>	<u>401,000</u>	<u>343,000</u>	<u>2,201,000</u>
Net interest income	<u>323,000</u>	<u>595,000</u>	<u>539,000</u>	<u>401,000</u>	<u>343,000</u>	<u>2,201,000</u>
NON-INTEREST INCOME						
Other loan fees	3,000	2,000	1,000	12,000	-	18,000
Total non-interest income	<u>3,000</u>	<u>2,000</u>	<u>1,000</u>	<u>12,000</u>	<u>-</u>	<u>18,000</u>
NON-INTEREST EXPENSE						
Professional fees	-	-	7,000	-	-	7,000
Management fees	50,000	100,000	100,000	150,000	165,000	565,000
Gain on sale of other real estate	-	-	(77,000)	-	-	(77,000)
Total non-interest expense	<u>50,000</u>	<u>100,000</u>	<u>30,000</u>	<u>150,000</u>	<u>165,000</u>	<u>495,000</u>
Income (loss) before provision for income taxes	276,000	497,000	510,000	263,000	178,000	1,724,000
Provision for income taxes	<u>2,000</u>	<u>3,000</u>	<u>3,000</u>	<u>2,000</u>	<u>2,000</u>	<u>12,000</u>
Net income (loss)	<u>\$ 274,000</u>	<u>\$ 494,000</u>	<u>\$ 507,000</u>	<u>\$ 261,000</u>	<u>\$ 176,000</u>	<u>\$ 1,712,000</u>
Income (loss) allocable to controlling equity	<u>\$ 189,000</u>	<u>\$ 264,000</u>	<u>\$ 144,000</u>	<u>\$ 74,000</u>	<u>\$ -</u>	<u>\$ 671,000</u>
Income (loss) allocable to noncontrolling equity	<u>\$ 85,000</u>	<u>\$ 230,000</u>	<u>\$ 363,000</u>	<u>\$ 187,000</u>	<u>\$ 176,000</u>	<u>\$ 1,041,000</u>

Clearinghouse Community Development Financial Institution Companies

Combining Statement of Income

For the year ended December 31, 2010

	Sub 6	Sub 7	Sub 8	Sub 9	2005 Allocation Total
INTEREST INCOME					
Interest on loans receivable	\$ 883,000	\$ 498,000	\$ 657,000	\$ 292,000	\$ 2,330,000
Total interest income	883,000	498,000	657,000	292,000	2,330,000
Net interest income	883,000	498,000	657,000	292,000	2,330,000
PROVISIONS					
Provision for loan losses	(134,000)	-	-	-	(134,000)
Net interest income after provision for loan losses	749,000	498,000	657,000	292,000	2,196,000
NON-INTEREST INCOME					
Other loan fees	5,000	-	-	2,000	7,000
Investment income	-	132,000	-	-	132,000
Total non-interest income	5,000	132,000	-	2,000	139,000
NON-INTEREST EXPENSE					
Professional fees	30,000	(2,000)	-	-	28,000
Management fees	152,000	200,000	-	-	352,000
Total non-interest expense	182,000	198,000	-	-	380,000
Income (loss) before provision for income taxes	572,000	432,000	657,000	294,000	1,955,000
Provision for income taxes	3,000	3,000	3,000	2,000	11,000
Net income (loss)	\$ 569,000	\$ 429,000	\$ 654,000	\$ 292,000	\$ 1,944,000
Income (loss) allocable to controlling equity	\$ 144,000	\$ 64,000	\$ 131,000	\$ -	\$ 339,000
Income (loss) allocable to noncontrolling equity	\$ 425,000	\$ 365,000	\$ 523,000	\$ 292,000	\$ 1,605,000

Clearinghouse Community Development Financial Institution Companies

Combining Statement of Income

For the year ended December 31, 2010

	Sub 10	Sub 11	Sub 12	2006 Allocation Total
INTEREST INCOME				
Interest on loans receivable	\$ 843,000	\$ 240,000	\$ 248,000	\$ 1,331,000
Total interest income	843,000	240,000	248,000	1,331,000
Net interest income	843,000	240,000	248,000	1,331,000
NON-INTEREST INCOME				
Other loan fees	-	20,000	-	20,000
Investment income	-	-	-	-
Total non-interest income	-	20,000	-	20,000
NON-INTEREST EXPENSE				
Investment loss	354,000	-	953,000	1,307,000
Management fees	-	-	129,000	129,000
Total non-interest expense	354,000	-	1,082,000	1,436,000
Income (loss) before provision for income taxes	489,000	260,000	(834,000)	(85,000)
Provision for income taxes	3,000	1,000	1,000	5,000
Net income (loss)	\$ 486,000	\$ 259,000	\$ (835,000)	\$ (90,000)
Income (loss) allocable to controlling equity	\$ -	\$ -	\$ -	\$ -
Income (loss) allocable to noncontrolling equity	\$ 486,000	\$ 259,000	\$ (835,000)	\$ (90,000)

Clearinghouse Community Development Financial Institution Companies

Combining Statement of Income

For the year ended December 31, 2010

	Sub 13	Sub 15	Sub 17	Sub 18	Sub 19	Sub 21	2008 Allocation Total
INTEREST INCOME							
Interest on loans receivable	\$ 439,000	\$ 231,000	\$ 427,000	\$ 171,000	\$ 12,000	\$ 78,000	\$ 1,358,000
Total interest income	439,000	231,000	427,000	171,000	12,000	78,000	1,358,000
Net interest income	439,000	231,000	427,000	171,000	12,000	78,000	1,358,000
NON-INTEREST INCOME							
Management fees	-	-	62,000	-	11,000	-	73,000
NON-INTEREST EXPENSE							
Organization & start up costs	-	-	98,000	85,000	-	125,000	308,000
Amortization	20,000	10,000	19,000	20,000	-	15,000	84,000
Management fees	70,000	52,000	62,000	64,000	19,000	-	267,000
Total non-interest expense	90,000	62,000	179,000	169,000	19,000	140,000	659,000
Income (loss) before provision for income taxes	349,000	169,000	310,000	2,000	4,000	(62,000)	772,000
Provision for income taxes	2,000	1,000	1,000	1,000	1,000	1,000	7,000
Net income (loss)	\$ 347,000	\$ 168,000	\$ 309,000	\$ 1,000	\$ 3,000	\$ (63,000)	\$ 765,000
Income (loss) allocable to controlling equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income (loss) allocable to noncontrolling equity	\$ 347,000	\$ 168,000	\$ 309,000	\$ 1,000	\$ 3,000	\$ (63,000)	\$ 765,000

Clearinghouse Community Development Financial Institution Companies

Combining Statement of Income

For the year ended December 31, 2010

	Sub 16	Sub 20	Sub 23	2009 Allocation Total
INTEREST INCOME				
Interest on loans receivable	\$ 1,609,000	\$ 136,000	\$ 61,000	\$ 1,806,000
Total interest income	1,609,000	136,000	61,000	1,806,000
Net interest income	1,609,000	136,000	61,000	1,806,000
NON-INTEREST INCOME				
Other loan fees	25,000	-	-	25,000
Management fees	-	24,000	8,000	32,000
Total non-interest income	25,000	24,000	8,000	57,000
NON-INTEREST EXPENSE				
Organization & start up costs	-	45,000	150,000	195,000
Amortization	41,000	6,000	2,000	49,000
Management fees	209,000	19,000	8,000	236,000
Total non-interest expense	250,000	70,000	160,000	480,000
Income (loss) before provision for income taxes	1,384,000	90,000	(91,000)	1,383,000
Provision for income taxes	7,000	1,000	1,000	9,000
Net income (loss)	\$ 1,377,000	\$ 89,000	\$ (92,000)	\$ 1,374,000
Income (loss) allocable to controlling equity	\$ -	\$ -	\$ -	\$ -
Income (loss) allocable to noncontrolling equity	\$ 1,377,000	\$ 89,000	\$ (92,000)	\$ 1,374,000

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

1. NMTC LLCs

CDFI was awarded the authority to issue \$358 million of qualified equity investments (“QEI”) pursuant to the Allocation Agreement between CDFI and the Community Development Financial Institutions Fund:

Dated	Amended
January 15, 2004	March 5, 2004, November 12, 2004
December 22, 2005	
December 15, 2006	February 7, 2007
December 24, 2008	
November 24, 2009	

Equity investments received will be designated as QEIs if they meet the requirements of Internal Revenue Code Section 45D and Treasury Regulations Section 1.45D. Members of the NMTC LLCs will be allowed to claim new markets tax credits (“NMTC”) over seven periods, spanning six years and a day, for any equity investment made by such member that is designated a QEI by CDFI. It is intended that the investor members' capital contributions shall constitute QEIs in accordance with the Internal Revenue Code Section 45D and Treasury Regulations thereunder.

In order to qualify for NMTC, CDFI must comply with requirements of Internal Revenue Code Section 45D and Treasury Regulation Section 1.45D during the seven-year credit period. These requirements include, but are not limited to, ensuring that for each annual period in the seven-year credit period, at least 85% of the QEIs will be deployed to qualified low income communities as qualified low-income community investments (“QLICIs”). Because the tax credits are subject to certain requirements, there can be no assurance that the aggregate amount of tax credits will be realized and failure to meet all such requirements may result in generating a lesser amount of tax credits than expected.

CDFI’s board of directors has established an advisory board for CDFI’s NMTC activities (“Advisory Board”). The Advisory Board provides insight and guidance to CDFI regarding its new markets tax credit activities. The Advisory Board also ensures that CDFI maintains accountability to the residents of low-income communities within its service areas, as defined in the allocation agreements, in accordance with Internal Revenue Code Section 45D(c)(1)(B). The Advisory Board solicits feedback from the residents of the low-income communities that they represent as to the investment needs of those particular low-income communities and the success of CDFI in addressing such needs.

Under the terms of the NMTC program, the NMTC LLCs have one year from receipt of QEI to invest in eligible loans for the investor members to receive the tax credits. In addition, all available cash flows (cash received by the NMTC LLCs other than capital proceeds, which the manager determines is not needed to discharge any obligations of the NMTC LLCs or to fund reasonable reserves for contingent liabilities) will be distributed annually to the members based on formulas set forth in the agreements.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

1. NMTC LLCs (continued)

Several NMTC LLC's include a provision for preferred distributions of cash flows. Preferred unit holders are entitled to cumulative preferred distributions ranging from 0.5% to 3%. Preferred distributions are recorded when paid. For the years ended December 31, 2010 and 2009, \$6,676,000 and \$5,290,000 of preferred returns have been distributed to the preferred unit holders, respectively.

In addition, the investor members share in the capital proceeds and net cash flow of the NMTC LLCs. For the years ended December 31, 2010 and 2009, \$20,553,000 and \$14,481,000 of residual returns have been distributed, respectively.

CDFI is the manager of the NMTC LLCs and is entitled to a management fee for NMTC reporting and compliance monitoring. Manager fees are negotiated with each NMTC LLC prior to commencement of operations. CDFI recognizes that management fees will end when the various NMTC LLCs are dissolved after the seven year NMTC compliance period. During 2011, management anticipates Sub 1, Sub 3, and Sub 4 will be dissolved. For the years ended December 31, 2010 and 2009, CDFI earned management fees of \$2,447,000 and \$1,897,000, respectively.

2002 Allocation

Clearinghouse NMTC (Sub 1)

In April 2002, CDFI incorporated Sub 1. CDFI owns 0.4975% of Sub 1 through CDFI NMTC LLC. CDFI transferred \$5,000,000 of its NMTC allocation to Sub 1. As of December 31, 2010 and 2009, Sub 1 received \$5,000,000 of QEIs and made \$5,000,000 of QLICIs.

Pursuant to the Amended and Restated Operating Agreement of Sub 1, dated August 12, 2002, CDFI NMTC LLC and investor members shall make capital contributions to Sub 1 in the amount of \$25,000 and \$5,000,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC and investor members made capital contributions in the amount of \$25,000 and \$5,000,000, respectively.

Profit and loss of Sub 1 shall be allocated to and among the members' capital accounts in a manner that as closely as possible gives economic effect to the distributions made, or deemed made. Losses allocated shall not exceed the maximum losses that can be so allocated without causing any adjusted deficit at the end of the fiscal year. As of December 31, 2010 and 2009, Sub 1 distributed \$488,000 and \$413,000 in preferred returns, and \$1,071,000 and \$875,000 in residual returns, respectively.

Clearinghouse NMTC (Sub 2)

In April 2002, CDFI incorporated Sub 2. CDFI owns 1.0163% of Sub 2, of which 0.9898% is owned directly and 0.0265% is owned through CDFI NMTC LLC. CDFI transferred \$10,000,000 of its NMTC allocation to Sub 2. As of December 31, 2010 and 2009, Sub 2 received \$10,000,000 of QEIs and made \$10,000,000 of QLICIs.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

1. NMTC LLCs (continued)

2002 Allocation (continued)

Clearinghouse NMTC (Sub 2) (continued)

Pursuant to the Amended and Restated Operating Agreement of Sub 2, dated July 2004, CDFI NMTC LLC, CDFI and investor member shall make capital contributions to Sub 2 in the amount of \$26,750, \$1,000,000 and \$10,000,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC, CDFI and investor member made capital contributions in the amount of \$26,750, \$1,000,000 and \$10,000,000, respectively.

Profit and loss of Sub 2 shall be allocated to and among the members' capital accounts in a manner that as closely as possible gives economic effect to the distributions made, or deemed made. Losses allocated shall not exceed the maximum losses that can be so allocated without causing any adjusted deficit at the end of the fiscal year. As of December 31, 2010 and 2009, Sub 2 distributed \$1,176,000 and \$956,000 in preferred returns, and \$1,640,000 and \$1,368,000 in residual returns, respectively.

Clearinghouse NMTC (Sub 3)

In April 2002, CDFI incorporated Sub 3. CDFI owns 0.2668% of Sub 3 through CDFI NMTC LLC. CDFI transferred \$10,000,000 of its NMTC allocation to Sub 3. As of December 31, 2010 and 2009, Sub 3 received \$10,000,000 of QEIs and made \$10,000,000 of QLICIs.

Pursuant to the Amended and Restated Operating Agreement of Sub 3, dated July 31, 2003, CDFI NMTC LLC and investor member shall make capital contributions to Sub 3 in the amount of \$26,750 and \$10,000,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC and investor member had made capital contributions in the amount of \$26,750 and \$10,000,000, respectively.

Profit and loss of Sub 3 shall be allocated to and among the members' capital accounts in a manner that as closely as possible gives economic effect to the distributions made, or deemed made. Losses allocated shall not exceed the maximum losses that can be so allocated without causing any adjusted deficit at the end of the fiscal year. As of December 31, 2010 and 2009, Sub 3 distributed \$1,577,000 and \$1,277,000 in preferred returns, and \$627,000 and \$498,000 in residual returns, respectively.

Clearinghouse NMTC (Sub 4)

In July 2003, CDFI incorporated Sub 4. CDFI owns 0.3322% of Sub 4 through CDFI NMTC LLC. CDFI transferred \$15,000,000 of its NMTC allocation to Sub 4. As of December 31, 2010 and 2009, Sub 4 received \$15,000,000 of QEIs and made \$15,000,000 of QLICIs.

Pursuant to the Amended and Restated Operating Agreement of Sub 4, dated March 4, 2004, CDFI NMTC LLC and investor member shall make capital contributions to Sub 4 in the amount of \$50,000 and \$15,000,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC and investor member made capital contributions in the amount of \$50,000 and \$15,000,000, respectively.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

1. NMTC LLCs (continued)

2002 Allocation (continued)

Clearinghouse NMTC (Sub 4) (continued)

Profit and loss of Sub 4 shall be allocated to and among the members' capital accounts in a manner that as closely as possible gives economic effect to the distributions made, or deemed made. Losses allocated shall not exceed the maximum losses that can be so allocated without causing any adjusted deficit at the end of the fiscal year. As of December 31, 2010 and 2009, Sub 4 distributed \$487,000 and \$412,000 in preferred returns, and \$1,393,000 and \$1,208,000 in residual returns, respectively.

Clearinghouse NMTC (Sub 5)

In March 2004, CDFI incorporated Sub 5. CDFI owns 0.0100% of Sub 5 through CDFI NMTC LLC. CDFI transferred \$16,000,000 of its NMTC allocation to Sub 5. As of December 31, 2010 and 2009, Sub 5 received \$16,000,000 of QEIs and made \$15,043,500 of QLICIs.

Pursuant to the Amended and Restated Operating Agreement of Sub 5, dated December 29, 2004, CDFI NMTC LLC and investor member shall make capital contributions to Sub 5 in the amount of \$1,600 and \$16,000,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC and investor member made capital contributions in the amount of \$1,600 and \$16,000,000, respectively.

Profits of Sub 5 shall be allocated in the following order of priority: (1) to the member to the extent of the amount by which the cumulative losses previously allocated to the each member exceed the cumulative profits previously allocated to each member, (2) to the member to the extent they have received or are entitled to receive distributions until the aggregate profits that have been and are then being allocated for such fiscal year and all prior fiscal years, on a cumulative basis, equals the total distributions the members have received or are entitled to receive, (3) to the members in proportion to their respective percentage interests. Losses shall be allocated in the first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2010 and 2009, Sub 5 distributed \$1,374,000 and \$1,114,000 in residual returns, respectively.

2005 Allocation

Clearinghouse NMTC (Sub 6)

In March 29, 2005, CDFI entered into the Amended and Restated Operating Agreement of Sub 6 (the "Sub 6 Operating Agreement"). CDFI owns 0.1248% of Sub 6 through CDFI NMTC LLC. CDFI transferred \$20,000,000 of its NMTC allocation to Sub 6. As of December 31, 2010 and 2009, Sub 6 received \$20,000,000 of QEIs, and made \$19,852,500 of QLICIs.

Pursuant to the Sub 6 Amended Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 6 in the amount of \$24,990, and \$20,000,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC, and investor member made capital contributions in the amount of \$24,990 and \$20,000,000, respectively.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

1. NMTC LLCs (continued)

2005 Allocation (continued)

Clearinghouse NMTC (Sub 6) (continued)

Profit and loss of Sub 6 shall be allocated to and among the members' capital accounts in a manner that as closely as possible gives economic effect to the distributions made, or deemed made. Losses allocated shall not exceed the maximum losses that can be so allocated without causing any adjusted deficit at the end of the fiscal year. As of December 31, 2010 and 2009, Sub 6 distributed \$1,826,000 and \$1,410,000 in preferred returns, and \$1,770,000 and \$1,490,000 in residual returns, respectively.

Clearinghouse NMTC (Sub 7)

In June 28, 2005, CDFI entered into the Amended and Restated Operating Agreement of Sub 7 (the "Sub 7 Operating Agreement"). CDFI owns 0.1248% of Sub 7 through CDFI NMTC LLC. CDFI transferred \$20,000,000 of its NMTC allocation to Sub 7. As of December 31, 2010 and 2009, Sub 7 received \$20,000,000 of QEIs, and made \$18,720,000 of QLICIs.

Pursuant to the Sub 7 Amended Operating Agreement, CDFI NMTC LLC, and investor member shall make capital contributions to Sub 7 in the amount of \$24,990, and \$20,000,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC and investor member made capital contributions in the amount of \$24,990 and \$20,000,000, respectively.

Profit and loss of Sub 7 shall be allocated to and among the members' capital accounts in a manner that as closely as possible gives economic effect to the distributions made, or deemed made. Losses allocated shall not exceed the maximum losses that can be so allocated without causing any adjusted deficit at the end of the fiscal year. As of December 31, 2010 and 2009, Sub 7 distributed \$1,122,000 and \$822,000 in preferred returns, and \$609,000 and \$480,000 in residual returns, respectively.

Clearinghouse NMTC (Sub 8)

In May 2006, CDFI entered into the Amended and Restated Operating Agreement of Sub 8 (the "Sub 8 Operating Agreement"). CDFI owns 0.0100% and 28.6020% of Sub 8 through CDFI NMTC LLC and Sub 7, respectively. CDFI transferred \$18,718,000 its NMTC allocations to Sub 8 and received a QEI of \$7,500,000 through Sub 7's investment in Sub 8. As of December 31, 2010 and 2009, Sub 8 received \$26,218,000 of QEIs and made \$26,218,000 of QLICIs.

Pursuant to the Sub 8 Operating Agreement, CDFI NMTC LLC, Sub 7 and investor member shall make capital contributions to Sub 8 in the amount of \$2,622, \$7,500,000 and \$18,718,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC, Sub 7 and investor member made capital contributions in the amount of \$2,622, \$7,500,000 and \$18,718,000, respectively.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

1. NMTC LLCs (continued)

2005 Allocation (continued)

Clearinghouse NMTC (Sub 8) (continued)

Profit and loss of Sub 8 shall be allocated as follow: 1) losses shall be allocated to and among the members' capital accounts in proportion to the respective positive balances until the balances are reduced to zero; 2) profits shall be allocated to and among the members' capital accounts in proportion to the respective amounts by which losses allocated to such capital account have exceeded profits allocated; 3) thereafter, profits shall be allocated to and among the members' capital accounts in a manner that as closely as possible gives economic effect to the distributions made, or deemed made. Losses allocated shall not exceed the maximum losses that can be so allocated without causing any adjusted deficit at the end of the fiscal year. As of December 31, 2010 and 2009, Sub 8 distributed \$4,140,000 and \$3,486,000 in residual returns, respectively.

Clearinghouse NMTC (Sub 9)

In December 22, 2005, CDFI entered into the Amended and Restated Operating Agreement of Sub 9 (the "Sub 9 Operating Agreement"). CDFI owns 0.0100% of Sub 9 through CDFI NMTC LLC. CDFI transferred \$13,680,000 of its NMTC allocation to Sub 9. As of December 31, 2010 and 2009, Sub 9 received \$13,680,000 of QEIs and made \$13,680,000 of QLICIs.

Pursuant to the Sub 9 Amended Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 9 in the amount of \$1,368 and \$13,680,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC and investor member made capital contributions in the amount of \$1,368 and \$13,680,000, respectively.

Profit and loss of Sub 9 shall be allocated to and among the members' capital accounts in a manner that as closely as possible gives economic effect to the distributions made, or deemed made. Losses allocated shall not exceed the maximum losses that can be so allocated without causing any adjusted deficit at the end of the fiscal year. As of December 31, 2010 and 2009, Sub 9 distributed \$1,413,000 and \$1,120,000 in residual returns, respectively.

2006 Allocation

Clearinghouse NMTC (Sub 10)

In July 2007, CDFI entered into the Amended and Restated Operating Agreement of Sub 10 (the "Sub 10 Operating Agreement"). CDFI owns 0.0100% of Sub 10 through CDFI NMTC LLC. CDFI transferred \$2,602,000 of its 2005 NMTC allocation and \$15,449,000 of its 2006 NMTC allocation to Sub 10. In total CDFI transferred \$18,051,000 of its NMTC allocation to Sub 10, which is included in the 2006 allocation on the financial statements. As of December 31, 2010 and 2009, Sub 10 received \$18,501,000 of QEIs and made \$18,501,000 of QLICIs.

Pursuant to the Sub 10 Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 10 in the amount of \$1,805 and \$18,051,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC and investor member made capital contributions in the amount of \$1,805 and \$18,051,000, respectively.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

1. NMTC LLCs (continued)

2006 Allocation (continued)

Clearinghouse NMTC (Sub 10) (continued)

Profit and loss of Sub 10 shall be allocated as follow: 1) losses shall be allocated to and among the members' capital accounts in proportion to the respective positive balances until the balances are reduced to zero; 2) profits shall be allocated to and among the members' capital accounts in proportion to the respective amounts by which losses allocated to such capital account have exceeded profits allocated; 3) thereafter, profits shall be allocated to and among the members' capital accounts in a manner that as closely as possible gives economic effect to the distributions made, or deemed made. Losses allocated shall not exceed the maximum losses that can be so allocated without causing any adjusted deficit at the end of the fiscal year. As of December 31, 2010 and 2009, Sub 10 distributed \$2,658,000 and \$1,818,000 in residual returns, respectively.

Clearinghouse NMTC (Sub 11)

In December 26, 2006, CDFI entered into the Amended and Restated Operating Agreement of Sub 11 (the "Sub 11 Operating Agreement"). CDFI owns 0.0100% of Sub 11 through CDFI NMTC LLC. CDFI transferred \$12,500,000 of its NMTC allocation to Sub 11. As of December 31, 2010 and 2009, Sub 11 received \$12,500,000 of QEIs and made \$12,500,000 of QLICIs.

Pursuant to the Sub 11 Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 11 in the amount of \$1,250 and \$12,500,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC and investor member made capital contributions in the amount of \$1,250 and \$12,500,000, respectively.

Losses of Sub 11 shall be allocated first, to the members in proportion to their adjusted capital account balances until their respective capital account balances have been reduced to zero; and second to the members in proportion to their respective percentage interests. Profits shall be allocated first, to the members to the extent of the amount by which the cumulative losses previously allocated to the each member exceeds the cumulative profits previously allocated to each member; and second, to the members in proportion to their respective percentage interests. Losses allocated shall not exceed the maximum losses that can be so allocated without causing any adjusted deficit at the end of the fiscal year. As of December 31, 2010 and 2009, Sub 11 distributed \$589,000 and \$350,000 in residual returns, respectively.

Clearinghouse NMTC (Sub 12)

In March 2008, CDFI entered into the Amended and Restated Operating Agreement of Sub 12 (the "Sub 12 Operating Agreement"). CDFI owns 0.0100% of Sub 12 through CDFI NMTC LLC. CDFI transferred \$9,051,000 of its NMTC allocation to Sub 12. As of December 31, 2010 and 2009, Sub 12 received \$9,051,000 of QEIs and made \$9,051,000 of QLICIs.

Pursuant to the Sub 12 Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 12 in the amount of \$25,000 and \$9,051,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC and investor member made capital contributions in the amount of \$1,000 and \$9,051,000, respectively.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

1. NMTC LLCs (continued)

2006 Allocation (continued)

Clearinghouse NMTC (Sub 12) (continued)

Profit and loss of Sub 12 shall be allocated to and among the members' capital accounts in a manner that as closely as possible gives economic effect to the distributions made, or deemed made. Losses allocated shall not exceed the maximum losses that can be so allocated without causing any adjusted deficit at the end of fiscal year. As of December 31, 2010 and 2009, Sub 12 distributed \$343,000 and \$226,000 in residual returns, respectively.

2008 Allocation

Clearinghouse NMTC (Sub 13)

In April 2009, CDFI entered into the Amended and Restated Operating Agreement of Sub 13 (the "Sub 13 Operating Agreement"). CDFI owns 0.0100% of Sub 13 through CDFI NMTC LLC. CDFI transferred \$14,000,000 of its NMTC allocation to Sub 13. As of December 31, 2010 and 2009, Sub 13 received \$14,000,000 of QEIs and made \$13,720,000 of QLICIs.

Pursuant to the Sub 13 Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 13 in the amount of \$1,400 and \$14,000,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC and investor member made capital contributions in the amount of \$1,400 and \$14,000,000, respectively.

Profits of Sub 13 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated to the each member exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated in the first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2010 and 2009, Sub 13 distributed \$592,000 and \$225,000 in residual returns, respectively.

Clearinghouse NMTC (Sub 15)

In August 2009, CDFI entered into the Amended and Restated Operating Agreement of Sub 15 (the "Sub 15 Operating Agreement"). CDFI owns 0.0100% of Sub 15 through CDFI NMTC LLC. CDFI transferred \$7,000,000 of its NMTC allocation to Sub 15. As of December 31, 2010 and 2009, Sub 15 received \$7,000,000 of QEIs and made \$6,860,000 of QLICIs.

Pursuant to the Sub 15 Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 15 in the amount of \$700 and \$7,000,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC and investor member made capital contributions in the amount of \$700 and \$7,000,000, respectively.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

1. NMTC LLCs (continued)

2008 Allocation (continued)

Clearinghouse NMTC (Sub 15) (continued)

Profits of Sub 15 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated to the each member exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated in the first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2010 and 2009, Sub 15 distributed \$224,000 and \$47,000 in residual returns, respectively.

Clearinghouse NMTC (Sub 17)

In May 2010, CDFI entered into the Amended and Restated Operating Agreement of Sub 17 (the "Sub 17 Operating Agreement"). CDFI owns 0.0100% of Sub 17 through CDFI NMTC LLC. CDFI transferred \$19,500,000 of its NMTC allocation to Sub 17. As of December 31, 2010, Sub 17 received \$19,500,000 of QEIs and made \$19,110,000 of QLICIs.

Pursuant to the Sub 17 Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 17 in the amount of \$1,950 and \$19,500,000, respectively. As of December 31, 2010, CDFI NMTC LLC and investor member made capital contributions in the amount of \$1,950 and \$19,500,000, respectively.

Profits of Sub 17 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated to the each member exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated in the first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2010, Sub 17 distributed \$363,000 in residual returns.

Clearinghouse NMTC (Sub 18)

In March 2010, CDFI entered into the Amended and Restated Operating Agreement of Sub 18 (the "Sub 18 Operating Agreement"). CDFI owns 0.0100% of Sub 18 through CDFI NMTC LLC. CDFI transferred \$17,000,000 of its NMTC allocation to Sub 18. As of December 31, 2010, Sub 18 received \$17,000,000 of QEIs and made \$16,660,000 of QLICIs.

Pursuant to the Sub 18 Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 18 in the amount of \$1,700 and \$17,000,000, respectively. As of December 31, 2010, CDFI NMTC LLC and investor member made capital contributions in the amount of \$1,700 and \$17,000,000, respectively.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

1. NMTC LLCs (continued)

2008 Allocation (continued)

Clearinghouse NMTC (Sub 18) (continued)

Profits of Sub 18 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated to the each member exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated in the first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2010, Sub 18 distributed \$86,000 in residual returns.

Clearinghouse NMTC (Sub 19)

In August 2010, CDFI entered into the Amended and Restated Operating Agreement of Sub 19 (the "Sub 19 Operating Agreement"). CDFI owns 0.0100% of Sub 19 through CDFI NMTC LLC. CDFI transferred \$7,300,000 of its NMTC allocation to Sub 19. As of December 31, 2010, Sub 19 received \$7,300,000 of QEIs and made \$7,154,000 of QLICIs.

Pursuant to the Sub 19 Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 19 in the amount of \$730 and \$7,300,000, respectively. As of December 31, 2010, CDFI NMTC LLC and investor member made capital contributions in the amount of \$730 and \$7,300,000, respectively.

Profits of Sub 19 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated to the each member exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated in the first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2010, Sub 19 distributed \$3,000 in residual returns.

Clearinghouse NMTC (Sub 21)

In July 2010, CDFI entered into the Amended and Restated Operating Agreement of Sub 21 (the "Sub 21 Operating Agreement"). CDFI owns 0.0100% of Sub 21 through CDFI NMTC LLC. CDFI transferred \$25,000,000 of its NMTC allocation to Sub 21. As of December 31, 2010, Sub 21 received \$25,000,000 of QEIs and made \$24,500,000 of QLICIs.

Pursuant to the Sub 21 Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 21 in the amount of \$2,500 and \$25,000,000, respectively. As of December 31, 2010, CDFI NMTC LLC and investor member made capital contributions in the amount of \$2,500 and \$25,000,000, respectively.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

1. NMTC LLCs (continued)

2008 Allocation (continued)

Clearinghouse NMTC (Sub 21) (continued)

Profits of Sub 21 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated to the each member exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated in the first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2010, Sub 21 distributed \$64,000 in residual returns.

2009 Allocation

Clearinghouse NMTC (Sub 16)

In December 2009, CDFI entered into the Amended and Restated Operating Agreement of Sub 16 (the "Sub 16 Operating Agreement"). CDFI owns 0.0100% of Sub 16 through CDFI NMTC LLC. CDFI transferred \$29,000,000 of its NMTC allocation to Sub 16. As of December 31, 2010 and 2009, Sub 16 received \$29,000,000 of QEIs, and made \$28,420,000 of QLICIs.

Pursuant to the Sub 16 Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 16 in the amount of \$2,900 and \$29,000,000, respectively. As of December 31, 2010 and 2009, CDFI NMTC LLC and investor member made capital contributions in the amount of \$2,900 and \$29,000,000, respectively.

Profits of Sub 16 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated to the each member exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated in the first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2010 and 2009, Sub 16 distributed and \$1,483,000 and \$176,000 in residual returns, respectively.

Clearinghouse NMTC (Sub 20)

In July 2010, CDFI entered into the Amended and Restated Operating Agreement of Sub 20 (the "Sub 20 Operating Agreement"). CDFI owns 0.0100% of Sub 20 through CDFI NMTC LLC. CDFI transferred \$8,900,000 of its NMTC allocation to Sub 20. As of December 31, 2010, Sub 20 received \$8,900,000 of QEIs, and made \$8,722,000 of QLICIs.

Pursuant to the Sub 20 Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 20 in the amount of \$890 and \$8,900,000, respectively. As of December 31, 2010, CDFI NMTC LLC and investor member made capital contributions in the amount of \$800 and \$8,900,000, respectively.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

1. NMTC LLCs (continued)

2009 Allocation (continued)

Clearinghouse NMTC (Sub 20) (continued)

Profits of Sub 20 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated to the each member exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated in the first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2010, Sub 20 distributed \$111,000 in residual returns.

Clearinghouse NMTC (Sub 23)

In December 2010, CDFI entered into the Amended and Restated Operating Agreement of Sub 23 (the "Sub 23 Operating Agreement"). CDFI owns 0.0100% of Sub 23 through CDFI NMTC LLC. CDFI transferred \$30,000,000 of its NMTC allocation to Sub 23. As of December 31, 2010, Sub 23 received \$30,000,000 of QEIs, and made \$29,400,000 of QLICIs.

Pursuant to the Sub 23 Operating Agreement, CDFI NMTC LLC and investor member shall make capital contributions to Sub 23 in the amount of \$3,000 and \$30,000,000, respectively. As of December 31, 2010, CDFI NMTC LLC and investor member made capital contributions in the amount of \$3,000 and \$30,000,000, respectively.

Profits of Sub 23 shall be allocated in the following order of priority: (1) to the members to the extent of the amount by which the cumulative losses previously allocated to the each member exceed the cumulative profits previously allocated to each member, (2) to the members in proportion to their respective percentage interests. Losses shall be allocated in the first, to the members in proportion to their adjusted capital account balances until their respective adjusted capital account balances have been reduced to zero; and second, to the members in proportion to their respective percentage interests. As of December 31, 2010, Sub 23 did not make distributions.

2. CRA Investment Fund, LLC

In 2007, Clearinghouse CDFI established the Clearinghouse CRA Investment Fund, LLC ("CRA Investment Fund"). The purpose of the CRA Investment Fund is to enable qualified investments in a CRA fund that will be used to finance community development projects throughout California. Loans in the CRA Investment Fund are first underwritten in CDFI and subsequently sold to the CRA Investment Fund. For the years ended December 31, 2010 and 2009, CDFI earned management fees of \$356,000 and \$174,000, respectively, from CRA Investment Fund.

The CRA Investment Fund will be fully capitalized at \$50 million. As of December 31, 2010 and 2009, the CRA Investment Fund had secured commitments totaling \$40 million. Pursuant to the Amended and Restated Operating Agreement of CRA Investment Fund, investor members are obligated to provide their contributions to fund new approved mortgage loans upon the receipt of the capital call notice. As of December 31, 2010 and 2009, investor members have provided capital contributions of \$37,571,000 and \$19,342,000, respectively. As of August 2010, pursuant to the operating agreement, no further capital calls will be made.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010 and 2009**

2. CRA Investment Fund, LLC (continued)

Profit and loss of CRA Investment Fund shall be allocated to and among the members' capital accounts in a manner that as closely as possible gives economic effect to the distributions made, or deemed made. Losses allocated shall not exceed the maximum losses that can be so allocated without causing any adjusted deficit at the end of the fiscal year. As of December 31, 2010 and 2009, CRA Investment Fund distributed \$1,873,000 and \$595,000 in preferred returns, respectively.

SUPPLEMENTAL INFORMATION

(AS REQUIRED BY HUD)

INDEPENDENT AUDITORS' COMBINED REPORT ON INTERNAL CONTROL

To the Board of Directors

Clearinghouse Community Development Financial Institution Companies:

We have audited the combined financial statements of Clearinghouse Community Development Financial Institution Companies (the "Company") as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 15, 2011. We have also audited the Company's compliance with requirements applicable to its major HUD-assisted programs and have issued our report thereon dated March 15, 2011.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Company complied with laws and regulations, noncompliance with which would be material to a major HUD-assisted program.

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting and internal control over compliance. In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting and its internal control over compliance with requirements that would have a direct and material effect on its major HUD-assisted program as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting and internal control over compliance.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct (1) misstatements of the entity's financial statements or (2) noncompliance with applicable requirements of a HUD-assisted program on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that (1) a material misstatement of the entity's financial statements or (2) material noncompliance with applicable requirements of a HUD-assisted program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management of the Company, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Novogradac & Company

Long Beach, California

March 15, 2011



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR HUD PROGRAMS

To the Board of Directors
Clearinghouse Community Development Financial Institution Companies:

We have audited Clearinghouse Community Development Financial Institution Companies ("the Company") compliance with specific program requirements governing Quality Control Plan, Branch Operations, Loan Origination, Loan Settlement, Loan Servicing, Escrow Accounts, Section 235 Assistance Payments, Federal Financial and Activity Reports, Kickbacks, Mortgage Approved Requirements, and Adjusted Net Worth that are applicable to each of its major HUD-assisted programs for the year ended December 31, 2010. Compliance with those requirements is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on a major HUD-assisted program occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Company's compliance with those requirements.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In our opinion, Clearinghouse Community Development Financial Institution Companies complied, in all material respects, with the requirements referred to above that are applicable to each of its major HUD-assisted programs for the year ended December 31, 2010.

This report is intended solely for the information and use of the Board of Directors, management of the Company, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Novogradac & Company LLP
Long Beach, California
March 15, 2011

Clearinghouse Community Development Financial Institution Companies

SUPPLEMENTAL INFORMATION

Schedule of HUD Adjusted Net Worth

For the year ended December 31, 2010

	<u>2010</u>
TITLE II NON-SUPERVISED LENDER	
1201	FHA Servicing Portfolio \$ -
	Add FHA Originations and FHA Purchases: -
1202	FHA originations - Dollar amount of FHA-insured Title II mortgage loan 1,153,000
1203	FHA purchases - Dollar amount of FHA-insured Title II mortgage loan -
1205	Subtotal <u>1,153,000</u>
	Subtract FHA servicing retained
1221	Dollar amount of FHA-insured Title II mortgage loan originations retained -
1222	Dollar amount of FHA-insured Title II mortgage loan correspondent -
1225	Subtotal <u>-</u>
1231	Total 1,153,000
1232	1% of Total 11,530
1235	Minimum net worth required 250,000
1240	Net worth required <u>250,000</u>
500	Stockholder's equity (Net worth) per balance sheet 86,121,000
180	Less: Unacceptable Assets -
1270	Adjusted net worth <u>\$ 86,121,000</u>
1280	Adjusted net worth ABOVE program requirement \$ 85,871,000
1290	Adjusted net worth BELOW program requirement -

Clearinghouse Community Development Financial Institution Companies

SUPPLEMENTAL INFORMATION

Statement of Liquidity

For the year ended December 31, 2010

	<u>2010</u>
111 Cash and cash equivalents	<u>\$ 29,339,000</u>
1410 Total liquid assets	29,339,000
1270 Adjusted net worth	86,121,000
1420 Liquidity required	100,000
1430 Liquidity ABOVE the program requirement	29,239,000
1440 Liquidity BELOW the program requirement	-

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES
SUPPLEMENTAL NOTES
December 31, 2010**

PART I. Summary of Auditors' Results

1. The report of independent auditors on the financial statements expressed an unqualified opinion.
2. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
3. The audit disclosed no findings as required to be reported by HUD.
4. A threshold of \$300,000 was used to distinguish between major and non-major programs as those terms are defined by the HUD audit guide.

PART II. Financial Statement Finding Section

No matters were reportable in the current year.
No matters were reportable in the prior year.

PART III. HUD Program Findings and Questioned Costs Section

No matters were reportable in the current and prior year.

**CLEARINGHOUSE COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION COMPANIES**

Accountant's Information
December 31, 2010

Business Assurance Partner:

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94-3108253