

MAY 13-15,

09

REZNICK GROUP'S

8th Annual New Markets Tax Credit Summit

Loews Miami Beach Hotel, Miami, FL

2009 CONFERENCE SERIES



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Introduction to NMTC

Transaction Structure, Net Benefits, & Tax
Credit Calculations

May 13, 2009

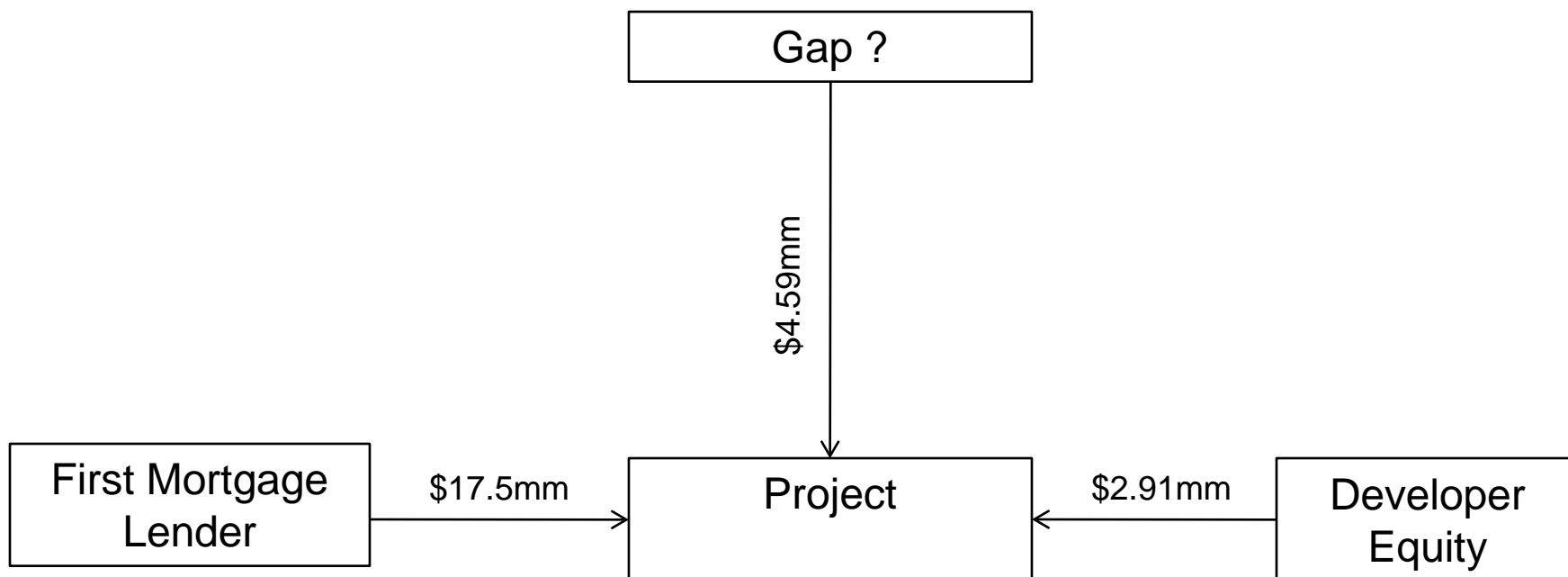
SOURCES and USES: Before \$20 Million NMTTC Allocation
Sources:

First Mortgage Debt	17,500,000	70% LTC
Developer Equity	2,910,000	Maximum amount of equity that can be supported
Gap	4,590,000	Gap that needs to be closed
TOTAL SOURCES:	25,000,000	

Uses:

Acquisition Costs-Land	800,000
Acquisition Cost- Building	3,600,000
Construction Period Interest	989,385
Permanent/Construction Loan Fee	125,000
Achitectural, Engineering	1,400,000
Construction Contract	13,833,344
Site Improvements	250,000
Contingency	1,046,795
Appliances	890,000
Professional Fees	25,000
Marketing & Leasing Reserves	100,000
Insurance and RE Taxes During Construction	750,000
Development Fee	1,190,476
TOTAL USES:	25,000,000

Before \$20 Million NMTC Allocation



SOURCES and USES: After \$20 Million NMTC Allocation

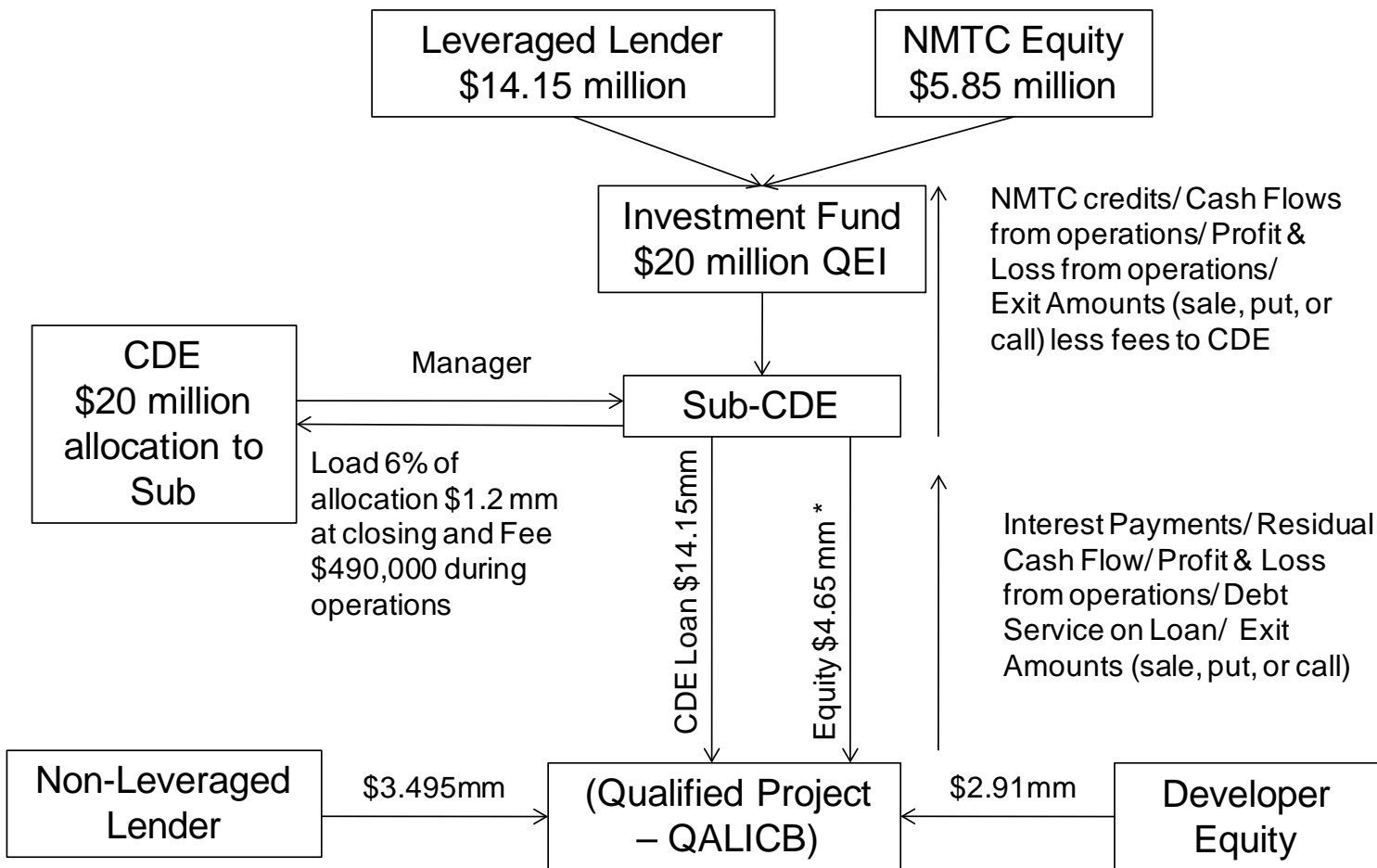
Sources:

First Mortgage Debt	3,490,000	70% LTC
Developer Equity	2,910,000	Maximum amount of equity that can be supported
Gap	0	Gap is closed
CDE Loan	14,150,000	Leveraged Portion of 70% LTC
NMTC Capital	4,650,000	75 cent pricing on 39% credit, after 6% load
TOTAL SOURCES:	25,200,000	

Uses:

Acquisition Costs-Land	800,000
Acquisition Cost- Building	3,600,000
Construction Period Interest	989,385
Permanent/Construction Loan Fee	125,000
Achitectural, Engineering	1,400,000
Construction Contract	13,833,344
Site Improvements	250,000
Contingency	1,037,271
Appliances	890,000
Professional Fees	225,000
Marketing & Leasing Reserves	100,000
Insurance and RE Taxes During Construction	750,000
Development Fee	1,200,000
TOTAL USES:	25,200,000

Leveraging Debt with \$20 Million NMTC Allocation



Net Benefit to QALICB from \$20 Million NMTC Allocation

+ \$4,650,000	• Equity/Equity Equivalent Debt based on \$20 million allocation (after 6% load)
- \$200,000	• Additional transaction costs at closing
- \$490,000	• Additional Fees during operations (35 bps for 7 years)
- \$465,000	• Less Exit (“put” option exercise) 10% of Equity/Equity Equivalent Debt
= \$3,395,000	• Net of all costs

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Pricing: Calculation of NMTC Investor Return

	Capital invested	Credit Received	Operating Cash Flow	Operating Losses	Cash Value of Losses	Net Cash and Tax Benefit from Operations	Cash at Exit	Basis Adjustment	Capital Account	Cash and Tax Benefit from Exit	Net Total Cash and Tax Benefit
5/13/2009	(5,850,000)	1,000,000			-	(4,850,000)		(1,000,000)	4,850,000		(4,850,000)
5/13/2010		1,000,000	46,500	(321,000)	112,350	1,158,850		(1,000,000)	3,482,500		1,158,850
5/13/2011		1,000,000	46,500	(321,000)	112,350	1,158,850		(1,000,000)	2,115,000		1,158,850
5/13/2012		1,200,000	46,500	(321,000)	112,350	1,358,850		(1,200,000)	547,500		1,358,850
5/13/2013		1,200,000	46,500	(321,000)	112,350	1,358,850		(1,200,000)	(1,020,000)		1,358,850
5/13/2014		1,200,000	46,500	(321,000)	112,350	1,358,850		(1,200,000)	(2,587,500)		1,358,850
5/13/2015		1,200,000	46,500	(321,000)	112,350	1,358,850		(1,200,000)	(4,155,000)		1,358,850
5/13/2016			46,500	(321,000)	112,350	158,850	465,000	-	(4,987,500)	(1,280,625)	(1,121,775)
	(5,850,000)	7,800,000	325,500	(2,247,000)	786,450	3,061,950	465,000	(7,800,000)		(1,280,625)	1,781,325
										After-tax IRR	11.12%

Assumptions:	Interim Calcs:		
20,000,000 QEI	20,000,000	39%	7,800,000 Credits to the investor
39% Credit Rate	7,800,000	0.75	5,850,000 Capital from the Investor
0.75 Price Per Credit	20,000,000	6%	1,200,000 Load to CDE
6% Load on QEI	5,850,000	(1,200,000)	4,650,000 Gross Capital to QALICB
10% Put on gross capital to QALICB	4,650,000	10%	465,000 Put at Exit
35% Assumed Tax Rate Investor (Income and Gain)			