

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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Negotiating a Transaction  
“What to Expect”

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# Who are the players involved in negotiation?

- CDE
- Investor
- Leveraged Lenders
- Borrower/QALICB



# **What are the potential terms that are negotiable?**

- Investor yield/price of credit
- CDE fees
- Interest rate
- Back-end sharing/exit
- Compliance guarantees
- Debt guarantees

# “Investor Yields”

- Driven by market (supply and demand).
- Probably least flexible of all terms.
- Some leverage if repeat customer.
- Some leverage if investor also providing debt.
- Today's price .70 - .75 range.



## “CDE Fees”

- Front-end fees, annual fees and back-end.
- Mixed bag – some CDEs are more flexible than others.
- Size of deal will impact negotiation.
- Is CDE competing for deal?
- Fees today 6 – 10% cumulative over 7-years



# “Interest Rates”

- A-Note Rate will be tied to leveraged debt (negotiation with lender, not CDE).
- B-Note Rate can be negotiated with CDE.
- Interest only vs. amortization.
- Sinking fund requirements.



## **“Back-end Fees”**

- Strictly between borrower and CDE.
- There are no industry norms.
- Borrower must evaluate tax impact.
- CDE fee structures going forward may be tied to spirit of application.
- Investor may require some return of capital.

# “Compliance Guarantee”

- Between CDE and Investor (occasionally borrower has some restrictions).
- Guarantee relates to tax credit recapture.
- Again, no industry norms.
- Amount can be capped.
- There are often carve outs.
- Some groups may be prohibited from guaranteeing.



# “Debt Guarantees”

- Push down requirement from leveraged lender.
- Typically outside.
- Becoming more common.

