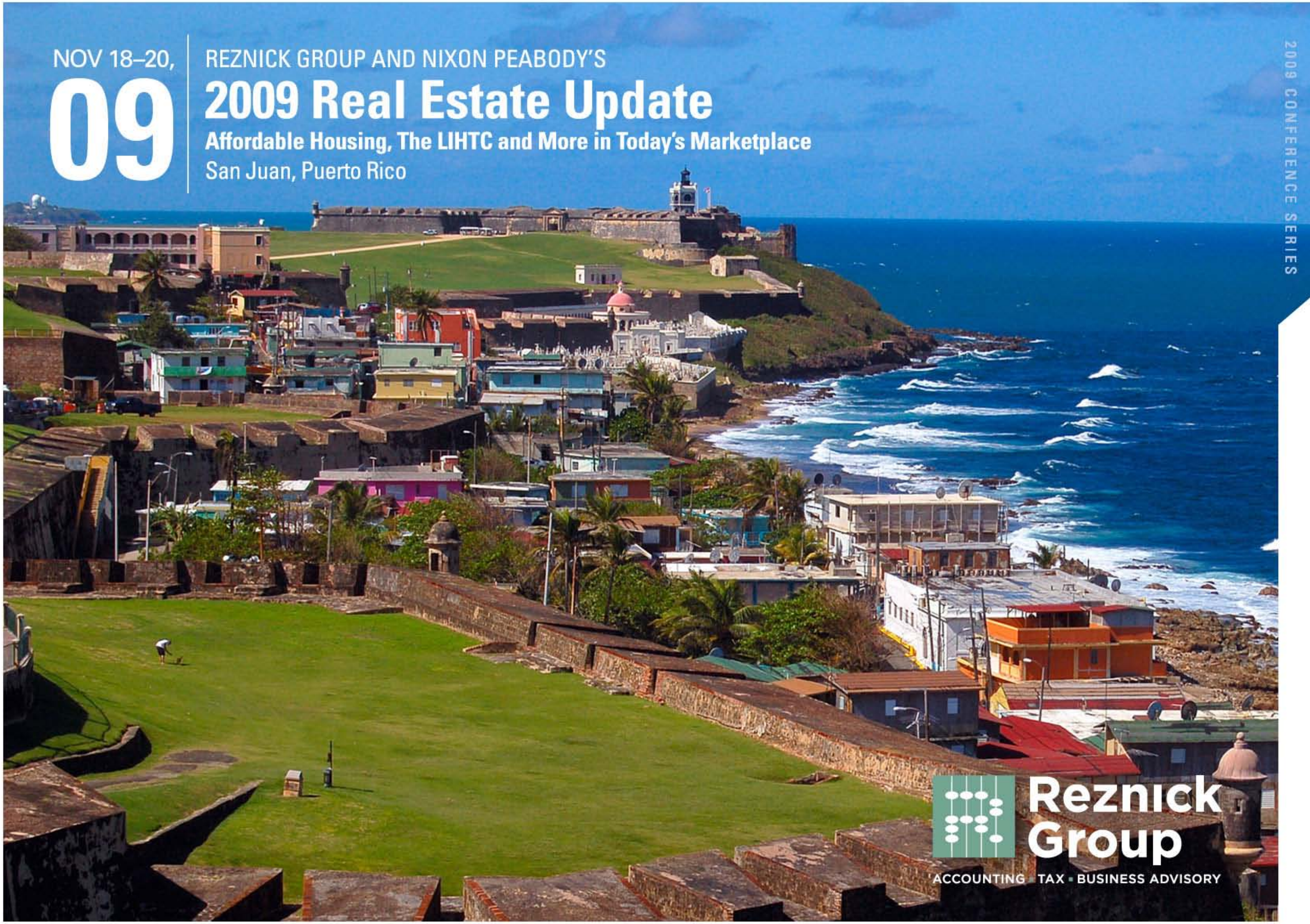
NOV 18–20, 09

REZNICK GROUP AND NIXON PEABODY'S

2009 Real Estate Update

Affordable Housing, The LIHTC and More in Today's Marketplace

San Juan, Puerto Rico



Overview

- Enacted on December 21, 2000 as part of Community Renewal Tax Relief Act of 2000.
- Creates a tax credit for equity investments in Community Development Entities (CDEs).
- Federally allocated tax credits are used to induce equity capital into CDEs.
- $25 billion in qualified investments will be generated by NMTCs from allocations through 2009, this creates almost $10 billion in credits.
- The program received an extra $1.5 billion of authority for 2008 and 2009 as part of the economic stimulus package in February 2009.
- 2009 awards were made October 30, 2009.
- Investors receive a 39% tax credit on equity invested into CDEs awarded tax credit allocation. The credit is received over seven years.

What is a CDE?

- Is a domestic corporation, LLC or partnership
- Has the primary mission of serving, or providing investment capital for, low-income communities or persons
- Is accountable to the low-income community; and
- Is certified by the Community Development Financial Institutions Fund (CDFI Fund) of the US Treasury.
- SSBICs and certified CDFIs need to register to receive automatic CDE status.

Investor Issues

- CDE has 5 years in which to find an investor after receipt of allocation from the CDFI Fund
- A Qualified Equity Investment (QEI) occurs when the investor provides its cash to the CDE
- The CDE may not return an investor's capital investment for seven years but it can distribute profits
- Investor can sell investment in CDE and related tax credits to a third party at any time

How is a QEI Used?

- A CDE has one year from the date they receive a QEI to invest “substantially all” of the proceeds into “Qualified Low-Income Community Investments” (QLICIs)
- Years 1-6: “Substantially all” is defined as 85% of the QEI amount. In year 7 the amount is 75%
- “Substantially all” determined by either direct tracing of dollars to QLICIs or a safe harbor demonstration that substantially all of the CDE’s gross assets are invested in QLICIs
- Reserves up to 5% of the original QEI may be counted toward the “substantially all” requirement

What Investments Qualify?

- Any equity investment in, or loan to, a "Qualified Low-Income Community Business" (QLICB)
- Any equity investment in, or loan to, any CDE
- The purchase of a loan from another CDE if the loan is a QLICI
- Financial counseling and other services to businesses located in, and residents of low-income communities.

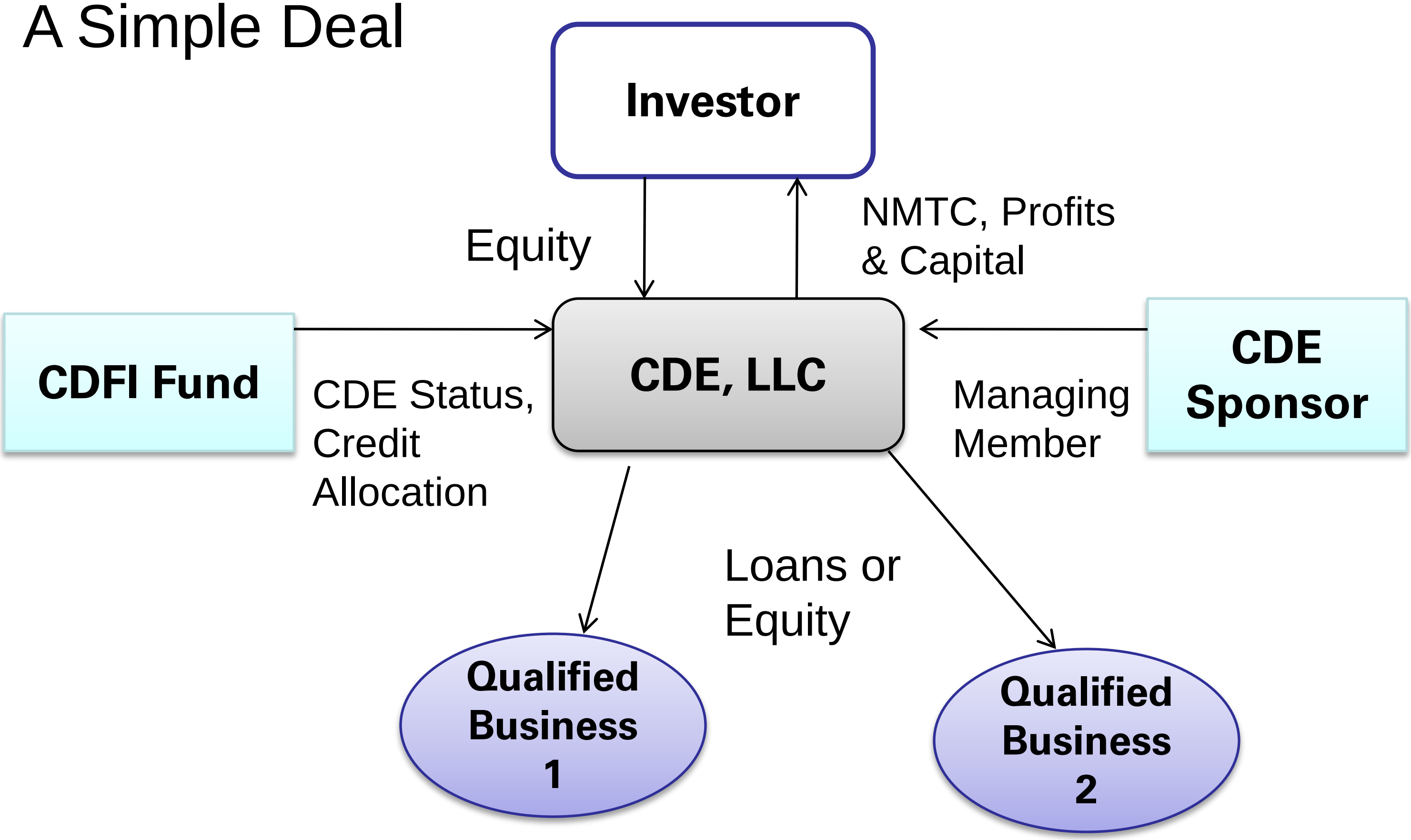
Qualified Low-Income Community Business

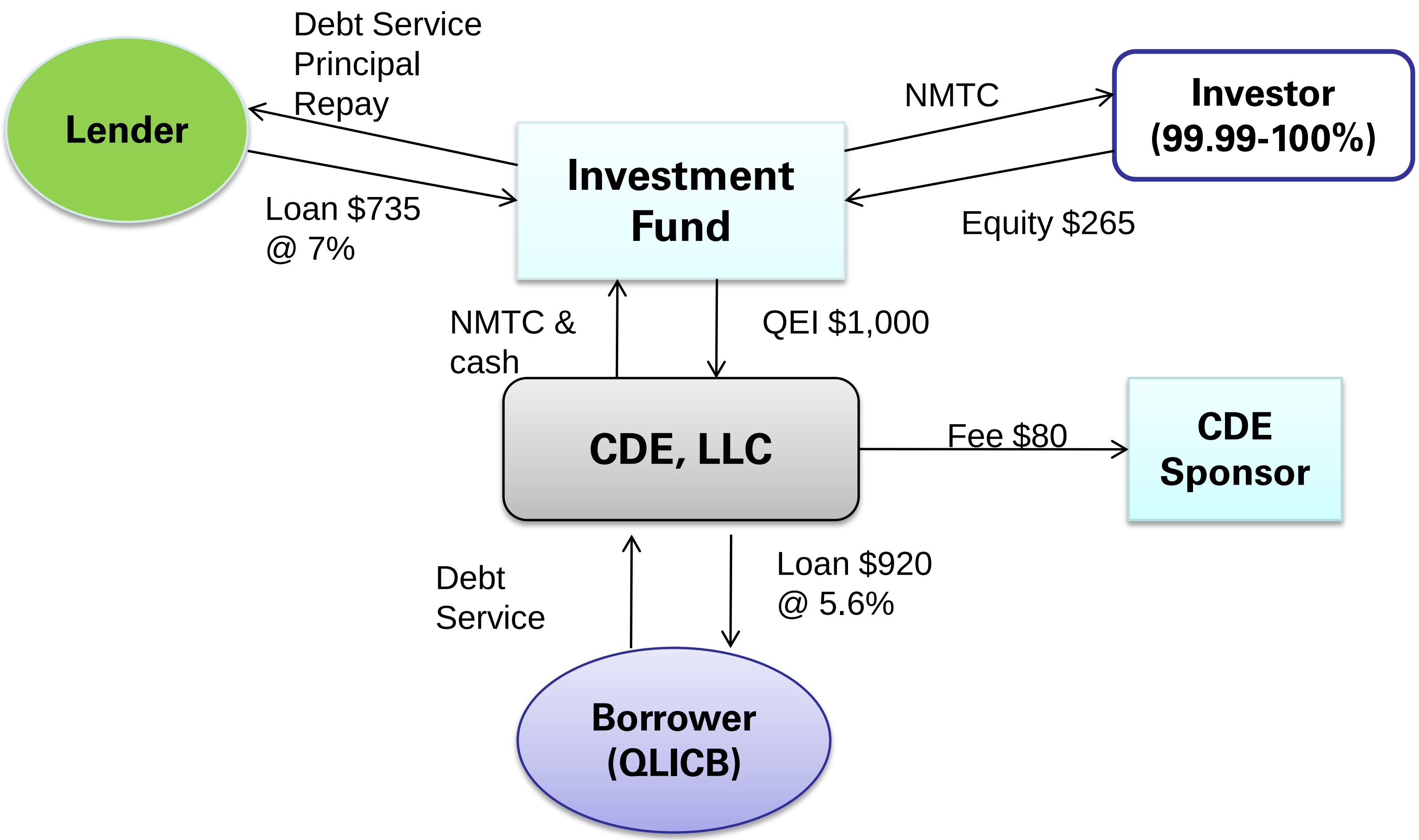
- Tangible Property: At least 40% of the use of the tangible property of the business is within a low-income community, and
- Services: At least 40% of the services provided by the business is performed in a low-income community, and
- Gross Income: At least 50% of gross income is derived from the active conduct of the business in a low-income communities. Deemed to be met automatically if tangible property or services test is at 50% or higher
- Restrictions on Collectibles and Nonqualified Financial Property.

What is a Low-Income Community?

- A census tract if the poverty rate is 20% or more, or
- A non-metro tract if the family median income is 80% or less of the state median family income, or
- A metro tract if the family median income is less than the greater of 80% of the state median or metro median income
- American Jobs Creation Act made minor modifications to these definitions
- Secretary of the Treasury may designate additional areas if inadequate access to capital exists in the area
- Use the government website (www.cdfifund.gov) to check if a census tract is qualified

A Simple Deal





Leveraged Structure