HISTORIC/NEW MARKETS TRANSACTIONS
"Twinned"/Leveraged Structure

Case Study: Asbury Delaware Church

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I. Background

A. Delaware Asbury Methodist Church built in 1871
B. Designed by Henry O. Selkirk – prominent Buffalo, NY Architect
C. Constructed out of red medina sandstone
D. One of the most prominent church spires on the Buffalo skyline
E. Sold to City of Buffalo – planned for demolition
F. Public outrage – lawsuit to prevent demolition
G. Ani DiFranco & Righteous Babe Records agreed to purchase and rehabilitate
H. Originally conceived as HTC only deal and brought in NMTC to plug financial gap

photo by Scot Fisher

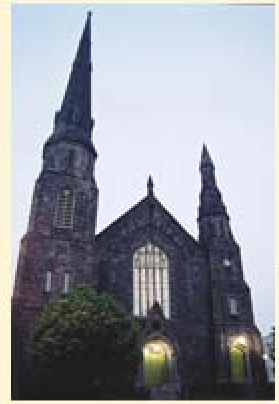

photo by Lori Joyce

photo by Jim Bush

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II. Historic Equity

Qualified Rehab Expenditures	$7,570,530
x Credit Rate	20%
Total Calculated Credit	$1,514,106
x Tax Credit Investor Ownership (in CDE)	99.99%
Total Tax Credits to Investor	$1,513,955
x Price Per Credit	$0.90
Total Price Paid	$1,362,559

III. NMTC Equity

A. QEI

Debt (Loaned to Investment Fund):

RBR Loan	$1,200,000
BERC	$1,200,000
341 Delaware Lender	$2,764,401
	$5,164,401

Equity (Investment in Investment Fund):

HTC Equity	$1,362,559
NMTC Equity	$2,876,926
	$4,239,521

QEI = $9,403,921

III. NMTC Equity

B. NMTC Calculation

QEI	$9,403,921
x Credit Rate	x .39
= Total Calculated NMTC	$3,667,529
x Tax Credit Investor Ownership	99.99%
= Total NMTC to Investor	$3,667,162
x Price Per Credit	$0.7845
= Total Price Paid	$2,876,926

IV. Organizational Chart

(see handout)

V. Asbury Investment Fund, LLC (the "Investment Fund")

A. Investor is Investor Member (99.99%)

B. NMSC (Affiliate of CDE) is Managing Member (.01%)

C. Investment Fund is Investor Member of CDE

D. Investor has option to "put" its interest in the Investment Fund to 341 Delaware, Inc, on or after the expiration of the NMTC recapture period for $100.

E. 341 has a "call" option to acquire the Investor's interest at FMV after expiration of the Put period if the investor doesn't exercise the Put.

F. The 3 loans into the Investment Fund are each secured by the Investment Fund's membership interest in the CDE and none of the loans are convertible into an equity interest (Rev. Rul. 2003-20).

V. Asbury Investment Fund, LLC (the "Investment Fund")

G. Received proceeds of three loans plus Historic Equity and NMTC Equity

H. Made 4 Qualified Equity Investments into the CDE totaling $9,403,921

I. Each QEI results in different 7 year NMTC holding/recapture period

J. Received and passes through HTC/NMTC from CDE

VI. New Markets Investment Fund IV, LLC (the "CDE")

A. Investment Fund has a 99.99% membership interest in the CDE as the Investor Member

B. NMSC (Affiliate of CDE) has a .01% membership interest in the CDE as the Managing Member

C. CDE is Sole Member of Master Tenant

D. CDE loaned the portion of the QEI Attributable to the proceeds of debt ($5,164,401) to the Owner (QALICB).

    -this is the QLICI Loan and is secured by the property

E. Note: During 7 year holding period only interest (not principal) is paid on the QLICI Loan

VI. New Markets Investment Fund IV, LLC (the "CDE")

F. CDE invested $3,557,736 (total HTC/NMTC Equity less fees) into Master Tenant as QLICI Equity

  -Note: The Sole Member of the Master Tenant needs to be the CDE so that Equity from the CDE would be deemed to be QLICI Equity into the Owner (QALICB)

G. CDE is treated as the Lessee under the Master Lease for federal income tax purposes because the CDE is the sole member of the Master Tenant and the Master Tenant is therefore a disregarded entity.

H. NMSC, the managing member of the CDE is a tax-exempt entity. The Master Lease is for a term of 32 years and would be treated as a disqualified lease to the extent of NMSC's interest in the CDE.

I. NMCS's interest in the CDE will not result in characterization of any part of the project as tax-exempt use property since NMSC's .01% interest in the CDE would be treated as a lease to NMSC of .01% of the property, thereby qualifying for the 35% (now 50%) exception.

VII. Asbury Master Tenant, LLC (the "Master Tenant")

A. Sole Member is the CDE

B. Master Tenant leases the entire project from Owner for a fixed annual rental payment

C. Master Tenant operates the property and subleases to end-user (RBR)

D. Serves as 49% member of the Owner

E. Note: LISC agreed in Allocation Agreement not to invest in related parties

F. Therefore, CDE and Owner cannot be deemed to be related parties (50% threshold) which is why the Master Tenant (Sole Member of which is CDE) owns 49% of the Owner

G. Receives QLICI Equity from CDE which it contributes to the Owner (QALICB) as Equity

H. Received HTC to pass-through from Owner

VIII. Asbury Development, LLC (the "Owner")

A. Owner is a QALICB and is borrower of QLICI Loan from CDE

B. Master Tenant contributed QLICI Equity to Owner in exchange for a 49% interest in the Owner.

   -Master Tenant is disregarded entity for tax purposes because the CDE is the Sole Member of the Master Tenant

C. The 51% Managing Member of the Owner is 341 Delaware, Inc. which is controlled by Ani DiFranco.

D. 341 contributed property to the Owner in exchange for its 51% interest.

E. Owner owns fee simple, undertook the rehab with the proceeds of the QLICI loan/equity, Secured Part I, II and III approval and earned Historic Tax Credits

F. Owner makes election to pass HTC though Master Tenant

IX. Structuring Notes – Pros and Cons

A. By having the Investment Fund aggregate debt and equity and investing the entire amount as equity into the CDE, the overall equity derived from tax credits is increased (this is a function of the leveraged model)

B. "Twinning" the HTC and NMTC adds to this benefit

C. Related party rules require a master lease structure

D. Delays exit strategy from the perspective of the historic tax credit piece

E. Complexity of the transaction structure adds risk and cost

F. Must maintain 20% of revenue from commercial activities

G. By definition NMTC projects are located in blighted areas which may be perceived as risky and possibly increase costs of security and maintenance

H. Uses / needs more NMTC

IX. Structuring Notes – Pros and Cons

I. Master Tenant must be a disregarded entity, the sole member of which is the CDE in order to pass through the QLICI equity into the QALICB

J. Because the Master Tenant is a disregarded entity, the Master Tenant cannot own more than 49% of the Owner, otherwise CDE and Owner would be related parties and would violate the allocation agreement.

K. Multiple QEI's means that the "substantially all" test is done on each QEI and will include the HTC equity, limiting the use of these proceeds, in addition, the QLICI investment time periods may differ and the NMTC recapture periods may differ.

L. The more equity that flows into the QALICB from the CDE, the more difficult it is to meet (stay below) the 50% related party test based on current and future capital account balances.

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