LOUISIANA HOUSING CORPORATION

QUALIFIED CONTRACT PROCESSING GUIDELINES

The Louisiana Housing Corporation (the "**LHC**") is successor in interest to the Louisiana Housing Finance Agency (the "**LHFA**") and is now the State's housing credit agency.

<u>Compliance Period</u>: A building must be part of a qualified low-income housing project (a "**LIHTC Property**") in accordance with Section 42(g)(1) of the Internal Revenue Code of 1986, as amended (the "**Code**") at all times during the 15 taxable years (the "**Compliance Period**") beginning with the 1st taxable year of the Credit Period with respect to such building in order to receive the full benefit of a low-income housing credit ("**LIHTC**") allocation.

<u>Commitment for Extended Use Period</u>: For each building receiving a LIHTC allocation in 1990 or later years, Section 42(h)(6)(A) of the Code requires an extended low-income housing commitment (a "**Commitment**") as defined in Section 43(h)(5)(B) of the Code. The Commitment is an agreement between an owner (the "**Taxpayer**") of a LIHTC Property and the LHC that must be recorded pursuant to State law as a restrictive covenant. The Commitment provides that specified occupancy and other restrictions are binding on the Taxpayer and on all successors of the Taxpayer for an additional 15 year period (the "**Extended Use Period**") following the Compliance Period.

<u>Tax Credit Regulatory Agreement Contains Commitment</u>: The Tax Credit Regulatory Agreement (the "**TCRA**") that the LHC requires to be recorded after audited cost certification of a LIHTC Property contains the statutorily required Commitment for the Extended Use Period. The covenant restrictions of the Commitment are enforceable by income-qualified households whether prospective, present or former occupants of the buildings in a LIHTC Property.

<u>Termination of the Extended Use Period</u>: Section 42(h)(6)(E) of the Code permits a building's Extended Use Period to be terminated on a date such building is acquired by foreclosure (or instrument in lieu of foreclosure) (the "**Foreclosure Date**") unless the Commissioner determines that such acquisition is part of an arrangement with the Taxpayer a purpose of which is to terminate the Extended Use Period.

In addition to termination on the Foreclosure Date, Section 42(h)(6)(E) of the Code permits termination of a building's Extended Use Period on the later of:

(a) the date specified by the LHC in the TCRA (the "**Special Condition Termination Date**") or

(b) on the last day of the one-year period (the "**Qualified Contract Delivery Deadline Date**") beginning on the date (after the 14th year of the Compliance Period) on which the Taxpayer submits a written request (the "**Written Request**") to the LHC to find a person to acquire the Taxpayer's interest in the low-income portion of the building if the LHC is unable to present during such period a qualified contract (a "**Qualified Contract**") for the acquisition of the low-income portion of the building by any person who will continue to operate such portion as a qualified low-income building as defined in Section 42(c)(2) of the Code).

Qualified Contract Regulations: For a building whose Extended Use Period is not terminated by foreclosure, Treasury Regulations at §1.42-18 (the "**Qualified Contract Regulations**") provide guidance concerning the price (the "**Qualified Contract Price**") included in a Qualified Contract to be paid by potential buyers of a building following the delivery of a Written Request to the LHC. These Written Request Processing Guidelines are to be followed by Taxpayers filing a Written Request with the LHC to find a potential purchaser willing to execute a Qualified Contract with the Taxpayer.

Glossary of Terms: A Glossary of Terms defining capitalized terms used in these Guidelines is included herein. The Qualified Contract Regulations control any ambiguities and/or conflicts with the terms described in these Qualified Contract Processing Guidelines.

WRITTEN REQUESTS SUBMISSION GUIDELINES

Threshold Eligibility:

The following minimum criteria must be met prior to a Taxpayer submitting a Written Request with respect to a building in an LIHTC property:

1. All buildings in the LIHTC property must have reached the end of the later of (a) the end of the 14th year of the building's Compliance Period or (b) Special Condition Termination Date.

2. All buildings in the LIHTC property must be in compliance with all Section 42 and LHC requirements. Taxpayers must have corrected all Section 42 violations and LHC-identified compliance issues prior to submitting a Written Request. Taxpayer must certify that it has not been notified of any audit or investigation or disallowance pertaining to Section 42 by the IRS and must provide any copies of IRS audit findings or disallowances which it has received during the tax credit period. The most recent desk audit and on-site compliance report by the LHC must contain no deficiencies.

3. Taxpayer must have secured a complete, unconditional waiver of all purchase options, including the right of first refusal of a nonprofit general partner.

4. Taxpayer must have consent, evidenced in writing, of all of its limited partners to negotiate on behalf of the partnership for a Written Request for a Qualified Contract.

5. Taxpayer must not have previously submitted a Written Request for a Qualified Contract for the building.

Deposits and Third Party Reports:

Deposits: Taxpayers will be required to cover all costs and expenses incurred by LHC and its designated underwriter in processing and evaluating a Written Request. On or prior to the date a Taxpayer submits a Written Request, a Taxpayer must deposit with LHC $30,000 (the "**Original Deposit**") by certified check or wire to cover the costs of anticipated third party reports. The LHC will transfer $5,000 of the Original Deposit to the LHC's designated underwriter for reviewing and processing a Written Request and assisting the LHC find a Qualified Contract. If the LHC fails to deliver a Qualified Contract, any unexpended portion of the Original Deposit will be returned to the Taxpayer on or before the Qualified Contract Delivery Deadline.

The LHC shall make a request for additional deposits (a "**Supplemental Deposit**") not to exceed $5,000 if advertising costs and third party costs exceed the Original Deposit. The processing of the Written Request will be suspended during any time a Supplemental Deposit has been requested from the Taxpayer if the Supplemental Deposit is not received within 5 days of written notice to the Taxpayer. The processing of the Written Request will be terminated if the Supplemental Deposit is not received within 15 days of written notice to the Taxpayer. Suspension in accordance with this paragraph or any requirement set forth herein shall also suspend the one year time period for LHC action under the Qualified Contract Regulations.

Required Third Party Reports: The balance of the Original Deposit not paid to the LHC's designated Underwriter will be used by LHC to pay for the following required third party reports (the "**Required Third Party Reports**"):

a. A independent Physical Needs Assessment of the property using the Fannie Mae document: "Physical Needs Assessment Guidance to the Property Evaluator" if the Taxpayer has not received advance written approval from the LHC to retain a specific architect or engineer from the LHC approved list with directions to submit such an assessment directly to the LHC's designated underwriter;

b. An independent appraisal by an Appraiser approved in advance by the from the LHC-approved list of Appraisers and which Appraiser was directed to provide the appraisal directly to the LHC's designated underwriter;

c. An independent market rent comparability study of the property by the Appraiser if the Taxpayer has not received approval in advance from the LHC to use an Appraiser from the LHC-approved list and which Appraiser was directed to provide such an rent-comparability study directly to the LHC's designated underwriter;

d. A Phase I environmental study and, if necessary, a Phase II environmental study if such studies dated within 60 days of the Written Request are not included in the Written Request submission;

e. An independent certified public accounting firm to be retained by the LHC to recalculate and confirm the Qualified Contract Price requested by the Taxpayer.

Submission of Written Request Checklist:

A Written Request Checklist attached hereto as **Exhibit A** must be part of each Written Request. The LHC will notify the Taxpayer in writing within ten (10) Business Days that the items and requirements of the Written Request Checklist are complete and satisfied.

Qualified Contract Request Submission Requirements:

A Written Request consists of the following:

(a) A dated cover letter (the "**Cover Letter**") of the Taxpayer executed by Taxpayer and certifying the accuracy of the information submitted under penalties of perjury, including (i) the Written Request Checklist, (ii) the Taxpayer's computation of the Qualified Contract Amount as of (a) the date of the Cover Letter (the "**Cover Letter Date**") which date will constitute the beginning date (the "**Submission Date**") for purposes of determining the one year period in which a Qualified Contract must be submitted by the LHC to the Taxpayer (unless the LHC re-determines such Submission Date because of deficiencies in the Written Request as of the Cover Letter Date) and (b) the Qualified Contract Delivery Deadline based upon the Cover Letter Date and (iii) Mandatory Adjustments;

(b) All Required Third Party Reports used by the Taxpayer in estimating the Qualified Contract Price of the property;

(c) A completed AMEC Model for the property as of the end of the later of the 14th year of the Compliance Period or the Special Condition Termination Date that uses the rents required during the 3-year period following termination of the Extended Use Period and the rents contained in the Rent Comparability Study;

(d) The Original Deposit;

(e) Certification that no IRS audit, investigation or inquiry is pending or underway, and copies of the findings of any final audits, investigations or reports of the IRS which have been received;

(f) Certification that the property is in compliance with all Section 42 requirements;

(g) An opinion from the Taxpayer's certified public accountant setting forth the calculation of the Qualified Contract Price expected by the Taxpayer and certifying that the Taxpayer is entitled to the Qualified Contract Price requested;

(h) All 8609s related to the project, showing part II completed;

(i) Annual audited financial statements for each year of project operation;

(j) Annual partnership or ownership entity tax returns for each year of project operation;

(k) Loan documents for all secured debt during the Compliance Period and evidence or a certification that the Taxpayer is in good standing, is not in default; and is not aware of any event, which but for the passage of time, would constitute default under the outstanding mortgages, liens or indentures securing the real property;

(l) Partnership or Operating Agreement, with all amendments to date of the Submission Date;

(m) Evidence of consent of all partners, investor members and lenders to seek a Qualified Contract (or proof consent is not necessary);

(n) Any third party bone fide offers to purchase the property received within one year of the Submission Date;

(o) Title report showing all outstanding liens and encumbrances on title.

The Submission Date will begin as of the date that the LHC determines the Written Request is complete, which date may be later than the Cover Letter Date.

<u>Statutory Definition of Qualified Contract</u>:

The term "Qualified Contract" is defined in Section 42 (h)(6)(F) of the Internal Revenue Code of 1986, as amended (the "**Code**") as follows:

…a bona fide contract to acquire (within a reasonable period after the contract is entered into) the non-low income portion of the building for fair market value and the low income portion of the building for an amount not less than the applicable fraction (specified in the extended low-income housing commitment) of:

(i) the sum of:

- *(I) The outstanding indebtedness secured by, or with respect to, the building,*
- *(II) The adjusted investor equity in the building, plus*
- *(III) Other capital contributions not reflected in the amounts described in subclause (I) or (II), reduced by*

(ii) cash distributions from (or available for distribution from) the project.

Presentation of a Qualified Contract:

LHC will have a one year period from the Submission Date to find a Qualified Buyer for the buildings in the LIHTC Property and to submit a Qualified Contract in accordance with the Qualified Contract Regulations and these Guidelines to the Taxpayer. If the LHC provides a Qualified Contract by the Qualified Contract Delivery Deadline Date and the Taxpayer rejects of fails to act on the Qualified Contract, the buildings in the LIHTC Property remain subject to the Commitment.

By submitting a Written Request, the Taxpayer grants LHC the authority to inspect the buildings and the entire LIHTC Property directly or through one or more of the LHC's designated agents, including prospective purchasers of the buildings and the LIHTC Property. Unless otherwise stipulated by the LHC, any and all information, including property and partnership financial statements and tax returns, may be provided to third parties or otherwise used by the LHC as it deems appropriate in its discretion to market the buildings and the LIHTC Property. The LHC must have continuous cooperation from the Taxpayer. Lack of cooperation will cause the processing of the qualified contract request to be terminated.

If at any time, during the LHC's processing of a qualified written request, the Taxpayer receives notification of an audit or investigation by the IRS regarding the LIHTC property, the one year period will be suspended and processing will stop until the investigation or audit is complete. In addition, any event of default or material noncompliance with the terms of any of the mortgages, liens or encumbrances on the property or any material noncompliance with Section 42 will result in suspension of the processing of a Qualified Contract and will disqualify the Taxpayer from seeking a Qualified Contract or extend the one year period the LHC has to respond. In the event processing is suspended or terminated due to any noncompliance or audit finding, the property must continue to be maintained and operated under the commitment.

<u>Processing a Qualified Contract</u>:

<u>Solicitation of a Qualified Purchaser</u>: Upon receipt of a Written Request from a Taxpayer, LHC may solicit potential buyers by utilizing a broker and/or advertising a "*Notice Soliciting Qualified Purchasers for the LIHTC Property*." Upon identification of a Qualified Purchaser, the Taxpayer will be required to execute a Qualified Contract with the Qualified Purchaser identified by the LHC.

TERMINATION OF EXTENDED USE PERIOD

<u>Termination of Extended Use Period for Failure to Identify a Qualified Purchaser</u>: If the LHC is unable to identify a Qualified Purchaser for the purchase of the LIHTC Property by the Qualified Contract Delivery Deadline, the Extended Use Period may expire on the date constituting the Qualified Contract Delivery Deadline.

<u>Termination of Extended Use Period When Actual Sale Closing Date Exceeds Reasonable Period of Time</u>: When the LHC identifies a Qualified Purchaser and the Taxpayer executes a Qualified Contract, the Extended Use Period may remain subject to termination if the Actual Sale Closing Date does not occur within a Reasonable Period of Time following the execution of the Qualified Contract by the Taxpayer. Termination of the Extended Use Period will occur only if the Taxpayer notifies the LHC in writing that the Actual Sale Closing Date exceeds a Reasonable Period of Time without fault or delay by the Taxpayer.

GLOSSARY

Actual Sale Closing Date: The date that title to the LIHTC Property transfers from the Taxpayer to the Qualified Purchaser in accordance with the Qualified Contract Purchase Price Formula.

Additional Indebtedness: Indebtedness incurred after the first year of the Credit Period for a building for Qualifying Building Costs incurred after the first year of the Credit Period for the building of a type that could be includible in Eligible Basis under Section 42(d)(1) of the Code.

Adjusted Investor Equity: For any calendar year, an amount equal to the Unadjusted Investor Equity times the Qualified Contract Cost-of-living Adjustment for that year.

Applicable Fraction: The smaller of the Unit Fraction or the Floor Space Fraction as specified in the Commitment.

Appraiser: An appraiser approved by the LHC; provided, however, that no such appraiser shall be an individual or organization currently in any list for active suspension or revocation for performing appraisals in any State or is listed on the Excluded Parties List System (EPLC) maintained by the General Services Administration for the United States Government.

Base Calendar Year: The calendar year with or within which the first Taxable Year of the Credit Period Ends.

Cash Distributions: Includes (a) all distributions from the Project to the Owners or related parties within the meaning of section 267(b) or section 707(b), including distributions under Section 301 of the Code (relating to distributions by a corporation), section 731 (relating to distributions by a partnership), or section 1368 (relating to distributions by a S corporation) and (b) all cash and cash equivalents available for distribution at the time of sale, including for example, reserve funds whether operating or replacement reserves.

Code: The Internal Revenue Code of 1986, as amended.

Commitment: The agreement between the Taxpayer and the LHC which (i) requires the Applicable Fraction for the building for each Taxable Year in the Extended Use Period will not be less than the Applicable Fraction specified therein and which prohibits the eviction or termination of tenancy (other than for good cause) of an existing tenant of any Low-income Unit or any increase in the gross rent with respect to such Low-income unit not otherwise permitted under Section 42 of the Code, (ii) allows individuals who meet the income limitation applicable to the building under Section 42(g) (whether prospective, present, or former occupants of the building) the right to enforce in any State court the requirements and prohibitions of clause (i), (iii) prohibits the disposition to any person of any portion of the building to which the Commitment applies unless all of the building to which the Commitment applies is disposed of to such person, (iv) prohibits the refusal to lease to a holder of a voucher or certificate of eligibility under section 8 of the United States Housing Act of 1937 because of the status oif the prospective tenant as such a holder, which is binding on all successors of the Taxpayers and (vi) with respect to the property, is recorded pursuant to State law as a restrictive covenant.

Compliance Period: The period of 15 Taxable Years beginning with the 1st Taxable Year of the Credit Period with respect thereto.

CPI General Rule: The quotient of—

(A) The sum of the 12 monthly Consumer Price Index (CPI) values whose average is the CPI for the calendar year that precedes the calendar year in which the LHC offers the building for sale to the general public (The term "CPI for a calendar year" has the meaning given to it by section **1**(f)(4) for purposes of computing annual inflation adjustments to the rate brackets.); divided by

(B) The sum of the 12 monthly CPI values whose average is the CPI for the base calendar year (within the meaning of section **1**(f)(4)), unless that sum has been increased under paragraph (c)(4)(iii) (D).

CPI General Rule Methodology: The calculations of the CPI General Rule are to be made in the manner described in §1.42-18(c)(4)(vi) of the Qualified Contract Regulations.

Credit Period: With respect to any building, the period of 10 taxable years beginning with (A) the taxable year within which the building is place in service or (B) at the election of the Taxpayer, the succeeding taxable year.

Extended Use Period: The period beginning on the first day in the Compliance Period under Section 42((i)(1) of the Code on which the building is part of a Qualified Low-income Housing Project as defined in Section 42(g)(1) and ending on the later of (i) the date specified by the LHC in the Commitment or (ii) the date which is 15 years after the close of the Compliance Period.

Fair Market Value of Low-income Portion: A valuation by a Qualified Appraiser of the Low-income Portion of a building taking into account the existing and continuing requirements under the Commitment for the building that is dated not earlier than sixty (60) days prior to the Written Request.

Fair Market Value of Non Low-income Portion: A valuation by a Qualified Appraiser of the Non Low-income Portion of a building determined at the time of the LHC's offer of sale of the building to the general public. The fair market value of the Non Low-income Portion also includes the fair market value of the land underlying the entire building (both the Non Low-income Portion and the Low-income Portion). This valuation must take into account the existing and continuing requirements contained in the Commitment for the building. The fair market value of the Non Low-income Portion also includes the fair market value of items of personal property not included in eligible basis under section 42(d) that convey under the contract with the building.

Floor Space Fraction: The fraction (i) the numerator of which is the number of low-income units in the building and (ii) the denominator of which is the number of residential units (whether or not occupied) in such building.

LHC: The Louisiana Housing Corporation acting as the housing credit agency under Section 42 of the Code.

Low-income Building: Any building which is part of a Qualified Low-income Housing Project at all times during the period (i) beginning on the 1st day in the Compliance Period on which such building is part of such project and (ii) ending on the last day of the Compliance Period with respect to such building.

Low-income Portion: The portion of the building equal to the Applicable Fraction specified in the Commitment.

Low-income Portion Amount: An amount not less than the Applicable Fraction specified in the Commitment multiplied by the total of-

(i) The Outstanding Indebtedness for the building; plus

(ii) The Adjusted Investor Equity in the building for the calendar year; plus

(iii) Other Capital Contributions, not including any amounts described in paragraphs (i) and (ii) of this definition; minus

(iv) Cash Distributions.

Low-income Unit: Any unit in a building if (i) such unit is rent restricted (as defined in Subsection (g)(2) of the Code and (ii) the individuals occupying such unit meet the income limitation applicable under subsection (g)(1) of the Code to the project of which such building is a part.

Mandatory Adjustments: The Qualified Purchaser and the Taxpayer under a Qualified Contract must adjust the Qualified Contract Amount on the Actual Sale Closing Date with respect to the Low-income Portion of the Qualified Contract Formula to reflect changes in the components of the Qualified Contract Formula such as mortgage payments that reduce Outstanding Indebtedness between the time of the LHC's offer of sale to the general public and the building's Actual Sale Closing Date.

Non Low-income Portion: The portion of a building other than the Low-income Portion, including the valuation of the land underlying the entire building, both the Non Low-income Portion and the Low-Income Portion (regardless of whether the building is entirely Low-income) determined at the time of the LHC's Offer of Sale of the Project to the general public, including items of personal property not included in Eligible Basis under Section 42(d)(1) that convey under the contract for the building.

Notice Soliciting Potential Purchasers: A notice that the LHC will post on its website and will publish in its Official Journal at the expense of the Taxpayer (i) identifying a LIHTC Property for which the LHC has received a Written Request for a Qualified Contract and (ii) confirming the LHC's determination of the Fair Market Valuation of the Non Low-Income Portion of the LIHTC Property.

Optional Adjustments by the LHC and Taxpayer to Fair Market Value of the Non Low-Income Portion: The LHC and Taxpayer may agree to adjust the Fair Market Value of the Non Low-income Portion of a building after the LHC's offer of sale of the building to the general public and-before the close of the one-year period beginning on the date (after the 14th year of the compliance period) on which the owner submits a Written Request to the LHC to find a person to acquire the Taxpayer's interest in the Low-income Portion of the building. If no agreement between the LHC and the Taxpayer is reached, the Fair Market Value of the Non Low-income Portion of the building determined at the time of the LHC's offer of sale of the building to the general public remains unchanged.

Other Capital Contributions: Contributions for Qualifying Building Costs other than amounts included in the calculation of Outstanding Indebtedness or Adjusted Investor Equity.

Original Indebtedness: Indebtedness or loans secured by, or with respect to, the building in place as of the end of the first year of the Credit Period.

Outstanding Indebtedness: The remaining stated principal balance (which is initially determined at the time of the LHC's offer of sale of the building to the general public) of any indebtedness secured by, or with respect to, the building that does not exceed the amount of Qualifying Building Costs. Thus, any refinancing indebtedness or additional mortgages in excess of such qualifying building costs are **not** Outstanding Indebtedness for purposes of section 42(h)(6)(F) and this definition. Examples of Outstanding

Indebtedness include certain mortgages and developer fee notes (**excluding** developer service costs not included in eligible basis). Outstanding Indebtedness does **not** include debt used to finance non-depreciable land costs, syndication costs, legal and accounting costs, and operating deficit payments. Outstanding indebtedness includes only obligations that are indebtedness under general principles of Federal income tax law and are actually paid to the lender upon the sale of the building or are assumed by the buyer as part of the sale of the building.

Physical Condition Assessment: An assessment of the Project's physical condition prepared according to the Fannie Mae document: "Physical Needs Assessment Guidance to the Property Evaluator."

Project or **LIHTC Property:** One or more buildings, together with any functionally related and subordinate facilities, containing one or more similarly constructed units and within which there are one or more Low-Income Housing Buildings

Potential Purchaser: Any entity willing and able to execute a Qualified Contract in connection with a Project for which a Taxpayer has requested the LHC to find a person to acquire the Taxpayer's interest in the Low-income Portion of a Low-income Housing Building.

Qualified Appraiser: An independent third party appraiser licensed in the State of Louisiana and approved by the LHC and who is not on any list for active suspension or revocation for performing appraisals in any State or is listed on the Excluded Parties Lists System (EPLC) maintained by the General Services Administration for the United States Government.

Qualified Contract: A bona fide contract to acquire (within a Reasonable Period of Time after the contract is entered into) the Non Low-income Portion of the building for Fair Market Value and the Low-income Portion of the building for an amount not less than the Applicable Fraction (specified in the Commitment) of the sum of: (i) the Outstanding Indebtedness secured by, or with respect to the building, (ii) the Adjusted Investor Equity in the building, plus (iii) Other Capital Contributions not reflected in these amounts, reduced by Cash Distributions from (or available for distribution from) the Project.

Qualified Contract Amount: The sum of the (i) Fair Market Value of the Non Low-income Portion of a building and (ii) the Low-income Portion Amount of such building determined initially at the time of the LHC's offer of sale of the building to the general public. If this sum is not a multiple of $1,000, the LHC may round up the offering price to the next highest multiple of $1,000.

Qualified Contract Cost-of-living Adjustment: For a calendar year is the number that is computed under the CPI General Rule or a process that may be published by the Commissioner in the Internal Revenue Bulletin which will compute the Qualified Contract Cost-of-living Adjustment for a calendar year and make available the results of that computation.

Qualified Contract Purchase Price Formula: A bona fide contract for a building submitted by a Qualified Purchaser to acquire the building within a reasonable period after the Qualified Contract is entered into for the Qualified Contract Amount.

Qualified Contract Regulations: Treasury Regulations contained at §1.42-18.

Qualified Purchaser: The entity identified by the LHC to enter into a Qualified Contract with the Taxpayer for an LIHTC Property specified in the Written Request.

Qualifying Building Costs: Include (i) costs that are included in eligible basis of a low-income housing building under section 42(d) and that are included in the adjusted basis of depreciable property that is subject to section 168 and that is residential rental property for purposes of section 142(d) and § 1.103-8(b); (ii) costs that are included in eligible basis of a low-income housing building under section 42(d) and that are included in the adjusted basis of depreciable property that is subject to section 168 and that is used in a common area or is provided as a comparable amenity to all residential rental units in the building; and (iii) costs of the type described in paragraph (i) and (ii) of this definition incurred after the first year of the low-income housing building's credit period under section 42(f).

Reasonable Period of Time: A period not in excess of 120 days following the execution of a Qualified Contract.

Refinancing Indebtedness: Indebtedness or loan secured by, or with respect to, the building in a principal amount (as of the date such indebtedness is incurred) that is not in excess of the outstanding principal balance of the Original Indebtedness.

Taxable Years: each calendar or fiscal year in which the Taxpayer must file a federal income tax return.

Taxpayer: The person whom the LHC reports to the Internal Revenue Service as the entity that owns and operates the Project for federal income tax purposes.

Taxpayer Non-acceptance: The rejection or failure of the taxpayer to act upon a Qualified Contract within the one-year period beginning on the date (after the 14th year of the compliance period) on which the owner submits a Written Request to the LHC to find a person to acquire the Taxpayer's interest in the Low-income Portion of the building.

Termination of Extended Use Period: For any building is (A) on the date the building is acquired by foreclosure (or instrument in lieu of foreclosure) unless the Commissioner determines that such acquisition is part of an arrangement with the Taxpayer a purpose of which is to terminate such period or (B) on the last day of the one-year period beginning on the date (after the 14th year of the compliance period) on which the owner submits a Written Request to the LHC to find a person to acquire the Taxpayer's interest in the Low-income Portion of the building if the LHC is unable to present during such period a Qualified Contract for the acquisition of the low-income portion of the building by any person who will continue to operate such portion as a qualified low-income building (as defined in section 42(c)(2)).

Unadjusted Investor Equity: The aggregate amount of cash invested by the Taxpayer for Qualifying Building Costs. Thus, equity paid for land, credit adjuster payments, LHC low-income housing credit application and allocation fees, operating deficit contributions, and legal, syndication, and accounting costs all are examples of cost payments that do **not** qualify as unadjusted investor equity. Unadjusted investor equity takes an amount into account only to the extent that, as of the beginning of the low-income building's credit period (as defined in section 42(f)(1)), there existed an obligation to invest the amount. Unadjusted investor equity does **not** include amounts included in the calculation of Outstanding Indebtedness.

Unit Fraction: The fraction (i) the numerator of which is the total floor space of Low-income Units in such building and (ii) the denominator of which is the total floor space of the residential rental units (whether or not occupied) in such building.

Written Request: A statement executed by the Taxpayer under penalties of perjury that is submitted to the LHC that the Taxpayer:

(a) is requesting the LHC find a person to acquire the Taxpayer's interest in the Low-income Portion of the buildings in a Project,

(b) has determined as of the date the statement is executed and has included each of the following with respect to each building for which the Taxpayer is requesting the LHC find a person to acquire the Taxpayer's interest: (i) Additional Indebtedness, (ii) Adjusted Investor Equity, (iii) Base Calendar Year, (iv) Cash Distributions, (vii) the CPI General Rule for the Project, (vii) the Low-income Portion and the Non Low-income Portion, (vii) Other Capital Contributions, (x) Original Indebtedness, (ix) Outstanding Indebtedness, (x) Qualifying Building Costs and (xi) Refinancing Indebtedness,

(c) has submitted to the LHC a audited partnership returns of the Taxpayer for the three years prior to the year in which the Taxpayer is submitting the statement,

(d) has submitted to the LHC a title bring down report as of a date not earlier than thirty (30) days prior to the submission of the statement,

(e) has submitted to the LHC a Physical Conditions Assessment, a Limited Scope Appraisal and a Phase I Environmental Report,

(f) has obtained and submitted to the LHC a Fair Market Value of the Low-income Portion and a Fair Market Value of the Non Low-income Portion by a Qualified Appraiser,

and

(g) has submitted to the LHC the form of a Qualified Contract that would be acceptable to the Taxpayer.