California Tax Credit Allocation Committee

April 12, 2012 – Sacramento, CA
April 13, 2012 – Los Angeles, CA

Boston Capital Asset Management

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Boston Capital Representatives

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- Privately held real estate investment and advisory firm founded in 1974

- Largest owner/asset manager of multifamily apartment properties in the country according to the National Multi Housing Council

- In excess of $7.3 billion in tax credit equity raised

- 100+ corporate institutional investors

- 88,000+ individual investors

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Our Portfolio

- 375 public and private programs

- Invested in 3,055+ properties in 49 states

- Invested in 187,000+ total apartment units in 49 states

- 2,030+ affordable properties currently under asset management

- 125,000+ affordable apartment units currently under asset management

- 52,000+ apartment units sold

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Our Results

Operations*

- 94% Average Occupancy

- 1.39 Average Debt Coverage Ratio

Dispositions

- 2010 Gross Sales of $206,360,938

- 2011 Gross Sales of $287,397,278

*Based on 2010 Audited Financial Statements

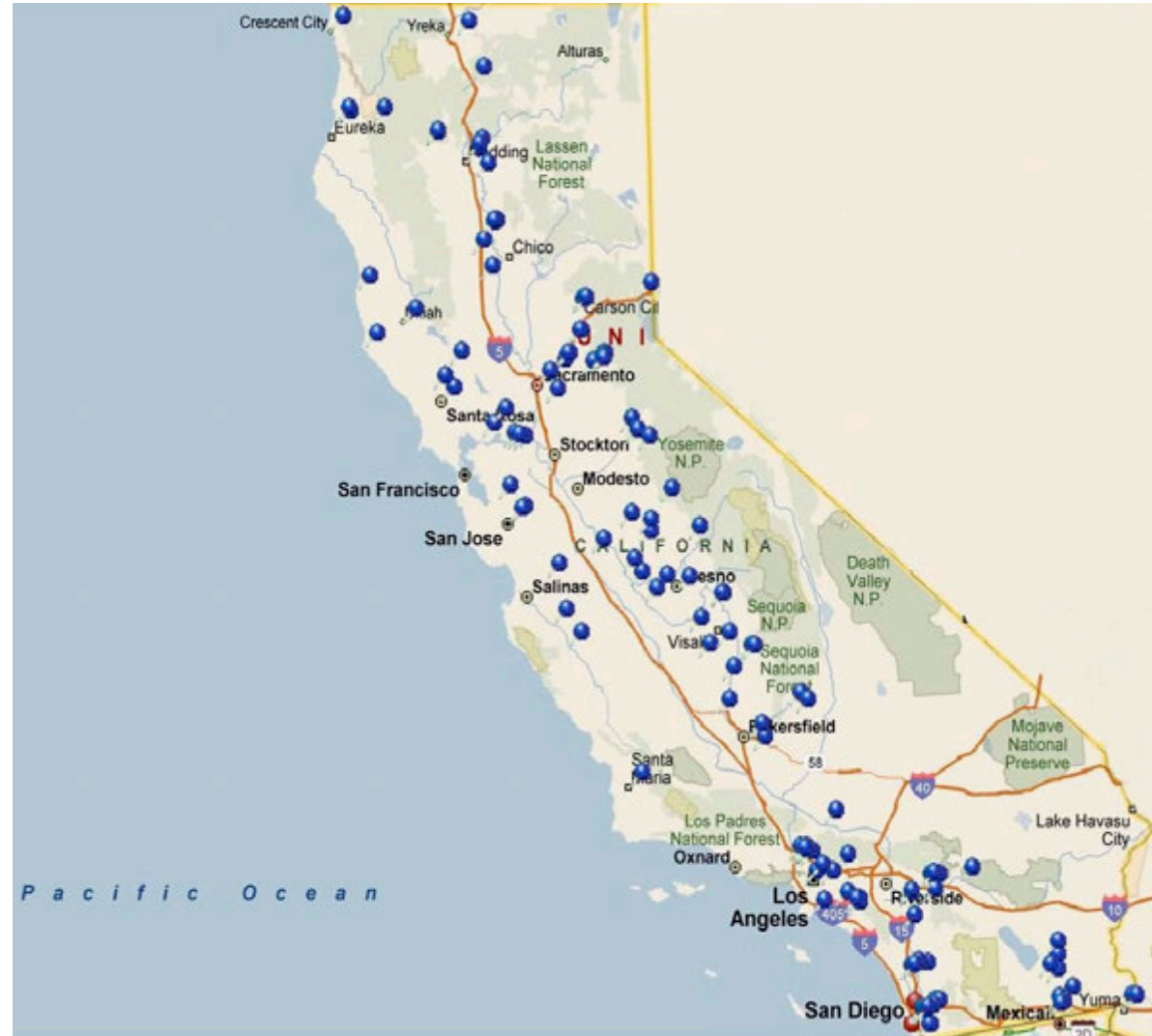**Boston Capital**

BCAM California Portfolio

- 125 Partnerships as of March 2012

  - Not including the 53 TCAC properties

- 8,753 Affordable Housing Units

- 9,149 Total Units

- Stabilized Portfolio in 2010 (91 Partnerships):

  - 96.8 % average occupancy
  - 1.40 average Debt Coverage Ratio

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BCAM California Portfolio Map

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Boston Capital Asset Management ("BCAM") has 38 years of affordable housing asset management experience, staffed by industry experts:

- 72 real estate professionals

  - Asset managers, senior asset managers, and portfolio managers

 - Insurance, site inspection, and database specialists

- Senior staff averages 17 years of direct real estate experience

- BCAM staff is required to attend annual training that focuses on best practices in the LIHTC arena through seminars and webinars conducted by industry experts.

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- Since 2009, BCAM has provided Treasury-mandated asset management to state housing agencies awarding Exchange and TCAP funds under the American Recovery and Reinvestment Act (ARRA)

- BCAM currently provides asset management services to the following state housing agencies:

  - Arizona
  - Arkansas
  - California
  - Massachusetts
  - Oklahoma

- State third-party asset management portfolio currently includes 129 ARRA properties

- BCAM and TCAC are engaged in a two year asset management contract

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State Asset Management Organizational Chart

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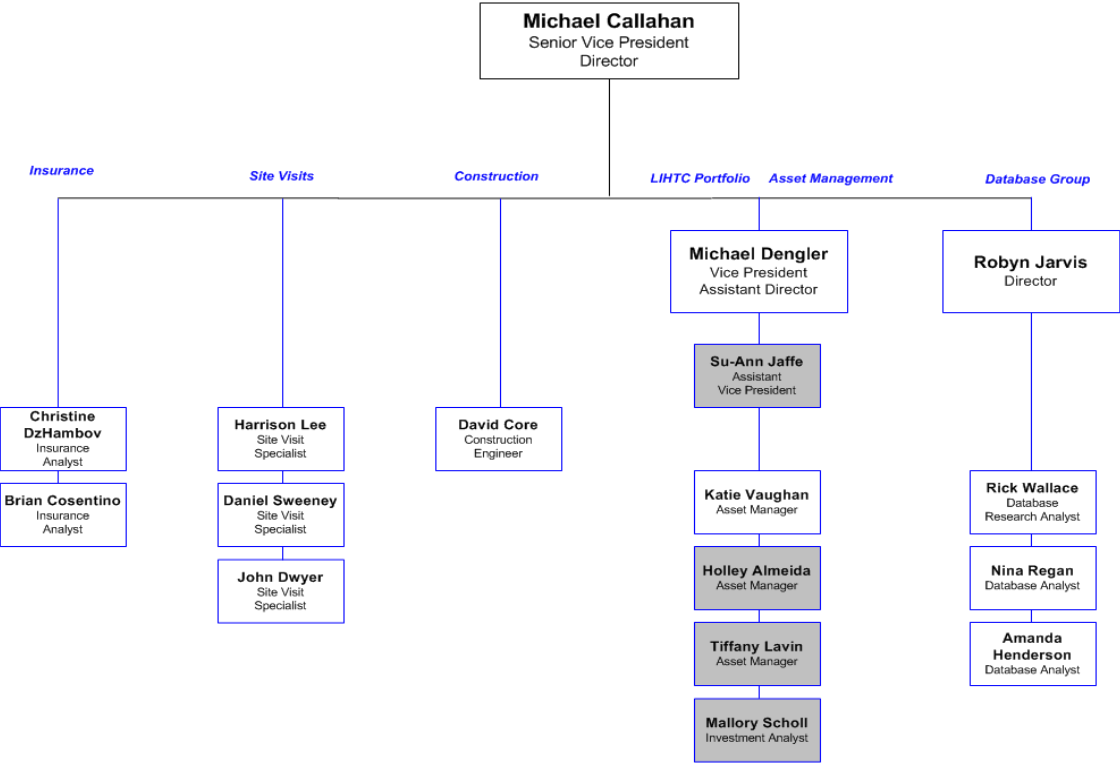
What is Asset Management?

- Minimize risk by monitoring DSCR, Net Operating Income and Cash Flow on a monthly, quarterly and annual basis

- Monitor Physical Occupancy and Economic Occupancy

- Review the Balance Sheet (Assets & Liabilities) including Accounts Receivable & Accounts Payable

- Ensure that the General Partner fulfills all obligations and guarantees specified in the Partnership Agreement

- Ensure that properties remain in compliance with Section 42 as well as all other relevant program regulations

- Complete site inspections to assess the physical condition of the asset, quality of management, maintenance practices and compliance standards

- Work with management to correct all operational and physical deficiencies

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What is Asset Management?

- Ensure all mortgages are paid on time and escrow accounts are funded per lender and partnership documents
    - Replacement Reserve
    - Operating Reserve
    - Tax Escrow
    - Insurance Escrow

- Review & approve withdrawal requests from reserve accounts

- Maximize return to investors (Credits & Losses)

- Add properties to the Watchlist and work with TCAC to cure deficiencies

- Ensure proper insurance coverage remains in place

- Ensure that the annual real estate taxes are paid

- Ensure the preservation of the tax credits through the compliance period

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Reporting

Sponsors Reporting to BCAM bcstatereporting@bostoncapital.com

- Monthly
  - Rent Roll, Leasing & Marketing Activity
  - Income & Expense Statements and Balance Sheets

- Semi-Annually
  - Narrative of operations

- Annually
  - Tax Return & Audit
  - Budget
  - Updated Insurance Certificates
  - Annual Owner's Certification

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What to Expect & How to Prepare

The initial phase of our asset management will consist of:

- Collecting financing documents, including primary and subordinate loans
- Collecting historic information to get up to speed with operations prior to achieving 100% Qualified Occupancy
- Working with management to ensure financial reporting includes all relevant information
- Once BCAM receives all pertinent initial documents, the regular monthly, quarterly and annual reporting will commence
- How to prepare:
  - ➢ Make sure there is a system in place to get financial reporting complete and submitted to BCAM in a timely manner
  - ➢ Review Partnership Agreements and confirm that all obligations have been fulfilled to date
  - ➢ Contact BCAM with any questions or concerns

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Reporting

BCAM Reporting to TCAC

- Quarterly Overview of Portfolio with Watchlist Emphasis

- Annual In-depth Review of Portfolio

- Audited Financial Statement Analysis

- Review Annual Tax Return

- Site Visits – Rotating Schedule with TCAC

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Site Visits

- BCAM will commence site visit inspections upon 100% qualified occupancy as confirmed by TCAC

- BCAM Site Visit Specialist will complete each visit

- Sponsors will be contacted approximately three weeks prior to the visit
  - Boston Capital will provide a pre-visit checklist detailing what information will be required in order to complete the inspection
  - A 20% random sampling of the resident files will be reviewed for compliance during each inspection

- BCAM will start scheduling site visits for June 2012 for those deals that have reached 100% qualified occupancy

- BCAM and TCAC will complete site visits on a rotating schedule

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Asset Management Systems

- Fusion
  - Proprietary Database
  - Agile Development
  - Flexibility of Crystal Reports

- RACER
  - Document Management System
  - Work Flow Processing

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Fusion

Designed by Asset Managers For Asset Managers

Boston Capital's investment in Fusion revolutionized the way it performs asset management by changing the way asset managers:

- Perform efficient financial statement reviews through data validation and automatic financial ratio calculations;

- Create customized reports in-house eliminating the need for costly third-party vendors;

- Utilize analysis tools that pull from the largest collection of tax credit housing data in the country.

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RACER

RACER, an electronic document management repository, was developed in-house to accommodate the unique business processes and heavy volume of documents associated with the LIHTC industry. RACER benefits include:

- Web-based document storage allows asset managers immediate access to all deal documents;
- Routing standard business processes such as equity releases and investor reports for approval through electronic workflows;
- Sharing documents internally and with third-party professionals such as attorneys and CPAs creates efficient and simultaneous document reviewing; and
- Publishing documents to the web for punctual client reporting.

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Our Commitment

- Develop the confidence and trust required for a long-term partnership.

- Work closely with each General Partner and Management Company to ensure the ongoing viability of each property.

- Provide the benefit of Boston Capital's expertise and experience to each asset.

- Professionally asset manage every property regardless of ownership.

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In Summary

- Collaborative effort between TCAC, BCAM and Sponsors toward a common goal:

  - Sustaining physical and financial viability of the property
  - Providing resident satisfaction toward creating community
  - Contributing to the positive impact of affordable housing

- Communication is Critical and Essential!!

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