

## Forward-Looking Statements

Certain statements made in this report may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include statements regarding the intent, belief or current expectations of us and our management and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following: general economic and business conditions, which will, among other things, affect the availability and creditworthiness of prospective tenants, lease rents and the terms and availability of financing for properties financed by revenue bonds owned by us; adverse changes in the real estate markets including, among other things, competition with other companies; risks of real estate development and acquisition; government actions and initiatives; and environment/safety requirements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

## Overview

We are one of the nation's leading full-service multi-family finance companies. We focus on providing both capital solutions to developers and owners of multi-family rental housing throughout the country, as well as quality investment products to institutional and retail investors. Collectively, we and our subsidiaries offer financing for every part of a multi-family property's capital structure.

We are a Delaware statutory trust. Our subsidiaries which hold the tax-exempt revenue bonds are either treated as partnerships or disregarded for federal income tax purposes, and therefore we pay no federal income taxes on this portion of our income. This tax-exempt income is passed along, in the form of distributions, to our shareholders.

Conversely, our mortgage banking, fund management and credit enhancement activities are conducted in subsidiaries organized as corporations, and generate taxable income, which is also passed along, in the form of distributions, to our shareholders.

### *Portfolio Investing and Low-Income Housing Tax Credits*

A large portion of our business, as it's currently structured, focuses on providing debt financing to developers of affordable, multi-family housing, which we accomplish by investing in tax-exempt revenue bonds issued by state and local governments or their agencies to finance affordable multi-family housing. These tax-exempt revenue bonds have tax credits attached to them, which are passed along to investors. Typically, the investors acquire a direct limited partnership interest in an upper-tier, or investment partnership. The investment partnership, in turn, invests as a limited partner in one or more lower-tier, or operating partnerships, that own and operate the housing projects.

The tax credits are allocated on a state-by-state basis for investments in qualifying affordable housing properties. The tax credit rate is set by the Internal Revenue Service and is earned over a ten year period starting at the point the construction or rehabilitation is completed. The property must continue to qualify as an affordable housing property for an additional five years, or a portion of the tax credits can be recaptured.

Limited partners in the investment partnerships are most often corporations who are able to utilize the tax benefits and, in most cases, derive no economic benefit from the investment other than the expected tax credits and tax losses from the operations. In some cases, in conjunction with the final disposition of the property, there may be some additional return to the limited partners. Investors, however, anticipate that the partnership will generate housing credits and tax losses, including depreciation and interest expense, over the life of the property, which will be almost entirely allocated to the limited partners.

We also guarantee third party mortgage loans and tax credit specified returns to investors in tax credit equity funds, for which we receive a fee.