

LIFECYCLE OF THE INVESTOR: EXITING YOUR INVESTOR

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CohnReznick LLP



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OVERVIEW

- What are your goals?
- Right of First Refusal Definition
- Exercising Right of First Refusal (ROFR)
- Sale of the Property
- Investor Buyout
- Questions??



WHAT ARE YOUR GOALS?

- Re-read the partnership agreement provisions - what can you do?
- Physical condition of the property
- Operating cash flow
- Fair Market Value
- Long term ownership?
- Resyndication?
- Sale?
- Refinance?

RIGHT OF FIRST REFUSAL DEFINITION

(7) Impact of tenant's right of 1st refusal to acquire property.

(A) In general. No Federal income tax benefit shall fail to be allowable to the taxpayer with respect to any qualified low-income building merely by reason of a right of 1st refusal held by the tenants (in cooperative form or otherwise) or resident management corporation of such building or by a qualified nonprofit organization (as defined in **subsection (h)(5)(C)**) or government agency to purchase the property after the close of the compliance period for a price which is not less than the minimum purchase price determined under **subparagraph (B)** .



EXERCISING RIGHT OF FIRST REFUSAL (ROFR)

- Does the partnership or operating agreement have one?
- What is needed to trigger the ROFR?
- Does the property have value in excess of debt?
- Any debt incurred within last 5 years?
- Who gets the cash assets/reserves?
- What is the investor's perspective?



SALE OF THE PROPERTY

- Estimated FMV
- Sale to unrelated third party?
- Sale for related party resyndication?
- Can the investor force a sale?
- Can the debt be prepaid or assumed?
- Cash flow waterfall - who gets the cash?
- Liquidation/termination of partnership/LLC



INVESTOR BUY OUT

- Is there an investor put?
- Is there a FMV call option?
- What does the investor want?
- Is an exit after the credit period an option?
- Negotiating a win/win situation



QUESTIONS ??



CONTACT US

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