

**Liabilities #4 – Financial Statement Disclosures: Notes Payable**

**Sample – Real Estate Properties are Owned by Parent Company and by Affiliates**

**NOTE \_\_\_\_\_ – NOTES PAYABLE**

Notes payable are generally nonrecourse and secured by the respective properties and bear simple interest rates unless otherwise noted:

	2012		2011	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<b><i>Parent-Company Loans:</i></b>				
Permanent secured full-recourse conventional loan for office building, bearing compounded interest at 6.5%, with principal and interest due monthly, to be repaid in full in June 2022. Interest expense was \$10,401 and \$4,112 in 2012 and 2011, respectively.	\$ 186	\$ 227,177	\$ 297	\$ 58,276
Deferred payment loans from local agencies, bearing interest from 0% to 6%, generally payable annually from property net cash flow, if any, to be repaid in full at various dates through 2072. Interest expense was \$348,945 and \$338,600 in 2012 and 2011, respectively.	6,493,02	19,731,75	6,144,075	19,770,429
Deferred payment loans from local agencies, bearing interest from 5.67% to 6%, with principal and interest payments deferred until maturity at various dates through 2049. Interest expense was \$123,588 and \$123,589 in 2012 and 2011, respectively.	1,828,26	2,169,81	1,704,677	2,169,813
Deferred payment loans from state agencies, bearing interest at 3%, with interest payable annually from property net cash flow, if any, to be repaid in full at various dates through 2044. Interest expense was \$18,903 annually for 2012 and 2011.	328,34	630,100	309,439	630,100
Deferred payment loan from federal Affordable Housing Program bearing no interest, with entire principal to be repaid in full by 2027.	-	676,000	-	572,673
Working capital unsecured full-recourse loans from a bank, bearing 2% interest, generally with interest due quarterly, to be repaid in full in various dates through 2016. Interest expense was \$25,074 and \$26,000 in 2012 and 2011, respectively.	-	1,120,826	-	1,300,000
<b>Subtotal – Parent-Company Loans</b>	<b>8,649,814</b>	<b>24,555,667</b>	<b>8,158,488</b>	<b>24,501,291</b>

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	2012		2011	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<b><i>Affiliates' Loans:</i></b>				
Permanent conventional loans, bearing compound interest from 5.95% to 6.9%, generally with principal and interest due monthly, to be repaid in full at various dates through 2036. Interest expense was \$750,785 and \$753,656 in 2012 and 2011, respectively.	\$ 50,766	\$ 10,452,944	\$ 32,121	\$ 11,092,312
Predevelopment/construction loans, bearing interest from 3% to 7%, generally with interest-only payments due monthly, to be repaid in full or partially converted to permanent loans through 2070. Interest capitalized was \$870,684 and \$854,228 in 2012 and 2011, respectively. Interest expense was \$-0- and \$234,524 in 2012 and 2011, respectively.	484,912	17,868,803	350,051	15,798,867
Bond loans, bearing variable interest rates, generally with principal and interest paid monthly, to be repaid in full at various dates through 2036. Principal payments are generally accumulated in a principal fund held by a trustee. Interest expense was \$13,305 and \$180,431 in 2012 and 2011, respectively. See Note X regarding fixed-rate swap arrangements.	13,770	7,774,498	14,334	8,175,000
Local agency loans, bearing interest from 0% to 10%, generally payable annually from property net cash flow, if any, to be repaid in full at various dates through 2065. Interest capitalized was \$539,880 and \$488,815 in 2012 and 2011, respectively. Interest expense was \$3,122,578 and \$3,282,260 in 2012 and 2011, respectively.	30,237,864	149,053,343	27,049,205	148,688,645
State agency loans, bearing interest from 0% to 7.4%, generally payable annually from property net cash flow, if any, to be repaid in full at various dates through 2066. Interest expense was \$936,919 and \$784,991 in 2012 and 2011, respectively.	3,718,146	29,050,553	3,111,604	27,757,907
Federal agency loans, bearing interest from 0% to 3%, generally with principal and interest deferred through 2065. Interest expense was \$31,850 and \$31,849 in 2012 and 2011, respectively.	321,941	61,466,419	290,120	50,868,810
<b>Subtotal – Affiliates Loans</b>	<b>34,827,399</b>	<b>275,666,560</b>	<b>30,847,435</b>	<b>262,381,541</b>

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	2012		2011	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Total loans	43,477,213	300,222,227	39,005,923	286,882,832
Less: current portion	(367,442)	(2,298,913)	(473,114)	(2,880,939)
Long-term portion	\$ 43,109,771	\$ 297,923,314	\$ 38,532,809	\$ 284,001,893

Principal payments toward notes payable for the next five years are subject to changes in net cash flow, which is a contingency that cannot be reasonably estimated. Minimum required payments are estimated as follows:

	2013	2014	2015	2016	2017	Thereafter	Total
	<i>(In thousands with \$000 omitted)</i>						
Permanent Construction <sup>(1)</sup>	\$ 1,923	\$ 1,926	\$ 2,026	\$ 1,304	\$ 1,500	\$ 1,774	\$ 10,453
Bonds	255	275	285	295	305	6,359	7,774
Local	-	-	-	53	12,000	137,000	149,053
State	-	-	-	51	1,000	28,000	29,051
Federal	-	-	-	-	466	61,000	61,466
Parent-only	121	131	156	1,275	192	22,681	24,556
	<u>\$ 2,299</u>	<u>\$ 2,332</u>	<u>\$ 2,467</u>	<u>\$ 2,978</u>	<u>\$ 15,463</u>	<u>\$ 274,683</u>	<u>\$ 300,222</u>

- (1) Principal payments of construction loans for the next five years cannot be reasonably estimated since the loans will be extended or repaid using funds already committed by permanent lenders and limited partners. Principal payments due under refinanced construction loans within the next five years are not expected to be significant. \$200,000 of the construction loans payable will be repaid with limited partner capital contributions.