

Dear Friends:

With year-end traditionally being a time to slow down and reflect, this post is intended to be a review of the past year, and a prognosis of sorts for what the transactional deal marketplace may show us in 2010.

However, slowing down and reflecting on this year only gives me that post-roller coaster sickness feeling. This was one of the most challenging years in business for most of us. Although it ended up being a positive year from a business standpoint, it required a wholesale reinvention of what we do, as most of our business models were affected by many polar opposite, sometimes unintended and varied influences that converged in a dizzying array of confusion. It was humorous to read that many prognosticators declared that the end of the recession was near, or even that the recession was behind us, because, contrary to the statistical reports showing declines in unemployment figures and upticks in consumer confidence, in reality the fundamental problems that grounded the economy in 2007 are not significantly different from those prevalent now. Other than runaway bank profits and the gilded age of Wall Street bonuses, our world is now as it has been for the past 2 years. We have made forward progress, but what the economic landscape has in store for us in 2010 will prove to be a mixing pot of small explosions that together will concoct a distressed asset stew full of nutritional values that we may only be able to sample if we have the coupons. Well, friends, we are the manufacturer of those coupons.

Let me try and catch you up on all that has happened in this busy year!



With an abundance of hope, the year started off with Barack Obama taking office as the nation's first African-American President. We knew that the issues he needed to tackle on our country's behalf were monumental, what with the Great Recession, wars in Iraq and Afghanistan, a broken health care system, a rigged financial system, an Iranian nut job, massive unemployment, a collapsed automobile industry, a resurgent China, a damaged public school system, an imbalance in the supply of natural resources and the demand for energy-coupled with climate change, carbon emissions issues, a devalued dollar, a dying manufacturing industry, and a service-oriented economy suffering because of the decline in US influence due to the US induced global recession, to name a few. Instead of the bipartisanship we hoped for, the President, facing issues that would require his unwavering attention, was confronted with a bursting and bubbling hatchet job, the manifesto of which surely has a number of "y'all's" threaded through it. Fueled again by the bipolar right wing conspiracy, the birthing movement questioned Obama's US citizenship, and, of course whether there was in fact global warming. Our new President, a man with whom

world leaders could now for the first time in 8 years have a conversation in English, was very quickly being asked to not only walk on water, but to be able to glide above it.



So what did he do?

Maybe he had no choice, but the Obama Administration continued the TARP Bailout Program initiated by the Bush Administration, and thereby provided investments into banks to shore up their reserves and stimulate lending; provided a flood of cheap financing for banks; and nationalized Fannie Mae, Freddie Mac, AIG, GM, Chrysler, and Citibank. The Obama Administration doubled down, creating the American Recovery and Reinvestment Act (ARRA), an even larger and more expensive piece of legislation that intended to jumpstart the economy by providing stimulus funding for various segments of our stalled economy desperate for capital. ARRA does a lot of things, including building roads and bridges, and funding renewable energy, affordable housing tax credits that no longer have a viable syndication marketplace, the Cash for Clunkers Program, the First Time Homebuyer Tax Credit, and now the expanded Homebuyer Tax Credit. *Banks, however didn't lend money, blowing that avenue of the stimulus theory, but creating several new, unintended marketplaces.*

This, friends, is where we came into the picture.



With banks either not lending, or tightening underwriting standards so as to squeeze the profit from a deal, the investment fund, or pooling of investor funds strategies, particularly for distressed asset investing, gained steam. We refined and expanded the mechanism of using the Federal and State private offering exemptions of the securities laws to complete private offerings of funds, raising capital into a fund, and using the fund as an acquisition entity to acquire once pricey, yet now distressed, and undervalued assets. Similarly, the tax credit syndication marketplace, which had collapsed in the wake of the exit of the banks, Fannie and Freddie as investors, was helped along by ARRA in the form of stimulus funding for “shovel-ready” affordable housing projects. These federal dollars acted as syndication funding, which was necessary to replace actual syndication, which of course has all but disappeared. In the renewable energy tax credit marketplace, ARRA provides grants in lieu of syndicating tax credits that also replace the lack of syndication dollars, and move deals forward that would otherwise be stalled. There are terrific deals being put together in the tax credit marketplace, particularly in the solar energy, and Brownfields tax credit marketplace that will renew syndication markets, create

renewable energy, and remediate environmentally contaminated sites, while making profits doing so.

President Obama, however faces monumental challenges going forward, challenges made even stiffer by several glaring financial embarrassments, such as AIG saving itself with taxpayer bailout funds and paying billions it, allegedly, *owed* to Goldman Sachs, as well as “contractual” bonuses to its astute personnel, many of whom bet wrong on the exotic derivatives that sapped the company’s reserves to begin with. Even more painful was the fact that a lot of these bonused employees were European citizens and US citizens resident in Europe. Also there were the Wall Street Titans, most notably Goldman Sachs, feeding at the Treasury’s trough, and using cheap government money to bet the house, and line its pockets with government profits while ordinary folks were left standing in the unemployment line and brushing away tears to read eviction and foreclosure notices. And, if that wasn’t enough, the Madoff Ponzi scheme unfolded under the SEC’s nose, followed by the Mark Dreier and Allen Sanford scandals. You would think that tougher financial regulation would follow such runaway fraudulent activity, but, remarkably, Wall Street lobbyists have largely beaten back any attempts to regulate the financial industry. And even more remarkably, the Obama Administration continued Bush’s policies of leveraging our children’s futures, ballooning the deficit, and cementing higher inflation to achieve all of these dubious accomplishments.



On the brighter side, as the year wore on, another historic political event took place as Sonia Sotomayor became the nation’s first Hispanic Supreme Court Justice.



There was also Captain Sully Sullenberger, who, landed, and saved a passenger-filled jet on the Hudson River, using the water as his runway. That’s a real-life hero.



At the same time, another true hero, Captain Richard Phillips, faced death, standing up for his crew in the face of Somali hijackers. This guy truly showed his grit and homespun New England heroics in his actions, and his complete ambivalence for the limelight. Being honored by throwing out a pitch at Fenway Park, did, however, seem to get him going!



However, in a decidedly bizarre political year, December's retail-busting snowstorms also witnessed the senate voting to pass Health Care Reform, even though it is unclear whether the legislation will be reformative or not. It seems to be a statute that increases market share for the health insurance companies in that it forces uninsured people to now buy watered-down health insurance, and it discarded the public option that was to have kept the insurance companies competitive. The uninsured, will however, now have Swiss cheese coverage, which is better than none at all, I guess. This crowning achievement of the Obama Administration may just speak of fake health reform, seemingly when its passage came in the wake of a swine flu (or H1-N1) outbreak, for which the antidote suddenly became in short supply at the time when needed it most. Hmmm, who profited there!



On another front, Dubai, saddled with massive debt to finance its huge building spree almost failed, causing upheaval in the world's financial markets. Of course, we have a stake in that, as American financial engineering, which is behind Dubai's expansion, once again, looked unstable and flimsy, underscoring the *ironic point that we actually need these Wall Street fat cats making big bonuses to keep US at the forefront of this financial-service industry we are selling to the world.* This year also saw the Dow rising 3000 points from an earth shattering low of around 7,000 points, which in isolation, factoring in all the dysfunctional events of a year of retail

failures (Circuit City), bank failings (Washington Mutual), and bankruptcy of a once proud American icon of industrial strength, General Motors, as well as one of the only remaining lenders to America's small businesses, CIT, makes no sense at all. Dig deeper and it seems that the market was rising based on an influx of foreign investment in US equities helped along by the weak dollar. Finally, a more solid bet for our financial institutions to make with their stimulus funding and bailout bucks funneled overseas through their foreign subsidiaries.



Supplementing the economic manipulations was the shock of having to say goodbye to, among others Walter Kronkite, Michael Jackson, Patrick Swayze, and Farrah Fawcett.



Then, just when you thought we had seen it all, we had to be witness to a sight I never thought I would see. US soldiers being gunned down on a military base in the US, by none another, than one of our own soldiers, albeit a mentally challenged US citizen of Muslim descent who allegedly wondered whether it was legal under Islamic Law to murder US soldiers. I'm not making this up—as you watch "It's a Wonderful Life", the newsreels will play the unfolding of the Fort Hood Texas Massacre as a macabre tragedy in a world gone mad.



We're not politicians; we don't make the rules — we twist and turn in order to find novel ways to play by them, and make our lives the best they can be, and that usually involves the need to profit, so I'm fine with the way it is.

Back to our world: commercial real estate, struggling as it is, is about to be dealt several body blows, among others, cities, towns, and counties hungry for tax dollars, raising property tax rates,

while owners are facing properties that have decreased in value, and may, actually be underwater in terms of their debt financing.

Through my eyes, this review is how I see the economic landscape. To me, there is enough dysfunction and challenges to make the stock market continue to move sideways, interest rates to remain low, but increase somewhat, and distressed assets to remain plentiful, while banks and other financial institutions hold onto their reserves until the government paves another path for them to make profits and bonuses. Never mind, that's all good for us, and the economy needs us, because we will structuring deals, investing in distressed assets, and closing more renewable energy tax credit and Brownfields tax credit transactions than we have ever done before.