Consolidated Financial Statements and Report of Independent Certified Public Accountants

Make It Right Foundation

As of December 31, 2010 and 2009

Table of contents

Report of Independent Certified Public Accountants	1
Consolidated financial statements:	
Statements of financial position	2
Statements of activities	3-4
Statements of cash flows	5
Notes to consolidated financial statements	6-16

Audit • Tax • Advisory
Grant Thornton LLP
4140 ParkLake Avenue, Suite 130
Raleigh, NC 27612-3723
T 919.881.2700
F 919.881.2795
www.GrantThornton.com

Report of Independent Certified Public Accountants

To the Board of Directors of
Make It Right Foundation:

We have audited the accompanying consolidated statements of financial position of **Make It Right Foundation** (the Foundation, a Delaware not-for-profit corporation) **and Subsidiaries** as of December 31, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Make It Right Foundation and Subsidiaries as of December 31, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

Raleigh, North Carolina
June 7, 2011

Consolidated statements of financial position

December 31	2010	2009
	$	$
Assets		
Cash and cash equivalents	5,644,852	12,313,107
Receivables:		
Pledged contributions and grants receivable, net	240,676	1,983,483
Accounts receivable	131,154	71,536
Homeowner receivables	-	15,238
Mortgage receivables	2,553,260	1,578,858
Total receivables	2,925,090	3,649,115
Home construction:		
Building materials	720,373	864,766
Construction work in process	4,628,770	4,048,109
Land	517,779	501,157
Total home construction	5,866,922	5,414,032
Prepaid expenses	50,480	60,611
Other assets	44,836	55,166
Property and equipment, net	1,130,456	524,393
NMTC notes receivable	32,671,227	20,700,200
Deferred financing costs, net	1,424,933	832,080
Total assets	49,758,796	43,548,704
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	973,352	703,273
Other liabilities	143,793	90,045
Deferred revenue	-	120,000
NMTC notes payable	42,122,266	26,682,266
Other notes payable	525,000	500,000
Total liabilities	43,764,411	28,095,584
Net assets:		
Unrestricted	5,506,435	15,294,870
Temporarily restricted	487,950	158,250
Total net assets	5,994,385	15,453,120
Total liabilities and net assets	49,758,796	43,548,704

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of activities

For the year ended December 31, 2010	Unrestricted	Temporarily Restricted	Total
	$	$	$
Revenues, gains and other support:			
Contributions, gifts and grants	3,350,820	481,200	3,832,020
Governmental grants	367,508	-	367,508
Sales to homeowners	3,177,221	-	3,177,221
Investment income	178,095	-	178,095
Other income	101,528	-	101,528
Total revenues, gains and other support	7,175,172	481,200	7,656,372
Expenses:			
Fundraising expense	926,394	-	926,394
Management and general	239,587	-	239,587
Program expense	15,797,626	151,500	15,949,126
Total expenses	16,963,607	151,500	17,115,107
Change in net assets	(9,788,435)	329,700	(9,458,735)
Net assets, beginning of period	15,294,870	158,250	15,453,120
Net assets, end of period	5,506,435	487,950	5,994,385

Consolidated statements of activities (cont'd)

For the year ended December 31, 2009	Unrestricted	Temporarily Restricted	Total
	$	$	$
Revenues, gains and other support:			
Contributions, gifts and grants	9,091,286	158,250	9,249,536
Sales to homeowners	1,796,128	-	1,796,128
Investment income	84,540	-	84,540
Merchandise income	25,740	-	25,740
Total revenues, gains and other support	10,997,694	158,250	11,155,944
Expenses:			
Fundraising expense	985,522	-	985,522
Management and general	398,484	-	398,484
Program expense	11,648,459	150,000	11,798,459
Total expenses	13,032,465	150,000	13,182,465
Change in net assets	(2,034,771)	8,250	(2,026,521)
Net assets, beginning of period	17,329,641	150,000	17,479,641
Net assets, end of period	15,294,870	158,250	15,453,120

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows

For the years ended December 31	2010	2009
	$	$
Cash flows from operating activities:		
Change in net assets	(9,458,735)	(2,026,521)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	203,664	95,563
Contributions of property and equipment	-	(18,500)
Contributions of building materials	(426,485)	(518,775)
Increase (decrease) in cash due to changes in:		
Pledged contributions and grants receivable	1,742,807	5,751,517
Accounts receivable	(59,618)	(11,334)
Homeowner receivables	15,238	435,931
Mortgage receivables	(974,402)	(49,058)
Building materials	570,878	(60,117)
Prepaid expenses	10,131	(14,099)
Construction work in process	(580,661)	(3,580,941)
Other assets	10,330	(22,510)
Accounts payable and accrued expenses	270,079	(173,257)
Deferred revenue	(120,000)	(1,254,889)
Other liabilities	53,748	39,583
Net cash used in operating activities	(8,743,026)	(1,407,407)
Cash flows from investing activities:		
Purchase of property and equipment	(767,327)	(163,794)
NMTC notes receivable	(11,971,027)	(20,700,200)
Purchase of land	(16,622)	(488,266)
Net cash used in investing activities	(12,754,976)	(21,352,260)
Cash flows from financing activities:		
Borrowings on NMTC notes payable	15,440,000	26,682,266
Borrowings on other notes payable	85,000	500,000
Payment on other note payable	(60,000)	-
Payment of deferred financing costs	(635,253)	(832,080)
Net cash provided by financing activities	14,829,747	26,350,186
Net (decrease) increase in cash and cash equivalents	(6,668,255)	3,590,519
Cash and cash equivalents, beginning of year	12,313,107	8,722,588
Cash and cash equivalents, end of year	5,644,852	12,313,107
Supplemental cash flow disclosure - Cash paid for interest	239,106	81,109
Noncash investing activities – Furniture acquired through donations	-	18,500

The accompanying notes are an integral part of these consolidated financial statements.

Notes to consolidated financial statements

1 Organization and Basis of Accounting and Presentation

Organization and Purpose

Make It Right Foundation (the Foundation) was incorporated on August 15, 2007, as a Delaware not-for-profit corporation. The Foundation was formed in response to the devastation of Hurricane Katrina. Its primary goal is to provide high-quality housing to families in need (a majority of whom earn modest incomes) and to improve the development of the low-income communities in which they live. The organization's first project is to assist in the redevelopment of the city of New Orleans, in particular, the section located in the Lower 9th Ward. The mission is to be a catalyst for redevelopment of the Lower 9th Ward by building a neighborhood comprised of safe and healthy homes that are inspired by Cradle to Cradle SM thinking, with an emphasis on a high quality of design, while preserving the spirit of the community's culture.

The Foundation achieves its purposes by (i) making available to the members of the community, at no cost to them, designs prepared by architects from around the world for homes to be built in the community utilizing sustainable architecture; (ii) assisting the members of the community in rebuilding their homes using these designs by subsidizing the cost of construction by means of outright grants (in the form of payment of all or a portion of construction costs) or granting interest-free loans, the principal of which will be forgiven over a specified time period if the homeowner continues to own and use the house as his or her residence; (iii) retaining community counseling that will be made available to residents at no cost to assist them in connection with their responsibilities as members of the community, including the financial responsibilities attributable to home ownership; and (iv) working closely with representatives of the appropriate local, state and federal government agencies in order to fit the Foundation's work, as nearly as possible, within the overall redevelopment plans for New Orleans. The Foundation works with local residents to be responsive to their needs. The Foundation uses its best efforts to employ local workers during the construction process and develop an integrated community that serves as a catalyst to future growth and development. Any principal payments made to the Foundation on the loans to community residents are used by the Foundation to further its charitable purposes. The Foundation does not assist in the sale or purchase of homes for a profit.

In 2008, the Foundation set up two single member LLC subsidiaries: Make It Right - New Orleans, LLC and Make It Right - New Orleans Housing, LLC. On March 18, 2009, the Foundation set up another not-for-profit subsidiary, Make It Right NMTC, LLC. This entity was established through total capital contributions of $100, resulting in 99% ownership by the Foundation and 1% ownership by Cherokee Gives Back Foundation, a not-for-profit organization. Make It Right NMTC, LLC's primary purpose is to facilitate and expand the availability of affordable, sustainable housing in low income areas.

On November 4, 2009, the Foundation set up a for-profit subsidiary, Make It Right-Solar, Inc (Solar). Solar operates as a renewable energy development company working to facilitate solar photovoltaic system installations in low-income communities.

During 2010, the Foundation set up one additional single member not-for-profit LLC subsidiary, Make It Right – Newark, LLC to assist in the development of an affordable, multi-family housing project in Newark, New Jersey. The Foundation also began activity for another single member LLC subsidiary set up in the prior year, MIR Innovations, LLC, to explore and, possibly, capitalize upon innovative ideas and technologies resulting from the Foundation's work in affordable green construction.

The Foundation's subsidiaries are included in the accompanying consolidated financial statements. These subsidiaries are engaged primarily to support program activities.

The Foundation and its subsidiaries are collectively referred to hereinafter as the Foundation.

Basis of Accounting and Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to specific donor-imposed stipulations are reported as unrestricted net assets. Donations made for the Foundation's stated purposes are considered unrestricted.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that have been, or will be, satisfied either by actions of the Foundation and/or the passage of time is reported as temporarily restricted net assets.

Permanently Restricted Net Assets

Net assets subject to permanent donor-imposed stipulations that must be maintained by the Foundation are reported as permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same period as the contributions are received, are recorded as unrestricted support.

2 Significant Accounting Policies

The following significant accounting policies have been used in the preparation of the consolidated financial statements:

Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

The Foundation maintains its cash balances at four financial institutions. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. All of the Foundation's non-interest bearing cash balances are fully insured at December 31, 2010, due to a temporary federal program in effect from December 31, 2010, through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to $250,000 per depositor at each financial institution, and the Company's non-interest bearing cash balances may again exceed federally insured limits.

The Foundation considers all highly liquid investments with a maturity of less than 90 days at time of purchase to be cash equivalents.

Land, Property and Equipment

Land, property and equipment are recorded at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the respective assets of three-to-seven years. Maintenance, repairs and minor equipment purchases are expensed as incurred.

Building Materials

The Foundation records all building materials at actual cost or, if donated, at the estimated fair value at date of donation. Building materials consist of building materials and inside fixtures for construction of the homes. Once building materials are transferred from the warehouse and taken to the construction site, they are reclassified to construction work-in-process until the home is completed and sold.

Contributions and Gifts

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions also include grant revenue, which are funds received periodically from private and public sources as contributions.

Allowance for Uncollectible Pledges

An allowance for uncollectible pledges is established annually based on the estimated amount of uncollectible promises to give. As of December 31, 2010 and 2009, the Foundation had an allowance of $0 and $150,000, respectively, for estimated uncollectible pledges.

Sales to Homeowners

Revenue is recognized at the time of sale when construction of the home has been completed and is turned over to the homeowner. Any amounts recorded for loans receivable (whether in mortgage receivables or homeowner receivables in process) prior to closing of the sales are recorded as deferred revenue. The deferred revenue on the loans is recognized as revenue when earned or forgiven, as explained in Note 7.

Functional Allocation of Expenses

The costs of providing the various programs and activities of the Foundation have been summarized on a functional basis in the accompanying consolidated statements of activities and have been allocated among the programs and activities benefited.

Operating expenses are allocated to specific functions based on management estimates of time and resources devoted to those functions. The following functional expense classifications are included in these consolidated financial statements:

Fundraising Activities: Includes costs associated with the activities related to publicizing and conducting fund-raising campaigns, events and conducting other activities involved with soliciting contributions from individuals, foundations, governments and others.

Program Expenses: Includes costs associated with programs and outreach for the Foundation. The activities included in this area are those that result in goods and services being distributed to beneficiaries or consumed in activities that fulfill the purposes or mission for which the Foundation exists.

Management and General: Includes costs associated with the overall direction of the Foundation. These expenses are not directly identifiable to a particular program, event or with fundraising, but are crucial to the continuance of those areas and are essential to the Foundation as a whole. The business functions included in this area are Foundation oversight, business management, financing, administrative activities and all management and administration, except for direct conduct of program services or fund-raising activities.

Deferred Financing Costs

The Foundation incurred costs associated with its New Market Tax Credit Transactions (Note 8) during 2010 and 2009 of $635,253 and $832,080, respectively. These amounts are amortized to expense by the straight line method over the life of the related notes payable. Net deferred financing costs were $1,424,933 and $832,080 as of December 31, 2010 and 2009, respectively. Amortization expense for these costs was recorded beginning in 2010 and totaled $42,400 for the year ended December 31, 2010.

Income Taxes

The Foundation received a determination letter from the Internal Revenue Service on November 5, 2007, that it qualified as an organization under Section 501(c)(3) and is exempt from payment of income taxes under the provisions of Internal Revenue Code Section 501(a), except for any unrelated business income. The Foundation had no significant unrelated business income for the years ended December 31, 2010 and 2009. Accordingly, no provision for income taxes has been made related to the not-for-profit entities.

Solar, a subsidiary of the Foundation and a taxable entity, files an income tax return for federal and state income tax purposes.

The Foundation records deferred income tax assets and liabilities for the temporary differences between financial statements and income tax bases of the Foundation's assets and liabilities using the enacted income tax rates in effect during the years in which the differences are expected to reverse. Valuation allowances are provided if based upon the weight of available evidence, it is more likely than not that some or all of the deferred income tax assets will not be realized. Any difference between the tax benefit recognized in the financial statements and the tax benefit claimed in the tax return is referred to as an unrecognized tax benefit. No unrecognized tax benefits have been identified as of December 31, 2010.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts from the prior year were reclassified to conform to the current year presentation. These reclassifications had no effect on net assets as previously reported.

Donated Services

The Foundation from time to time receives donated services from unpaid volunteers. Only donated services that require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received. Volunteer services not meeting these criteria are not recorded in the consolidated financial statements.

3 Pledged Contributions Receivable

The Foundation has received contributions from various private and public sources to provide funding for its programs or to aid in its general operations.

For the year ended December 31, 2010, approximately 26% of the Foundation's contributions and gifts recognized in the accompanying consolidated statement of activities were from one donor. For the year ended December 31, 2009, approximately 54% of the Foundation's contributions and gifts recognized were from one other donor.

4 Donated Services

The Foundation received in-kind donations of $34,553 and $72,916 for legal services and $62,463 and $105,898 for accounting services during the years ended December 31, 2010 and 2009, respectively. The Foundation received $0 and $18,500 in donated furniture and $426,485 and $518,775 in donated building materials and construction services during the years ended December 31, 2010 and 2009, respectively. The Foundation also received approximately $216,617 and $205,000 in donated architectural and other miscellaneous donations during the years ended December 31, 2010 and 2009, respectively.

5 Property and Equipment

Property and equipment at December 31, 2010 and 2009, consisted of the following:

	2010	2009
	$	$
Furniture and fixtures	404,258	401,780
Solar equipment	502,860	17,718
Buildings and structures	175,617	-
Computer software	86,591	78,022
Computer and telephone	132,763	119,684
Machinery and equipment	85,367	2,925
Leasehold improvements	24,869	24,869
Less – Accumulated depreciation	(281,869)	(120,605)
Property and equipment, net	1,130,456	524,393

Depreciation expense for the years ended December 31, 2010 and 2009, totaled $161,264 and $95,563, respectively.

6 Operating Lease

The Foundation leases certain computer equipment, construction machinery and office and warehouse space under operating leases. The office space lease commenced on June 1, 2008, and had a term of two years. This lease was renewed in 2010 to extend through May 2011. Rental payments were fixed at $15,314 per month for the new term. The following is a schedule, by years, of the future minimum lease payments required under the operating leases as of December 31, 2010:

	Amount
	$
2011	115,304
2012	4,416
2013	3,680
Total lease payments	123,400

Rent expense under leases with escalating rental payments is recognized on the straight-line basis with deferred rent recorded for differences between amounts expensed and amounts paid. Rent expense related to the computer equipment and office and warehouse operating leases for the years ended December 31, 2010 and 2009, totaled $224,274 and $220,201, respectively. Additionally, the Foundation paid $416,247 and $241,451 in short-term construction machinery leases for the years ended December 31, 2010 and 2009, respectively.

The Foundation also entered into two master lease agreements in December 2010 to lease solar panel systems to entities for the purpose of providing solar energy to low-income families living in New Orleans, Louisiana. As of December 31, 2010, no activity related to the master agreements had been recorded in the financial statements as the Foundation had not purchased the solar panel systems being leased and the amounts and terms of the lease were still being negotiated. The Foundation plans to finalize the lease and terms in 2011.

7 Mortgage Receivables

The Foundation offers potential homeowners three major types of loans: 1) forgivable loans, 2) supplemental loans and 3) amortizing loans.

A forgivable loan is a loan funded with the Foundation's capital without any interest or principal payments and is forgiven over a five- or ten-year period. In the Foundation's program, participants may qualify for two types of forgivable loans: 1) bonus forgivable loan, equal to 20% of the original purchase price of the home, or 2) needs-based forgivable loan, equal to the gap between 85% of the homeowner's Disaster Recovery Fund and the price of the home. The Disaster Recovery Fund represents any funding received by the individual from insurance proceeds, settlements, judgments or other housing-related disaster recovery compensation paid because of damages to their property as a result of Hurricane Katrina. A bonus forgivable loan can vary between five or ten years based on the amount of the loan and the needs-based forgivable loan is forgiven in full after ten years of occupancy in the home.

A supplemental loan is available to participants who have received a commitment for Disaster Recovery Funds not yet disbursed. This loan is available in two scenarios: 1) bridge loan which is a deferred loan with no interest and a five-year term that is available until the participant receives the Disaster Recovery Funds, or 2) deferred payment note which is receivable in one lump sum at the earlier of the receipt of the Disaster Recovery Funds or a 30-year term. Forgiveness of forgivable and supplemental loans is included in program expense in the accompanying consolidated statements of activities.

Amortizing loans are similar to conventional mortgage loans. These loans are fixed rate, interest bearing 30-year notes. All amortizing loans during 2010 and 2009 had a fixed interest rate of either 6% or 5%.

The remaining sales price not funded with one of the aforementioned loans is recovered from the homeowner's funds. Sources for the homeowner's funds include Disaster Recovery Funds, personal savings and third-party mortgage loans. These funds are held in trust by a third-party escrow agent until the construction of the house is completed. The amount of funds escrowed during construction is recorded as a homeowner receivable. The escrowed funds are released to the Foundation after construction is completed.

Mortgage receivables at December 31, 2010 and 2009, consisted of the following:

	Forgivable	Supplemental	Amortizing	Total
	$	$	$	$
Balance at December 31, 2008	510,359	512,485	506,956	1,529,800
New loans	163,806	-	90,000	253,806
Payments	-	(175,000)	(1,320)	(176,320)
Forgiveness	(28,428)	-	-	(28,428)
Balance at December 31, 2009	645,737	337,485	595,636	1,578,858
New loans	1,145,017	-	40,000	1,185,017
Payments	-	(98,000)	(10,965)	(108,965)
Forgiveness	(101,650)	-	-	(101,650)
Balance at December 31, 2010	1,689,104	239,485	624,671	2,553,260

8 New Market Tax Credit Transaction

During 2009, the Foundation entered into several debt transactions in order to make additional funds available to it through the New Markets Tax Credit (NMTC) Program. As part of these transactions, the Foundation created a new entity named Make It Right NMTC, LLC (as described above in Note 1). The Foundation completed one transaction during 2010 and two transactions during 2009 related to the NMTC programs. The NMTC Program permits taxpayers to claim a credit against federal income taxes for Qualified Equity Investments (QEIs) in designated Community Development Entities (CDEs). These designated CDEs must use substantially all (85%) of the proceeds to make Qualified Low-Income Community Investments (QLICIs). The investor is provided with a tax credit, which is claimed over a seven-year period. The credit is equal to 5% of the total amount paid for the capital investment over the first three years and 6% annually for the final four years.

Transaction 1:

On April 3, 2009, the Foundation loaned $9 million (Whitney Note) to Whitney New Markets Investor 3, LLC (the Fund). The Fund also received equity from a tax credit investor and then made a Qualified Equity Investment (QEI) in Gulf South Community Rebirth Fund V, LLC (the CDE), which is wholly-owned by the Fund. CDE then made two loans in the amount of $2,682,266 (Note A) and $9 million (Note B) to the Foundation.

The Whitney Note requires interest to be paid quarterly to the Foundation at a rate of 0.5% per annum, commencing on June 30, 2009. The full amount of unpaid principal is required to be paid on April 2, 2039. As security, the Fund pledged its interest in the CDE.

Note A and Note B require interest to be paid quarterly by the Foundation at the rate of 1.5% and 0.5001% per annum, respectively, commencing on June 15, 2009. Both loans require that the full amount of unpaid principal be paid on the earlier of April 2, 2039, or an accelerated date based on the occurrence of any uncured event of default.

In connection with making the Whitney Note loan, the Foundation entered into an agreement with Whitney National Bank (WNB), owner of the Fund. This agreement allows WNB to put its interest in the Fund to the Foundation for a twelve-month period commencing on July 3, 2016. If WNB decides to exercise this put option, the Foundation will pay a purchase price of $268,227 plus any transfer taxes or closing costs. However, if the Foundation has complied with all terms of the loan agreements discussed above, the purchase price will be reduced to $1,000. In the event that the put is not exercised, the Foundation can exercise a call option during the following twelve-month period to purchase WNB's ownership interest in the Fund at an amount equal to the fair value of that ownership interest, as determined by an independent appraiser. No amounts have been recorded in the accompanying consolidated financial statements related to these put and call options.

Transaction 2:

On December 1, 2009, the Foundation borrowed $3,500,200 from Iberia Bank under a one-day note (Iberia Note 1). The Foundation then loaned $11,700,200 (Iberia Note 2) to Iberia Investment Fund I, LLC (Iberia), through four separate loans in the amounts of $951,616, $2,168,437, $5,850,100 and $2,730,047. Iberia also received equity from a tax credit investor and then made QEIs in AmCREF Fund III, LLC (AmCREF), Stonehenge Community Development XIX, LLC (Stonehenge) and Waveland Community Development IX, LLC (Waveland).

AmCREF made loans of $951,616 (Note A-1), $268,384 (Note B-1), $2,168,437 (Note A-2) and $611,563 (Note B-2) to the Foundation. Stonehenge made loans of $5,850,100 (Note A-3) and $1,649,900 (Note B-3) and Waveland made loans in the amounts of $2,730,047 (Note A-4) and $769,953 (Note B-4) to the Foundation.

Iberia Note 1 was repaid in December 2009. Iberia Note 2 requires interest to be paid quarterly to the Foundation at the rate of 0.5001% per annum, commencing on March 31, 2010. The full amount of unpaid principal is required to be paid on November 30, 2039. As security for these loans, Iberia pledged its interests in AmCREF, Stonehenge and Waveland.

Notes A-1, A-2, A-3 and A-4 require interest to be paid quarterly by the Foundation at a rate of 0.5% per annum, commencing on March 15, 2010. Notes B-1, B-2, B-3 and B-4 require interest to be paid quarterly at a rate of 1.5% per annum, commencing on March 15, 2010. For these notes, the full amount of unpaid principal is required to be paid on the earlier of November 30, 2039, or an accelerated date based on the occurrence of any uncured event of default, as defined in the agreements.

In connection with making the Iberia Note 2 loan, the Foundation entered into agreements with Iberia and American Community Renewable Energy Fund (ACRE), owners of AmCREF; Iberia and Stonehenge Community Development, LLC (SCD), owners of Stonehenge; and Iberia and Waveland Community Development, LLC (WCD), owners of Waveland. These agreements allow Iberia and ACRE, SCD and WCD, respectively, to put their interests in AmCREF, Stonehenge and Waveland, respectively, to the Foundation for a twelve-month period commencing on December 1, 2016. If Iberia and ACRE, SCD and WCD decide to exercise these put options, the Foundation will pay purchase prices totaling, $3,121,386, $5,851,433 and $2,731,380, respectively, plus any transfer taxes or closings costs.

In the event that the puts are not exercised for all of the above three agreements, the Foundation can exercise call options during the following twelve-month period to purchase the ownership interests in AmCREF, Stonehenge and Waveland, respectively, at an amount equal to the fair value of those ownership interests, as determined by an independent appraiser. No amounts have been recorded in the accompanying consolidated financial statements related to these put and call options.

Transaction 3:

On June 2, 2010, the Foundation loaned $11,971,027 to USB MIR Investment Fund, LLC (the USB Fund). The USB Fund then made Qualified Equity Investments (QEIs) in Stonehenge Community Development XX, LLC (Stonehenge CDE), Waveland Sub CDE VIII, LLC (Waveland CDE) and USBCDE Sub-CDE LXII, LLC (USB CDE) (collectively, the CDEs). Finally, the CDEs made loans to NOLA and Solar.

Stonehenge CDE made loans of $3,968,330 (Note A-5) and $1,031,670 (Note B-5) to Solar. USB CDE made loans in the amounts of $4,431,200 (Note A-6) and $1,508,800 (Note B-6) to NOLA and Waveland CDE made loans of $3,571,497 (Note A-7) and $928,503 (Note B-7) to NOLA. As part of these transactions, NOLA returned $8.6 million of capital to MIRF and MIRF made an $8.6 million capital contribution to NMTC, which was the money used to make loans to the USB Fund.

The loan between the Foundation and the USB Fund of $11,971,027 requires interest to be paid at the rate of 0.5% per annum quarterly, commencing on June 30, 2010. The full amount of unpaid principal is required to be paid on June 1, 2040. As security for this loan, the Fund pledged its interest in the CDEs.

Notes A-5, A-6 and A-7 require interest to be paid at a rate of 0.5001% per annum quarterly, commencing on June 30, 2010. The full amount of unpaid principal is required to be paid on the earlier of June 1, 2040, or an accelerated date based on the occurrence of any uncured event of default, as defined in the agreements.

Notes B-5 and B-7 require interest to be paid at a rate of 1.5989% per annum quarterly, commencing on June 30, 2010. The full amount of unpaid principal is required to be paid on the earlier of June 1, 2040, or an accelerated date based on the occurrence of any uncured event of default, as defined in the agreements.

Note B-6 requires interest to be paid at a rate of 0.5966% per annum quarterly, commencing on June 30, 2010. The full amount of unpaid principal is required to be paid on the earlier of June 1, 2040, or an accelerated date based on the occurrence of any uncured event of default, as defined in the agreement.

Also on June 2, 2010, the Foundation entered into an agreement with U.S. Bancorp Community Development Corporation (USB), owner of the USB Fund. This agreement allows USB to put its interest in the USB Fund to the Foundation for a 120-day period commencing June 2, 2017. If USB decides to exercise this put option, the Foundation will pay a purchase price totaling $1,000 plus any transfer taxes or closing costs. In the event that the put is not exercised, the Foundation can exercise a call option during the following 180-day period to purchase the ownership interests in USB CDE at an amount equal to the fair value of those ownership interests, as determined by an independent appraiser.

The Foundation has recorded the above loans receivable and payable in the financial statements of the Foundation at the face value of the notes, which is the amount of cash that was exchanged. The Foundation is recording any interest income and expense as incurred.

Substantially all of the Foundation's assets serve as collateral for the NMTC loans discussed above. Total interest expense on loans totaled $256,352 and $73,706 for the years ended December 31, 2010 and 2009, respectively. These expenses were classified as management and general in the accompanying consolidated statements of activities. Total interest income on loans totaled $140,337 and $39,039, and was classified in investment income for the year ended December 31, 2010 and 2009, respectively.

Notes payable and notes receivable at December 31, 2010 and 2009, consisted of the following:

Note	December 31, 2010	December 31, 2009	Maturity Date	Interest Rate
	$	$		
Note A	2,682,266	2,682,266	4/2/2039	1.50%
Note B	9,000,000	9,000,000	4/2/2039	0.5001%
Note A-1	951,616	951,616	11/30/2039	0.50%
Note B-1	268,384	268,384	11/30/2039	1.50%
Note A-2	2,168,437	2,168,437	11/30/2039	0.50%
Note B-2	611,563	611,563	11/30/2039	1.50%
Note A-3	5,850,100	5,850,100	11/30/2039	0.50%
Note B-3	1,649,900	1,649,900	11/30/2039	1.50%
Note A-4	2,730,047	2,730,047	11/30/2039	0.50%
Note B-4	769,953	769,953	11/30/2039	1.50%
Note A-5	3,968,330	-	6/1/2040	0.5001%
Note B-5	1,031,670	-	6/1/2040	1.5989%
Note A-6	4,431,200	-	6/1/2040	0.5001%
Note B-6	1,508,800	-	6/1/2040	0.5966%
Note A- 7	3,571,497	-	6/1/2040	0.5001%
Note B- 7	928,503	-	6/1/2040	1.5989%
Total notes payable	42,122,266	26,682,266		

Note	December 31, 2010	December 31, 2009	Maturity Date	Interest Rate
	$	$		
Whitney Note	9,000,000	9,000,000	4/2/2039	0.50%
Iberia Note 2	11,700,200	11,700,200	11/30/2039	0.5001%
USD MIR Investment Fund	11,971,027	-	11/30/2040	0.50%
Total notes receivable	32,671,227	20,700,200		

9 Other Notes Payable

The Foundation obtained a short-term $60,000 loan from a related party during 2010. This note had a 0% interest rate and was repaid prior to December 31, 2010. The Foundation entered into an additional $50,000 note payable agreement, of which $25,000 has been received and is outstanding as of December 31, 2010. This note has a 0% interest rate and is due on December 31, 2011. The Foundation obtained $500,000 during 2009, through two unsecured $250,000 note payable agreements dated November 20, 2009, and December 3, 2009. One of these notes payable was with a related party. Both note payable agreements have 0% interest rates and are due in full at maturity on November 20, 2011, and December 31, 2011, respectively. The full balances on both of these notes payable remain outstanding as of December 31, 2010. The Foundation's obligations under the notes payable agreements contain certain covenants, including delivery of audited financial statements, quarterly financial reports, written certification of compliance and a narrative report as to the use of the loan proceeds in the prior reporting period. The Foundation was in compliance with all covenants as of December 31, 2010 and 2009.

10 Income Taxes

The Foundation had a deferred income tax asset of approximately $147,000 and $37,000 as of December 31, 2010 and 2009, respectively, predominantly related to net operating losses. The Foundation provided a full valuation allowance against its net deferred income tax assets as of December 31, 2010 and 2009, since realization of these benefits could not be reasonably assured.

As of December 31, 2010, the Foundation has estimated federal and state net operating loss carryforwards of approximately $386,000. The federal and state carryforwards will begin to expire in 2029 and 2024, respectively.

11 Subsequent Events

The Foundation has evaluated subsequent events through June 7, 2011, which represents the date the financial statements were available to be issued.