SHARP-Massachusetts Investment Fund II

You're the CFO of a Fortune 500 company that, notwithstanding recent gyrations in the economy and the capital markets, is still very profitable. Part of your responsibility is to identify tax-advantaged investments to help reduce the company's effective tax rate.

An investment package has just come across your desk that provides the opportunity to invest in existing distressed real estate limited partnerships. But this investment is different from anything you've ever seen before. Specifically, it offers 30 years of projected after-tax investment benefits (both cash distributions and tax-deferral) that are guaranteed by both the existing first mortgage lender and a AAA-rated bond insurer.

You are simply being asked to submit a bid in the form of your *minimum required* guaranteed after-tax investment return. It doesn't take you long to realize that this is a unique security and that you'll have to think hard about what your minimum required after-tax investment return needs to be. There's some mention in the offering memorandum that there's potential investment upside beyond the guaranteed investment benefits that have been projected.

Assuming your marginal federal income tax rate is 35%, what minimum required guaranteed after-tax investment return will you bid? Be prepared to explain *why*, in detail. The designated recipients of your investment response will be here on December 5th and will be very interested in your analysis and presentation.

Please prepare a written memorandum of no more than three pages, with attachments as you see fit. Please don't regurgitate basic facts and assumptions.