

JONES WALKER *JW* THE GULF OPPORTUNITY ZONE

ECONOMIC DEVELOPMENT TEAM

The Gulf Opportunity Zone Act of 2005 ("GO Zone") provides tax and financial incentives to encourage businesses to rebuild and restore the gulf regions affected by Hurricanes Katrina and Rita. Jones Walker stands ready to help you make the most of the opportunities before you.

Tax-Exempt Bond Financing

- Gives private businesses the ability to access the tax-exempt market to finance qualified projects within the GO Zone.
- Qualified projects include: (i) the acquisition, construction, reconstruction, or renovation of non-residential real property; (ii) residential rental projects; and (iii) public utility property.
- As of November 2006, the Bond Market Association Index, which is composed of high-grade, 7-day, tax-exempt bonds put variable rate notes at 3.39%, substantially less than the New York Prime Rate, currently 8.25%.
- The State of Louisiana may guarantee or provide other credit enhancement to qualified small businesses for up to 50% of the borrowing.

Increased Depreciation and Expensing

- Allows "bonus" depreciation and increased expensing deductions equal to 50% of the depreciable basis of qualified GO Zone property for the first year property is placed in service.
- Provides the ability to accelerate the recovery of the costs of investments in the affected area by increasing the opportunities for immediate expensing.
- Current deductions available for 50% of any qualified GO Zone cleanup costs paid or incurred after August 28, 2005, and before January 1, 2008.
- Immediate expensing allowed for certain environmental remediation expenditures through December 31, 2007 for qualified contaminated sites located in the GO Zone; petroleum products are included as hazardous substances.

Increased Rehabilitation Tax Credit

- The rehabilitation tax credit is increased from 20% to 26% for historic buildings and from 10% to 13% for any certified structure or qualified rehabilitated building located in the GO Zone, provided that the qualified rehabilitation expenditures on such buildings or structures are incurred on or after August 28, 2005, and before January 1, 2009.
- The Expanded New Market Tax Credit Program has been expanded to authorize an additional allocation of \$300 million of credits for 2005 and 2006 and \$400 million of additional credits for 2007 available for investments in the GO Zone. In addition, businesses located in the GO Zone not previously eligible for investment under this program may now be eligible.
- The GO Zone provides for a greater allocation of low-income housing tax credits for the GO Zone, increases the number of persons that qualify as low-income, and increases the amount of financing that results from using the credit.



Does Your Investment Qualify for Bonus Depreciation?

In order to qualify for the 50% bonus first year depreciation, the following requirements must be met:

1. The Property must be one of six types:
 - Personal property with a recovery period of 20 years or less under MACRS or ADS system;
 - Computer software other than software that is amortized over 15 years;
 - Water utility property;
 - Certain leasehold improvement property to which MACRS applies;
 - Nonresidential real property;
 - Residential rental property.
2. Property must be acquired by purchase by the taxpayer on or after August 28, 2005, and placed in service before January 1, 2008. With respect to nonresidential real property and residential rental property, the property must be placed in service before January 1, 2009. Legislation is currently pending that would extend these placed-in-service dates.
3. Original use of the property in the GO Zone must commence with the taxpayer on or after August 28, 2005.
4. Substantially all of the use of the property must be in the GO Zone in the active conduct of a trade or business of the taxpayer.

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Jones Walker's Economic Development Team is composed of attorneys within the firm's Corporate & Finance, Real Estate, and Tax, Trusts & Estates Practices. The Team brings together a multidisciplinary practice to counsel clients on state and local economic incentives that apply in connection with starting, expanding, or relocating a business.

Corporate & Finance—In the corporate and finance arena, our attorneys provide representation and counseling with respect to virtually all facets of transactional business law, including formation of new business ventures, asset acquisitions, secured and unsecured lending, securities offerings, debt offerings, bond offerings, real estate development, lease financings, maritime financings, commercial leasing, loan work-outs, bankruptcy reorganizations, energy and mineral matters, and international law matters. For more information please contact J. Marshall Page, III at mpage@joneswalker.com or Fred L. Chevalier at fchevalier@joneswalker.com.

Real Estate—From simple acquisition and sale transactions to structuring all aspects of large scale developments and financings, our attorneys' skills at negotiating, structuring, and documenting complex transactions put us at the forefront of the real estate marketplace, in Louisiana and throughout the southeastern United States. Developers, investors and lenders rely on us for all aspects of real estate matters. For more information, please contact Robert W. Scheffy, Jr. at rscheffy@joneswalker.com.

Tax, Trusts & Estates—Providing counseling in matters involving federal, state, local, and international taxation issues, our tax attorneys give advice regarding the tax implications of the formation, operation, purchase and sale of sole proprietorships, joint ventures, partnerships, registered limited liability partnerships, limited liability companies, and corporations. For more information, please contact Louis S. Nunes, III at snunes@joneswalker.com or Alex P. Trostorff at atrorstorff@joneswalker.com.

Jones, Walker, Waechter, Poitevent, Carrère & Denègre, L.L.P

Baton Rouge

Four United Plaza
8555 United Plaza Boulevard
Baton Rouge, LA 70809
225.248.2000 Tel ■ 225.248.2010 Fax

Houston

JPMorgan Chase Tower
600 Travis Street, Suite 6601
Houston, TX 77002
713.437.1800 Tel ■ 713.437.1810 Fax

Lafayette

500 Dover Boulevard, Suite 120
Lafayette, LA 70503
337.406.5610 Tel ■ 337.406.5620 Fax

Miami

Courvoisier Centre II
601 Brickell Key Drive, Suite 500
Miami, FL 33131
305.679.5700 Tel ■ 305.679.5710 Fax

New Orleans

201 St. Charles Ave
New Orleans, LA 70170
504.582.8000 Tel ■ 504.582.8010 Fax

Washington, D.C., Capitol Hill

499 S. Capitol Street, S.W., Suite 600
Washington, D.C. 20003
202.203.1000 Tel ■ 202.203.0000 Fax

Washington, D.C., Downtown

The Watergate
2600 Virginia Avenue, N.W., Suite 1113
Washington, D.C. 20037
202.944.1100 Tel ■ 202.944.1109 Fax

The Woodlands

Waterway Plaza Two
10001 Woodloch Forest Drive, Suite 350
The Woodlands, TX 77380
281.296.4400 Tel ■ 281.296.4404 Fax

www.joneswalker.com

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