



January 12, 1990

The Honorable Robert Dole
United States Senate
Washington, D.C. 20510

Dear Senator Dole:

On behalf of the members of the Association of Foreign Investors in U.S. Real Estate (AFIRE), we invite you to speak before a key audience which will play a critical role in our economy's health: foreign institutional investors in U.S. real estate.

We hope you will be our keynote speaker on Monday, March 5th, 1990 at the Capitol building.

We propose scheduling your remarks during the time period of 6:00 - 6:30, followed by a dinner for our membership. However, we are flexible on timing if it is necessary. For instance, we could incorporate your appearance into our meeting scheduled for March 6th, at the Westin Hotel, in Washington, D.C.

If possible, Senator, we would appreciate about 20 minutes of your time, during which our members would like to know of Congress' goals relating to tax, currency, and fiscal policy which might affect international real estate activities. Other areas of interest would naturally include how the political and economic dynamics and realities affect the attitudes that legislators have toward foreign investment in the U.S. Following your proposed remarks, our members would like the opportunity to ask questions of concern and interest to them. As the attached membership list indicates, our membership is comprised of the world's leading and most prestigious financial and investment institutions in U.S. real estate.

Please let us know if you can accept our invitation by contacting me at our office.

Sincerely,

James P. Low, CAE
Executive Vice President
Association of Foreign Investors in U.S. Real Estate

Enclosures

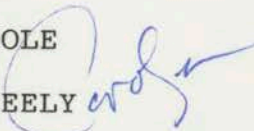
FOUNDING MEMBERS

- Australia
Citistate Corporation, Ltd.
Mr. Rodney C. Hills
- Canada
First City Development Corp., Ltd.
Mr. James C. Griffiths
- France
Bank Indosuez,
Mrs. Geneviève Gomez
- Japan
The Fuji Bank, Ltd.,
Mr. Takao Oishi
The Mitsubishi Trust
and Banking Corp.,
Mr. Tasuku Aoki
- The Netherlands
Pension Fund PGGM,
Mr. Meindert T. Kooistra
Philips' Pension Funds
Drs. A.D.J. van Riel
- United Kingdom
Norseman Holdings, Ltd.
Mr. Brian A. Ashby
- West Germany
West LB Immobilien GmbH,
Dr. Oscar L. Kienzle
- SECRETARIES GENERAL
- Mr. Annaeus M. Brouwer,
Secretary General for Europe
- Dr. Chikara Higashi,
Secretary General for Asia
and Oceania
- Ambassador J. William Middendorf,
Secretary General for North America
- EXECUTIVE STAFF
- Mr. James P. Low,
Executive Vice President
- Jeffrey R. Dwyer, Esquire,
Corporate Secretary
and General Counsel
- Mr. A. Wilhelm Veenhuysen,
Treasurer

Association of Foreign Investors
in U.S. Real Estate
2300 M Street, N.W.
Washington, D.C. 20037 U.S.A.
(202) 887-0937
Telefax 202-293-3083

Mon? \$2,000

MARCH 3, 1990

TO: SENATOR DOLE
FROM: CAROLYN SEELY 
SUBJECT: TAX ISSUES IN FOREIGN REAL ESTATE INVESTMENT

Foreign Capital Gains. Ron Pearlman, Chief of Staff of the Joint Tax Committee, said Friday that he believes taxation of foreign shareholders' U.S. stock sale gains is "appropriate". This provision passed the House last year, but was dropped in Conference in part because it violates most tax treaties. The investment community also opposes the provision which is probably unenforceable, given the ability to hold shares in street name abroad and sell the beneficial interests without alerting the U.S. authorities.

FIRPTA. There is a loophole in the Foreign Investors In Real Property Tax Act (which imposes withholding taxes on transfers of U.S. real property by foreigners) for alleged debt instruments which are contingent on income from or sale of U.S. real property. Payments received under these instruments could (and should) be characterized as dividends or proceeds from the sale of U.S. real property, respectively, subject to withholding.

Real estate. The real estate industry is seeking relief from the excessive restrictions of the 1986 passive loss rules and Treasury regulations which target real estate. However, none of these provisions, if passed, would impact truly passive foreign investors.

Last year, Congress excluded real estate located outside of the United States from the like kind exchange rules. Further restrictions on like kind exchanges, such as passed the House last year, are likely to pass the House again at some point.

Foreign interest. Proposals to disallow deductions for interest paid to a tax-exempt lender, including a foreign national, are often discussed in connection with LBO legislation or equalizing the taxation of debt and equity. This debate is likely to resurface in connection with the pending Treasury study.

MARCH 2, 1990

TO: SENATOR DOLE
FROM: CAROLYN SEELY
SUBJECT: SPEECH TO AFIRE MEMBERSHIP MEETING

On Monday, March 3, 1990, you are scheduled to give the keynote speech to members of the Association of Foreign Investors in U.S. Real Estate. You have been asked to speak for 15-20 minutes and allow another 10-15 minutes for Q&A.

The audience will consist of 50-60 representatives of large institutions which advise foreign interests seeking to invest in U.S. real estate. Entities, such as Citicorp, Trammell Crow and Prudential will be represented.

You are the only government speaker. On Tuesday, the group will hear from Dr. Onno Ruding, former Finance Minister of the Netherlands, on Europe 1992 and Dr. Susan Tolchin, author of "Buying into America", on public perceptions of foreign investment. The rest of the meeting is devoted to technical aspects of real estate investing.

The audience is interested in the prospects for Congressional action which would affect foreign investment, in particular, and the economy, generally. Thus, they will ask about attitudes toward foreign real estate investment, the budget, taxes and other economic issues.

AFIRE MISSION STATEMENT

The Association of Foreign Investors in U.S. Real Estate, headquartered in Washington, D.C. is dedicated to the unique interests of foreign institutional investors actively engaged in U.S. real estate

There is no other organization in the U.S. working exclusively for the real estate interests of non-U.S. organizations.

Investing in the U.S. real estate market demands established expertise in the development and implementation of investment strategies and opportunities. Being knowledgeable and aware of the everchanging trends and opportunities in the marketplace is vital for meeting the investment objectives.

AFIRE recognizes the importance for its members in developing strong professional relationships in the U.S. Through meetings and special events, AFIRE members will be able to communicate and exchange valuable information, and meet with leading specialists in the fields of real estate economics, finance, tax, legal, development, etc. The Association will host seminars with selected U.S. real estate developers, accountants, and real estate financial executives.

Through collective membership, AFIRE members will have a unique opportunity to meet on a personal basis with other leading foreign institutional real estate investors and their advisors.

One of AFIRE's major functions is to assist and support members in developing a wide range of business opportunities in the real estate industry. Also, AFIRE will monitor, and when appropriate, take action on U.S. government developments affecting the foreign investors interests in U.S. real estate.

Furthermore, AFIRE recognizes the importance of informing the American public of the value of foreign investment in U.S. real estate.

Through special reports issued by the Association on a regular basis, members will be kept informed on significant developments in tax and legal aspects affecting their real estate investment in the U.S.

Association of Foreign Investors in U.S. Real Estate ("A.F.I.R.E.")
2300 M Street, N.W., Washington, D.C. 20037, U.S.A.
(202) 887-0937 Telefax 202-293-3083

AGENDA
AFIRE MEMBERSHIP MEETING - MARCH 5TH-6TH, 1990
THE GRAND HOTEL
2350 M STREET, N.W.
WASHINGTON, D.C.

March 5th, 1990

2:00 - 4:30

AFIRE Board of Directors Meeting
The Grand Hotel

6:00

Keynote Speaker (Invited Congressional Leader)
Followed by Dinner: Details To be announced

March 6th, 1990

9:00

Welcome and Introduction

James C. Griffiths, AFIRE Chairman, President,
First City Development Corp., Canada

9:10 - 11:45

"Emerging Global Funds: Business Legal, and Tax Considerations
in Structuring Real Estate Investments"

Moderator: Jeffry R. Dwyer, AFIRE Corporate
Secretary & General Counsel,
Partner, Morrison & Foerster

Panelists: Michael W. Fraley, Manager, GE Capital Corp.
Les Horsager, Executive Vice President, The Prudential

Other Panelist To be announced

12:00

Honorary Speaker: Dr. Onno Ruding, Former Finance Minister of The
Netherlands

Introduction by Mr. Annaeus M. Brouwer, AFIRE Secretary General for
Europe & Chairman of Burgholding B.V., The Netherlands
"1992: European Economic Integration and Its Impact On The Financial
Markets"

12:30 - 2:00

Luncheon

2:15 - 3:20

"Pitfalls in U.S. Real Estate: Technical Considerations in Protecting the Foreign
Institutional Investors in Development Ventures"

Moderator: Paul Godfrey, AFIRE Executive Director

Panelist: James C. Griffiths, First City Development, Canada
Peter Anthony (Tony) Warner, President, Warner
Construction Consultants, Inc.
C. Steven Surprenant, Vice President, Warner
Construction Consultants, Inc.

Break/Refreshments

3:30

Guest Speaker: Dr. Susan Tolchin
Author of Buying Into America

"Public and Media Perceptions of Foreign Direct Investment in the U.S."

4:00

Concluding Remarks:
James C. Griffiths

Cocktail Reception



THE PROGRAM

MONDAY, MARCH 5

2:00-4:30 p.m.

AFIRE Board of Directors Meeting.
The Grand Hotel

5:30 p.m.

Opening dinner, AFIRE Membership Meeting
at the U.S. Capitol, Room H130
Keynote Speaker: **Senator Robert Dole**

Members should enter by the visitors entrance on the south side
of the Capitol. Members must be seated by 5:45 p.m.

TUESDAY, MARCH 6

9:00-9:10 a.m.

Welcome and Introduction.

James C. Griffiths, AFIRE Chairman
President First City Development Corp., Canada

9:10-11:45 a.m.

*"Emerging Global Funds: Business, Legal, and
Tax Considerations in Structuring Real Estate Investments"*
Moderator: Jeffry R. Dwyer, AFIRE Corporate Secretary &
General Counsel, Partner, Morrison & Foerster
Panelists:
Michael W. Fraley, Vice President, GE Real Estate Services
Les Horsager, Executive Vice President, The Prudential ;
Dr. Klaus Trescher, Partner, TMW-Immobilien GmbH

**There will be an intermission of about 15 minutes from
10:15 to 10:30 a.m.**

12:00

Honorary Speaker: Dr. Onno Ruding, Former Finance
Minister of The Netherlands. *"1992: European Economic
Integration and Its Impact On The Financial Markets and
Recent Developments in Eastern Europe"*
Introduction by Mr. Annaeus M. Brouwer, AFIRE
Secretary General for Europe & Chairman of Burgholding
B.V., The Netherlands.

12:30-2:00 p.m.

Luncheon

2:15-3:20 p.m.

*"Pitfalls in U.S. Real Estate: Technical Considerations in
Protecting the Foreign Institutional Investor in Development
Ventures"*

Moderator: Paul Godfrey, AFIRE Executive Director
Panelists: James C. Griffiths, First City Development, Corp.
Canada; Peter Anthony (Tony) Warner, President, Warner
Construction Consultants, Inc.

3:20-3:30 p.m.

Break/Refreshments

3:30-4:00 p.m.

Guest Speaker: Dr. Susan Tolchin Professor of Public
Administration George Washington University.
Author of *"Buying into America,"*
*"Public and Media Perceptions of Foreign Direct Investment
in the U.S."*
Introduction by James P. Low, Executive Vice President AFIRE

4:00 p.m.

Concluding Remarks: James C. Griffiths

4:30 p.m.

Cocktail Reception at the Grand Hotel
Hosted by the International Law Firm of Morrison & Foerster.

LIST OF ATTENDEES

AFIRE MEMBERSHIP MEETING

MARCH 5-6, 1990

Washington, D.C.

The Grand Hotel

Abbett, Jon
Alster, Henri
Blasco, Bernarda
Breur, Onno
Brouwer, Annaeus
Coster, W.
de Kort, John
Driessen, P.J.R.
Dwyer, Jeffry
Feinerman, James
Fetgatter, James
Fraley, Michael
Gidel, Robert
Gordon, Arthur
Goring, Peter
Grand, Fred
Griffiths, James
Grondahl, Niel
Hansen, Lee
Hiddick, Joop
Hood, Bruce
Horsager, Les
Hwang, C. Dale
Inouye, Akihiro
Jackson, Richard
Joll, David Peter
Kelly, Dennis
Koeman, Jan
Kopeman, Sarah
Mahoney, Thomas
Maltby, Colin
Mannix, John
McCarthy, Elizabeth
McMahan, John
Middendorf, J. William
Morrill, Bill
Nakamura, Hideo
Nellis, Noel
Oinuma, Naoshi
Perla, Stanley
Raffety, Michael
Redele, Julien
Reynolds, Christopher
Sann, John

CIG International Ltd.
Citicorp Investment Bank
Embassy of France
PGGM Pension Fund
Burgholding B.V.
Narec
Trammell Crow Realty Advisors
Noro Group of Companies
Morrison & Foerster
Georgetown University Law Center
Norseman Holdings
GE Real Estate Services
Alex, Brown Realty Advisors
Ernst & Young
Bramalea Limited
Knight Frank & Rutley
First City Development
Levien, Rich & Co.
Dutch Property Investments
GAK Pension Fund
Sann & Howe
The Prudential
Cigna Investments
Toranomom Jitsugyo Kaikan
Citistate
Toranomom Jitsugyo Kaikan
LaSalle National Bank
GAK Pension Fund
Alex, Brown Realty Advisors
Cigna Investments
Alex, Brown Realty Advisors
Sarakreek Holding N.V.
Tobishima Corporation
Mellon/McMahan Real Estate
Middendorf, Ansary Co.
Alex, Brown Realty Advisors
Fuji Bank Limited
Morrison & Foerster
Shimizu Corp.
Ernst & Young
Noro Realty Advisors
Savage Fogarty
Reynolds Properties, Inc.
Sann & Howe

Schneck, Creighton
Smotkin, Mark
Sorrentino, Robert
Strassner, Anne
Stuebe, William
Summers, Edwin
Suzuki, Nobuo
Taylor, Paul
Trescher, Klaus
Van de Pol, John
Van Den Reeck
Van Riel, A.D.J.
Van Westreenen, Dirk
Veenhuysen, A. Wilhelm
Walsh, John
Warner, Tony

Trikon
Arthur Andersen
Dutch Institutional Holding Co.
Sann & Howe
Bank Indosuez
PaineWebber Properties
Industrial Bank of Japan
LaSalle National Bank
TMW Immobilien GmbH
KLM Pension Fund
Embassy of Belgium
Philips Pension Fund
Dutch Property Investments
Nationale-Nederlanden N.V.
Aetna Realty Investors
Warner Construction Consultants

Guest Speakers

Senator Robert Dole
Dr. Onno Ruding
Dr. Susan Tolchin

AFIRE

James P. Low
Paul Godfrey
A. Wilhelm Veenhuysen
Jeffrey R. Dwyer
James S. Bernstein

MARCH 3, 1990

TALKING POINTS
ASSOCIATION OF FOREIGN INVESTORS
IN U.S. REAL ESTATE

- O GOOD EVENING.
- O THIS IS AN EXCITING AND CHALLENGING TIME FOR
INTERNATIONAL ECONOMIC RELATIONSHIPS.

- O NEW DEMOCRACIES ARE BEING FORMED IN
EASTERN EUROPE AND LATIN AMERICA. THE
NATIONS OF THE EUROPEAN COMMUNITY ARE
MOVING TOWARD ECONOMIC UNIFICATION. AND
EXISTING TRADING AND INVESTMENT PATTERNS
AMONG NATIONS ARE COMING UNDER INCREASING
SCRUTINY.

FOREIGN INVESTMENT IN THE UNITED STATES

O AS YOU KNOW, CERTAIN LANDMARK
TRANSACTIONS, SUCH AS THE JAPANESE
PURCHASES OF ROCKEFELLER CENTER AND
COLUMBIA PICTURES, HAVE FOCUSED ATTENTION
ON THE INCREASING FOREIGN INVESTMENT IN THE
UNITED STATES. AND BECAUSE OF THEIR VISIBILITY,
THESE DEALS HAVE BECOME A FOCAL POINT FOR
MOUNTING FRUSTRATION OVER OUR PERSISTENT
TRADE DEFICIT.

O A SMALL, BUT GROWING, PROTECTIONIST
MOVEMENT, INCLUDING SOME INFLUENTIAL
LEGISLATORS, HAS MOUNTED A CAMPAIGN TO
BLAME OUR TRADE IMBALANCE ON THOSE OF OUR
TRADING PARTNERS WHO DO NOT EXTEND THE
SAME OPPORTUNITIES TO AMERICAN INVESTORS
THAT WE EXTEND TO THEIR CITIZENS.

O THE THEMES OF THIS NEW PROTECTIONISM ARE
RECIPROCITY -- AND RETALIATION. THE UNITED
STATES IS BEING URGED TO RECIPROCATE FOREIGN
RESTRICTIONS ON PRODUCTS OR INVESTMENT
FROM THE UNITED STATES.

O IN FACT, OUR SUPER 301 LAW, WHICH OFFENDED
SEVERAL OF OUR MAJOR TRADING PARTNERS
BECAUSE OF ITS UNILATERAL LABELLING OF UNFAIR
TRADE PRACTICES, WAS THE COMPROMISE DEvised
TO FEND OFF AUTOMATIC TRADE SANCTIONS
BASED ON THE IMBALANCE IN OUR EXTERNAL
ACCOUNTS.

O THE NEW PROTECTIONISTS ARE STILL A MINORITY IN CONGRESS. THE MAJORITY, THE PRESIDENT AND HIS ECONOMIC ADVISERS, ALL RECOGNIZE AND DEFEND THE BENEFITS OF FREE TRADE AND FOREIGN INVESTMENT. BUT THE POPULARITY OF THIS NATIONALISTIC APPEAL GREATLY INCREASES THE RISK OF A TRADE WAR UNLESS FOREIGN MARKETS ARE OPENED AND BARRIERS TO U.S. INVESTMENT ARE LOWERED.

- O IN YOUR DEALINGS WITH FOREIGN INVESTORS, YOU SHOULD CONVEY THE NEED FOR RECIPROCAL OPENINGS OF THEIR MARKETS AND THE DANGER TO ALL OF MOUNTING FRUSTRATION IN THE UNITED STATES.

THE BUDGET PROCESS

- O MEANWHILE CONGRESS IS BEGINNING ITS ANNUAL RAIN DANCE TO DEVELOP A BUDGET THAT MEETS OUR 1991 DEFICIT TARGET OF \$64 BILLION.

O JUST OVER A MONTH AGO, THE PRESIDENT
SUBMITTED HIS BUDGET TO CONGRESS. IT IS NOT A
BOLD PLAN. IT RELIES ON OPTIMISTIC ECONOMIC
ASSUMPTIONS; IT IGNORES AS MUCH AS \$40
BILLION IN WORKING CAPITAL NEEDED TO
ADMINISTER THE S&L BAILOUT. AND IT INCLUDES
THE USUAL EXPEDIENTS, SUCH AS ANOTHER
PAYROLL TAX SPEED-UP, TO RAISE REVENUE.

-10-

- O AS YOU KNOW, LAST YEAR WE BASICALLY TOOK A WALK ON THE DEFICIT ALTHOUGH WE HAD AN OPPORTUNITY, GIVEN THE ELECTION MANDATE, TO ENACT SOME TOUGH PROGRAMS LIKE THE FLEXIBLE FREEZE.
- O INSTEAD WE SPENT 10 MONTHS AND DEVOTED OVER 60% OF OUR ROLL CALL VOTES IN THE SENATE TO REDUCE THE DEFICIT BY ONLY \$16 BILLION -- AND WE NEEDED FOUR MONTHS OF SEQUESTER TO DO EVEN THAT. THIS YEAR WE NEED \$36 BILLION -- MORE THAN TWICE AS MUCH -- EVEN USING OMB'S OPTIMISTIC ASSUMPTIONS.

-11-

- O SO YOU CAN SEE WHY THIS PROCESS TOO IS

FRUSTRATING AND WHY THE BUDGET COMMITTEE

PREFERS TO FOCUS ON REFORMING

GRAMM-RUDMAN -- AGAIN! IN FACT, THE

COMMITTEE WILL NOT EVEN BEGIN WORK ON A 1991

BUDGET RESOLUTION UNTIL AFTER THE MARCH

RECESS, ONE WEEK BEFORE ITS APRIL 1 DEADLINE.
- O SOCIAL SECURITY
- O NEVERTHELESS, SOME BUDGET REFORM IS LIKELY

TO PASS THE SENATE THIS YEAR.

O SENATOR MOYNIHAN HIT UPON A SLOW NEWS DAY
WITH HIS PROPOSAL TO TO ELIMINATE THE SOCIAL
SECURITY TRUST FUND SURPLUS BY CUTTING
PAYROLL TAXES. PREDICTABLY, OTHER
DEMOCRATS, LIKE SENATOR HOLLINGS,
IMMEDIATELY BEGAN CALLING FOR TAX INCREASES
TO PAY FOR THESE CUTS, THEREBY EXPOSING THE
REAL DANGER TO THE ECONOMY OF THE
MOYNIHAN PLAN.

-13-

O THE PRESIDENT HAS RESPONDED BY PROPOSING ANNUAL REDUCTIONS IN THE NATIONAL DEBT, -- WHAT I CALL "PHASED INTEGRITY" -- TO END OUR RELIANCE ON SOCIAL SECURITY FOR CURRENT GOVERNMENT OPERATIONS. BUT ALTHOUGH THE LAST TIME I LOOKED SENATOR MOYNIHAN ONLY HAD ONE VOTE -- HIS OWN -- THIS DEBATE IS LIKELY TO AT LEAST SLOW DOWN ENACTMENT OF CAPITAL GAINS RELIEF.

-14-

O HOWEVER, THE ISSUE OF THE ROLE OF SOCIAL
SECURITY IN THE BUDGET PROCESS IS SQUARELY
BEFORE US. AND OTHER SENATORS, LIKE SENATOR
HEINZ, ARE RENEWING THEIR CALLS TO REMOVE
THE TRUST FUND BALANCE FROM THE DEFICIT
CALCULATIONS.

CAPITAL GAINS

- O THE PRESIDENT'S BUDGET CONTAINS A REVISED

CAPITAL GAINS RATE REDUCTION PROPOSAL

MODELED ON THE PACKWOOD-ROTH PROPOSAL

INTRODUCED IN THE SENATE LAST YEAR. UNDER

THE PRESIDENT'S PROPOSAL, A 10% INCOME

EXCLUSION WOULD BE EARNED IN EACH OF THE

FIRST THREE YEARS THAT A CAPITAL ASSET IS

HELD. IN ADDITION, THE PROPOSAL HAS BEEN

BROADENED TO INCLUDE ALL CAPITAL ASSETS

HELD BY INDIVIDUALS, WITH THE EXCEPTION OF

COLLECTIBLES.

-16-

- O FINALLY, PRESIDENT BUSH HAS INDICATED THAT HE

IS WILLING TO WORK WITH MEMBERS OF

CONGRESS, WHO MAY WANT TO ADD

CORPORATIONS OR INDEXING, TO ENACT A

PROGRAM THAT WILL ENCOURAGE LONG-TERM

INVESTMENT IN AMERICA.

- O IT IS THIS COMBINATION OF COMMITMENT AND

WILLINGNESS TO COMPROMISE WHICH ENSURES

THAT PRESIDENT BUSH WILL ULTIMATELY PREVAIL

AND THAT CAPITAL GAINS RELIEF WILL PASS THE

CONGRESS THIS YEAR.

SAVINGS INCENTIVES

- O AS AN ADJUNCT TO CAPITAL GAINS RELIEF, THE PRESIDENT'S BUDGET ADAPTS ANOTHER PROVISION FROM THE PACKWOOD-ROTH PACKAGE -- TAX-FREE SAVINGS ACCOUNTS. UNDER THIS PLAN, FIRST TRIED IN POST-WAR JAPAN, ALL INCOME EARNED ON THE FUNDS INVESTED IN A FAMILY SAVINGS ACCOUNT WOULD BE TAX-FREE IF THE FUNDS ARE NOT WITHDRAWN FOR AT LEAST SEVEN YEARS.

-18-

LIKE THE ROTH IRA PLUS, THESE ACCOUNTS WILL
ENCOURAGE LONG-TERM SAVINGS BY LOW AND
MIDDLE INCOME TAXPAYERS AND PROVIDE CAPITAL
FOR AMERICAN BUSINESS INVESTMENT AND
ECONOMIC GROWTH.

- O THE OBVIOUS NEED TO INCREASE OUR POOR
NATIONAL SAVINGS RATE SHOULD PRODUCE SOME
FORM OF SAVINGS INCENTIVE LEGISLATION,
WHETHER AN IRA EXPANSION OR A NEW ACCOUNT,
THIS YEAR.

-19-

O FINALLY, AS A LONG TERM PROJECT, SECRETARY
BRADY IS COMMITTED TO ENDING THE BIAS IN OUR
TAX LAWS TOWARD DEBT FINANCING BY
ENHANCING THE INCENTIVES FOR EQUITY
INVESTMENT. THE FIRST OF THESE PROPOSALS
SHOULD BE MADE PUBLIC THIS SPRING. LIKE
CAPITAL GAINS, THIS DEBATE WILL CALL ATTENTION
TO THE EXCESSIVE COST OF CAPITAL WHICH IS
HAMPERING AMERICAN BUSINESS.

TAXES ON FOREIGN INVESTMENT

- O THE DEBATE ON EQUITY INCENTIVES HAS ALSO
FOCUSED ATTENTION ON THE EROSION OF THE U.S.
TAX BASE BY FOREIGN ACQUISITIONS. IN 1984, THE
CONGRESS IMPOSED WITHHOLDING ON FOREIGN
INVESTORS IN REAL PROPERTY.
- O LAST YEAR, WE INCREASED THE REPORTING AND
RECORDKEEPING REQUIREMENTS ON U.S.
CORPORATIONS WITH SIGNIFICANT FOREIGN

OWNERSHIP. AND THE IRS IS LAUNCHING A COMPLIANCE PROJECT TO INVESTIGATE NEW EVIDENCE THAT FOREIGN-OWNED CORPORATIONS OPERATING IN THE UNITED STATES ARE NOT PAYING THEIR "FAIR SHARE" OF TAXES HERE.

- O AT THE VERY LEAST, THERE WILL BE EFFORTS TO EXCLUDE "TAX-EXEMPT" SHAREHOLDERS, INCLUDING FOREIGN NATIONALS, FROM ANY ADDITIONAL INCENTIVES ENACTED FOR DOMESTIC EQUITY INVESTORS IN THE FUTURE.

CLEAN AIR

- O IN THE MEANTIME, PRESIDENT BUSH HAS MADE

GOOD ON HIS CAMPAIGN PROMISE TO BECOME THE

ENVIRONMENTAL PRESIDENT BY PROPOSING A \$19

BILLION REVISION TO OUR CLEAN AIR LEGISLATION

-- ITS FIRST MAJOR REVISION IN 12 YEARS.
- O HOWEVER, THE COST OF THE CLEAN AIR

LEGISLATION NOW PENDING ON THE SENATE FLOOR

IS STAGGERING -- \$42 TO \$100 BILLION -- TO BE

PAID BY AMERICAN BUSINESS. THIS DEBATE IS NOT
PARTISAN SO MUCH AS REGIONAL. CITIZENS OF MY
STATE OF KANSAS DO NOT WANT TO PAY THE
ENTIRE BILL FOR CLEANING UP THE AIR IN NEW
ENGLAND.

- O MOREOVER, U.S. BUSINESS IS NOT LIKELY TO
TOLERATE THIS BURDEN INDEFINITELY UNLESS
SIMILAR COSTS ARE BORNE BY THEIR FOREIGN
COMPETITORS, WHETHER THROUGH
INTERNATIONAL AGREEMENT OR UNILATERAL
PROTECTIVE ACTION HERE.

CONCLUSION

O BECAUSE THIS IS AN ELECTION YEAR, BI-PARTISAN COOPERATION WILL BECOME MORE AND MORE DIFFICULT. NEVERTHELESS, I BELIEVE THAT WE WILL FINALLY AGREE ON CLEAN AIR, ON CHILD CARE, ON CAMPAIGN FINANCE REFORM AND ON A CRIME PACKAGE, AS WELL AS ON SOME FORM OF CAPITAL GAINS RELIEF. HOWEVER, AS ALWAYS,

-25-

THE SERIOUS DEBATE ON THE BUDGET AND THE
BUDGET PROCESS WILL CONTINUE TO DOMINATE
OUR AGENDA UNTIL BOTH CONGRESS AND THE
PRESIDENT FACE UP TO THE TOUGH CHOICES.

O THANK YOU.



■ A.F.I.R.E. is the official organization for institutions headquartered outside of the United States that have an interest in the laws, regulations, economic trends and communications that relate to the U.S. real estate market.

Why A.F.I.R.E. was organized

There is no other organization in existence in the U.S.A. that dedicates itself to the guidance, education and protection of investment institutions located outside of the U.S. that have a unique interest in American real estate. A.F.I.R.E., through its worldwide membership, brings together the foreign investors and their advisors with common interests and objectives.

As one of the founding members stated upon the formation of the Association, "There is urgent need for an independent institution to guard the interests of the 'Foreign Investors' in the U.S. real estate industry; this new Association will be the appropriate response."

What is the Association's Mission?

A.F.I.R.E. will inform the U.S. government of the important contribution that foreign investments make to the U.S. economy and establish a dialogue between investors and U.S. government decision-makers on issues of mutual importance.

A.F.I.R.E. will be the instrument that will keep the foreign investors up to date with regard to any changes or anticipated changes in real estate and/or tax laws which will potentially affect their investments, and if so desired by the membership, the Association will oppose those changes.

A.F.I.R.E. will promote good will and educate the U.S. public in the benefits of foreign capital being invested in the U.S. real estate market.

A.F.I.R.E. will conduct in-depth studies on timely and vital issues of importance to the membership. The analyses will deal with the legal, social and economic implications of the subjects studied.

A.F.I.R.E. will send special bulletins to its members when events occur or legal decisions are made pertaining to their investments in U.S. real estate. These communications will enable members of the Association to make decisions before valuable time is lost.

A.F.I.R.E. will conduct meetings, conferences and seminars on issues of importance to the membership; the Association will publish a newsletter.

Leadership and Committees

The Association is governed by a Board of Directors elected by the voting membership and by Officers appointed by the Board of Directors—through a democratic process. The Officers consist of a Chairman, Vice Chairman, Executive Vice President, Treasurer, and Corporate Secretary and General Counsel.

The Association is headquartered in Washington, D.C.

Appropriate committees are appointed by the Chairman with the concurrence of the Board of Directors.

Eligibility and Classes of Membership

(a) Institutional (Voting) Members—Foreign institutions or their U.S. controlled subsidiaries actually engaged in or interested in investments in U.S. real estate.

aging and advising investment accounts for foreign institutions that are Institutional Members or would qualify as such.

(b) Associate (Non-Voting) Members—Foreign or U.S. institutions or individuals actually engaged in man-

Admission to any class of membership shall be by a majority vote of the Executive Committee.

General

By joining the Association of Foreign Investors in U.S. Real Estate, A.F.I.R.E., the members do not assume legal or tax responsibilities per se; the membership list shall be kept in the strictest of confidence as required by laws of the U.S.

A.F.I.R.E. is a non-profit corporation, of perpetual duration, duly incorporated under the appropriate statutes of the United States and the District of Columbia.

CURRENT MEMBERSHIP LIST

INSTITUTIONAL MEMBERS:

Australia

- Citistate Corporation Limited
- Trikon Corporation

Canada

- Bramalea Limited
- Coscan Development Corp.
- First City Development Corp.

France

- Banque Indosuez

Japan

- American Hazama Inc.
- Fuji Bank
- Mitsubishi Estate Co., Ltd.
- Mitsubishi Trust
- Shimizu Construction Co.
- Sumitomo Life Realty Inc.
- Toranomon Jitsugyo Kaikan Co., Ltd.

The Netherlands

- ABP Pensionfund
- ADH Properties
- Aegon
- Algemene Bank Nederland N.V.
- Amprovest
- GAK Pension Fund
- KLM Pension Funds
- Nationale-Nederlanden
- NMB Vastgoed Funds N.V.
- NORO Group
- Orange Nassau
- Pension Fund PGGM
- Pension Fund MPMA/Metaalnijverheid
- Philips Pension Funds
- Royal Medical Association Pension Fund
- Sarakreek Holding N.V.
- Shell Pension Fund Foundation
- Sterling Developments

CURRENT MEMBERSHIP LIST

(continued)

Switzerland

- Intershop Holding

United Kingdom

- Dares Estates P.L.C.
- Electricity Supply Pension Scheme
- Norseman Holding Limited

West Germany

- Deutsche Bank Capital Corp.
- Lehndorff U.S.A. Limited
- TMW Immobilien KG

Total Institutional Members: 38

ASSOCIATE MEMBERS:

- Aetna Realty Investors Inc. (U.S.A.)
- Alex, Brown Realty Advisors (U.S.A.)
- Baring Institutional Realty (U.S.A.)
- Beta West Properties, Inc. (U.S.A.)
- CIGNA Investments, Inc. (U.S.A.)
- Citicorp Investment Bank (U.S.A.)
- Citicorp Real Estate Investment Management (U.S.A.)
- CRI, Inc. (U.S.A.)
- Drexel Burnham Lambert (U.S.A.)
- Dutch Property Investments, Ltd. (U.S.A.)
- General Electric (U.S.A.)
- Gerald D. Hines Interests (U.S.A.)
- Goldman, Sachs (U.S.A.)
- Jones Lang Wootton (U.S.A.)
- Knight, Frank & Rutley (U.S.A.)
- PaineWebber Properties (U.S.A.)
- Prime Asset Management (U.S.A.)
- Realty Capital Markets, Inc. (U.S.A.)
- Salomon Brothers, Inc. (U.S.A.)
- Trammel Grow Realty Advisers Ltd

Total Associate Members: 20

SUPPORTING MEMBERS:

Accounting Firms

- Arthur Andersen (U.S.A.)
- Ernst & Young (U.S.A.)
- Laventhol & Horwath (U.S.A.)

Law Firms

- Coudert Brothers (U.S.A.)
- Fogler, Rubinoff (Canada)
- Lee and Li (Taiwan)
- Loyens and Volkmaars (The Netherlands)
- Morrison & Foerster (U.S.A.)
- Sullivan & Cromwell (U.S.A.)
- Yagi-Sogo (Japan)

Total Supporting Members: 10

TOTAL MEMBERS: 68

AFIRE Membership through December 31, 1989: 67

AFIRE Membership through December 31, 1988: 37

AFIRE Membership through December 31, 1987: 6

CURMEMB.LST

SENATOR ROBERT DOLE

Bob Dole was first elected to the United States Senate in 1968, after serving four consecutive terms in the House of Representatives. From 1981-1984, he was Chairman of the Senate Finance Committee. Senator Dole was previously the Republican National Chairman and President Gerald Ford's running mate in the 1976 Presidential election.

Senator Dole was unanimously reelected by his Republican colleagues to a third term as their Senate Leader in 1988. He has earned national acclaim with his leadership for budget responsibility, tax reform, social security, health care, and rights for the disadvantaged and persons with disabilities.

DR. ONNO RUDING

Dr. Ruding is the former Minister of Finance of the Netherlands. As the Minister of Finance, Dr. Ruding was a Governor of the IMF/World Bank and of the Asian Development Bank, the African Development Bank, and the Inter American Development Bank group. In 1985-1986, he served as Chairman of the Group of Ten most industrialized countries (G 10).

Dr. Ruding served in the Netherlands Ministry of Finance from 1965 until 1970 as head of the Division of International Monetary Affairs. After heading the corporate finance department at Amsterdam-Rotterdam Bank, Dr. Ruding was appointed in 1977 as an Executive Director of the International Monetary Fund in Washington, D.C. Dr. Ruding has written and lectured extensively on European integration and international capital markets and corporate finance.

DR. SUSAN TOLCHIN

Dr. Tolchin, a Professor in the School of Government and Public Administration at George Washington University, is a nationally recognized expert in the field of American government and politics. She is the author of many articles and books, including Buying Into America. Her works have been widely cited in newspapers and journals, as well as in two Supreme Court decisions.

She has appeared on national television and radio programs-and has lectured extensively throughout the country and abroad on the policy implications of foreign investment in the U.S.

MICHAEL W. FRALEY

Mr. Fraley is vice president of General Electric Real Estate Services where his responsibilities include the formulation and implementation of GE's strategic plan in their real estate asset management business. Prior to this, he was in charge of General Electric Mortgage Corporation, a \$3 billion company.

Mr. Fraley was also manager of GE Residential Real Estate Financing, where his responsibilities included formulating and implementing GE's strategic plan for their involvement in the residential real estate business. The business currently has a portfolio of \$400 million with offices in Texas, Georgia and California. He joined General Electric in 1980 as manager of Business Development and Marketing for GE's real estate group.

LES HORSAGER

Mr. Horsager is Managing Director and Executive Vice President of the Prudential's Global Realty Advisors. He is a member of the Prudential Realty Group's Executive Committee, Equity Strategy Committee, and Finance Strategy Committee. These committees are composed of the 4 to 8 most senior Realty Group executives, and are responsible for overall Realty Group management, investment policy, and investment selection.

Prior to this, Mr. Horsager was regional vice president with responsibility for Prudential's West Coast Agricultural Investment Office in Sacramento where he managed a \$500 million equity portfolio of large agribusinesses producing specialized products. He was appointed by President Reagan in 1988 to serve on the Interim Board of Directors for the Federal Agricultural Mortgage Corporation, created to develop a secondary market for agricultural mortgage loans.

DR. KLAUS TRESCHER

Dr. Trescher is a partner and founder of TMW Real Estate Group Ltd., which is based in Atlanta and TMW Immobilien which is based in Munich. TMW advises West Germans with respect to U.S. and German commercial real estate investments. Most of the U.S. properties that TMW acquires on behalf of its clients are managed by TMW Real Estate Management, Inc.

The U.S. portfolio consists of approximately 60 properties with a market value of around \$200 million. In 1989, TMW closed approximately \$35 million worth of U.S. transactions and committed to purchase another \$50 million which will close in 1990.

PETER ANTHONY WARNER

Mr. Warner has over fifteen years experience in estimating, construction planning, and scheduling on a wide variety of projects for a variety of clients. He has prepared or analyzed claims on more than 150 major projects. Additionally, Mr. Warner has testified before, and has been accepted by, numerous arbitration panels and boards in a number of Alternate Disputes Resolution proceedings.

Prior to forming Warner Construction Consultants, he was principal in and served as the Washington Area Manager of a multi-office construction management firm specializing in systems development and implementation, scheduling, estimating and construction claims. Prior to this, Mr. Warner worked as a field engineer and estimator for the Charles H. Tompkins Company, the Washington, D.C. subsidiary of J.A. Jones Construction Company.

JAMES C. GRIFFITHS

Mr. Griffiths is the President and Chief Operating Officer of First City Development Corp. Ltd., which is the principal real estate subsidiary of First City Financial Corporation Ltd. He joined First City in 1978 as Senior Vice President, Finance, and in 1985 became Executive Vice President. He became President of First City in 1987.

Mr. Griffiths is a director of the Canadian Institute of Public Real Estate Companies, a member of the Urban Land Institute, and Chairman of the Association of Foreign Investors in U.S. Real Estate.



MEMBERSHIP APPLICATION (IM)

Association of Foreign Investors in U.S. Real Estate ("A.F.I.R.E.")
2300 M Street, N.W., Washington, D.C. 20037, U.S.A.

Institutional Member - Foreign institutions or their U.S. controlled subsidiaries actually engaged in or interested in investments in U.S. real estate.

Name of Organization: _____

Name(s) of Designated Voting Delegate: _____

Business Address, Phone, Fax: _____

Qualification Information: _____

Annual Dues: \$3,125 (payable in U.S. Dollars)

____ Check Enclosed

____ Bill Organization

Signature: _____

Date: _____

Association of Foreign Investors in U.S. Real Estate ("A.F.I.R.E.")
2300 M Street, N.W., Washington, D.C., U.S.A.
202/887-0937 Telefax 202/293-3083



MEMBERSHIP APPLICATION (AM)

*Association of Foreign Investors in U.S. Real Estate ("A.F.I.R.E.")
2300 M Street, N.W., Washington, D.C. 20037, U.S.A.*

Associate Member - Foreign or U.S. institutions or individuals actually engaged in managing and advising investment accounts for foreign institutions that are Institutional Members or would qualify as such.

Name of Organization: _____

Name(s) of Designated Voting Delegate: _____

Business Address, Phone, Fax: _____

Qualification Information: (if applicable, submit a letter of confirmation from foreign institution that your organization is a Fund Advisor/Account Asset Manager, etc.)

Annual Dues: \$2,500 (payable in U.S. Dollars)

____ Check Enclosed

____ Bill Organization

Signature: _____

Date: _____

*Association of Foreign Investors in U.S. Real Estate ("A.F.I.R.E.")
2300 M Street, N.W., Washington, D.C., U.S.A.
202/887-0937 Telefax 202/293-3083*



Association of Foreign Investors in U.S. Real Estate
2300 M Street, N.W. Washington, D.C. 20037 U.S.A.
(202) 887-0937 Telex 510-600-7600 Telefax 202-955-9607