

April 7, 2009

**For Immediate Release**

New City Residence Investment Corporation  
1-10-6 Roppongi, Minato-ku, Tokyo  
Jun Arai, Executive Director

Asset Management Company:  
CBRE Residential Management K.K.  
Hidekazu Higuchi, President and Representative Director

Inquiries:  
Kazuyuki Iwasaki  
CFO  
TEL: +81-3-6229-3860

**Notice of Selection of Sponsor and Submission of Proposed Rehabilitation Plan**

New City Residence Investment Corporation (“NCRI”) has announced that NCRI entered into the Sponsor Agreement described below (the “Sponsor Agreement”) as of today with Lone Star Real Estate Fund (U.S.), L.P. (“Lone Star” or the “Sponsor”) and KF Capital Co., Ltd., a group company of Lone Star, (“KF Capital”), and that NCRI has submitted the proposed rehabilitation plan with the contents described below with the Tokyo District Court as of today. In the future, NCRI will make every effort to regain credibility and rebuild its business in accordance with the Sponsor Agreement in cooperation with the Sponsor, KF Capital and any such person specified below as designated by the Sponsor with NCRI’s consent (collectively, the “Sponsors, etc.”) and would appreciate your support and cooperation.

**1. Circumstances that led to the execution of the Sponsor Agreement**

NCRI filed the petition for commencement of civil rehabilitation proceedings with the Tokyo District Court on October 9, 2008 and following the court’s decision to commence civil rehabilitation proceedings on October 14, 2008 (civil rehabilitation proceedings that have been commenced for NCRI shall be hereinafter referred to as the “Civil Rehabilitation Proceedings”), NCRI is currently in the process of civil rehabilitation. Being aware of the significance of soliciting sponsor candidates from broader quarters in order to rehabilitate the asset management business in connection with holding assets, NCRI has sought a restructuring plan for the creation of a proposed rehabilitation plan in civil rehabilitation proceedings (in connection with a proposed rehabilitation plan submitted by NCRI during the Civil Rehabilitation Proceedings, a plan which has not received approval by NCRI’s creditors shall be hereinafter referred to as a “Proposed Rehabilitation Plan” and a plan which has received approval as a “Rehabilitation Plan”).

During this process, NCRI appointed Nikko Citigroup Limited to be a financial adviser as of November 4, 2008 and, through its advice, solicited a number of candidates from various quarters. After doing so, through the process of the first bid and closing bid, NCRI selected Lone Star as a

---

*This English language notice is a translation of the Japanese language notice issued on the same day and was prepared solely for the convenience of, and reference by, overseas investors. NCRI makes no warranties as to its accuracy or completeness.*

candidate, who was judged to best suit the purpose of rehabilitation, and entered into the Sponsor Agreement as of the date hereof with Lone Star and KF Capital, which would be in charge of the rehabilitation scheme intended by Lone Star, and NCRI, today, submitted the Proposed Rehabilitation Plan based on the rehabilitation scheme agreed upon under the Sponsor Agreement with the Tokyo District Court.

In making a selection, NCRI was presented various conditions (such as the terms of payment of rehabilitation claims, how to protect existing NCRI's unitholders, equity contribution to NCRI and its amount and details of rehabilitation schemes) by each candidate and accordingly examined the variety of aspects multilaterally, such as the consistency with the purpose of rehabilitation and feasibility of a rehabilitation plan, and then judged that the proposal presented by the Sponsor best conformed to the rehabilitation of NCRI.

## 2. Essentials of the Proposed Rehabilitation Plan

### (1) Outline of the intended rehabilitation scheme

The essence of the rehabilitation scheme intended under the Proposed Rehabilitation Plan is as follows: (i) to raise funds for payment of rehabilitation claims, etc. partly by issue of offered units of NCRI through third party allotment; (ii) to provide the opportunity for sale of the units to all unitholders through take over bid to be made by the Sponsors, etc. to purchase the units of NCRI; (iii) to replace the directors of NCRI and change the asset management company; and (iv) to pay the rehabilitation claims, etc. in full (100 per cent) within approximately five (5) years.

Furthermore, NCRI aims to relist its units on the financial instruments exchange within five (5) years after the decision on the authorization of the Rehabilitation Plan becomes final and conclusive, in cooperation with the Sponsors, etc.

Specific details of the rehabilitation scheme are as described below. In addition, the schedule described in (2) and (3) below is based on the premise that the decision on the authorization of the Rehabilitation Plan will become final and conclusive by October 31, 2009, and it has been prescribed that, if there is any reasonable possibility that the decision on the authorization of the Rehabilitation Plan does not become final and conclusive by such day, the parties to the Sponsor Agreement shall discuss the changes in schedule, etc. in good faith.

### (2) Issuance of offered units through third party allotment

NCRI will issue its offered units to KF Capital and any person designated as an allottee by the Sponsor with the consent of NCRI (collectively, the "Supporters"), through third party allotment under the conditions stated below (such third party allotment shall be hereinafter referred to as the "Third Party Allotment"):

1	Method of Offering	Third party allotment
2	Number of Offered Units	400,000 Units
3	Amount of Payment	JPY 6,000,000,000 (JPY 15,000 per unit)
4	Date of Application (Note)	Wednesday, November 18, 2009 (scheduled)
5	Date of Payment (Note)	Wednesday, November 18, 2009 (scheduled)
6	Subscriber	The Supporters
7	Terms and Conditions of	The percentage of offer price of the units to be

*This English language notice is a translation of the Japanese language notice issued on the same day and was prepared solely for the convenience of, and reference by, overseas investors. NCRI makes no warranties as to its accuracy or completeness.*

	Offering to be Made in Japan	offered in Japan shall account for more than 50% of the total amount of offer price of the units issued by NCRI through the Third Party Allotment.
8	Effectiveness of the Securities Registration Statement	The Third Party Allotment shall be made subject to the effectiveness of the registration under the Financial Instruments Exchange Law.

(Note) The schedule above may be changed in the future.

(3) Acquisition of units by way of take over bid

The Supporters will make the take over bid to purchase units of NCRI under the conditions stated below, subject to the issuance of the offered units through the Third Party Allotment (such take over bid will be hereinafter referred to as the “Take Over Bid”):

1	Subject Units	Units of NCRI
2	Period of Take Over Bid (Note)	From Friday, November 20, 2009 through Monday, December 21, 2009 (scheduled); in addition, the settlement date will be Tuesday, December 29, 2009 (scheduled).
3	Purchase Price	JPY 35,000 per unit
4	Number of Units to be Purchased	No upper or lower limit established.
5	Tender Offer Agent	Nikko Citigroup Limited (scheduled)

(Note) The schedule above may be changed in the future.

(4) Replacement of directors of NCRI and change of its asset management company

It was resolved at the meeting of NCRI’s board of directors held today that NCRI would present a bill of appointment of the substitute Executive Director and the substitute Supervisory Directors recommended by the Sponsor (bill of appointment regarding the appointment of Mr. Akira Watanabe as substitute Executive Director and the appointment of Mr. Tomoharu Saito and Mr. Takashi Iizuka as substitute Supervisory Directors) at a general meeting of NCRI’s unitholders, which is to be held on May 13, 2009 (please see the “Notice Concerning Appointment of Substitute Directors and Change of Asset Management Company” for more details). If the above-mentioned bill of appointment is passed and approved at the general meeting of unitholders, the current Executive Director and Supervisory Directors will resign as directors of NCRI as of September 1, 2009 or as of the date on which the decision on the authorization of the Rehabilitation Plan becomes final and conclusive, whichever is later (the “Date of Change”), and the directors of NCRI will be changed as of the Date of Change.

In addition, NCRI will, upon the resolution at the general meeting of unitholders, terminate the current asset management agreement between NCRI and CBRE Residential Management K.K. In connection therewith, NCRI will enter into an asset management agreement satisfying the terms set forth in the Sponsor Agreement (the “New Asset Management Agreement”) with Hudson Japan K.K. (the “New Asset Manager”) which has been designated as a new asset management company by the Sponsor on the condition that the above-mentioned execution of the New Asset Management Agreement is approved at the general meeting of unitholders (please see the “Notice Concerning Appointment of Substitute Directors and Change of Asset Management Company” for more details of the above-mentioned termination and the execution and approval of the New Asset Management Agreement). The above-mentioned termination and the New Asset Management Agreement will become effective as of the Date of Change (however, if any reasonable reason exists, any such day separately agreed upon by and between NCRI and the New Asset Manager). The

*This English language notice is a translation of the Japanese language notice issued on the same day and was prepared solely for the convenience of, and reference by, overseas investors. NCRI makes no warranties as to its accuracy or completeness.*

outline of Hudson Japan K.K. is as described in “4. Outline of the Sponsor, KF Capital and the New Asset Manager” below.

- (5) Payments, etc. with respect to rehabilitation claims  
(i) Method of payment with respect to rehabilitation claims

NCRI will make principal payments on the last day of November of each year, the first (1st) payment date being November 30, 2009 and the final payment date being November 30, 2014. NCRI will make full payment (100%) of (i) the principal amount of rehabilitation claims (which means general rehabilitation claims) and (ii) the total amount of interest and default interest accruing on or prior to the day before the day on which the commencement of the Civil Rehabilitation Proceedings was decided.

- (ii) Restrictions on cash distributions to unitholders and acquisition of new properties

Until the full repayment for rehabilitation claims, etc. is completed, NCRI shall not make any cash distributions to its unitholders (including the Sponsors, etc.) or obtain any new properties.

- (6) Prerequisite conditions  
(i) Approval and authorization of the Proposed Rehabilitation Plan, with such approval and authorization becoming final and conclusive, in the course of the Civil Rehabilitation Proceedings and (ii) other circumstances matters are prerequisite for the above-mentioned schemes.

### 3. Schedule

(Future Schedule for Main Events Assumed)

April 7, 2009:	Execution of the Sponsor Agreement Submission of the Proposed Rehabilitation Plan
May 13, 2009:	General meeting of unitholders is held
June to July, 2009:	Meeting of creditors is held
August 2009:	Authorization of the Rehabilitation Plan is decided, and the same decision becomes final and conclusive
September 2009:	Replacement of directors of NCRI Change of asset management company
November 2009:	Issuance of offered units through the Third Party Allotment is resolved at the meeting of NCRI's board of directors Payment of the amount of payment for the Third Party Allotment Commencement of the take over bid period for the Take Over Bid First (1st) payment with respect to rehabilitation claims, etc.
December 2009:	Expiration of the take over bid period for the Take Over Bid, and execution of the bid

(Note 1) The schedule above is assumed as of the date hereof and may be changed in the future.

(Note 2) A person designated by the Sponsor (Lone Star Real Estate Fund (U.S.), L.P.) with NCRI's consent among the Supporters (which person is expected to be a company organized under the laws of a foreign country) will be determined by the time when

---

*This English language notice is a translation of the Japanese language notice issued on the same day and was prepared solely for the convenience of, and reference by, overseas investors. NCRI makes no warranties as to its accuracy or completeness.*

issuance of offered units is resolved at the meeting of NCRI's board of directors, which is to be held in November 2009.

#### 4. Outline of the Sponsor, KF Capital and the New Asset Manager

##### (1) Outline of the Sponsor

- (i) Trade Name: Lone Star Real Estate Fund (U.S.), L.P.
- (ii) Business Line: Investment fund
- (iii) Date of Incorporation: November 27, 2007
- (iv) General Partner: Lone Star Real Estate Partners, L.P.
- (v) Head Office: 1209 Orange Street, Wilmington  
Delaware 19801, U.S.A.
- (vi) Fund Capital: US\$2,380,000,000
- (vii) Fund Investors: Pension funds, university foundations, life insurance companies, etc.

##### (2) Outline of KF Capital

- (i) Trade Name: KF Capital Co., Ltd.
- (ii) Business Line: Financial business
- (iii) Date of Incorporation: February 1, 1980
- (iv) Representative: Isao Hatanaka, Representative Director
- (v) Head Office: 3-7-5, Toranomon, Minato-ku, Tokyo
- (vi) Paid-in Capital: JPY 100,000,000
- (vii) Shareholding Structure: LSF Irish Holdings X Limited (50%) and two (2) other companies

##### (3) Outline of the New Asset Manager

- (i) Trade Name: Hudson Japan K.K.
- (ii) Business Line: Financial instruments business (investment management business, class II financial instruments business, investment advisory and agency business)  
Director of the Kanto Local Finance Bureau (Kinsho) No. 344
- (iii) Date of Incorporation: August 30, 2006
- (vi) Representative: David Nishida, Representative Director
- (v) Head Office: 5-1-5, Toranomon, Minato-ku, Tokyo
- (vi) Paid-in Capital: JPY 100,000,000
- (vii) Shareholding Structure: Hudson Holdings, LLC (100%)

#### 5. Investment Performance of Rehabilitation Projects of the Lone Star Group

The Lone Star Fund commenced investment activities in the Japanese market in 1997, and since 2000, it has expanded the investment fields to include real property, banks/non-banks, golf courses, hotels and general business corporations, and accordingly, has substantially increased the amount of investment in Japan.

##### (1) Real property (office/apartment/commercial facilities, etc.)

In 2000, the Lone Star fund substantially commenced investment in actual real property (*jitsubutsu-fudosan*) and has invested approximately more than JPY 820,000,000,000 in total. Investment has been actively made in profitable premises, such as rented apartments and office buildings, and since 2002, the investment vehicles have been expanded to include

---

*This English language notice is a translation of the Japanese language notice issued on the same day and was prepared solely for the convenience of, and reference by, overseas investors. NCRI makes no warranties as to its accuracy or completeness.*

commercial facilities, etc.

(2) Fields relating to corporate investment/corporate rehabilitation (general business corporations/financial institutions/hotels/golf courses, etc.)

The Lone Star fund has invested in broad range of industries, such as general business corporations, financial institutions, hotels and golf courses, etc., and has advanced the consideration of expanding to even broader investment vehicles.

(3) Major investment performance

- Real property rehabilitation fund

Established jointly with Sumitomo Mitsui Financial Group, Inc.: JPY 75,000,000,000 (in 2003)

- The Tokyo Star Bank, Limited (former Tokyo Sowa Bank, Limited)

Listed on the first section of the Tokyo Stock Exchange in October 2005

- Pacific Golf International Holdings KK (largest golf industrialist)

Listed on the first section of the Tokyo Stock Exchange in December 2005

- First Credit Corporation (Non-bank which is the largest mortgage business)

Transferred to The Sumitomo Trust and Banking Co., Ltd. after the rehabilitation of business

End of Document

- URL: <http://www.ncrinv.co.jp/eng>