

**To: Whom It May Concern,**

**I run a small SBIC in rural Montana, Glacier Venture Fund Limited Partnership, License #08/08-0170. I would like to submit the following comments in response to the proposed rule regarding the changes to the New Markets Tax Credit (NMTC) program on behalf of myself and Liz Marchi, the Fund Coordinator for Montana's only angel investment fund, [www.frontierangels.com](http://www.frontierangels.com). We have spent careers working to increase investment capital in rural areas and in low-income community businesses.**

**In order to foster increased investment in low-income communities while ensuring low-income businesses' financing needs are adequately met, any limit on the size of a CDE financing to a non-real estate qualified active low-income community business should be no less than \$1 million.**

**Since its establishment by Congress in 1958, the Small Business Administration's (SBA) Small Business Investment Company (SBIC) program has been providing capital to small businesses that would otherwise lack the access from traditional bank source. Prohibited in investing in real-estate interests, foreign entities, or businesses that are adverse to public policy, SBICs are small, highly regulated private investment funds that invest capital exclusively in domestic small businesses.**

**SBICs are unlike most venture capital funds. SBIC's commonly invest in existing small businesses located outside of the standard venture footprint, in overlooked industry sectors, and across the technology spectrum. We see growing opportunities in rural areas with entrepreneurs and innovators who can live where they want and are choosing a Montana lifestyle. Because the SBIC program's mission is to stimulate the economy by focusing exclusively on domestic small businesses, they do not pass over good opportunities because they are not in the flashiest industries or locations. SBICs invest in deserving small businesses and in Montana that has included everything from a vaccine company, [www.ligocyte.com](http://www.ligocyte.com) to a provider of Wag Bags for human waste disposal to the US Military, recreation and retail markets [www.cleanwaste.com](http://www.cleanwaste.com) .**

**Most importantly to fitting in with the intent of the NMTC program, as of the end of 7/31/2011, Debenture SBICs have provided capital to 940 small companies in 2011.<sup>[1]</sup> The average investment size for the Debenture SBIC program for fiscal year 2011 as of 7/31/2011 is \$1,544,477.**

**The IRS, in its Proposed Rule, is seeking comment on the following question: "Will the proposed rules encourage venture capital investments in non-real estate businesses? If not, how can the proposed rules be modified to accomplish that goal?"**

**Given that SBICs have demonstrated their capability in investing in non-real estate businesses in low income communities, they have proven they already have the infrastructure in place that would allow them, if classified as CDEs, to provide a significant amount of capital to low-income non-real estate businesses. The benefits of SBICs have been recognized by banking regulators who have recognized SBICs as "promoting economic development" and automatically meeting the Community Reinvestment Act's "qualified investment" tests.<sup>[2]</sup> As highly regulated entities with a specific public policy purpose, the IRS can be sure of the type of fund that will be using the tax credits.**

**Since the NMTC program is seeking to encourage increased amount of financing in non-real estate businesses, the limit on size of loan or investment should be no less than \$1 million. According to the Proposed Rule, the Department of the Treasury and the IRS have discussed setting a limit at \$250,000 per investment or loan. We feel this would greatly limit the ability of qualified CDEs to provide non-real estate businesses with the amount of capital that will be adequate for them to truly progress as a company. If a CDE is stopped from providing more than \$250,000, this amount might be inadequate for many non-real estate businesses' needs and could leave these businesses starving for critical capital instead of focusing on growth. Small manufacturers would be an example of the type of small business that might be denied access to capital. If implemented as discussed, low-income**

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**small businesses may not be able to access capital in a way that will allow them to grow their operations and achieve stability and growth.**

**In May 2011, the CDFI fund announced the opening of the round to request a portion of the \$3.5 billion in tax credit authority available in 2011. Currently, no percentage of this amount is specifically allocated towards real-estate or non-real estate qualified active low-income community businesses. Low income areas were hit hard by the real estate crisis, but the jobs crisis is equally, if not more important. SBICs create jobs and grow employers. To assist the CDFI fund in its goal of having a greater percentage of this authority be used towards investing in non-real estate businesses, there should be a certain amount allocated specifically for this purpose. Since the Proposed Rule indicates that as of 2009, only 35% of participants in the NMTC program invested in non-real estate concerns, we recommend that in order to facilitate sustainable increased investment in these entities, at least 45% of the current and future tax credit authority be allocated for investments in non-real estate businesses.**

**We thank you for taking the time to review our comments, and would welcome an opportunity to discuss our investments and market with you. We currently have 14 active portfolio companies at this time and seriously considering this program for our next fund.**

**Sincerely,**

**Jon March, GP**

**Glacier Venture Fund**

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