



NOVOGRADAC
& COMPANY^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

BUILDING COMMUNITIES

Knowledge Service Experience

Providing Unparalleled
Leadership in the Complex
and Multifaceted World of
New Markets Tax Credits

About the Firm

Novogradac & Company LLP has advised its clients in closing billions of dollars in New Markets Tax Credit (NMTC) transactions, offering creative solutions that address the complexity of these challenging deals. Clients value our ability to navigate the intricacies of these transactions, a skill attained during our 22 years in the tax credit industry. Guiding clients through the underlying tax, structuring and business issues of the NMTC program, while focusing on their business objectives, is a source of pride and positions us to provide clients with unparalleled service.

As a leading national certified public accounting and consulting firm, Novogradac & Company assumed a leadership position in the NMTC industry when the U.S. Congress created the NMTC program in 2000. Since then, we have served our clients in a thorough, efficient and creative manner.

The firm has dedicated itself to clients' needs for two decades, developing the resources necessary to provide outstanding professional services, consulting on hundreds of NMTC projects and maintaining client relationships with the industry's leading community development entities.

Knowing the value that our clients place on industry relationships and the ability to tap into them, we maintain close working relationships with the U.S. Treasury Department and its Community Development Financial Institutions (CDFI) Fund, the Internal Revenue Service and the NMTC Coalition. The firm also created the NMTC Working Group through which industry participants collaborate to review guidance provided by Treasury and the IRS, and resolve technical and administrative NMTC program issues.

Founded in 1989 and headquartered in San Francisco, California, Novogradac & Company serves clients coast to coast from 13 offices, providing accounting, valuation, business advisory and general consulting services to publicly and privately held enterprises, governmental entities and community development organizations. The firm maintains clients in a broad range of industries with an emphasis in the real estate areas of community development, affordable housing, new markets, historic and renewable energy tax credits.



NMTC Services

Novogradac & Company provides NMTC services to community development entities (CDEs), investors, lenders, developers and business owners. The depth and breadth of our experience encompasses:

- Audit, attest and tax services
- Transaction services
- Comprehensive compliance services
- CDE certification application and NMTC allocation application preparation
- Valuation and appraisal services

Audit, Attest and Tax Services

The firm's engagement team members assist clients in understanding and applying the Internal Revenue Code (IRC) and generally accepted accounting principles (GAAP). We bring considerable knowledge of audit and taxation principles that affect the NMTC industry and have an in-depth understanding of the impacts of transaction terms on the financial statements and tax returns. Our specialized knowledge of the NMTC enables us to provide

CDEs, investment funds and QALICB entities with value-added services in:

- Annual financial statement audits
- Tax return preparation and tax schedules
- Agreed-upon procedures for QALICB qualification
- Tax planning and research for technical issues
- Consulting related to CDE accounting and reporting issues, including application of GAAP for NMTC transactions



Photo: Courtesy of Prevent Blindness

Volunteer optometrists and ophthalmologists treat 100 patients each month at Haven for Hope's Vision Center in San Antonio, Texas.



Photo: Courtesy of StreetSquash

StreetSquash, a physical enrichment program for youth, used NMTC financing to move from borrowed quarters to a dedicated facility in New York, N.Y.

Transaction Structuring

Novogradac & Company professionals work closely with clients in structuring and closing NMTC transactions. We address and resolve complex business and tax issues and provide financial forecasts and agreed-upon procedures required by NMTC investors and lenders. Our transaction structuring services include:

- Financial Models and forecasts
- Transaction structuring advisory services
- Agreed-upon procedures at the time of investment
- Post-closing services

Comprehensive Compliance Services

The firm's NMTC Compliance Services team provides a broad range of services that cover all aspects of managing an NMTC allocation. We serve local CDE allocatees with one project as well as multi-round national CDEs that provide hundreds of loans and investments throughout the country. Our professionals work closely with clients to tailor services to meet their needs.

Policies and Procedures

CDE allocatees are responsible for extensive compliance and reporting requirements. We can help create

an NMTC policies and procedures manual that enables clients to manage their NMTC program effectively and to address key compliance and reporting issues.

Allocation Tracking System (ATS) and IRS Reporting of Qualified Equity Investments (QEIs)

Allocatees must meet reporting requirements within 60 days of receiving an investor's QEI. We can assist clients in entering the required QEI data in the CDFI Fund's ATS system and completing investor notification form 8874A.

Community Investment Impact System (CIIS) – Institutional Level Report (ILR) and Transaction Level Report (TLR)

NMTC allocatees must submit annual reports to the CDFI Fund via the Fund's CIIS online system. We can assist clients in entering the required data for the ILR and TLR, provide guidance regarding data collection, assist in extracting information from transaction documents and provide checklists/templates to assist clients in gathering the appropriate information.



Photo: Courtesy of Stadium Thriftway

The Stadium Thriftway grocery store in Tacoma, Wash. was able to expand its presence in an underserved, low-income community thanks to an NMTC allocation.

Comprehensive Compliance Services (continued)

Investor Reporting and Monitoring

When closing an NMTC transaction, CDEs are responsible for ongoing reporting to investors. We can assist in the development of a compliance reporting checklist and calendar summarizing reporting requirements and deadlines as well as the gathering and submission of investor reports to ensure clients maintain compliance with their investors.

On-Site Training

On-site training can address the compliance, transaction structuring and reporting issues that an NMTC team may encounter. We can prepare personnel to meet the challenges and spend several hours with team members, tailoring training to their needs and discussing NMTC compliance and reporting requirements, transaction structuring options and examples, investor negotiation and other NMTC program implementation issues.

NMTC Resources

Novogradac & Company's value-added services provide you with access to numerous resources. The firm has developed or produced the following educational events:

- 3 annual national NMTC Conferences
- 3 annual NMTC Basics Workshops
- 1 NMTC Compliance Workshop
- 1 Allocation Application Workshop
- NMTC Working Group: www.nmtcworkinggroup.com
- Webinars and Podcasts: www.novoco.com/podcast
- Web site: www.newmarketscredits.com.



Photo: Courtesy of StreetSquash
StreetSquash, a physical enrichment program for youth, serves the New York, N.Y. community.

Comprehensive Compliance Services (continued)

Substantially-All Agreed Upon Procedures Report

The substantially-all requirement must be satisfied for each QEI for each annual period during the 7-year credit period, and the substantially-all test must be performed every six months. We can assist in creating procedures to determine whether the CDE meets the substantially-all requirement, apply those procedures and issue our report in accordance with standards established by the American Institute of Certified Public Accountants.

Operating Income Calculation for Redemption Test

A CDE may not redeem a QEI from an investor during the 7-year compliance period without it resulting in a tax credit recapture. IRS regulations provide for a “safe harbor” calculation determining allowable distributions to partners or members if the CDE is taxed as a partnership. We can assist in reviewing the operating income calculation each year and also review the calculation after the end of the year to determine that the operating income test is met for a taxable year.

Other NMTC Compliance Consulting Services

The NMTC program continues to expand and evolve and Novogradac & Company is committed to staying abreast of the latest developments, industry trends, and rules and regulations. We can assist clients as they develop and implement their NMTC program. We can offer advice on structuring and fee options, exit strategies, investor reporting and initial analysis of a potential transaction. We recognize that clients may have many questions as they implement the program. We would like to become part of your team as you put your allocation to work.



Photo: Courtesy of © Mark Herboth Photography

The Greensboro Four staged a famous non-violent protest in the Greensboro, N.C. building that now houses the International Civil Rights Center and Museum.

CDE Certification and NMTC Allocation Applications

Novogradac & Company LLP provides advisory services related to the establishment and certification of a CDE. We provide advice related to entity structuring, CDE governance issues and establishing and maintaining an advisory or governing board to serve the low-income communities and maintain status as a CDE. In addition, we work extensively with CDEs in the NMTC allocation application process.

Valuation and Appraisal Services

The firm conducts option agreement valuation services, IMPLAN studies, and appraisal and real estate market analyses. We have conducted hundreds of appraisals and market studies for unique property types and financing packages with an emphasis in the tax credit industry. The firm also offers services related to the analysis of “true debt” in non-conventional tax credit financing structures.

NMTC Publications

- Journal of Tax Credits
- New Markets Tax Credit Handbook
- GAAP Tax Credit Investments
- Historic Rehabilitation Handbook

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