

November 25, 2008

Sent Via Mail and E-Mail

Mr. Matt Josephs
NMTC Program Manager
Community Development Financial Institutions Fund
U.S. Department of Treasury
601 13th Street, N.W., Suite 200 South
Washington, DC 20005

RE: New Markets Tax Credit Qualified Equity Investment Issuance Requirements

Dear Matt:

The members of the NMTC Working Group have joined together for the purpose of providing the Community Development Financial Institutions Fund (the "CDFI Fund") our recommendations for Qualified Equity Investment ("QEI") issuance requirements to be included in the forthcoming Notice of Allocation Availability ("NOAA"). As the current financial crisis has expanded, businesses, lenders and investors have been forced to become more cautious and conservative as they work on putting together NMTC transactions. This has caused unpredictable delays in closing NMTC transactions. The effects of the crisis are widespread, and the increased perceived risk inherent in NMTC transactions has caused the industry to be severely impacted. While the parties involved in these transactions continue to share the common goal of creating an investment that will generate significant community impact in our nation's most distressed low-income communities, the overall process has slowed down for each in order to address their concerns with the financial crisis. For this reason and others, the NMTC has become a tool needed more now than ever to fill the gap for essential projects. Furthermore, as credit underwriting continues to tighten, we believe that experienced CDEs (those with prior round allocations) will be better positioned to raise equity and deploy needed capital more efficiently once the credit markets open up. We believe that these recommendations are needed as we experience a financial crisis unlike any other since the new markets tax credit ("NMTC") program was created.

Our recommendations are based upon changes in the market that could not have been foreseen when the applications were originally submitted. Current market conditions are causing it to take more time for allocatees to close QEI investments, for reasons outside of the CDEs' control. We believe that our recommendations will allow those with allocations, especially from Round 6, to show considerable progress with their current allocations under current market conditions to be eligible to apply in Round 7. We also believe that it is important for such CDE's to be eligible to participate in the next round of allocations, which will be of great need in our distressed communities. We also request that due to the length of time to close investments, the deadline in the upcoming NOAA for the QEI issuance requirements be pushed back to September 1, 2009. We make this recommendation so long as it does not cause undue pressure for the CDFI Fund in maintaining its schedule for the award announcements in October. We do not want to delay the timing of future round award announcements, but believe that a longer period of time to meet the QEI issuance requirements is important for CDEs working through transactions in the current environment.

For your convenience, we have outlined our requested changes below using the NOAA for Round 6 as a template:

The following describes the QEI issuance requirements applicable to prior Allocatees, including those Allocatees that received allocations pursuant to special allocation authority under the Gulf Opportunity Zone Act of 2005 (“GO Zone Allocatees”).

First Round Allocatees

A prior Allocatee in the first round of the NMTC Program (CY 2001–2002) is not eligible to receive a NMTC Allocation pursuant to this NOAA unless the Allocatee can demonstrate that, as of 11:59 p.m. ET on September 1, 2009, it has:

- (i) Issued and received funds in-hand (the term “funds in-hand” does not include committed funding) from its investors for 100 percent of its QEIs relating to its CY 2001–2002 NMTC Allocation.
- ~~(ii) issued and received funds in-hand from its investors for at least 75 percent of its QEIs and that 100 percent of its total CY 2001–2002 Allocation has been exchanged for funds in-hand from, or has been committed by, its investors.~~

Second Round Allocatees

A prior Allocatee in the second round of the NMTC Program (CY 2003–2004) is not eligible to receive a NMTC Allocation pursuant to this NOAA unless the Allocatee can demonstrate that, as of 11:59 p.m. ET on September 1, 2009, it has:

- (i) Issued and received funds in-hand from its investors for at least 100 percent of its QEIs relating to its CY 2003–2004 NMTC Allocation.
- (ii) issued and received funds in-hand from its investors for at least 75 percent of its QEIs and that 100 percent of its total CY 2003–2004 Allocation has been exchanged for funds in-hand from, or has been committed by, its investors.

Third Round Allocatees

A prior Allocatee in the third round of the NMTC Program (CY 2005) is not eligible to receive a NMTC Allocation pursuant to this NOAA unless the Allocatee can demonstrate that, as of 11:59 p.m. ET on September 1, 2009, it has:

- (i) Issued and received funds in-hand from its investors for at least 80 percent of its QEIs relating to its CY 2005 NMTC Allocation; or
- (ii) issued and received funds in-hand from its investors for at least 60 percent of its QEIs and that at least 100 percent of its total CY 2005 NMTC Allocation has been exchanged for funds in-hand from, or has been committed by, its investors.

Fourth Round Allocatees

A prior Allocatee (with the exception of a GO Zone Allocatee) in the fourth round of the NMTC Program (CY 2006) is not eligible to receive a NMTC Allocation pursuant to this NOAA unless the Allocatee can demonstrate that, as of 11:59 p.m. ET on September 1, 2009, it has:

- (i) Issued and received funds in-hand from its investors for at least 50 percent of its QEIs relating to its CY 2006 NMTC Allocation; or
- (ii) issued and received funds in-hand from its investors for at least 40 percent of its QEIs and that at least 90 percent of its total CY 2006 NMTC Allocation has been exchanged for funds in-hand from, or has been committed by, its investors.

Fourth Round GO Zone Allocatees

A prior GO Zone Allocatee in the fourth round is not eligible to receive a NMTC Allocation pursuant to this NOAA unless the Allocatee can demonstrate that, as of 11:59 p.m. ET on September 1, 2009, it has issued and received funds in-hand from its investors for at least 30 percent of its QEIs relating to its CY 2006 NMTC Allocation.

Fifth Round Allocatees

A prior Allocatee (with the exception of a GO Zone Allocatee) in the fifth round of the NMTC Program (CY 2007) is not eligible to receive a NMTC Allocation pursuant to this NOAA unless the Allocatee can demonstrate that, as of 11:59 p.m. ET on September 1, 2009, it has:

- (i) Issued and received funds in-hand from its investors for at least 50 percent of its QEIs relating to its CY 2007 NMTC Allocation; or
- (ii) issued and received funds in-hand from its investors for at least 20 percent of its QEIs and that at least 70 percent of its total CY 2007 NMTC Allocation has been exchanged for funds in-hand from, or has been committed by, its investors.

Fifth Round GO Zone Allocatees

A prior GO Zone Allocatee in the fifth round is not eligible to receive a NMTC Allocation pursuant to this NOAA unless the Allocatee can demonstrate that, as of 11:59 p.m. ET on September 1, 2009, it has issued and received funds in-hand from its investors for at least 10 percent of its QEIs relating to its CY 2007 NMTC Allocation.

Sixth Round Allocatees

A prior Allocatee in the sixth round of the NMTC Program (CY 2008) is not eligible to receive a NMTC Allocation pursuant to this NOAA unless the Allocatee can demonstrate that, as of 11:59 p.m. ET on September 1, 2009, it has:

- (i) **Issued and received funds in-hand from its investors for at least 25 percent of its QEIs relating to its CY 2007 NMTC Allocation; or**
- (ii) **issued and received funds in-hand from its investors for at least 10 percent of its QEIs and that at least 30 percent of its total CY 2007 NMTC Allocation has been exchanged for funds in-hand from, or has been committed by, its investors.**

Further, an entity is not eligible to receive a NMTC Allocation pursuant to this NOAA if another entity that Controls the applicant, is Controlled by the applicant or shares common management officials with the applicant (as determined by the Fund) is a prior Allocatee and has not met the requirements for the issuance and/or commitment of QEIs as set forth above for the Allocatees in the prior allocation rounds of the NMTC Program.

Multiple Round Allocatees

Notwithstanding the above, if an applicant has received an allocation in multiple allocation rounds of the NMTC Program, the applicant shall be deemed to be eligible to apply for a NMTC Allocation pursuant to this NOAA if the applicant can demonstrate that, as of 11:59 p.m. ET on **September 1, 2009**, it has issued and received funds in-hand from its investors for at least **50** percent of its QEIs relating to its cumulative allocation amounts from prior NMTC Program rounds (CY 2001–2008), exclusive of: (i) GO Zone allocations received by Allocatees under the CY 2007 round, **provided that the Allocatee has issued and received funds in-hand from its investors for at least 10 percent of its QEIs relating to its CY 2007 GO Zone allocation;** and (ii) GO Zone allocations received by Allocatees under the CY 2006 round, provided that the Allocatee has issued and received funds in-hand from its investors for at least **30** percent of its QEIs relating to its CY 2006 GO Zone allocation.

For purposes of this section of the NOAA, the Fund will only count as “issued” those QEIs that have been finalized in the Fund’s Allocation Tracking System (ATS) by the deadlines specified above. Allocatees and their Subsidiary transferees, if any, are advised to access ATS to record each QEI that they issue to an investor in exchange for funds in-hand.

For purposes of this section of the NOAA, “committed” QEIs are only those Equity Investments that are evidenced by a written, signed document in which an investor:

- (i) Commits to make an investment in the Allocatee in a specified amount and on specified terms;
- (ii) has made an initial disbursement of the investment proceeds to the Allocatee, and such initial disbursement has been recorded in ATS as a QEI;

Mr. Matt Josephs
Community Development Financial Institutions Fund
November 25, 2008

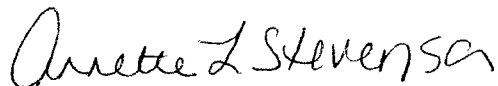
- (iii) commits to disburse the remaining investment proceeds to the Allocatee based on specified amounts and payment dates; and
- (iv) commits to make the final disbursement to the Allocatee no later than **September 1, 2011**.

The applicant will be required, upon notification from the Fund, to submit adequate documentation to substantiate the required issuances of and commitments for QEIs.

Conclusion:

While we are excited about the positive impact that the NMTC Program is having on the nation's low-income communities and low-income persons, we are an industry facing tremendous challenges in light of current economic conditions. During the current financial crisis, we believe that the NMTC program will be a critical tool to address the increasing capital needs of businesses in low-income communities across the country. We appreciate the opportunity to submit our recommendations for QEI issuance requirements. Thank you in advance for your time and consideration. Please do not hesitate to contact us if you have any questions regarding our comments or if we can be of further assistance.

Yours very truly,
Novogradac and Company LLP



Annette L. Stevenson