

**New Markets Tax Credit
Allocation Agreement Q&As
January 2004**

This document addresses some of the more frequently asked questions that the CDFI Fund (Fund) has received regarding Allocatee compliance with the terms and conditions of the Allocation Agreement. The four questions below are ones that have been identified as needing immediate clarification from the Fund. It is recommended that Allocatees refer to this document on a periodic basis, as it will be updated as the Fund refines its compliance monitoring policies and procedures.

1. Can an Allocatee amend Section 3.2(c) of the Allocation Agreement to add additional Subsidiary CDEs for the purpose of sub-allocating tax credit authority after it has executed its Allocation Agreement? If so, how?

Yes. If the Subsidiary has already been certified by the Fund as a CDE, but is not currently listed in the Allocatee's Allocation Agreement, then the Allocatee will need to send a written request to the Fund's Grants Management and Compliance (GMC) Manager asking that Section 3.2(c) be amended to add the Subsidiary CDE. The request must include the name and award number of the Allocatee, and the name and CDE certification number of the Subsidiary CDE that the Allocatee would like to add to the Allocation Agreement. The request can be submitted by mail or by e-mail to cdfihelp@cdfi.treas.gov with subject line: NMTC: Allocation Agreement Amendment Request.

If the Subsidiary has not yet been certified by the Fund as a CDE, the Allocatee will need to complete a CDE Certification application on behalf of the new Subsidiary. This application is available on the Fund's website at www.cdfifund.gov under "NMTC Program". The Allocatee must be listed as the Applicant CDE in the CDE Certification Application. Do not list the additional Subsidiary entity as the Applicant CDE, or the Fund's databases will not link the Subsidiary to the Allocatee and the Allocatee will not be able to add this Subsidiary to its Allocation Agreement. In order that the Fund may expedite its review of the certification application and to alert the Fund that the Allocatee would like to amend its Allocation Agreement, the Allocatee should send a written request to the Fund's GMC Manager. The request must include the name and award number of the Allocatee and the name(s) of the CDE (if available, include the CDE Certification Application Control Number) to be added to the Allocation Agreement. The request can be submitted by mail or by e-mail to cdfihelp@cdfi.treas.gov with subject line: NMTC: Allocation Agreement Amendment Request.

Once the amendment request is received, and the Subsidiary has been certified as a CDE, the Fund's Office of Legal Counsel will work with the Allocatee's authorized representative to obtain the appropriate signatures and other required documents needed to amend the Allocation Agreement. Upon final execution and delivery of such documents to the Fund, the Fund will update the Allocation Tracking System to include the additional Subsidiary Allocatee(s).

2. Section 6.5 of the Allocation Agreement requires that the Allocatee submit institution-level and transaction-level reports, as well as audited financial statements to the Fund within 120 days after its fiscal year end date. Will the Fund extend this date?

Yes. The Fund will allow Allocatees 180 days from its fiscal year end date to submit the institution-level and transaction-level reports as well as the audited financial statements. For

those Allocatees that have already executed an Allocation Agreement with the Fund, the Fund will be amending these agreements shortly to reflect this change.

3. *For those Allocatees that sub-allocated tax credit authority, should the Allocatee submit separate audited financial statements for the Allocatee and each Subsidiary Allocatee, or can the Allocatee submit a consolidated financial statement?*

The CDE that submitted the allocation application and subsequently received the Notice of Allocation (the "Allocatee") may submit separate audited financial statements on behalf of each Subsidiary Allocatee, or it may submit consolidating statements, provided that the activities of each Subsidiary Allocatee are clearly segregated from those of the Allocatee and any other Affiliates of the Allocatee.

4. *Is the Allocatee required to submit institution-level and transaction-level reports and audited financial statements if it has yet to issue any Qualified Equity Investments (QEIs)?*

No. Submission of the institution-level report and the audited financial statements will be required beginning with the fiscal year in which the Allocatee or Subsidiary Allocatee(s) issues its first QEI. If the first QEI issuance is made by a Subsidiary Allocatee then both the Subsidiary Allocatee and the Allocatee will need to submit reports for the fiscal year in which the QEI was issued. These reports will be required for each fiscal year thereafter, until the Allocation Agreement is terminated.

Submission of the transaction-level report will be required beginning with the fiscal year in which the Allocatee or Subsidiary Allocatee(s) makes its first Qualified Low-Income Community Investment (QLICI). If the first QLICI is made by a Subsidiary Allocatee then both the Subsidiary Allocatee and the Allocatee will need to submit reports for the fiscal year in which the QLICI was made. This report will be required for each fiscal year thereafter, until the Allocation Agreement is terminated.