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March 15, 2006

Sent Via Mail, E-Mail, and Facsimile

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

Dear Matt:

As participants in the New Markets Tax Credit ("NMTC") industry, we, the undersigned, have joined together to provide the Community Development Financial Institutions Fund (the "CDFI Fund") additional comments to our initial letter sent February 27, 2006 in response to the Department of the Treasury's request for comments on the NMTC Program Allocation Application (the "Application"). We appreciate and applaud the efforts that the CDFI Fund continuously makes to ensure the NMTC program's overall success in providing much needed capital into low-income communities. We have provided these comments in consensus. For your convenience, we have summarized our comments below:

Question 3 – Controlling Entity information

Question 3 of the Applicant Information section provides in the second TIP that an Applicant may only designate an organization as a Controlling Entity that meets the definition of Controlling Entity set forth in the Notice of Allocation Availability ("NOAA") and the Glossary of Terms and that currently controls the day-to-day management and operations (including investment decisions) of the Applicant.

Question 30 of the 2006 NMTC Allocation Application Q&A Document (September 9, 2005) states that the Controlling Entity must control the day-to-day management and operations (including investment decisions) of the Applicant such that it meets the definition pursuant to the NOAA, Glossary of Terms and related guidance [most notably the Allocation Agreement Q&A Document (January 2005)].

Question 25 of the Allocation Agreement Q&A Document provides that control [of an Allocatee over a subsidiary allocatee] includes the power to exercise directly or indirectly a controlling influence over the management policies or investment decisions of another entity, as determined by the Fund. The guidance then continues to explain management control in Questions 26 and 27 and investment control in Question 28.

We recommend that the NMTC Allocation Application provide for either management or investment control, not both, consistent with the 2005 Allocation Agreement Q&A. In addition, the requirement that the Controlling Entity currently control the Applicant retroactively imposes a requirement on Applicants who received allocations in prior rounds where this requirement did not apply. We request that the requirement not be applied retroactively.

Questions 22 and 23 – Track record

In addition to our recommendation to allow applicants to complete tables in Exhibit A for non-QLICI activities, we also recommended allowing applicants to complete the tables in Exhibit A for which the applicant had not directly made equity investments or originated loans themselves. In order for the CDFI Fund to distinguish if the applicant's track record is for activities for which the applicant had originated or for which it had capital at risk, we further recommend the table be modified to include an additional checkbox for the applicant to make this distinction. With this modification, there would be two checkboxes. One checkbox would be for whether the tables cover QLICI or non-QLICI activities, and one for whether capital was or was not at-risk. With the proposed modifications, applicants with a track record of non-QLICI activities could also complete Exhibit A and applicants with a track record of QLICI or non-QLICI activities without capital at risk could also complete the tables in Exhibit A. With these modifications, an applicant can be given adequate consideration for scoring purposes.

Question 28 - Investments in one or more businesses Unrelated to the applicant

In our original letter we recommended that the related entity test be performed before the Community Development Entity ("CDE") makes its initial related party equity QLICI in a QALICB. We would like to further clarify that this test should be performed before the initial QLICI is made but after the Qualified Equity Investment ("QEI") investor member is admitted into the CDE. Otherwise, we believe the current guidance frustrates the intended use of NMTCs to provide "patient capital" to QALICBs.

Common Enterprise

In our initial comments, we suggested changing the wording of applicable paragraphs in the NOAA and in Q&A question 17. We have modified slightly the suggested language for further clarification. The newly suggested wording appears in bold below:

This prohibition, however, will not apply when an investor: (i) makes QEIs in one or more Allocatees (or Subsidiary Allocatees) from the same allocation round or any prior rounds; (ii) was not an Affiliate of, or a member of a common enterprise with, any of the Allocatees (or Subsidiary Allocatees) prior to making the QEIs except if said status arises solely from making or having made QEIs **on the terms** described in clause (iii) hereof; and (iii) has and/or obtains Control of such Allocatees or (Subsidiary Allocatees) solely through common ownership and/or control of their management and/or investment decisions related **to QEIs** described in clause (i) hereof.

Community Impact data

The Community Impact section and related exhibits require an applicant to determine and use a methodology to quantify the community impact that its proposed activities will have. It is currently unclear which standards for compiling the data are acceptable and which provide the CDFI Fund the best information for determining its scores on the Community Impact section of the Application. We recommend that the CDFI Fund identify acceptable standards for calculating community impact. These standards would help Applicants more properly calculate community

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impact and the CDFI Fund would receive applications with community impact calculations that were more comparable.

Conclusion:

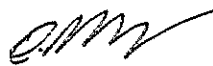
We are excited about the positive impact that the New Markets Tax Credit Program is having on the nation's low-income communities and low-income persons. We appreciate the opportunity to submit our additional comments to the original letter we sent on February 27, 2006, which we have attached for your convenience. 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

Novogradac and Company LLP



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