

**APPENDIX I
ALLOCATION AGREEMENT
NEW MARKET TAX CREDIT PROGRAM**

Changes to question 14 and the TIP will require changes in the Allocation Agreement – Schedule 1 (Section 3.2(a) and Section 3.3H).

Recommended changes to Section 3.2(a) are shown in *italics*

Schedule 1: Section 3.2(a): ELIGIBLE ACTIVITIES

Investments in or loans to non-real estate QALICBs	
<i>Investments in or loans to real estate QALICBs</i>	
(i) Investments in or loans to QALICBS who principal activities involve the development or rehabilitation of real estate	
(ii) <i>Investments in or loans made in a QALICB that is controlled by or under common control with the primary user provided that the principal business activity of the primary user is not the rental to others of real property and the primary user will be the primary user of all the real property owned by the real estate QALICB.</i>	
Investments in, or loans to, other CDEs:	
Purchase of loans from other CDEs:	
Financial Counseling or Other Services:	

Section 3.3 H of the NMTC Allocation Agreement

Modifications to this section are shown below:

The Allocatee may not use the proceeds of its Qualified Equity Investments to make loans to or investments in QALICBs whose principal business activity is the rental to others of real property unless the proceeds of the loan or investment are primarily used for: (1) costs in connection with new construction located on such property; (2) costs in connection with the substantial rehabilitation of such property; (3) costs in connection with the acquisition and substantial rehabilitation of such property; (4) acquisition costs in connection with new construction; or (5) take-out financing for a loan, equity investment, or other financing, the proceeds of which were used for items (1), (2), (3), and/or (4) of this paragraph. Except as provided in item (5) of this paragraph, the proceeds of such loans and investments may not be used to re-finance or otherwise payoff an existing loan on the property.

The restriction of this Section 3.3(h) does not apply to any loan to or investment in a QALICB ~~(the "first QALICB")~~ that is controlled by (within the meaning of 26 C.F.R. 1.45D-1(d)(6)(ii)(B)) or under common control with the **primary user** ~~another QALICB (the "second QALICB")~~, provided that: (1) the principal business activity of the **primary user second QALICB** is not the rental to others of real property; and (2) the **primary user second QALICB** will be the primary user of all Of the real property owned by the first QALICB.

APPENDIX II
Transaction Level Report
CIIS

Changes to question 14, the TIP language and to Section 3.2(a) Schedule I and 3.3H of the Allocation Agreement will require conforming changes in the Transaction Level Report of the Community Investment Impact System. Please note recommended changes are shown in *italics*.

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QALICB Type describes the investee/borrower. QALICB Type is used to determine an Allocatee's compliance with the type of lending/investing described in the Allocation Agreement. QALICB Type does not describe the purpose of the loan(s)/investment(s). Nor does it refer to the type of collateral securing a loan. (See "Purpose" and "Collateral Type" data points.)

Real Estate QALICB – The investee/borrower is a real estate developer (e.g., a real estate partnership) or entity whose primary business is the development of real estate.

Non-Real Estate QALICB - The investee/borrower *supports* an operating business (e.g., with sales, revenues, customers, etc.) whose primary business is not real estate development.

User Discretion: If the investee/borrower QALICB is a Single Purpose Entity (SPE) created by an operating business for the purpose of leasing back property to that operating business, and the operating business *is controlled by or under common control with the investee/borrower QALICB provided the principal business activity of the operating company is not the rental to others of real property and the operating company will be the primary user of all the real property owned by the investee/borrower QALICB*, the user may select either Non-Real Estate QALICB or Real Estate QALICB keeping in mind the Allocatee's approved QALICB Types as stated in Section 3.2 of its Allocation Agreement.

Please note: Regardless of how the user classifies the investee/borrower, unless otherwise noted, CIIS data points refer to the operating business. The reason is that the financing is intended to support the operating business, not the SPE.

CONDITIONALLY REQUIRED IF: QALICB Type = QALICB

COMPLIANCE

Crosswalk Values / Definitions

RE - Real Estate

Borrower/investee is primarily engaged in the development, construction, management, and/or financing of real estate development projects.

NRE Non-Real Estate

Borrower/investee business does not fit the Real Estate description above, regardless of how the business intends to use the proceeds of the transaction (i.e. business intends to use any real estate owned as collateral for a business loan). *Rather, the borrower/investee QALICB is able to meet the provision outlined in the User Discretion Note.*