June 23, 2017

VIA EMAIL

Mr. Greg Bischak
Program Manager for Financial Strategies and Research
CDFI Fund
US Department of the Treasury
1801 L St., NW, 6th Floor
Washington, DC 20036

Dear Mr. Bischak,

We would like to share our comments regarding the CIIS 14.0 Guidance for Calculating Jobs Projected/Actual Created or Maintained. Under this guidance, funding machinery/working capital for manufacturers is viewed as having no or minimal impact. We know this is not the case from our firsthand experience. The new guidance will absolutely discourage and eliminate NMTC funding for manufacturers as the CDEs are required to report 0 jobs in CIIS, and no CDEs would want to minimize their job numbers in this manner. We see no reason to treat these non-real estate deals differently than real estate projects as the same pro-rata allocation could be applied to NMTC projects.

The NMTC investments, whether real estate or non-real estate should not be treated differently. There is simply no rational. The implication of this guidance is that somehow real estate projects create jobs and non-real estate projects do not – this implication does not make sense to us. Nor does it make sense to only count jobs prorated for the NMTC allocation amount (if a larger amount of the project if is funded). The NMTCs makes the entire capital structure work, and thus leads to the jobs created. Particularly at a time when manufacturers are under such intense pressure to relocate in other countries, we hope this will be addressed expeditiously.

We strongly urge that the CDFI Fund reconsider this new guidance and review whether its original intent is reflected correctly in the current verbiage. It would be unfortunate if the way job numbers are reported discourage CDEs to invest in certain projects, such as manufacturers needing equipment loans, that historically have been underfunded within the NMTC program and these manufacturers are critically needed in the low-income communities in which we invest.

Our comments for each guidance are below:

1) **Business Fixed Asset**
The way the guidance is currently written is rather devastating for CDEs that focus on business lending and for the many companies that will likely no longer be funded if this guidance remains. These companies most often need high-value machinery to grow and it is very hard to obtain financing for machinery for these businesses as the value of the machinery as collateral is pennies on the dollar in the secondary market (vs a real estate deal in which the land/building serves as collateral).

Our practice has always been to count only direct jobs created/retained at the Borrower's location when reporting job numbers in CIIS, and we never count jobs created elsewhere in the supply chain or at a different geographic location. Since we heard the guidance was intended to prohibit this type of non-direct job creation, we suggest that the CDFI Fund requests this *direct* type of jobs instead of abandoning jobs created/retained through funding equipment altogether. The solution used, unfortunately, has created an even bigger problem if no manufacturers will be financed.

2) Business Expansion or Startup

It is unreasonable to prorate the jobs based on the percentage share of the loan out of the total project cost. The project and financing package would not be possible ***<u>but for</u>*** the NMTC loans. It does not make sense to have to prorate the jobs since without NMTC there would be 0 jobs created. We suggest using the definition in CIIS 13.0 in which there is no restriction on business expansion.

3) Business Working Capital

Following this new guidance will unnecessarily complicate the job counting process because we will only rely on how much shortfall (revenue minus current expenses) is covered by the loan. Working capital is typically a small component of the total uses of proceeds for the companies we finance (equipment / machinery being largest), so it often will result in less than one FTE or "jobs year".

Further, it is often difficult to determine the value of individual components of the loans (e.g. how much value does the working capital provide to a company), because all of the components (working capital, equipment, building, etc.) work in concert to make the business successful. If missing one of the components, the company would achieve very different results.

In addition, we have the following comments for CIIS 14.0 guidance:

1) Housing guidance: there are not many parameters placed on what can and cannot be considered housing. Please provide clarification on the definition of housing.
2) There may also be benefits to being able to count retained jobs for real estate deals that move existing jobs into new facilities.
3) On CIIS Glossary: the definition of Gross Revenue is currently "Gross Revenue: Revenue minus cost of goods sold." This is called the Gross Profit, not Gross Revenue. Please revise the definition. Should we only include cash received as revenue for a particular fiscal year or could we include accrued revenue per GAAP?

Thank you for your attention and response to this matter. We appreciate your time and guidance. We are very happy to answer any questions you may have. As we only invest in operating companies, we believe our experience may be helpful as you consider this issue.

Best Regards,

National New Markets Fund, LLC