CCML CEI CAPITAL MANAGEMENT LLC

February 3, 2012

Mr. Robert Ibanez
New Markets Tax Credits Program Manager
CDFI Fund
U.S. Department of Treasury
601 Thirteenth Street, NW, Suite 200, South,
Washington, DC 20005

Re: CEI Capital Management LLC: Response to the CDFI Fund's Request For Public Comment on the New Markets Tax Credit Program (FR-Vol.76, No. 215, 11/7/11)

Dear Mr. Ibanez:

CEI Capital Management LLC ("CCML") is a subsidiary of Coastal Enterprises, Inc. ("CEI"). CEI has been awarded an aggregate total of $683 million in New Markets Tax Credit ("NMTC") allocation authority in various allocation rounds. It has authorized CCML to deploy and manage this allocation and in this capacity CCML has closed 50 transactions and has several more in various stages of the closing process.

The purpose of this letter is to respond to the November 7, 2011 request of the CDFI Fund ("the Fund") as published in the Federal Register (Vol. 76, No. 215). We greatly appreciate this opportunity and applaud the Fund for giving program participants and others the opportunity to make suggestions on how to improve this important program.

You will find our responses attached as Appendix A with further supplemental details provided in Appendix B.

CCML has tried to be as clear and complete as possible in our response. However, as always, we are very willing to answer any clarifying questions you may have or to expand on certain explanations should you seek more detail.

We will appreciate any consideration you can give to our suggestions.

Sincerely

Charles J. Spies III
Chief Executive Officer

Cc: Ronald Phillips, President, Coastal Enterprises, Inc.

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***Q1. Low-Income Communities and Areas of Higher Distress** - The NMTC Program statute requires that NMTC investments are made in low income communities, including target Populations, and through the application and regulation process regulations and the CDFI Fund areas experiencing greater economic distress, the CDFI Fund provides an opportunity for applicants to score more highly by committing to making investments in Areas of Higher Distress.*

The CDFI Fund has relied upon decennial census data in determining whether census tracts meet these qualifications, and deems as eligible those census tracts which meet the statutory criteria, provided that the decennial census data shows that the ''population for which poverty is determined'' is greater than zero.

a) *Should the CDFI Fund consider using different standards or methodologies for determining whether census tracts meet the statutory definition of low-income communities?*

CCML makes two recommendations for improvement:

First, utilize the more frequently updated American Community Survey 5-Year Estimates in lieu of the decennial census.

In terms of criteria for meeting basic definitions of low-income communities the Federal decennial census data forms a good basis for qualification. However, the decade plus between data updates is extremely problematic. For example in Maine we have had several small towns (both metro and non-metro) affected by mill closings within the last 8 years. This has caused unemployment and other measures of distress to climb significantly. Areas that may have had non-qualifying attributes at the time the 2000 census data were collected are now quite obviously distressed.

We understand that the program is national in scope and must have a solid underpinning when determining tract eligibility. We therefore support the continued use of the federal decennial census data to meet basic tract definitions. However, we believe that to recognize the dramatic changes that can occur in local economies over a decade, we also ask the Fund consider the use of the American Community Fund Survey (ACS) for more timely third party data to determine measures of greater economic distress.

The US Census Bureau currently publishes 5-Year estimates from ACS data, which includes census tract-level information on Median Family Income, unemployment rates and poverty rates based on data collected in the past 60 months. The data are generally published late in the following year (i.e. the 2006-2010 5-Year Estimate was released December 8, 2011).

It is recommended that the CDFI Fund utilize these ACS 5-Year Estimates in lieu of the decennial census in one of two ways:

1) Allow CDEs to provide qualification documentation via the Census Bureau's American Factfinder Site[1] (specifically table DP03 "Selected Economic Characteristics"[2]), which would contain the most recently released 5-Year Estimates.
2) Update the CDFI Fund's NMTC Mapping software with the most recent 5-Year Estimate on a more frequent basis, i.e. every two years.

Both of these options would allow for confirming qualification based on more current federally-provided data than the current 10-year update system, but will require the Fund to also systematically address issues regarding "grandfathering" for transactions already in progress when the data updates occur. Additionally, the use of Option 1 above may require some CDE training in the use and reading of the less user-friendly Census Data tables.

Second, Use "BRAC" as a measure of Higher Distress by including already qualified census tracts that are within military bases closed by the Defense Base Realignment and Closure Commission Process (BRAC). Our preference is that this be made a primary criterion sufficient to qualify an NMTC census tract as Higher Distressed along with the three other criteria that fit this category: MFI less than 60%; unemployment greater than 1.5X; and poverty greater than 30%. However, in lieu of that accommodation, we ask that the CDFI Fund consider including it as a secondary criterion that in combination with other criteria may qualify the tract as Higher Distressed. CCML has first-hand experience with negative community impacts stemming from the BRAC process. Two major BRAC closings in Maine have caused considerable economic hardship to local communities. The most recent closing at Naval Air Station Brunswick, located in Brunswick, Maine resulted from the 2005 BRAC. Per the Office of Economic Adjustment within the U.S. Department of Defense (OEA) the closure of the Naval Air Station will create the direct loss of approximately 5,720 local jobs[3]. The decommissioning of the Naval Station began in 2008 and concluded in 2011. In a population catchment area of 77,828 people this job reduction accounts for fully 7% of the population, just in direct job losses. The Maine State Planning Office projects $140 million of lost direct annual income to the families affected. For every direct job lost on the base for both military and civilian workers, it is estimated that nearly two additional civilian workers will be displaced due to loss of local consumer spending and related economic activity[4]. Negative community impacts like these are being replicated nationally in many of the communities affected by the 2005 BRAC round and prior BRAC rounds. Brunswick Landing is one of 39 bases affected by the 2005 BRACs in the US, all of which have been decommissioned since 2005. The CCML staff reviewed data provided in the OEA report entitled "Defense Community Profiles" cited under Footnote

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1 http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml

2 A sample of table DP03 is attached

3 Source: Defense Community Profiles, November 2009, as published by the Office of Economic Adjustment, U.S. Department of Defense.

4 From Understanding the Impact: Closing Naval Air Station Brunswick, Maine State Planning Office, January 2007.

No. 1. It developed a summary listing of communities that are affected by this latest round of BRAC closures and which military installations have NMTC qualified census tracts comprising all or part of property (Appendix A). The analysis shows that in total these facilities employed over 108,000 people directly, accounted for many more secondary jobs, and much more significant secondary economic activity in these communities. The sudden and very damaging loss of jobs and population that Brunswick suffered is characteristic of such base closings. There is a significant lag in quantifying the impact on communities by the decennial census; in fact none of the 2000 Census data with which we are operating for NMTC purposes picks up the impacts of the 2005 round of base closings. Of the 39 BRACs, 16 (accounting for over 64,478 of the direct jobs lost) are in qualifying NMTC tracts but only half of these fall under the "higher distress" designation and these account for 20,549 jobs. This leaves 43,929 in estimated direct job losses in qualified, but not highly distressed census tracts. We recognize that the NMTC is a national program and needs to consider the nation as whole. We believe that this argument is being made in a fair and balanced manner in that regard when considering all allocatees across the nation. This is because the affected bases from the 2005 Round alone are located in a wide geographic area including the states of Virginia, Texas, North Dakota, Louisiana, Maine, California, Georgia, Missouri, and Kansas. Our analysis used 2005 Round data, however if all BRAC rounds are considered this area and gross impacts will expand much further. Affects occur in both metropolitan and non-metropolitan counties.

Finally, at some future date, CCML would ask that relative to non-metro areas being a criterion of higher distress that the CDFI Fund give consideration to how "service center" MSA's support rural areas in America. It is well known that rural communities often rely on adjacent urban areas for support such as central shopping, professional services (medical, financial and legal, etc). These service centers are important to the support of low-income communities within non-metropolitan census tracts. For example, Bangor, Maine serves a large rural area within adjacent Piscataquis, Somerset, Hancock, and Waldo Counties. Methods for allowing allocatees to support projects in service centers that provide measurable support to rural communities and receive credit for supporting rural communities would be welcome and relevant to the stated legislative intent of having the program direct 20% of its resources to non-metropolitan counties.

b) *In the allocation award process, should the CDFI Fund increase the commitment percentage from 75 percent of investments made in Areas of Higher Distress in order to receive the highest scores for this sub-section of the Community Impact score? Should the CDFI Fund include additional distress indicators, alter or eliminate any existing indicators?*

As noted in our response to "Q1 a)" we would like BRAC to be included as a Higher Distress measure. However, we do not support an increase in the commitment to higher distress of any aggregate NMTC award to greater than 75% in order to receive higher points on an application, although CCML does anticipate that allocatees should be expected to justify the low income community impacts of the deals that are not "higher distress" in future annual applications for additional New Markets allocations. CEI through CCML has in fact placed well more than 75 percent of all of its cumulative allocation awards into areas of higher distress. But we have run into problems with very good projects that are in qualified census tracts that do not meet higher distress criteria. The example we gave above for the Brunswick Naval Air Station is a good one. In this case the tract itself lost over 5,000 jobs yet the decennial data and other measures of distress did not put this tract into a higher distress category. It is obvious to CCML that any projects that could now be located on the base are important and impactful. We have been able to successfully site two NMTC supported projects in this tract by carefully using the 25% of our allocation awards that did not have to be placed in higher distress tracts. This geographic flexibility is important to keep in the program for situations like this. Especially when other geographic restrictions (in place for good reasons) to flexibility such as metro/non-metro requirements are layered over allocation agreements.

Q2. Treatment of Certain Businesses *The NMTC Program statute provides the definition of a Qualified Low-Income Community Business (QALICB), including certain types of businesses that cannot qualify based upon the nature of their operations (i.e., any trade or business consisting of the operation of any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises).*

(a) *Are there certain other types of businesses that should be discouraged or barred from receiving NMTC investments? If so, what types of businesses, and what administrative means could be utilized to discourage such investments?*

CCML believes the list as it stands is sufficient. The relative value of a business to a given community is dependent on the location, needs and historical economic base of that community. One of the often-cited values of the NMTC program is its flexibility and ability to serve diverse business types. This should be maintained.

(b) *Should the CDFI Fund provide additional opportunities in the allocation award process for applicants to score more highly by committing to invest in certain business types over others (e.g., small business or rural investment, operating businesses vs. real estate projects, etc.)?*

The recent IRS Notice or Rule Making and Advanced Notice of rule Making published in August of 2011, propose to change the definition of operating business and real estate business. This creates uncertainty about how to answer this question. However, CCML does not generally support changes to scoring based on these factors. It holds this view for the same reason stated under "Q2(a)". The program's business flexibility allows it to support a wide variety of new projects that are as diverse as the many communities that the program supports. Continued flexibility of this type is important. Addressing increased deployment to small businesses for example would be best served by allowing the program to better fit the funding needs of small businesses by allowing a "Safe Harbor" for CDE's that fund operating business to receive amortization of QILCI loans (addressed further under "(c)" below)

(c) *Are there specific administrative or regulatory changes that would facilitate the financing of specific types of businesses while preserving public policy objectives and safeguards?*

CCML is supportive of the concepts put forth by the New Markets Tax Credit Coalition on several occasions including its March 23, 2010 letter to then Acting Assistant for Tax Policy at the U.S. Treasury, Michael Mundaca, excerpted here:

"....To facilitate this, we ask that Treasury provide a special rule, or safe harbor protection, for any CDE organized to make Qualified Low Income Community Investments (QLICIs) in operating businesses (Qualified Active Low Income Community Businesses or QALICBs). This would include CDEs with amended operating agreements as well as newly formed entities. To take advantage of the special rule of safe harbor protection, a CDE would have to:

1) Satisfy the substantially all test as defined in paragraph 1.45D-1(c)(5), with the initial deployment of the Qualified Equity Investment into one or more QLICIs made in one or more QALICBs as long as the operating business was established for a purpose other than the developing or leasing of a real estate project or projects; and
2) Any amounts received by the CDE as a return of capital, equity or principal with respect to such a QLICI must either be reinvested in another qualified non-real estate business or retained by the CDE for the remaining term of the 7-year credit period.

If a CDE, including a single purpose CDE, can satisfy both of the above described tests it would be protected by a safe harbor throughout the 7-year term. This will ease investor concerns about recapture and would have a salutary effect on investor interest in investing CDEs that offer flexible financing products to operating businesses...."

We also request consideration of a special venture capital CDE designation. CCML would like to see this type of flexibility introduced to allow more use in projects requiring patient equity in the form of venture capital. By allowing amortization back to the investor more accommodation could be made for the needs of venture capital investors who seek to place "patient capital" into businesses but also seek to generate returns on capital via liquidity events such as the sale of the business or its intellectual property to a willing buyer. While failure rates for venture type investment can be high, it is quite common for successful businesses to experience liquidity events prior to seven years. Current substantially all rules do not allow a venture investor to take advantage of tax credits because there is no way for it to exit the investment for seven years without accepting substantial redeployment risk. This means that venture investors must accept redeployment risk yet invest in projects that have a much higher probability of redeployment than typical NMTC project financing that are directed at real estate or well established operating businesses. Redeployment into other eligible projects is an unknown in terms of risk adjusted return for venture investors at the time initial investment is made. By allowing principal to flow back up to investors in specially designated venture capital CDE's the power of the NMTC program could be used to expand the investor base to venture type funds and begin targeting more small but potentially high growth businesses. This change would have to occur alongside an accommodation within the program that the equity investments made via QLICIs into small high-growth QALICBs would not void the "Reasonable Expectations Safe Harbor" so long as those QALICI's did not exceed 50% ownership in the QALICB.

***3. Community Accountability** - The CDFI Fund has requested comments on the current standards used to measure and monitor the community accountability of CDEs. Specifically:*

a) Should the CDFI Fund increase the community accountability standards for an entity to qualify as a CDE?

b) Should CDE community accountability standards differ for CDEs depending on whether they use governing or advisory boards to demonstrate accountability?

c) Should the CDE be required to have Low-Income Community Representatives approve of investments made by the CDE?

As a general response to (a) through (c): CCML carries the mission of its parent CEI to support strong community benefits in all its projects. CCML uses an advisory board separate from its governing board to review all projects for mission content and community benefit before they are funded using the New Markets program. This allows the accountability perspective to be processed with a clear focus and separate from a strict transactional analysis. The advisory board is comprised of persons from organizations who represent and work closely with low-income communities in the Northeast and nationally. This allows CCML to gain perspective from a broad range of low income service providers. We believe the accountability standards are satisfactory at this time. While our practice of separating our governing board from our advisory board works well for CCML, we do not believe all CDE's should separate the two. In the case where a governing board also makes community accountability decisions, it should perform that function and record its decisions separately from transactional decisions. In all cases CCML believes that a CDE's governing board should have and maintain final approval of all NMTC investment decisions since the governing board is held accountable by the CDFI Fund and investors as a fiduciary body. The governing board not only requires individuals with an awareness of mission focus, but also those with seasoned business acumen to assure that the credits are being deployed with a focus on financial accountability and success of the underlying QALICB's as long-term contributors to the low income communities in which they are located.

d) Should CDE activities be required to be coordinated with community stakeholders? If so, how should this coordination be conducted and demonstrated?

Yes. Coordination with local community stakeholders is essential. Simple individual metrics may be hard to come up with but it should be made clear to CDEs that to be successful in an application they need to explain how they will do so and be held to that standard in any subsequent review. CCML most often works with community stakeholders before it closes deals by making site visits and meeting civic and business leaders. This works well when "testing the waters" around a specific project. It allows us to get sense of how a project is perceived by the larger community. Examples include meeting with civic leaders and community college faculty along with the project sponsors to seek ways they can assist each other through job growth, training opporturtunities and other means. CCML often seeks out and works with local CDFI organizations that may or may not be allocatees themselves. We call this our Working Partners Initiative and under the right circumstances it allows us to partner with that group to better determine the best ways to deliver benefits to the community through a NMTC project.

These are examples of how we seek to satisfy accountability directly or with local partners. We believe it is best practice in all cases to meet with local civic leaders in addition to project sponsors.

For most of our recent NMTC transactions (we now have 50 in our portfolio) we have required the execution of a Community Benefits Agreement (CBA) as part of the overall transaction documents. It is an agreement between the CDE and the QALICB that defines specific expectations for community benefits stemming from the NMTC funding and creates accountability for the QALICB in that regard. Each CBA is unique to the project because the needs of each community vary as do the ability of a given project to meet those needs. In some cases the transaction requires that virtually all of the NMTC subsidy flows directly into the project as a way to mazimize benefits. In other cases it may be possible to use the subsidy to launch the project and then encourage use of future cashflows from the business to support efforts such as local work-force training initiatives, donation of land for affordable housing, etc. A recent example of a CBA covenant includes a requirement for the project sponsor to hire a third party forestry expert to provide audits to verify sustainable forestry practices on the property. A separate example includes a covenant in which the sponsor had to meet job creation targets or face a financial penalty. So long as they are not used as a "one-size-fits-all" tool, CBAs' can be an effective tool for clearly delineated expectations for community benefits and contractually obligating certain performance standards.

e) *Should the CDFI Fund implement measures to increase the transparency of CDE activities?*

CCML believes the Fund has already reserved this right with the ability to audit CDE's for compliance under each allocation agreement.

f) *If a CDE has a Controlling Entity, should the CDFI Fund require that the Controlling Entity of the CDE also meets community accountability requirements? If so, what requirements should be applied?*

CCML has a controlling entity in Coastal Enterprises, Inc. which already meets community accountability requirements as a CDFI. However, making community accountability mandatory for all controlling entities would be overreaching. The performance of the CDE should be the measure of accountability that matters because that is where program implementation occurs and real community benefits, or lack thereof, are demonstrated.

g) *Should CDE community accountability requirements differ for allocatee CDEs and non-allocatee CDEs?*

Allocatee CDE's should be following the guidelines of the New Markets program in this regard. In cases where allocatee CDEs sub-allocate or lend to non-allocatee CDE's those parties still retain the responsibility to seek community accountability through contractual agreement and implementation.

h) *Are there other ways in which CDEs can enhance their accountability to the Low-Income Communities in their respective service areas?*

As noted above (under 3.d), CCML has used its Working Partners Initiative, often incorporating a CBA as well, in several cases to join with local non-allocatee CDE's to identify needed community impacts and then remain in touch with the community through this working partner as the project is developed and during the 7-year compliance phase. This keeps focus with participants within the community. However, this is not possible in all cases because not all projects, especially those in rural areas, have a ready local working partner. In these cases CCML still uses its site visits and meeting with local civic and business leaders to determine project acceptance and further needs/wants of community leaders beyond the direct project sponsors.

To create further accountability through reporting the Fund may want to consider requiring a periodic (annual or longer interval) review of performance by the CDE's Advisory Board to be submitted to the CDFI as a record of ongoing vigilance by the CDE.

4. Transaction Costs *- The CDFI Fund has requested comments on whether additional.rules, restrictions, and requirements should be imposed related to fees and expenses charged by CDEs. Specifically:*

(a) Should there be greater disclosure of (and perhaps limitations on) the fees and other sources of compensation and profits that NMTC applicants propose and NMTC allocatees and their affiliates charge to or receive from the borrowers, investors or other parties involved in NMTC transactions?

No: current allocation applications require detailed disclosure and discussion of fee structures (Qs. 40-42 and Table F1 in Round IX Application). Fee requirements and the ability to create an adequate return to support operations vary by allocatee. The allocation format allows allocatees of different types to clearly explain their respective fee structures and how they are deployed to support the operation. This methodology allows the CDFI Fund to determine a range of expected fees and earnings potentials among allocatees along with thoughtful explanations. The CDFI Compliance Audit process then allows the CDFI Fund to check adherence to what was described in the applications.

As an example of variance in allocatee type, CCML must charge fees to operate the program during the full seven year compliance period and at least two years thereafter in order to satisfy current tax credit investor requirements. However, unlike a commercial bank or capital manager, CCML has no access to internal capital and cannot use that type of capital to replace fees with investment returns on its capital. Our fee structure has not changed significantly during the last eight years. Based on informal market studies of other NMTC allocatees' fee structures, CCML believes its fees to be at the average in the NMTC industry. As described in our allocation applications, we usually structure our fees evenly across the life of the transaction for several reasons: 1) it preserves QALICB cash at the time of the transaction when the business needs it most; and 2) we believe that it is important to share the risk with the QALICB during the compliance period. By deferring some of our fees to the back end of the transaction, we assure our investors and the QALICB that we are committed to long-term success. If the project is not successful, we do not receive the final portion of our fees.

However, as noted in responses to earlier questions, the program flexibility requires that each project be approached differently in order to make it work for all parties and to adequately manage risk. In very specific cases, (e.g. some not-for-profit sponsored projects or early-stage near venture investments) CCML has found it essential to have the structuring flexibility to accommodate working capital or longer term reserves.

Finally, it is very important to note that NMTC financed projects benefit from a reduction in the project's overall weighted cost of capital (a reduction on required debt service) in addition to incremental initial capital. All projects significantly and consistently benefit at the time of closing and most often management fees are collected from the operating income of the business during the seven-year compliance period or at the end when the credits are extinguished.

Where it has served QALICB's business objectives or non-profit purposes, CCML has and will continue to allow prepayment or reserving of periodic interest payments and longer term transaction fees.

(b) *Should such information be made available by applicants and allocatees directly or through the CDFI Fund to the public or remain excluded from disclosure as proprietary business information?*

As described under (a) the variance in allocatees and projects makes side-by-side comparison of fee structures extremely difficult and does not lend itself to simplified reporting. CCML is not in favor of public disclosure of fees by CDEs for this reason. However reporting industry averages and ranges would be informative and enforce peer group analysis and more process discipline.

(c) *Should the CDFI Fund provide an opportunity for CDEs that commit to limit fee and other forms of compensation to earn a higher score in the allocation award process? If so, please provide specific standards that could be used.*

No: for the reasons noted in (a) and (b) CCML does not support this approach. The Fund is able to review applications as a whole during the application process for each round. This allows analysis of fee trends and identification of outliers alongside detailed explanations for why fees are charged at certain levels. The current process allows a wide variety of allocatees to apply and does not pit, for example, banks against non-profits based on fee levels.

(d) *Are there specific administrative or regulatory changes that would reduce transaction costs while preserving public policy objectives and safeguards?*

Further clarification of the position surrounding true debt analysis, and substantially all compliance would help clarify investor risk and reduce structuring and legal costs. For example, a clear statement regarding "substantially all" compliance in the case of minor violations due to clerical errors in funds distribution that are cured within a short period of time would eliminate much of the concern regarding recapture risk if an amount as small as $1.00 of principal is distributed from a CDE to QEI investors. It seems a "reasonableness" standard here would help reduce the so called burden of "bullet-proofing" each transaction prior to closing against even very small errors that can be reversed in good faith.

Another suggestion is that given the significant negative impacts on many QALICB's from the recessionary and slow growth economy that has affected the nation for the last 5 years, allowing a one-time repayment and refinancing of the leverage funded debt portion of the QEI to allow leverage lenders to release and liquidate funds and to allow replacement of written down loans with more risk tolerant capital while preserving the overall credit flow on the basis of reasonable expectations would provide for restructuring activities that are typical of non-NMTC debt structures, keep capital within the low-income community, and allow many QALICBs to continue operating while giving commercial lenders the ability to manage balance sheet risk within industry standards.

5. Evaluation of Financial Products *- The CDFI Fund provides an opportunity for allocation applicants to earn a higher score in the Business Strategy section if the CDE commits to provide equity, equity equivalent financing, debt with below-market interest rates, or debt with certain flexible terms. The CDFI Fund has requested recommendations on best to evaluate the quality of a CDE applicant's financial products. Specifically:*

(a) Should the CDFI Fund use a defined Effective Annual Percentage Rate (EAPR) for purposes of the application and compliance measurement? Should the CDFI Fund alter the flexible rates and terms question to base the scoring preference on a basis point reduction from a market benchmark determined by the CDE (or a standard metric such as LIBOR) instead of a percentage? Should the benchmarks be raised?

(b) Are there specific administrative or regulatory changes that would facilitate the provision of specific financial products while preserving public policy objectives and safeguards?

Similar to CCML's responses under Questions 3 through 5 above, due to the welcome flexibility now inherent in the NMTC program, many types of projects are funded. This leads to a wide variation in capital types needed to support projects. These capital types are often described as occurring along a risk continuum where high risk projects such as business start-ups pay a higher "risk adjusted rate" for capital than later-stage lower risk projects where capital sources have more reliable measures of risk, and often asset valuations, that are also more reliable. Therefore, setting a benchmark would not be applicable to all projects. For example LIBOR or Prime rates are published and readily available, but by themselves are only applicable to highly rated credits. Spreads above or below LIBOR or Prime may be measured as basis points or full percentage points. Even in cases where a spread is set at 5% above LIBOR for example, these cases typically apply to well understood and often replicated asset classes. In the case of a start-up business or perhaps a non-profit in a severely distressed community, this type of benchmark may have no relevance at all. For the start-up, pricing may be related to current venture capital pricing strategies at best and subject to confidential bidding from a very small pool of independent investors in a worst case. For the non-profit there may be no other ready sources of capital outside of a capital campaign which typically brings in funds at zero cost that are not in any way related to risk of project failure.

The rate should be related to loan-to-value percentages (LTV) and seniority of the QLICI within the overall capital structure and the overall risk profile of the deal, as in classic financial theory. Products that offer 100% LTV require to be priced as a blend of equity, mezzanine and debt pricing.

For these reasons we believe the current practice of allowing allocation applicants to describe their funding sources and financial product offerings in their respective applications and then apply them in practice is the best approach. This gives the Fund an ability to judge among applicants in the application process and continue to test for compliance through audits. It would be counterproductive to stifle high risk investments by limiting rates and terms to a narrow range within a benchmark that may only be applicable to certain types of projects.

6. Use of Other Federally Subsidized Financing in Conjunction with NMTCs *– Some CDEs and NMTC investors are using federal financing tools (e.g., historic tax credits, Section 108 loan guarantees) to finance NMTC transactions. In some cases these federal financing tools have been used in addition to the Qualified Equity Investment (QEI), as part of a leveraged debt transaction, and in other cases at the project-level where a CDE uses NMTC financing and other federal financing products to complete a project. Currently, the only restriction against commingling of federal funds is that NMTCs may not be used in conjunction with Low Income Housing Tax Credits.*

(a) Should there be any additional restrictions in the allocation award process regarding the use of NMTCs with other sources of federally subsidized financing? If so, are there certain types of federal financing that should be disallowed? Should it matter whether the financing is made as part of the QEI investment (e.g., through the leveraged debt structure) or at the project level?

(b) Assuming that it is appropriate for any other source of federally-subsidized financing to be used in conjunction with NMTC investments, would it be prudent for the CDFI Fund to limit, as part of the allocation process, the overall amount of QEI dollars or project level investments that may be supported with other sources of federal financing?

(c) Are there specific administrative or regulatory changes that could facilitate the coordnation of other federally subsidized financing in conjunction with NMTCs while preserving public policy objectives and safeguards

CCML has participated in projects using Historic Tax Credits and Environmental Tax Credits, Energy grants, and HUD 108 and USDA loan guarantees. In these cases the added subsidy was critical to attracting capital to the project and allowing it to go forward. At this time we are not supportive of limiting the programs ability to attract capital by "twinning" it with other federal programs. The ability to leverage these has proven beneficial.

APPENDIX B - 2005 BRAC BASE LISTING SHOWING DIRECT JOBS LOST AND NMTC QUALIFIED AND NMTC "HIGHER DISTRESSED" TRACTS

			Jobs Lost*					
Base Name	Address	State	Military	Personnel	Contractor	Total	Qualified for NMTCs?	Higher Distressed?
Arlington Virigina Leased Space (11 sites consolidated inot one line)		VA	4,000	13,000	10,000	**27,000**	Y	
Army Reserve Personnel Center (ARPC)		MO	2,609	2,699	5,178	**10,486**	Y	Y
Brooks City Base		TX	1,446	1,201	749	**3,396**	Y	
Buckley Annex		CO	1,890	40	30	**1,960**		
Charles E. Kelly Support Facility		PA	174	136	-	**310**		
Fort Gillem		GA	511	570	-	**1,081**	Y	Y
Fort Lawton Army Reserve Complex		WA	53	54	-	**107**		
Fort McPherson		GA	2,881	2,204	746	**5,831**	Y	Y
Fort Monmouth		NJ	500	5,500	15,000	**21,000**		
Fort Monroe		VA	3,239	462	-	**3,701**	Y	
General Mitchell Air Reserve Station		WI	66	370	-	**436**		
Grand Forks Air Force Base		ND	1,224	290	286	**1,800**	Y	
Kansas Army Ammunition Plant		KS	-	8	328	**336**	Y	
Lone Star Army Ammunition Plant, Red River Army Depot and Watts-Guillot US Army Reserve Center		TX	2	945	329	**1,276**	Y	Y
Naval Air Station Brunswick		ME	4,900	700	120	**5,720**	Y	
Naval Air Station Joint Reserve Base Willow Grove		PA	968	679	5	**1,652**		
Naval Station Ingleside Electromagnetic Reduction Facility		TX	2,915	3,690	-	**6,605**		
Naval Station Pascagoula		MI	844	112	7	**963**	Y	Y
Navy Supply Coprs School		GA	115	188	250	**553**	Y	Y
Naval Support Activity		LA	1,310	603	63	**1,976**	Y	
Naval Weapons Station		CA	-	71	-	**71**		
Newport Chemical Depot		IN	1	15	660	**676**		
Onizuka Air Force Station		CA	9	150	200	**359**	Y	Y
Riverbank Army Ammunition Plant		CA	-	4	89	**93**		
Rock Island Arsenal		IL	-	1,540	-	**1,540**		
Selfridge Army Garrison		MI	-	-	-	**-**		
Umatilla Chemical Depot		OR	304	-	869	**1,173**		
Walter Reed Army Medical Center		DC	3,580	3,649	750	**7,979**		
* Source: Defense Community Profiles, November 2009		All	33,541	38,880	35,659	108,080		
			Military	*Personnel*	*Contractor*	*Total*		
	Qualified		23,090	23,132	18,256	64,478		
	Targeted Distress		6,971	6,868	6,710	20,549		