

107) How should an *Applicant* that expects to charge a fee as interest above what is required to service the *QLICI* debt report it in Table D2?

Applicants that will charge a fee as interest above what is required to service *QLICI* debt (i.e. the leveraged loan) should report it as an 'Ongoing Fee' and provide an 'Amount in Percent' total that reflects the total, in the aggregate, that will be charged over the seven year compliance period.

For example, an *Applicant* that expects to charge a fee as interest of 25 basis points per year over the 7-year compliance period, should select 'Ongoing Fee' as the fee type and report the 'Amount in Percent' as 1.75%. The *Applicant* should indicate in the 'Description' that the 'Amount in Percent' represents a 7-year total.

108) What is an NMTC transaction cost, and should those be included in Table D2?

NMTC transaction costs include legal, financial modeling/projections, audit, tax preparation, and accounting expenses. These should not be included in Table D2. However, they should be included in Table D3 and discussed in the response to Question 34(c).

Operating costs include impact assessments, Application preparation, loan servicing, and asset management, even if these activities are performed by third parties. These fees should be included in both Tables D2 and D3, as well as the narrative responses to Question 34 (b). For example, if the upfront fee includes the *Applicant's* costs related to Application preparation, due diligence and underwriting, these costs should be included in Table D2 and described in Q. 34(b). The same applies for on-going and back-end fees.

The *Applicant* should be sure to differentiate its transaction costs from its operating costs. For example, if the *Applicant's* upfront fee includes Application preparation and financial forecasting, the *Applicant* should be sure to include in Table D2 and explain in Q. 33(b) the amount of upfront fees related to Application preparation (operating costs). Transaction costs should be excluded from Table D2 and Q. 33(b). In Q. 33(c), the *Applicant* should differentiate operating costs from transaction costs, even if both activities are covered within a fee. For example, if the ongoing fee includes loan servicing and annual audits, the *Applicant* should explain in Q. 33(c) the amount of fees related to loan servicing (operating costs) separately from the costs related to annual audits (transaction costs).

109) How should *Applicants* complete Question 34(c) and Table D3?

Table D3 asks *Applicants* to complete a multi-year operating budget for administering their requested *NMTC Allocation*. *Applicants* are asked to detail the sources of income and the expenses associated with administering the requested *NMTC Allocation*. In completing Table D3, *Applicants* should be sure to include all of the costs associated with sustaining its NMTC line of business (including both transaction and operating costs), and have identified all sources of income attributable to its NMTC line of business.

In Question 34(c), *Applicants* should clearly explain the assumptions that underlie their entries in Table D3. The *Applicant* should provide details on the key expenses and sources of income. If the *Applicant* will be receiving income by retaining a portion of the capital at the investment fund level and/or *QEI*, receiving fees or other form of compensation from the *QALICB/project sponsor*, the type